

# ANNUAL REPORT 2023



**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 25 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 5 offices located in Dhaka, Chattogram, Sylhet 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

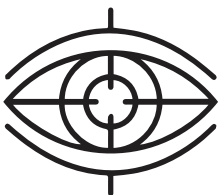
### BUSINESS LOCATION

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

# 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

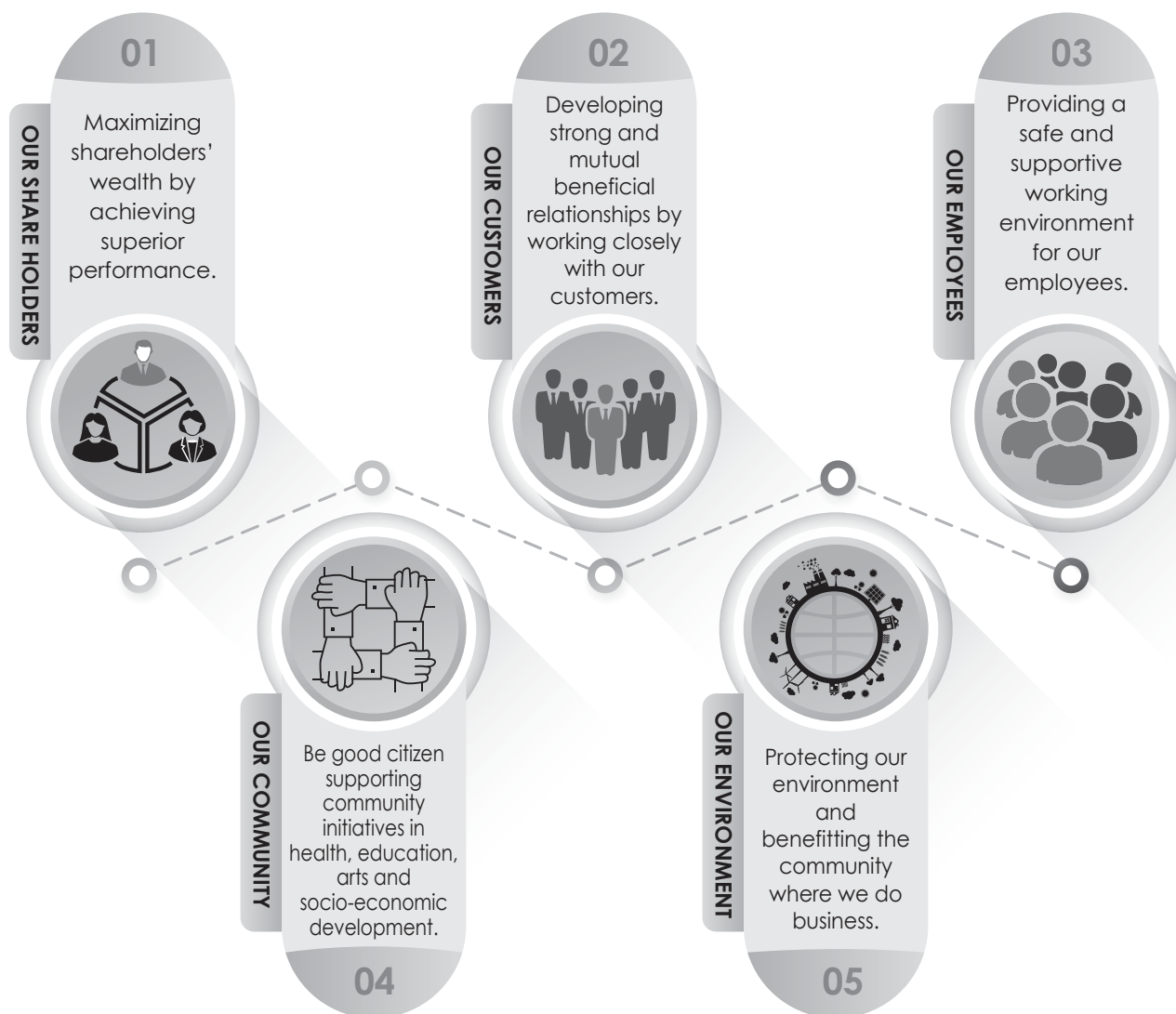
- Make a positive impact;
- Build for the future;
- Inspire the 'will to win';
- Work effectively in teams;
- Live transparency;
- Show excellent judgement;
- Demonstrate unwavering integrity

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 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.



# 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.

## 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.

## 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.

## 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.

## 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.

## 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.

...Seven  
Core value  
drives UCL employees and  
management in delivering  
results to our shareholders,  
client and the community we  
operate in. Pursuing and living up  
to these values is a  
responsibility we take  
great pride in.

...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

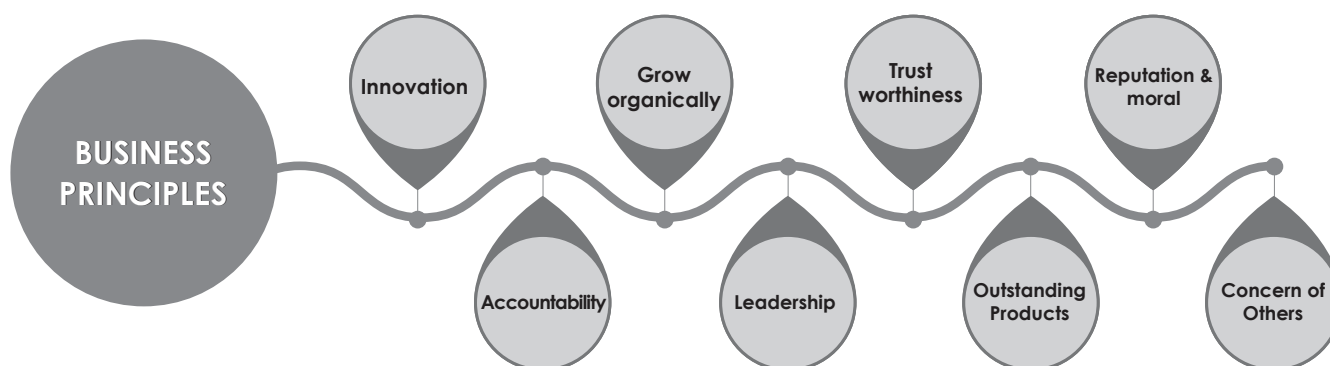
## The roadmap on how UCL operates and why we make our decision

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.



#### 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.

### 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 envelop 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 are 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 (M Plus)
- Marriage Deposit
- Monthly Saving Scheme (MSS)
- Profit First Deposit
- Home Planning Deposit
- Education Deposit
- Women Entrepreneur Deposit



# BUSINESS REVIEW

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# STATEMENT FROM THE CHAIRMAN



“

***We are hopeful, since legal proceedings against few of those large clients are in final stage for judgment under the respective Court. We are expecting positive impact in coming years by recovering a mentionable sum of amount from the defaulter clients which will reduce existing high NPL ratio and also meet up our liquidity crisis in some extend***

”

**Dear Shareholders,**

Assalamu Alaikum.

I extend a warm and gracious welcome to all our esteemed shareholders to the 26th 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 ending on 31 December 2023 along with the Auditors' report for the year.

The overall situation for the Financial Sector became worsen than earlier few years. Specially, NBFI Sector is certainly faced even more challenges in the year 2023. Most of the NBFIs depends on Banks for considerable amount of fund flow. This huge dependency on bank borrowing & bank deposit has landed NBFI sector into severe crisis as Banks are unwilling to extend fund to NBFI sector. Most of the NBFI's passed difficult time with liquidity issues, increasing classified loans, rising NPL rate, poor performance of Stock Market, high cost of deposit and withdrawal of funds by the Banks from NBFI's etc. were the noteworthy challenges, the industry faced during the year under review. Higher provisioning requirements from rising classified loans have eroded the profitability of the sector to some extent.

Now let's look towards the overall performance of Union Capital Limited. In 2023, like most other Finance Companies, UCL passed through another challenging year as similar as last few years. Continuation of lack of trust of depositors to deposit their money in NBFI sector, rising of Non-Performing Loan (NPL) rate, poor performance of stock market, increasing high cost of deposit and withdrawal of funds by the Banks from Finance Company etc. were the significant challenges that we faced during the year under review. Moreover, the bearish state of the Capital Market has further deteriorated profitability from Capital Market operation. UCL has been facing tremendous challenges since 2020, as regular installment/rental collection from existing loan/lease accounts has drastically fallen due to

Covid-19 and post pandemic situation and also for the impact of Russia-Ukraine war on worldwide economy for last couple of years. As a result, Non-Performing Loan increased significantly for which UCL kept substantial amount of provision to comply with the regulatory guideline of Bangladesh Bank. Deposit has not been mobilized yet from mid of 2019, due to declining confidence of depositors on NBFI sector resulting from the news of liquidation of one of the NBFI's and financial scams of few other NBFI's. Besides, UCL didn't get any credit facility from Banks since the mid of 2018. As such, fresh lending is totally halted for extreme liquidity crisis.

In 2023, consolidated net loss of the Company was reported as Tk. 6,069.70 million with a negative EPS of Tk. 35.17 per share, as against net loss of Tk. 2,062.35 million with a negative EPS of Tk. 11.95 in 2022. Consolidated loss has been increased from the same period of previous year, mainly due to:

- i) maintaining additional provision for classifying the loan outstanding lying with UniCap Investment Limited;
- ii) decreasing of other operating income resulting for less recovery from written off clients;
- iii) increasing provision requirement for down gradation of non-performing loans;
- iv) decreasing interest income due to down gradation of non-performing loans; and
- v) decreasing brokerage commission due to sluggish trend in capital market.

Since mid of 2019, we are not leading any fresh lending, due to extreme liquidity crisis. We are prioritized to meet up the unprecedented Term Deposit Receipt (TDR) encashment demand of the depositors as well as to pay off the bank liabilities. We are also prioritized to recovery from the written off loan/lease accounts and the Management of the Company has extended its all-out efforts and applied all the conventional and non-conventional approach to recovery from the written off accounts. In 2023, total Tk. 38.18 Crore was collected from classified and written off loan/lease accounts by selling of mortgaged property/ vehicles and also selling of pledged shares against the loan/lease accounts.

Though, we are not in a position to deliver any good news at this moment but we are confident to overcome these adverse situation by ensuring our all-out efforts and expecting to give you some success stories and achievement in near future. You will be happy to know that during the first half of 2024, UCL has already recovered Tk. 33.21 crore from classified and

written off accounts and also expecting to recover additional Tk. 35 crore in the second half of 2024 by settling few more classified and written off loan/lease accounts. Moreover, all sorts of legal measures have been taken by the Management to recover from the defaulters clients specially from the large corporate clients. We are hopeful, since legal proceedings against few of those large clients are in final stage for judgment under the respective Court. We are expecting positive impact in coming years by recovering a mentionable sum of amount from the defaulter clients which will reduce existing high NPL ratio and also meet up our liquidity crisis in some extend to repay depositors encashment demand. I would like to thank our depositors for their long patience and faith to us. We are also planning to resume fresh lending business in small scale by the end of 2024.

I admit that next few years ahead might be more challenging for UCL but we have confidence and all faith to our dedicated Management team to overcome this adverse situation. We are committed to utilize all sorts of resources and strategy to regain our hard earned reputation by return back to profitability again.

I convey my sincere appreciation to my colleagues in the Board of Directors for their supervision, guidance and foresight which showed us right path and helped us in overcoming challenges that our Company faced over the years. We are grateful to regulators especially Bangladesh Bank for their constant support and prudent guidance all the way. I take this opportunity to thank our regulators, Bangladesh Bank, Bangladesh Securities and Exchange Commission and the Stock Exchanges for their continued guidance and support extended to us.

I conclude by reiterating my appreciation to all the shareholders of the Company who have taken the time and 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 26th Annual General Meeting which will contribute towards UCL's improvement in the coming days.

Wishing you the best,



**Munshi Shafiul Haque**  
Independent Director  
and Chairman

# LETTER FROM THE MANAGING DIRECTOR & CEO



***“UCL is always committed to serve its customers well and increase efficiency of its employees. We have a good team of professionals who have been involved in the delivery of quality and value added services to our customers***

***”***

## **Dear Shareholders & Stakeholders,**

Assalamu Alaikum.

It is a great pleasure for me to welcome you all to the 26<sup>th</sup> Annual General Meeting of Union Capital Limited “UCL” scheduled to be held on 10 September 2024. At the very beginning I wish you all of you with sound health and happiness. I would also like to express my heartfelt gratitude and regards to all of you for your continued support, inspiration and strength that help us towards moving forward despite facing enormous challenges throughout the year 2023, likely preceding few years.

I take the privilege to inform you all that UCL has been doing its business for last 26 years since 1998. During this glorious journey, UCL has been recognized as a reputed and compliance finance company by ensuring complete customer satisfaction.

In 2019, for the very first time, UCL experienced financial loss in its history which continues till date. UCL also experienced the consequences of non-confidence of its depositors and other lenders. Consequently, UCL could not 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 with highest priority.

In 2023, the Company registered net loss after tax as Tk. 6,069.70 million, compared to 2,062.35 million in 2022. Consolidated earnings per share was stood as Tk. (35.17) per share as against Tk. (11.95) of previous year. Consolidated EPS has been decreased from previous year due to additional provision for classifying the loan outstanding balance lying with Unicap Investments Limited, decreasing of other operating income resulting for less recovery from written off

clients, decreasing of interest income due to down gradation of non-performing loans and also decreasing of brokerage commission due to sluggish trend in capital market.

Total outstanding balance of loans, advances and leases as on 31 December 2023 was Tk. 12,354.24 million against Tk.12,996.13 million in 2022. In 2023, UCL's total loan, advance and lease has been decreased 4.94 percent compared to previous year. Total outstanding loan from banks and other financial institutions as at 31 December 2023 was 2,915.68 million compared to Tk. 3,210.59 million in 2022. During the year 2023, total Tk. 344.86 million was repaid against loan taken from banks and other FI's.

Rate of Non-performing loans, advance and leases was 86.94 percent in 2023 as against 47.45 percent in 2022. Adequate provision has been made against the classified loan/lease accounts as per Bangladesh Bank Guidelines. UCL has maintained total provision of Tk. 6,829.60 million against classified loans, advanced and lease as on 31 December 2023 compared to Tk. 2,028.17 million of previous year. UCL invested in diversified listed securities and the amount of investment was Tk. 531.99 million as on 31 December 2023 which was Tk. 547.59 million in 2022.

UCL always strives for mobilizing funds for longer term perspective. Under the current financial scenario of UCL, it is difficult to mobilize new deposit and new banks facilities that were stopped since 2019. As on 31 December 2023, total outstanding amount of deposit was Tk. 8136.76 million compared to Tk. 8318.25 million in 2022. Interest on deposits and borrowings amounting Tk. 371.63 million was paid during 2023.

The year 2024 is expected to be another challenging year for UCL. We recognize number of challenges, which includes high interest against bank loan, slow recovery, instability in capital and money market, changing law and order situation. Apart from these,

we have to encounter with the rising of deposit interest rate, declining investment and liquidity shortages within banking sector. However, we have professionals having managerial talents and perhaps most importantly, we have a hard earned reputation as one of the top service providers in our industry. We are confident that with the proper guidance and support of the Board of Directors, the Company will turn around in near future and back in profitability again.

UCL is always committed to serve its customers well and increase efficiency of its employees. We have a good team of professionals who have been involved in the delivery of quality and value added services to our customers. We are maintaining a compliance culture to eliminate deviations in regards to regulations of Bangladesh Bank, laws of the land and industry best practices to safeguard the interest of the Company and its Stakeholders.

Last of all, I would like to thank our employee for facing the challenges amid many adversities during the year under review. UCL is always committed to serve our valued customers with utmost professional maintaining highest level of ethical standard. 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. I also thank to Bangladesh Bank, BSEC, DSE, CSE, RJSC, Banks, other regulatory authorities for their continuous 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,



**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 59 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 2023. This should be read in conjunction with our consolidated financial statements for the year ended 31 December 2023. 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 Financial Reporting Council (FRC), the circulars and directives issued by the Bangladesh Bank, the Securities and Exchange Rules 1987, Finance Company Act 2023, 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 5 offices located in Dhaka, Chattogram, Sylhet 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 2023 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 2023, 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 2023.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting in 2023 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, HUSSAIN FARHAD & 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 litigations is inherent in Company's operations**

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

#### **The Company is exposed to the risk of changes in tax legislations and its interpretations**

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 probabilities of the Company. Revisions to tax legislations or its interpretations might also affect Company's results in future.

#### **Challenges faced in 2023**

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

#### **Accounting Policies and estimation for preparation of financial statements**

The financial statements are prepared in conformity with International Financial Reporting Standards (IFRSs) which 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. The estimates and underlying assumptions are reviewed on a regular basis. Information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies that have the most significant effects are included in the "Notes to the financial statements".

#### **Changes in Accounting policy and estimate**

UCL selects and applies its accounting policies consistently for similar transactions, other events and conditions, unless an IFRS requires or permits categorization of items for which different policies may be appropriate. During the year 2023 the company has not adopted any change in accounting policies and estimates.

#### **Comparative analysis of financial performance or results and financial position:**

A summary of five years' financial performance or results has been shown in Annexure - A.

#### **Comparison of financial performance or results and financial position as well as cash flows with the peer industry scenario**

A Comparison of financial performance or results and financial position as well as cash flows with the peer industry scenario has been shown in Annexure - B.

#### **Major Financial indicators of 2023**

Major performance indicators in 2023 were as under:

- Investment of the Group decreased to Tk. 12,886.23 million from Tk. 13,543.73 million of previous year which

resulted negative growth of (4.85) percent mainly due to liquidity crunch and overall global as well as national economic recession UCL has not landing its business in the form of new disbursement;

- Consolidated net profit/(loss) for the year was Tk. (6,069.70) million as against Tk. (2,062.35) million of 2022 mainly due to increase of required provision against Loans, Advances and Leases for classify the loan outstanding lying with UniCap Investments Limited, transfer of interest income to suspense's account against SMA and Non-Performing Loan Account;
- Customers deposits amounting Tk. 8,156.50 million in 2023 and 8,478.59 million of 2022;
- Shareholders' equity was Tk. (8,806.07) million in 2023 and (2,736.37) million in 2022;
- Total operating income was Tk. (290.77) million as against Tk. (311.67) million of 2022;
- A consolidated earnings per share was Tk. (35.17) as against Tk. (11.95) of 2022.

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

Figures in million Taka

For the year ended 31 December	2023	2022	% of increase/ (decrease)
Revenue from loans, advances and leases	369.36	418.34	(11.71)
Revenue from Capital Market activities	36.49	23.18	57.40
Fee based income	79.77	150.12	(46.86)
Other operating income	28.04	28.14	(0.35)
<b>Total revenue</b>	<b>513.67</b>	<b>619.78</b>	<b>(17.12)</b>
Financial expenses	804.44	931.46	(13.64)
Management expenses	254.87	275.87	(7.61)
Provision for doubtful losses & investments	5,494.96	1,439.44	281.74
<b>Total expenses</b>	<b>6,554.27</b>	<b>2,646.78</b>	<b>147.63</b>
<b>Profit before tax</b>	<b>(6,040.60)</b>	<b>(2026.99)</b>	<b>(198.01)</b>
Provision for taxation	29.10	35.36	(17.70)
<b>Net profit after tax</b>	<b>(6,069.70)</b>	<b>(2,062.35)</b>	<b>(194.31)</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	2023		2022	
	Amount	%	Amount	%
Income from lease finance	54.11	14.65	59.79	14.29
Income from term finance	226.52	61.33	275.92	65.96
Income from SME finance	21.84	5.91	16.48	3.94
Income from margin loan	59.79	16.19	60.25	14.40
Interest on bank deposits	7.05	1.91	5.74	1.37
Income from other finance	0.05	0.01	0.16	0.04
<b>Total</b>	<b>369.36</b>	<b>100.00</b>	<b>418.34</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 81.89 percent of total revenue earned by the Company during 2023 (2022: 84.19 percent).

#### Total Operating Expenses

(Figures in million Taka)

For the year ended 31 December	2023	2022	% of increase/ (decrease)
Financial expenses	804.44	931.46	(13.64)
Management expenses	254.87	275.87	(7.61)
Provision for doubtful losses	5,494.96	1,439.44	281.74
<b>Total expenses</b>	<b>6,554.27</b>	<b>2,646.78</b>	<b>147.63</b>

## Financial expenses

In 2023 financial expenses have been decreased by 13.64 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 12.27 percent of total expenses (2022: 35.19 percent). In 2023 financial expenses was 156.61 percent of total revenue (2022: 150.29 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 decreased by 7.61 percent to Tk. 254.87 million in 2022 (2022: Tk. 275.87 million). During 2023, management expense was 49.62 percent of total revenue as against 44.51 percent in 2022.

## 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. 5,494.95 million has been provided compared to Tk. 1,439.44 million in 2022.

## Financial Condition Review

(Figures in million Taka except percentage)

Assets and Investments	2023	2022	% of increase/(decrease)
Loans, advances and leases	12,354.24	12,996.13	(4.94)
Investment in securities	531.99	547.59	(2.85)
Fixed assets	412.71	437.34	(5.63)
Cash & cash equivalent	1,463.90	1,342.79	9.02
Other assets	1,207.75	1,190.14	1.48
<b>Total assets and investments</b>	<b>15,970.59</b>	<b>16,513.99</b>	<b>(3.29)</b>

Shareholders' equity and liabilities	2023	2022	% of increase/(decrease)
Shareholders' equity	(8,806.07)	(2,736.37)	(221.82)
Deposits	8,156.50	8,478.59	(3.80)
Borrowings from banks and NBFIs	2,915.68	3,210.59	(9.19)
Provisions and others liabilities	13,704.47	7,561.18	81.25
<b>Total shareholders' equity &amp; liabilities</b>	<b>15,970.59</b>	<b>16,513.99</b>	<b>(3.29)</b>

## Loans, advances and leases

Total outstanding balance of loans, advances and leases as at 31 December 2023 was Tk. 12,354.24 million against Tk. 12,996.13 million in 2022. Outstanding balance of loans, advances and leases as on 31 December 2023 and 2022 was as under:

(Figures in million Taka except percentage)

Particulars	2023		2022	
	Amount	%	Amount	%
Lease finance	1,280.92	10.37	1,382.16	10.64
Term finance	5,265.76	42.62	5,524.65	42.51
Home Loan	272.74	2.21	274.43	2.11
Margin loan	5,499.52	44.52	5,778.49	44.46
Other finance	35.30	0.29	36.40	0.28
<b>Total</b>	<b>12,354.24</b>	<b>100.00</b>	<b>12,996.13</b>	<b>100.00</b>

In 2023, our total loans, advances and leases decreased by 4.94 percent compared to 2022. 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/FIs, 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. 531.99 million as on 31 December 2023 which was Tk. 547.59 million in previous year.

## Non-performing loans, advances & 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.

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.

Non-performing loan/leases of Union Capital Limited in 2023 and 2022 was as follows:

(Figures in million Taka except percentage)

Particulars	2023			2022		
	Outstanding	NPL	NPL %	Outstanding	NPL	NPL %
Loan/Lease finance	11,897.80	10,305.10	82.44	12,105.54	5,431.92	42.38
SME finance	577.24	562.34	4.50	686.52	649.59	5.07
Other finance	25.53	0.64	0.01	25.06	-	-
<b>Total</b>	<b>12,500.57</b>	<b>10,868.09</b>	<b>86.94</b>	<b>12,817.12</b>	<b>6,081.51</b>	<b>47.45</b>

Rate of non-performing loans, advances and leases was 86.94 percent in 2023 as against 47.45 percent of 2022. Adequate provision has been made against the classified loan accounts as per Bangladesh Bank guidelines. UCL's recovery policy is in place and there has been a rigorous monitoring process to recover the classified loan/lease including litigation. The Management has been continuously following up the status of litigation and possible outcomes in liaison with

external and internal lawyers on order to strengthen recovery.

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

The following table summarizes the allocation of the provision and interest suspense against loans, advances and leases of Union Capital Limited as of 31 December 2023 and 2022:

(Figures in million Taka)

Particulars	2023					2022				
	Provision for NPL	Interest suspense	Total	NPL	% of coverage	Provision for NPL	Interest suspense	Total	NPL	% of coverage
Lease finance	410.38	147.92	558.30	828.79	67.36	473.46	162.20	635.66	1002.11	63.43
Term finance	6,419.23	2,523.57	8,942.80	10,039.30	89.08	1,554.71	626.06	2,180.76	5,079.40	42.93
<b>Total</b>	<b>6,829.60</b>	<b>2,671.49</b>	<b>9,501.10</b>	<b>10,868.09</b>	<b>87.42</b>	<b>2,028.17</b>	<b>788.26</b>	<b>2,816.42</b>	<b>6,081.51</b>	<b>46.31</b>

Union Capital Limited has maintained total provision of Tk. 6,829.60 million against classified loans, advances and leases as of 31 December 2023 compared to Tk. 2,028.17 million of last year. Provision against classified loan has been increased significantly by 236.74 percent compared to 2022 mainly for classify the loan outstanding lying with UniCap Investments Limited (a wholly owned subsidiary of

Union Capital Limited). 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 2023 coverage was 87.42 percent compared to 46.31 percent of 2022.

### 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 Department at the corporate level are fixed as under:

- Identification of weakness/potential default/ incipient sickness in the account at an early stage;
- Initiation of suitable and timely corrective actions for preventing impairment in credit quality, whenever signals are noticed in any account, e.g. decline in credit rating, delay in servicing of rentals/installments etc;
- Prevention of slippage in the asset classification through a vigorous follow up;
- Identification of suitable cases for restructuring/ rescheduling;
- 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.

### 2023 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. 13,001.94 million at 31 December 2023, whereas Tk. 16,699.15 million in 2022. The table below provides a breakdown of our RWA by risk type.

### Risk-Weighted Assets (Consolidated)

(Figures in million Taka)

As at 31 December	2023	2022
Credit risk	12,284.74	14,752.71
Market risk	717.20	765.82
Operational risk	-	1,180.62
<b>Total RWA</b>	<b>1,3001.94</b>	<b>16,699.15</b>

### Basel II Regulatory Capital (Consolidated)

(Figures in million Taka)

As at 31 December	2023	2022
Tier 1 Capital	(8,806.07)	(2,736.37)
Tier 2 Capital	161.46	210.91
<b>Total regulatory capital</b>	<b>(8,644.61)</b>	<b>(2,525.46)</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. (8,806.07) million as at 31 December 2023.

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 2023 was Tk. (8,644.61) 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	2023	2022
Tier 1 Capital Ratio	(67.73)	(16.39)
Tier 2 Capital Ratio	1.24	1.26
<b>Total Capital Ratio</b>	<b>(66.49)</b>	<b>(15.12)</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 (66.49) 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 2023 was Tk. 2,915.68 million compared to Tk. 3,210.59 million in 2022. Interest on bank loans is paid on monthly/quarterly basis as per terms of loan arrangements. During the year 2023 Tk. 344.86 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 and received JICA fund under the refinancing scheme.

### **Treasury Operation**

In order to minimize the asset-liability mismatch, UCL always strives for mobilizing funds for longer term perspective. Under the current financial scenario of UCL, it is difficult to mobilize new deposit and new banks facilities that were stopped since 2019 also. As at 31 December 2023, total outstanding amount of term deposit was Tk. 8,136.76 million compared to Tk. 8,318.25 million in 2022. Interest on deposits and borrowings amounting to Tk. 371.63 million was paid during the year 2023 as against Tk. 537.37 million in 2022. The Company offers different deposit products which is available on page - 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 positive net cash flow from its operating activities during the year 2023. Net cash generated from operating activities was Tk. 378.14 million which was Tk. 230.41 million in previous year.

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

Net cash generated from investing activities were Tk. 30.23 million mainly due to sale of securities. During the year, a total amount of Tk. 85.41 million (2022: Tk. 248.67 million) has been invested for purchase of listed securities while total sale of securities was Tk. 121.52 million (2022: Tk. 301.28 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. 287.26 million was repaid to banks and financial institutions while no fresh loans from banks and financial institutions was injected.

### **Financial and economic scenario of the country**

Details of discussion of financial and economic scenario of the country has been described in Directors Report 2023.

### **Future plan or Projection**

2024 is expected to be another challenging year for our economy and UCL group as well. We recognize a number of challenges, which includes increased competition, and slow recovery due to adverse investment climate, instability in capital & money market. Because of involvement of banks in leasing business, competitiveness in leasing has been intensified further. We have professionals with profound managerial talents and perhaps most importantly, we have a hard earned reputation as one of the top service providers in our industry. We are confident that we have the right team and the strategy in place to achieve our goal.

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

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

### **Regulations**

UCL has been operating under the license from Bangladesh Bank. Our operations are subject to regulation, inspection, and supervision. This supervision and regulation is intended primarily to bring financial discipline in the functioning of NBFIs and for the protection

of the depositors. We are required to provide reports 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 the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have been concluded. The Twenty-Six Annual General Meeting will be held on 10 September 2024. All the Shareholders are invited to attend the forthcoming Annual General Meeting of the Company.

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-Six 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 in the Annual Report to represent the original shareholder in the meeting and vote on his/her/their behalf in case of preoccupation or otherwise.

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

The Company maintains a corporate website [www.unicap-bd.com](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 five 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

Annexure - A

## OPERATING PERFORMANCE

(Figures in million Taka except ratios and per share data)

Particulars	2023	2022	2021	2020	2019
Operating revenue	513.67	619.78	938.03	1,562.36	1,719.72
Operating profit	(290.77)	(311.67)	(178.34)	(133.80)	(514.69)
Profit before tax	(6,040.60)	(2,026.99)	(1,326.93)	(425.64)	(1,014.56)
Net profit after tax	(6,069.70)	(2,062.35)	(1,385.59)	(532.37)	(1,057.39)
Earnings per share (EPS)	(35.17)	(11.95)	(8.03)	(3.08)	(6.13)
<b>STATEMENT OF FINANCIAL POSITION</b>					
Current assets	2,429.40	2,825.46	3,093.02	4,913.30	6,588.21
Total assets	15,970.59	16,514.00	16,949.55	17,097.57	18,210.49
Property, plant and equipment	412.71	437.34	430.34	467.81	457.78
Net current assets	(8,596.80)	(8,093.67)	97.89	24.00	200.97
Long term liabilities	13,750.46	8,331.23	12,699.26	9,405.02	10,451.87
Current liabilities	11,026.20	10,919.13	2,995.13	4,889.29	6,387.24
Total liabilities	24,776.66	19,250.37	17,623.57	16,386.00	16,966.55
Shareholders' fund	(8,806.07)	(2,736.37)	(674.02)	711.57	1,243.94
Capital employed	4,944.39	5,594.86	13,954.41	12,208.28	11,823.25
<b>PROFITABILITY AND OTHER FINANCIAL RATIOS</b>					
Gross operating margin ratio (%)	(78.72)	(74.50)	(28.36)	(11.43)	(31.94)
Earning before interest, depreciation and tax	(5,202.32)	(1,060.02)	(172.07)	1,316.11	1,239.74
Price earnings ratio (Times)	(0.25)	(0.83)	(1.23)	(2.72)	(1.03)
Current ratio (Times)	0.22	0.26	1.03	1.00	1.03
Return on capital employed (%)	105.17	120.95	(7,380.01)	(54.45)	(59.65)
Debt/Equity (Times)	(0.17)	(0.64)	(2.39)	2.37	1.21
Financial expense coverage (Times)	0.64	0.67	0.84	0.92	0.77
Net profit margin (%)	(1,181.64)	(332.75)	(147.71)	(34.07)	(61.49)
Rate of dividend (%)	-	-	0	-	-
Operating expense to operating revenue (%)	(1,181.64)	(332.75)	(147.71)	(34.07)	(61.49)
<b>BUSINESS RATIOS</b>					
Statutory liquidity reserve ratio (%)	13.28	11.49	10.22	12.87	26.45
Cash reserve ratio (%)	1.55	1.57	1.71	1.60	3.63
Net interest income as a % of working funds	(3.52)	(3.95)	(3.65)	(3.95)	(4.45)
Cost/Income ratio (%)	(87.65)	(88.51)	(160.91)	(211.43)	(75.04)
Return on average assets (%)	(37.37)	(12.33)	(8.14)	(3.02)	(5.30)
Net asset value per share	(51.03)	(15.86)	(3.91)	4.12	7.21
Profit/(Loss) per employee	(42.45)	(13.31)	(8.71)	(3.02)	(4.60)
Capital adequacy ratio (%)	(66.49)	(15.10)	-2.26	5.12	7.93
Operating profit as a percentage of working funds	(2.35)	(2.40)	(1.34)	(1.01)	(3.68)
Dividend cover ratio (Times)	(35.17)	(11.95)	(8.03)	(3.08)	(6.13)
Non-Performing Loans to Total Loans (%)	86.94	47.45	27.32	11.00	16.97
<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	1,725.74	1,725.74
Number of shares	172.57	172.57	172.57	172.57	172.57
Shareholders' equity	(8,806.07)	(2,736.37)	(674.02)	711.57	1,243.94
Year end market price	8.90	9.90	9.90	8.40	6.30
Market capitalization	1,535.91	1,708.48	1,708.48	1,449.62	1,087.22
Market value addition	10,341.98	4,444.85	2,382.50	738.05	(156.72)

Annexure - B

## COMPARISON OF FINANCIAL PERFORMANCE OR RESULTS AND FINANCIAL POSITION AS WELL AS CASH FLOWS WITH THE PEER INDUSTRY SCENARIO

(Figures in million Taka)

Particulars	UCL	IPDC	IFIL	CVC Finance	Meridian Finance
Loans, advances and leases	12,354.24	70,571.24	10,752.69	3,791.44	3,222.73
Deposits and other accounts	8,156.50	60,177.04	8,791.62	1,449.89	2,408.73
Shareholders' fund	(8,806.07)	6,751.51	1,743.31	(399.77)	380.50
Net Asset Value per share	(51.03)	18.19	12.42	(3.33)	3.17
Net profit after tax	(6,069.70)	342.96	(230.23)	(1,313.30)	(657.38)
Earnings per share (EPS)	(35.17)	0.92	(1.64)	(10.93)	(5.48)
Net cash generated from operating activities	378.14	221.40	(53.82)	884.31	263.51
Net operating cash flows per share	2.19	0.60	(0.38)	7.36	(2.20)

# 2023 SOCIAL INDICATORS

Particulars	2023	2022
-------------	------	------

## Staffing level

Management Cadre	36	32
Non Management Cadre	24	29
Support Staff	12	14

## Total Work force

Male	66	69
Female	06	06

## Average age of employees

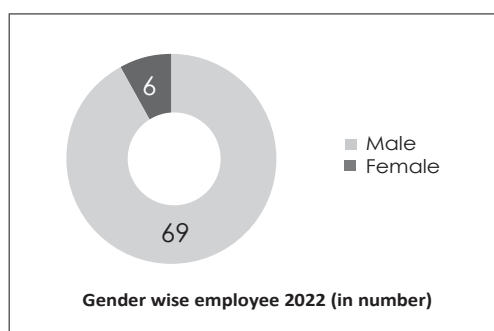
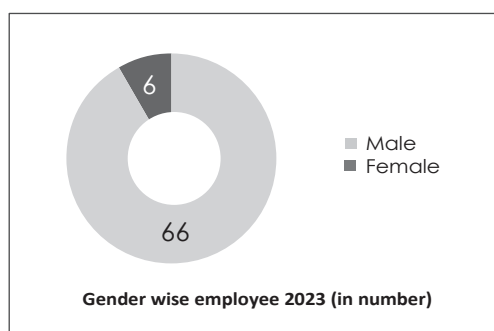
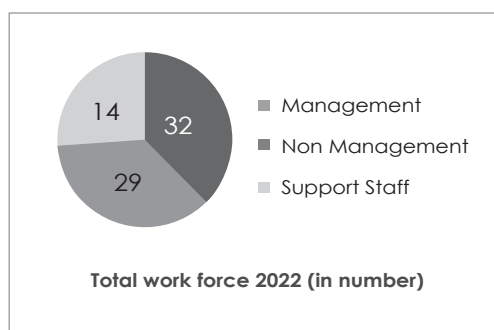
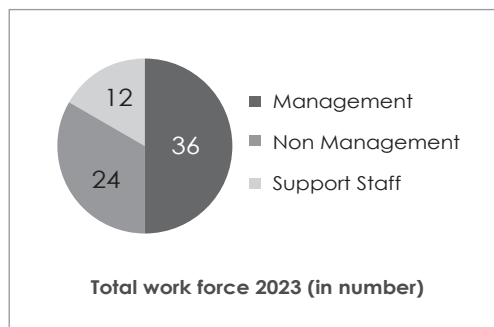
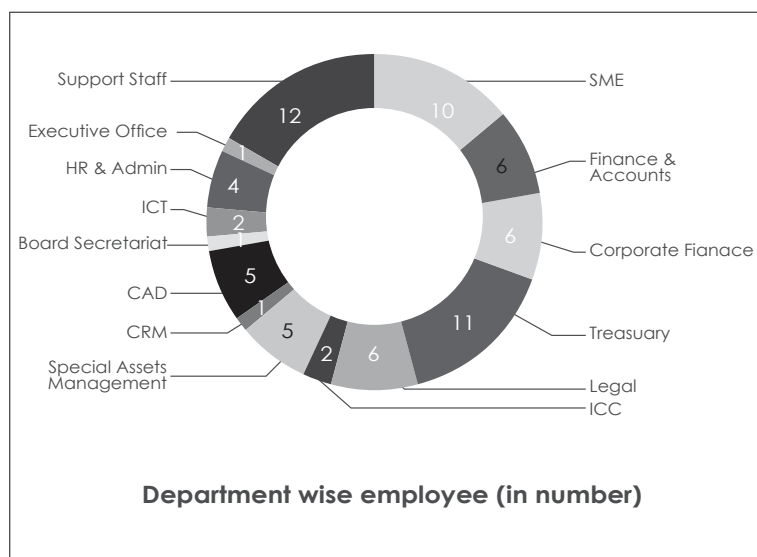
Management Cadre	41.22	40.72
Non Management Cadre	36.91	35.61
Support Staff	37.44	38.20

## Change in Staffing level

Total employee at beginning	75	83
Recruitment during this year	04	11
Departures (retirement/resignation)	06	19
Changes during the year	72	75

## Training

Average number of days in training per employee	0.35	0.34
% of employees who participated in at least one	83.33	81.33
No. of employees who participated in at least one training program during the year	60	61
No. of training programs participated by employees during the year	21	19



# 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.





# 2024 KEY PRIORITIES

## Outlines important actions for achieving strategic goals

At the beginning of the year 2024, 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 2024. 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.

### Process Improvement

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

### 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.

## 2024 KEY PRIORITIES

Strengthening  
our Value  
Proposition

Process  
Improvement

Consolidating  
UCL and its  
Subsidiaries

Driving for  
Low Cost  
term deposit

Recovery from  
defaulter clients

Reduce the  
controllable  
expenses

*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.*

# GOVERNANCE AND RISK MANAGEMENT

## In This Section

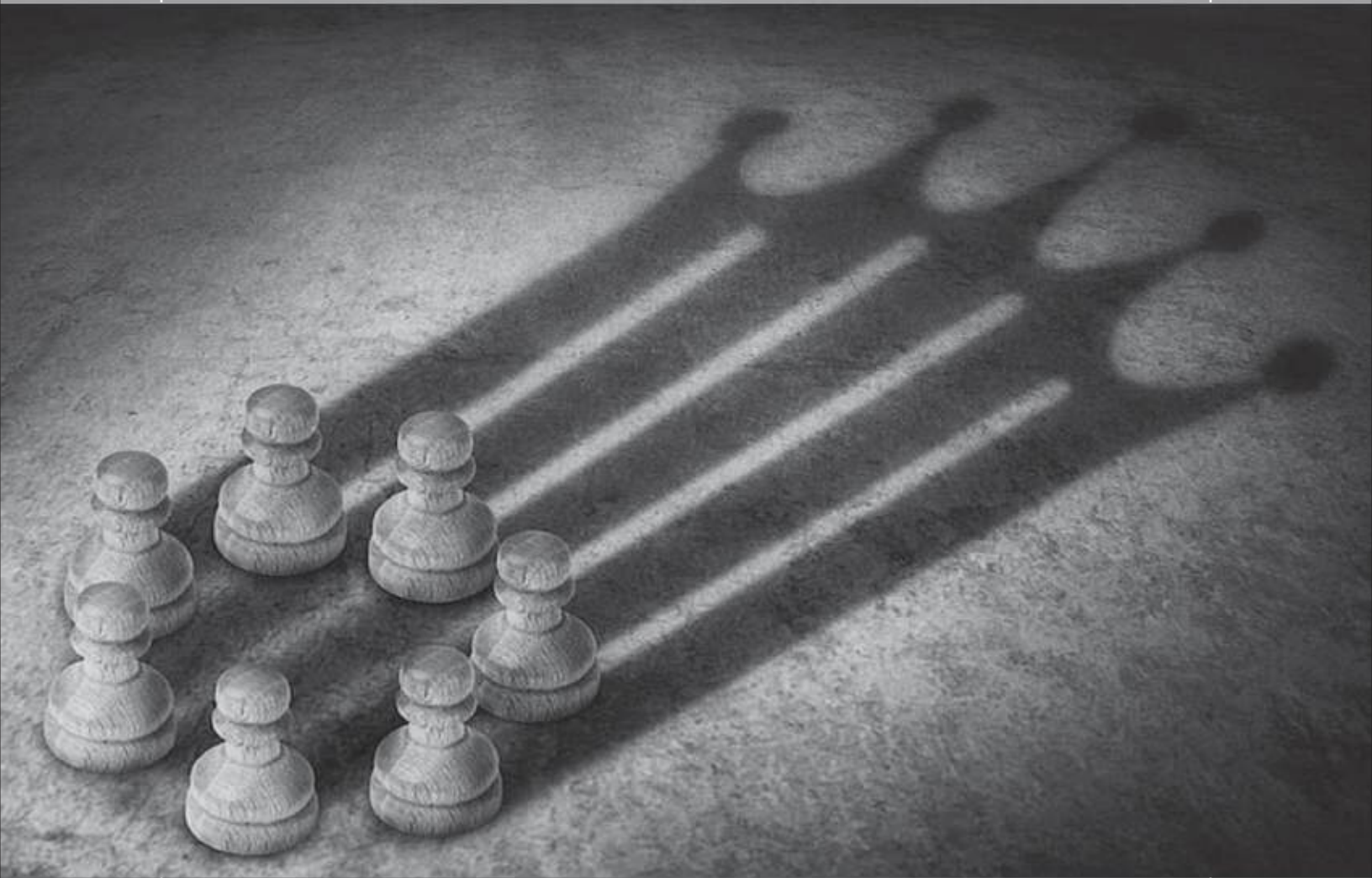
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# BOARD OF DIRECTOR

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*



### **MUNSHI SHAFIUL HAQUE**

Independent Director and  
Chairman

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 and elected as the Chairman of the Board of Directors on 15 February 2023. He is also a member of the Executive Committee.



### **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 Director of Union Capital Limited on 21 October 2015. He is also a member of the Exicutive Committee and the Audit Committee. Beside, he is the Chairman of Unicap Investments Limited and the Managing Director of Vanguard Asset Management Limited. He is also the Director of Unicap Securities Ltd., WAC Equity Management Limited, ADN Telecom Ltd., Nascom (Pvt.) Ltd. 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 25 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 a member of the Executive Committee and the Audit Committee and the Chairman of Unicap Securities Limited.

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 the CEO of Eastern Housing Ltd, a concern of Islam Group.



**MEHERUNNESA HAQUE**

Director

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 USA, UK, 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 a member of the Audit Committee. She is the 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.



### **TAJRINA SIKDER**

Director (Nominated by Palmal Garments Hosiery Limited)

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 member of the Executive Committee and the Audit Committee. She is the 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.



### **DR. QAZI MOINUDDIN MAHMUD, AFHEA**

Independent Director

Dr Qazi Moinuddin Mahmud presently serves as an Associate Professor of Management at the University of Dhaka. Sponsored by the Commonwealth Scholarship Commission UK, he obtained a PhD in HRM from the University of Bradford School of Management. He achieved Dean's prize for innovation and impact in doctoral research. He is a Bradford Graduate Fellow and an Associate Fellow of UK Advance HE as well. He taught at both undergraduate and master's level in the University of Bradford. Besides, he taught as a full-time or adjunct faculty at several institutions including BUET, Jagannath University, North South University, East West University, etc.

Prior to his teaching and research career, Dr Mahmud did his BBA in Management, PGD in Marketing Management, and MBA in HRM. He received Dean's Honor award and Dean's merit award for his outstanding results in those programs. He is a life registered Graduate Member of the University of Dhaka and a member of the Voice of Business. He is also an active member of the alumni association of Commonwealth Scholarship Commission UK and the University of Bradford.

Dr Mahmud participated in several training, conferences, and seminars at home and abroad. His writing was published by Palgrave Macmillan, Routledge, IGI Global, etc. He received extensive training on Qualitative Research Methods from the University of Oxford. He completed executive education (Tracks: Strategy & Innovation and Digital Business) from the MIT Sloan School of Management.

Dr. Moinuddin is the Chairman of the Audit Committee of the Company.



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

Managing Director & CEO (CC)

Mr. A.N.M Golam Shabbir obtained his B.Sc. in Electrical & Electronics Engineering from Khulna University of Engineering and Technology. Being a Management professional with extensive experience of 28 years, he served 25 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 Limited and UniCap Securities Limited.

# BOARD STRUCTURE AND ITS OPERATION

## BOARD STRUCTURE OF UCL

Chaired by Mr. Munshi Shafiu Haque, 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

As on 31 December 2023, the Board of UCL comprises of six members including two Independent Directors. As per DFIM Circular no. 9 dated 11 September, 2002 of the Bangladesh Bank, the size of the Board of a Finance Company shall be maximum of fifteen members including two Independent Directors. As per BSEC's Notification, a listed company should have Independent Director of at least two or one fifth of total Directors, which ever is higher. As per Articles of Association of the Company the Managing Director is an Ex-Officio Director.

## COMPOSITION OF THE BOARD

As on 31 December 2023, the Board of UCL comprises as follows:

### Non-executive Directors

Six (out of whom two are Independent Directors)

### Independent Director

Two

### Executive Director

One (The Managing Director & CEO)

## NON-EXECUTIVE DIRECTOR

As on 31 December 2023, there are six Non-Executive Directors in the Board out of whom two 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

As on 31 December 2023, there are two Independent Directors in the Board out of whom one Independent Director is 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 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. The Managing Director is appointed for a minimum period for three years' subject to approval of Bangladesh 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 34 to 36 of this Annual Report.

## SUB-COMMITTEE

The Board has two Sub-Committees namely Executive Committee and Board Audit 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 38 to 39 of this Annual Report.

## BOARD MEETING

The Board holds at least four regularly scheduled meetings in each year. In the year 2023, the Board met twelve 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 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;

#### **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.

# DIRECTORS' REPORT



## 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 2023 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 June 2024.

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 Company Act, 2023, Bangladesh Bank guidelines, Bangladesh 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.

## GLOBAL ECONOMY IN 2023

The global economic growth in 2023 remains highly uncertain due to the impact of the COVID-19 pandemic over the past three years and the growing adverse effects of the ongoing Russia's war in Ukraine. In the World Economic Outlook (WEO) April 2023, International Monetary Fund (IMF) has expected the global economy to slow down from 3.4 percent in 2022 to 2.8 percent in 2023.

The slowdown of economic activity is observed due to spikes in commodity prices and supply chain disruption driven by the effects of war. Sluggish growth rates between advanced economies and emerging market and developing economies will be divergent. Growth in advanced economies is expected to decline from 2.7 percent in 2022 to 1.3 percent in 2023.

## ECONOMY OF BANGLADESH

Bangladesh's economy has recovered from the economic damage caused by the impact of COVID-19 and the ongoing Russia-Ukraine crisis, although the recent slowdown in the global economy has adversely affected the country's economic growth. Bangladesh's economic growth in the pre-COVID-19 fiscal year (FY 2018-19) was 7.88 percent. During the COVID-19 period, this growth rate declined to 3.45 percent in FY 2019-20, which increased to 6.94 percent in FY 2020-21 and 7.10 percent in FY 2021-22. According to the provisional estimates of Bangladesh Bureau of Statistics (BBS), the GDP growth stood at 6.03 percent in FY 2022-23.

The Bangladesh economy has been propelling at a double-digit nominal growth despite combating various domestic and global challenges. Thus the real GDP growth exhibited a fresh surge since FY'2014 and picked up steadily at 7.9% in FY'2019 from 6% in FY'2013. During the pandemic, the GDP growth sharply fell to 3% but it

recovered and stood at 6.9% in FY'21. According to the provisional data of BBS, the current size of the GDP was US\$ 405 billion in FY'23 and the real GDP growth stood at 6.03%. However, due to the global political turmoil, the growth of Bangladesh's economy has slowed down to some extent. The global commodities inflation with supply-side constraints along with price surge of fuel resulted lowered economic activities, financial sector debacles and liquidity shortfall which put pressure on the country's growth engine.

## Foreign Exchange Reserve

Country's gross foreign exchange reserve has declined noticeably by 3.7% since March in FY' 2022- 2023, just one month later of occurring the Russia Ukraine war which escalated global commodity prices such as oil, gas and this impacted badly the import dependent countries like Bangladesh. This sparked a cost of living crisis and shrinked the central bank's reserves at an alarming rate. However, it exceeded US\$ 31.20 billion in June' 23 due to US\$ 0.40 billion support added from the ADB, IDA (International Development Association). Also, remittance inflow increased during that period for the Eid-ul-Adha festival. In November FY' 2023-2024, the gross reserve declined to US\$ 24.90 billion according to the Bangladesh Bank's latest data. But eventually it slightly lifted at US\$ 26.80 billion (after IMF's, ADB's and Islami Banks funds added to boost foreign currency reserve of the Country).

## Inflation

Inflation in Bangladesh has been facing a swelling growth in the first two quarter of FY-22 as price of food & non-food items are showing upward movement. Although global inflation has come down a bit, Bangladesh has experienced steep inflation in FY-2023 as price of food & non-food items are showing upward movement. The average general inflation was 9%. For that, consumers, traders, and inhabitants' purchasing power is highly affected. It is expected that the newly formed Interim Government will be able to meet this challenge by adopting necessary policies and reform.

## Export and Import

After dealing with the negative effects of the COVID-19 pandemic, Bangladesh's foreign trade has begun to improve and export earnings started to show an increasing trend. Total earnings increased by 23.20% and stood US\$ 56,623 million in FY 22-23 compared to the previous fiscal year reported as US\$ 52,970 million. During this time period, commodity-wise growth in export earnings demonstrates that export earnings from practically all items have increased in comparison to the previous fiscal year. The government has taken several steps including providing cash incentives to encourage exporters.

Total import payments for FY-22-23 were US\$ 92,453 million, which decreased from the total import payments of US\$

103,586 million in FY-21-22 with a negative growth rate of 2.86%. In accordance with FY-22-23, 26.50 percent of the total imported commodities arrived from China, while India was the second largest source of import, grabbing 13.90 percent of our total import.

### Capital Market Overview

The capital market passed a dry and gloomy phase in 2023. The key index (DSEX) of the Dhaka Stock Exchange did not change significantly at the end of the passing year 2023 as most scrips were stuck at the floor price. The DSEX index gained 0.6% compared to the previous year 2022 from 6206 points to 6246 points YoY. The index hovered up and down to range from 6177 to 6367 points throughout the year and most of the time was hanging around 6200 points. End of 2023, the Market capitalization of Dhaka Stock Exchange (DSE) stood at BDT 7,702 billion. In 2023, only 3 companies were listed in the main market whereas the 12 companies were listed in the previous year. Bangladesh Securities and Exchange Commission (BSEC) took various initiatives such as inaugurating the Alternative Trading Board (ATB) and launching the trading facility of treasury bonds in the secondary market for general investors. The stock market revival is ultimately dependent on the exchange rates stability, slowed inflation pace, BB's expansionary monetary policy and quality companies listing. Here, there will be a lot of groundworks to be done for flourishing the market breadth.

### NBFI SECTOR OVERVIEW 2023

Finance Companies are investing in different sectors of the economy. Sector wise composition of Finance Companies in investment at the end of June 2023 (provisional) was Trade and commerce 15.30 percent, industry 45.43 percent, agriculture 2.28 percent, housing 18.44 percent, financial corporation 6.61 percent, service 6.74 percent, consumer finance 3.52 percent and others 1.60 percent. As of June 2023 Finance Companies total investment in capital market stood Tk. 48.80 billion which was accounted for 4.90 percent of the total assets of all Finance Companies. At the end of June 2023, total deposit of Finance Companies stood at Tk. 477.22 billion and at the end of June 2023. The total liability of the industry increased to Tk. 859.22 billion at the end of December 2022 from Tk. 823.96 billion in December 2021. At the end of June 2023, the total liability further increased to Tk. 983.19 billion. The year 2023 was unpleasant for the Finance Companies industry. The Finance Companies are mainly dependent on banks and customer deposits for their funds. Confidence in financial sector was almost totally missing and people rushing open daily to withdraw their deposited money. The Finance Company sector started facing problems since the middle of 2017 when the banking sector felt the pinch of liquidity crisis. At the end of first half of 2023, total classified loan/lease of Finance Companies stood Tk. 199.51 billion which is 27.65 percent of the total loan/lease.

### OPERATIONAL PERFORMANCE OF UCL GROUP

In 2023, the financial sector including Union Capital Limited passed through horrific challenges. Lack of trust of depositors to deposit their money in the NBFI sector, rising NPL rate, poor performance of Stock market, high deposit cost and withdrawal of funds by the Depositors and Banks from NBFI etc. was the noteworthy challenges the industry faced during the year under review. As a result, like many other non-banking financial institutions, UCL could not get estimated deposits and credit facilities from bank. Due to withdrawal of huge fund by the depositors and radical fall in deposit mobilization, we could not extend finance facility to the prospective clients and fresh lending is halted for liquidity crisis.

Like the previous four years, UCL experienced consecutive financial loss for fifth year. Nevertheless, the Management has taken all possible measures like reduction of controllable operating expenses, collection from Bad and Non-performing loan accounts but due to maintaining additional provision for classifying the loan outstanding lying with UniCap Investment Limited, increasing provision requirement for down gradation of non-performing loans, decreasing interest income due to down gradation of non-performing loans and decreasing brokerage commission of the Subsidiaries due to sluggish trend in capital market are the main reasons for making huge loss in the reporting year.

### Key Operating and Financial Data

Key operating and financial data of last 5 (five) years as required by BSEC is presented under the heading of Operational Performance in the page no 26 of this Annual Report.

### 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.

### Diversified Portfolio

Major financing activities of the company include term finance, lease finance, retail finance, SME finance, housing finance, syndicate finance, work order finance etc.

### Capital Market Operation

UCL offers services in the area of merchant banking, portfolio management and stock brokerage through its subsidiaries namely UniCap Investments Limited and UniCap Securities Limited.

### Margin Loan

UCL Group provides margin loan facilities through its Subsidiaries namely UniCap Investments Limited and

Unicap Securities Limited to its portfolio customer for purchase of shares and securities. The amount of portfolio loan outstanding as on December 2023 was BDT 5,499.52 million. The above amount represents the aggregate investor's portfolio loan extended to different portfolio customers for purchasing shares listed in the stock exchanges against their deposit.

### 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 2023, the company make profit of Tk. 1.37 million from the investment in capital market.

### Banking Arrangements

The Company maintains sufficient facilities to meet its normal funding requirements. These facilities are primarily in the form of bank facilities arranged on a bilateral basis with a number of commercial banks. In 2023 the Company did not obtain any fund from banks against different forms of borrowing to finance its operations but repaid BDT 424.34 million as per terms and conditions of contracts. UCL did not avail any fund in 2023 from Bangladesh Bank under the SME Refinancing Schemes.

### Deposit Mobilization

UCL mobilizes term deposits from corporate and individuals through its wide range of deposit schemes with different maturity options, monthly/quarterly/half-yearly/yearly income options, double/triple money options, monthly saving options etc. The deposit amount of the Company stood at BDT 8,156.50 million as on 31 December 2023 as against BDT 8,478.60 million of 31 December 2022. The deposit portfolio squeezed significantly due to panic situation created out of the liquidation process of Non-banking financial institution and lack of confidence of the depositors in the NBFIs sector.

### Call Money Transactions

As a financial Institution, UCL actively 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 five offices geographically diversified in the areas namely Dhaka, Chattogram, Sylhet and Bogura.

### Operating Results (Consolidated)

During 2023, the Company generated revenue of BDT 51.37 million, which concluded in loss from operation of BDT 290.77 million. An amount of BDT 29.10 million has been

provided as provision for taxation in 2023. Earnings per share was BDT (35.17) as against BDT (11.95) of previous year. The weighted average number of ordinary shares outstanding during the year was 172.57 million same as 2022. The financial result of the Company for the year 2023 with a comparison of 2022 is summarized below:

(BDT in million except per share data)

Particular	2023	2022
Operating revenue/(loss)	(290.77)	(311.67)
Operating expenses	254.87	275.87
Profit/(loss) before tax	(6,040.60)	(2,026.99)
Provision for tax	29.10	35.36
Profit/(loss) after tax	(6,069.70)	(2,062.35)
Earnings per Share (EPS)	(35.17)	(11.95)

### THE SEGMENT WISE PERFORMANCE

A details operating segment report (consolidated) for the year 2023 is presented under note no. 37 of the Notes to the Financial Statements, where segment wise performance of core financing business, investment banking business and brokerage business are presented with a comparison with previous year.

### SUBSIDIARY COMPANIES

UCL has two fully owned subsidiary companies, namely, UniCap Securities Limited, a corporate member of both Dhaka and Chittagong Stock Exchange; and UniCap Investments Limited a full-fledged merchant bank. During the year 2023, UCL did not receive any dividend from the Subsidiary Companies. Separate audited financial statements of the Subsidiary Companies are given on pages 202 to 239 of this Annual Report.

### PROTECTION OF MINORITY SHAREHOLDERS

In UCL, all the shareholders are treated equal and the Board of Directors of the Company is always concerned about the minority Shareholders' interests. The Board always alert to protect the Minority Shareholders from any abusive actions by the controlling shareholders acting either directly or indirectly.

### 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 were used for Company's operational activities i.e. for investment in lease finance and term finance.

### EVENTS OCCURRING AFTER THE REPORTING DATE

As at the date of this report, the Directors are not aware of any matter or circumstance that has arisen since the end of the year 2023 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

Mainly due to maintaining additional provision for classifying the loan outstanding lying with UniCap Investments Limited, increasing provision requirement for down gradation of non-performing loans, decreasing interest income due to down gradation of non-performing loans and decreasing brokerage commission due to sluggish trend in capital market, no new loan/lease disbursement since mid of 2019 and decreasing brokerage commission due to sluggish trend in capital market, the Company incurred net loss about 602.83 crore in the year 2023.

As a result, the Board of Directors in its 314<sup>th</sup> Meeting held on 27 June 2024, did not recommend any dividend for the year ended on 31 December 2023 subject to approval of the shareholders at the forthcoming 26<sup>th</sup> Annual General Meeting scheduled to be held on 10 September 2024.

## DIVIDEND DISTRIBUTION POLICY

The Company has a dividend distribution policy which was adopted by the Board in its 303<sup>rd</sup> Meeting held on 07 September 2023. The said policy is given on page no 54 and also has been posted in the website of the Company.

## UNDISTRIBUTED/UNCLAIMED DIVIDEND STATUS

The Company did not retain any undistributed or unclaimed dividend of the shareholders. Referring to the directive issued by the Bangladesh Securities and Exchange Commission and its letter having reference no: SEC/SRMIC/165/2020/142 dated 25 May 2023, the undistributed/unclaimed dividend against Cash and Fractional Stock Dividend of Tk. 139,558.41 had already been deposited to Capital Market Stabilization Fund (CMSF) SND A/C no: 00310311521301 of Community Bank Bangladesh Limited. The undistributed/unclaimed Stock Dividend of 4,753 nos. Share had also been transferred to CMSF BO A/C no: 1201530074571230. Year wise status of the undistributed/ unclaimed dividend status has been given below:

Year	Cash/Fractional Dividend amount in Tk.	Stock Dividend in Number
2008	253.69	-
2009	4,233.26	-
2010	189.56	2,535
2011	524,719.40	249
2012	1,506.22	136
2013	2,078.68	291
2014	10,146.98	317
2015	824,164.05	242
2016	15,941.90	427
2017	9,398.11	207
2018	6,926.56	379
Total	1,399,558.41	4,783
Less: Fund/Share transferred to CMSF	(1,399,558.41)	(4,783)
Unpaid Fund/Share available to UCL	--	--

Year wise detail shareholders list has been uploded in Company's website at [www.unicap-bd.com](http://www.unicap-bd.com)

## APPROPRIATIONS OF PROFIT (Based on separate F/S)

Taking into account the huge amount of loss, the Board recommended no dividend for the year ended 31 December 2023 for approval of the Shareholders in the forthcoming 26<sup>th</sup> Annual General Meeting. The Board proposed the following appropriations:

Particular	BDT in million
Net Profit/(loss) after tax	(6,028.30)
Retained Earnings/(Loss) brought forward	(4,836.45)
Total Profit/(loss) available for appropriation	(10,864.76)
<b>Proposed appropriation:</b>	
Transfer to Statutory Reserve	Nil
Dividend paid in 2022	Nil

## ANNUAL GENERAL MEETING

The notice of the 26<sup>th</sup> Annual General Meeting is given on page no. 241 of this Annual Report. A summary of the agenda is given below:

### Ordinary Business

- Receive and adopt the Directors' Report, Auditors Report and Audited Financial Statements for the year 2023;
- Declaration of dividend for the year 2023;
- Re-appointment of the Directors;
- Appointment of the Statutory Auditors for the year 2024 and fixation of their remuneration;
- Appointment of Corporate Governance Auditors for the year 2024 and to fix 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 the financial position of the Company enabling us to ensure that the financial statements comply with the Companies Act, 1994, the Financial Company 2023 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. 58 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

Financial Reporting Council (FRC). 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 2023.

#### **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. 99 to 111 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 "BBB+ (Triple B Plus)" in the long term and "ST - 3" in the Short Term along with developing outlook. The validity of the rating will expire on 11 December 2024.

#### **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 56 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 2023, total 12 meetings were held. The attendance in the Board meetings by each Director is given in Annexure - I on page 50 of this Annual Report. The Directors other than the Independent Directors did not receive any remuneration/fees for attending in the Board and its Committee Meetings since September 2019. An amount of Tk. 5,000/- is paid to each Independent Director for attending Board and its Committee Meetings. However, the Board of Directors in its 302<sup>nd</sup> Meeting held on 24 August 2023 has reviewed and fixed the Meeting Attendance fees as Tk. 8,000/- for all the Members of the Board of Directors for attending the Board and Its Committee Meetings. The details on remuneration/fees paid to Directors in 2023 is also presented under Annexure - I on page 50 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 58 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 financial statements of the Company.

#### **SIGNIFICANT VARIANCE THAT OCCURS BETWEEN QUARTERLY FINANCIAL PERFORMANCES & ANNUAL FINANCIAL STATEMENTS**

Consolidated EPS for 2023 has been decreased from the same period of previous year and also for the quarter ended financial performance of 2023, due to maintaining additional provision for classifying the loan outstanding lying with UniCap Investments Limited, increasing provision requirement for down gradation of non-performing loans, decreasing interest income due to down gradation of non-performing loans and decreasing brokerage commission due to sluggish trend in capital market.

#### **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 77 to 88 of this Annual Report.

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

Bangladesh Bank has issued guidelines on certain issues for the NBFIs to be complied with. The Board of UCL confirms that we have complied with all the conditions of the guidelines. A statement on the compliance with the conditions is given on page 89 to 90 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 2023 which is available on page 76 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. Although, UCL has been experiencing financial loss since 2019 and facing tremendous challenges to continue its business operations in current economic position but the Directors are hardly working to overcome from this distress situation. In this connections, several initiatives have already been taken by UCL and we are also in the process of adopting some other strategic steps to turn around our business. Therefore, we are confident that UCL will be able to continue its operations in the upcoming years and can restore its hard earned reputations. Accordingly, the financial statements of the Company are prepared based on the going concern concept. We also disclose a separate report on page 96 to 98 of this Annual Report relating to Going Concern.

### **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 2023 is given in Annexure - II, page 50 of this Report.

### **THE PATTERN & COMPOSITION 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 2023 is shown in Annexure - III, on page 72 of this report as per BSEC Notification of dated 03 June 2018. As per requirement of listing regulations, the distribution schedule, pattern, composition, ranges of shareholdings of the Company as on 31 December 2023 are given under Annexure – III, Annexure – IV and Annexure – V, on page 51 of this Annual Report.

### **DIRECTORS TO RETIRE AND RE-APPOINTMENT**

As per the Article 93 of the Articles of Association of the Company, the following Directors will retire in the 25th Annual General Meeting and offered themselves for reappointment:

- a) Mrs. Meherunessa Haque, Director
- b) Mr. Waqar A. Choudhury, Director

The Company Act, 1994 requires that any Director appointed/re-appointed by the Board since last Annual General Meeting shall retire in the next Annual General Meeting.

Considering such, the re-appointment of the above mentioned Directors will be place to the Shareholders in the forthcoming 26<sup>th</sup> Annual General Meeting for their

confirmation. Full biographical details of the Directors are given on pages 34 to 35 of this report.

### **COMMUNICATION, PUBLIC DISCLOSURE OBLIGATIONS AND STAKEHOLDER RELATIONS**

The Board is committed to providing meaningful, transparent, timely and accurate financial and nonfinancial information to primary stakeholders. 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

organization 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 116 to 119 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. A separate report on Corporate Governance is given on page 62 to 72 of this report.

### **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 123 to 124 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 120 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 20.33 million. A detailed report on the contribution to national economy has been given on page 121 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 196 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. In the 25th Annual General Meeting dated 28 November 2023, the Shareholder of the Company confirmed the appointment of Hussain Farhad & Co., Chartered Accountants as the Auditor of the Company for 2023.

Accordingly, Hussain Farhad & Co., Chartered Accountants have completed their second year as the Statutory Auditors of the Company and hence eligible for re-appointment but the mentioned Firm vide its letter ref. HFC/2024/06/30 dated 27 June 2024 has expressed its unwillingness to continue as the Statutory Auditor of the Company. Afterward, in accordance with the section 210(7) of the Company Act 1994, to fill the casual vacancy in the office of the Auditor, the Board in its 314<sup>th</sup> Meeting held on 27 June 2024 has appointed UHY Syful Shamsul Alam & Co., Chartered Accountants as the Statutory Auditor of the Company for the year 2024 with the same fee of Tk. 200,000/- (Two Lac) plus VAT until the conclusion of the next Annual General Meeting of the Company.

#### **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

2024 at a fee of Tk. 30,000 (thirty thousand) excluding VAT for approval of the Shareholders in the forthcoming 26<sup>th</sup> Annual General Meeting of the Company.

#### **FUTURE OUTLOOK**

2024 is expected to be another challenging year for our economy and UCL group as well. We recognize a number of challenges, which includes high interest against bank loan, slow recovery due to adverse investment climate, instability in capital & money market.

Apart from these, we have to encounter with the complexities of rising interest rates, declining investment, and liquidity shortages within the banking sector. Compounding these issues will make instability in the banking sector.

However, we have professionals with profound managerial talents and perhaps most importantly, we have a hard earned reputation as one of the top service providers in our industry. We are confident that we have the right team and the strategy in place to achieve our goal. While there has certainly been a challenging few years for UCL, we feel good about where we are going.

#### **ACKNOWLEDGEMENT**

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

We would like to express our sincere gratitude to all the 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 have enabled the Company to grow better than before and to recover the lost heritage in future.

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

On behalf of the Board of Directors,



**Munshi Shafiul Haque**  
Independent Director  
and Chairman

## Annexure – I

### Meeting and attendance for the period from 01 January 2023 to 31 December 2023

Directors Name & Position	Board Meeting			Executive Committee Meeting *			Audit Committee Meeting			Remuneration in Taka
	Eligible to Attend	Meetings Attended	Percent of Attendance	Eligible to Attend	Meetings Attended	Percent of Attendance	Eligible to Attend	Meetings Attended	Percent of Attendance	
Mr. Munshi Shafiul Haque * Independent Director & Chairman	12	12	100.00%	-	-	-	01	01	100.00%	86,000/-
Mr. G.M. Khurshid Alam, PhD ** Former Chairman & Director (Nominated by EC Securities Limited)	-	-	-	-	-	-	-	-	-	-
Mr. Waqar A. Choudhury Director	12	11	91.67%	-	-	-	04	02	50.00%	56,000/-
Mrs. Meherunnesa Haque, Director	12	06	50.00%	-	-	-	04	02	50.00%	32,000/-
Mr. Nadeem A. Chaudhury *** Director, (Nominated by Enrilco Limited)	12	12	100.00%	-	-	-	03	03	100.00%	72,000/-
Ms. Tajrina Sikder, Director Nominated by Palmal Garments Hosiery Ltd.	12	08	66.67%	-	-	-	-	-	-	32,000/-
Dr. Qazi Moinuddin Mahmud, AFHEA Independent Director	07	07	100.00%	-	-	-	-	-	-	56,000/-
Kazi Russel Mahbub, Former Director **** Nominated by Palmal Garments Hosiery Ltd.	02	02	100.00%	-	-	-	-	-	-	-
Dr. Muhammad Shahadat Hossain Siddiquee ***** Former Independent Director, nominated by BSEC	10	10	100.00%	-	-	-	04	04	100.00%	83,000/-
Dr. Hasina Sheikh ***** Former Independent Director, nominated by BSEC	10	10	100.00%	-	-	-	01	01	100.00%	83,000/-

No meeting of the Executive Committee was held in 2023. Leave of absence was granted in all cases of non-attendance.

#### i) Note relating to Board Meeting Attendance:

- \*\* Mr. G.M. Khurshid Alam, PhD, Director nominated from EC Securities Limited has resigned from the Board as Chairman as well as Director of the Company, accordingly the Board in its 298<sup>th</sup> Meeting held on 15 February 2023 approved the resignation of Mr. Alam.
- \*\*\*\* Mr. Kazi Russel Mahbub, Director nominated from Palmal Garments Hosiery Limited has resigned from the Board as Director of the Company, accordingly the Board in its 298<sup>th</sup> Meeting held on 15 February 2023 approved the resignation of Mr. Russel.
- \*\*\*\*\* On expiry of the term of appointment, the Board in its 308<sup>th</sup> Meeting held on 27 December 2023 has approved the exclusion of Dr. Muhammad Shahadat Hossain Siddiquee as Independent Director of the Company with effect from 18 October 2023.
- \*\*\*\*\* On expiry of the term of appointment, the Board in its 308<sup>th</sup> Meeting held on 27 December 2023 has approved the exclusion of Dr. Hasina Sheikh as Independent Director of the Company with effect from 18 October 2023.

#### ii) Note relating to Audit Committee Meeting Attendance:

- \* Since elected as the Chairman of the Board of Directors of the Company, Mr. Munshi Shafiul Haque was excluded as the Member of the Board Audit Committee of the Company by the Board in its meeting held on 23 March 2023.
- \*\*\* Mr. Nadeem A. Chaudhury was included as the Member of the Board Audit Committee of the Company by the Board in its meeting held on 23 March 2023.
- \*\*\*\*\* On expiry of the term of appointment, Dr. Muhammad Shahadat Hossain Siddiquee was excluded as the Chairman of the Board Audit Committee of the Company with effect from 18 October 2023.
- \*\*\*\*\* On expiry of the term of appointment, Dr. Hasina Sheikh was excluded as the Member of the Board Audit Committee of the Company with effect from 18 October 2023.

## Annexure – II

### Substantial Shareholdings as on 31 December 2023

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
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>33.00</b>

## Annexure – III

### Composition of shareholdings as on 31 December 2023

Category	No of Shareholder	No of Shares	% of Total
Sponsors & Directors (Institutions)	3	37,154,558	21.53
Sponsors & Directors (Individuals)	8	19,791,024	11.47
General Shareholder (Institutions)	230	37,052,510	21.47
General Shareholder (Individuals)	8,708	78,575,751	45.53
<b>Total</b>	<b>8,946</b>	<b>172,573,843</b>	<b>100.00</b>

## Annexure – IV

### Range of Shareholdings as on 31 December 2023

Shareholding Range	No. of shareholders	No. of shares	Shareholding in %
Less than 500	1,927	287,126	0.17
501 to 5,000	4,733	9,851,753	5.71
5,001 to 10,000	981	7,465,050	4.33
10,001 to 20,000	593	8,774,533	5.08
20,001 to 30,000	222	5,520,634	3.20
30,001 to 40,000	117	4,116,690	2.39
40,001 to 50,000	70	3,273,613	1.90
50,001 to 100,000	173	12,975,944	7.52
100,001 to 1,000,000	104	26,789,303	15.52
Over 1,000,000	26	93,519,197	54.19
<b>Total</b>	<b>8,946</b>	<b>172,573,843</b>	<b>100.00</b>

## Annexure – V

### Pattern of Shareholdings as on 31 December 2023

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
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	-
Dr. Muhammad Shahadat Hossain Siddiquee, Independent Director	Nil	-
<b>Senior Executives</b>		
Mr. A.N.M. Golam Shabbir, Managing Director & CEO (CC)	Nil	-
Mr. Mohammed Balayet Hossain, Chief Financial Officer	Nil	-
Mr. Md. Abdul Hannan, Company Secretary (CC)	Nil	-
Mr. Alamin Akhand, Head of Internal Audit (CC)	Nil	-
Mr. Fazle Karim Murad, Head of Business (CC)	Nil	-
Mr. Muhammad Salah Uddin, Head of CAD & SAM	Nil	-
Mr. Khandaker Muhammad Forhad Abedin, Head of Legal	Nil	-
Mr. Mahbub Alam, Head of Treasury	Nil	-
Mr. Md. Zahivul Islam, Head of ICT (CC)	Nil	-
Mr. Mohammad Salash Uddin Pallab, Head of HR (CC)	Nil	-
<b>Statutory Auditors - Hussain Farhad &amp; Co., Chartered Accountants</b>		
Partner/Employees	Nil	-
<b>Shareholder holding 10% or more voting rights</b>		
Shareholder holding 10% or more voting interest in the company	Nil	-

# AUDIT COMMITTEE REPORT

## AUDIT COMMITTEE REPORT

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 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 well capable 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. Presently, the Board Audit Committee comprises the following members:

Dr. Qazi Moinuddin Mahmud, AFHEA, Chairman  
Mrs. Meherunnesa Haque, Member  
Mr. Nadeem A. Chaudhury, Member  
Mr. Waqar A. Choudhury, Member  
Ms. Tajrina Sikder, Member

Biographical details of the current members of the Committee are set out on page 34 to 36. 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 70 of the report.

The Chief Financial Officer (CFO), Head of Internal Control and Compliance (ICC) 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 (CEO) 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 regulatory 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 shareholder's 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 Dr. Qazi Moinuddin Mahmud, who is an Independent Director and has adequate knowledge and extensive experience to serve in this role. Biographical details of the Chairman of the Committee is given on page 36.

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

### 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 for arising any audit problem encountered in course of audit work, including any restriction on audit scope or access to information;

- Discuss with the external auditor regarding 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 2023 along with the attendance of the members

Members of the Audit Committee	Position	Meeting Attendance		
		Eligible to attend	Members Attended	Percentage of attendance
Dr. Qazi Moinuddin Mahmud, AFHEA *	Chairman	0	0	00.00%
Dr. Muhammad Shahadat Hossain Siddiquee ***	Ex-Chairman	4	4	100.00%
Mr. Waqar A. Choudhury	Member	4	2	50.00%
Mr. Nadeem A. Chaudhury **	Member	3	3	100.00%
Mrs. Meherunnesa Haque	Member	4	2	50.00%
Dr. Hasina Sheykh ***	Ex - Member	4	4	100.00%
Mr. Munshi Shafiul Haque **	Ex - Member	1	1	100.00%

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

\* Dr. Qazi Moinuddin Mahmud, AFHEA, member of the Board is included as Member of the Committee and also elected as the Chairman of the Board Audit Committee by the Board in its 306<sup>th</sup> Meeting held on 12 December 2023. Since his inclusion in the Committee, no meeting of the Board Audit Committee was held in 2023.

\*\* Since Mr. Munshi Shafiul Haque was elected as the Chairman of the Board of Directors, the Board Audit Committee was reconstituted by the Board in its 299<sup>th</sup> Meeting held on 23 March 2023 by exclusion of Mr. Haque and inclusion of Mr. Nadeem A. Chaudhury.

\*\*\* Dr. Muhammad Shahadat Hossain Siddiquee and Dr. Hasina Sheykh were excluded as the Member of the Board Audit Committee by the Board in its 308<sup>th</sup> Meeting held on 27 December 2023.

### ACTIVITIES OF THE COMMITTEE CARRIED OUT IN THE YEAR 2023

The Audit Committee carried out among others the following activities:

- Reviewed the audited financial statements for the year ended 31 December 2022 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 2022;
- 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 statement of the company;

- Reviewed the internal audit report of various department 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, Audit Committee report, standard of business conduct, statement of risk management and internal control for the financial year ended 2022 for inclusion in the Annual report 2022 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.



**Dr. Qazi Moinuddin Mahmud, AFHEA**  
Chairman, Audit Committee

# DIVIDEND DISTRIBUTION POLICY

*This Dividend Distribution Policy has been prepared in accordance with the Directive issued by Bangladesh Securities and Exchange Commission on 14 January 2021.*

## Objective:

The objective of this Dividend Distribution Policy ("the Dividend Distribution Policy") is to ensure the entitlement of shareholders as well as profits to be retained in the business for expansion or other business purposes. Further, this Policy will also ensure that the dividend is distributed following the applicable legislation in the interests of the shareholders and will also address the management of unclaimed dividends.

## Scope and Legal Basis:

This Policy has been prepared pursuant to the Directive No. BSEC/CMRRCD/2021-386/03 as issued on 14 January 2021 by the Bangladesh Securities and Exchange Commission (BSEC).

## Approval of Dividend:

Dividend would continue to be declared/ recommended on percent basis on the Ordinary Equity Shares of the Company having face value Tk. 10.00 each. Therefore, dividend approved by the shareholders will be distributed amongst all shareholders, based on their shareholding and whose name would appear in the Register/the Central Depository Bangladesh Limited (CDBL) as on the record date.

## Factors to be considered:

Before declaring the dividend board shall consider the following factors: (a) Net operating profit after tax, EPS; (b) Working capital requirements; (c) Capital expenditure requirements for expansion of business including expansion plans and investment in subsidiaries company; (d) Past Dividend Trends (e) Income tax implications (f) Other factors which the Company's Board may consider. (g) Any rules, directive or guideline issued by BSEC or other regulatory authority. The Board may consider not declaring Dividend or may recommend a lower payout for a given financial year based on its financial performance, challenges, opportunities for which the Board will provide rationale in the Annual Report.

## Procedures for Declaration and Distribution of Dividend:

A. Based on the financial performance and considering other factors, the Board of Directors of the Company shall declare/recommend interim or final cash/stock Dividend as decided in the meeting.

- B. Where Dividend declaration or recommendation is proposed for consideration of the Board it shall be a specific agenda for consideration.
- C. Dividends will generally be recommended by the Board of Directors once a year, after the announcement of the year-end financial results which will be approved in Annual General Meeting (AGM) by the shareholders. The Board may also declare interim dividends as may be permitted by the Companies Act/ BSEC guidelines.
- D. The Company shall ensure compliance to applicable laws and this Policy in relation to Dividend declaration and distribution by the Company.

## Other conditions:

The Company Shall Comply the followings with regard to dividend:

- 1. The Dividend Distribution Policy shall be disclosed in the Annual Report and website of the Company.
- 2. Company shall pay off the annual or final dividend to the entitled shareholders within 30 days of approval/ AGM. Provided that interim dividend shall be paid off to the entitled shareholders within 30 days of record date.
- 3. Cash dividend shall be distributed in the following manner and procedures, namely:
  - i) Within 10 (ten) days of declaration/approval of cash dividend by the Board of Directors of the Company or AGM, as the case may be, an amount equivalent to the declared cash dividend payable for the concerned year shall be kept in a separate bank account of the Company, dedicated for this purpose;
  - ii) The Company shall pay off cash dividend directly to the bank account of the entitled shareholders as available in the BO account maintained with the depository participant (DP), or the bank account as provided by the shareholder in paper form, through Bangladesh Electronic Funds Transfer Network (BEFTN); Provided that the Company may pay off such cash dividend through bank transfer or any electronic payment system as recognized by the Bangladesh Bank, if not possible to pay off through BEFTN;

- iii) The Company, upon receiving the claim on cash dividend from a stock broker or a merchant banker or a portfolio manager for the margin client or customer who has debit balance or margin loan, or as per intention of the client of stock broker or merchant banker or portfolio manager, shall pay off such cash dividend to the Consolidated Customers' Bank Account (CCBA) of the stock broker or to the separate bank account of the merchant banker or portfolio manager through BEFTN based on the information provided by the stock broker or merchant banker or portfolio manager.
  - iv) The Company, in case of non-availability of bank account information or not possible to distribute cash dividend through BEFTN or any electronic payment system, shall issue cash dividend warrant.
  - v) The Company shall pay off cash dividend to non-resident sponsor, director, shareholder, or foreign portfolio investor (FPI) through the security custodian in compliance with the rules or regulations in this regard;
  - vi) The Company, immediately after disbursement of cash dividend and issuance a certificate of tax deducted at source, if applicable, shall intimate to the shareholder or unit holder through a short message service (SMS) to the mobile number or email address as provided in the BO account or as provided by the shareholder;
  - vii) The Company shall maintain information of unpaid or unclaimed dividend of shareholders and shall also disclose the summary of aforesaid information in the annual report and in the statements of financial position (Quarterly/annually) as a separate line item as "Unclaimed Dividend Account" and publish the year wise unclaimed dividend in the website.
4. The Company shall credit stock dividend directly to the BO account of the entitled shareholder, as applicable, within 30 (thirty) days of declaration or approval or record date, as the case may be, subject to clearance of the exchange(s) and the Central Depository Bangladesh Limited (CDBL).
  5. The Company shall maintain a Suspense BO Account for undistributed or unclaimed stock dividend or bonus shares and shall also follow the procedure as per BSEC guidelines.
  6. The Company shall submit a compliance report to the Commission and the exchange(s) in a specified format provided by Bangladesh Securities and Exchange Commission within 7 (seven) working days of completion of dividend distribution.

Provided that the Company shall publish the Compliance Report in its website.

7. The Company shall not forfeit any unclaimed cash dividend or stock dividend till the claim becomes barred by the law of land in force.
8. If any cash dividend remains unpaid or unclaimed or unsettled including accrued interest (after adjustment of bank charge, if any) thereon for a period of 3 (three) years from the date of declaration or approval or record date, as the case may be, shall be transferred by the Company to the Fund as directed or prescribed by the Commission;

Provided that the Company shall provide detailed information to the manager of the Fund during transfer of cash dividend as directed or prescribed by the Commission;

Provided further that if any shareholder or unit holder claims his cash dividend after transfer of such dividend to the Fund, within 15 (fifteen) days of receiving such claim, the Company shall, after proper verification of the claim, recommend to the manager of the Fund to pay off such dividend from the Fund and the manager of the Fund shall pay off such cash dividend to the claimant in accordance with the provisions and procedures as directed or prescribed by the Commission.

9. If any stock dividend or bonus shares remains unclaimed or unsettled including corporate benefit in terms of bonus shares thereon for a period of 3 (three) years from the date of declaration or approval or record date, as the case may be, shall be transferred in dematerialized form to the BO Account of the Fund:

Provided that the Company shall provide detailed information to the manager of the Fund during transfer of stock dividend or bonus shares as directed or prescribed by the Commission;

Provided further that if any shareholder claims his stock dividend or bonus shares after transfer of such dividend or bonus shares to the BO Account of the Fund, within 15 (fifteen) days of receiving such claim, the Company shall, after proper verification of the claim, recommend to the manager of the Fund to pay off or transfer such stock dividend or bonus shares from the BO Account of the Fund and the manager of the Fund shall pay off or transfer such stock dividend or bonus shares to the claimant's BO Account in accordance with the provisions and procedures as directed or prescribed by the Commission.

# 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 and 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:

- The Executive Committee; and
- The 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 monthly accounts and financial information reports at their monthly or regular meetings.

### **Human Capital Management**

The Group acknowledges that one of the key constituents of any internal control system is its people and 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 FRC; 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;
- 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 34 to 36 of this Annual Report.

# 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 2023

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 2023 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh and any departure there from has been adequately disclosed;
2. The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
3. The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
4. To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
5. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
6. The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

- (i) We have reviewed the financial statements for the year ended on 31 December 2023 and that to the best of our knowledge and belief:
  - a) These statements do not contain any materially untrue 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,



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



**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 Financial Reporting Council (FRC) 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 the Financial Reporting Council (FRC) 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 2023.

Based on that evaluation, management concluded that, as of 31 December 2023, 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 2023.

Our internal control over financial reporting as of 31 December 2023 has been audited by Hussain Farhad & Co, Chartered Accountants, who also audited the consolidated financial statements as of and for the year ended 31 December 2023. The Auditors also assesses the effectiveness of our internal control and determines the degree and extent of reliance on internal control system.

Sincerely yours,



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



**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,



**Munshi Shafiul Haque**  
Independent Director  
and Chairman

# CORPORATE GOVERNANCE

## Outlines UCL's operations and financial condition

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, our communities – to UCL.

#### Foundation for Corporate Governance

UCL sees good corporate governance, risk management and internal control as key elements in a successful business and to maintain confidence among customers, shareholders, authorities and other stakeholders. UCL defines corporate governance as the relationship among shareholders, executive management, employees, the various companies within the Group 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;
- Seek to prevent, detect and resolve potential violations of law or company policy; and
- Undergo regular assessment to make sure that we are being responsive to our evolving business and associated compliance risks.
- 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.

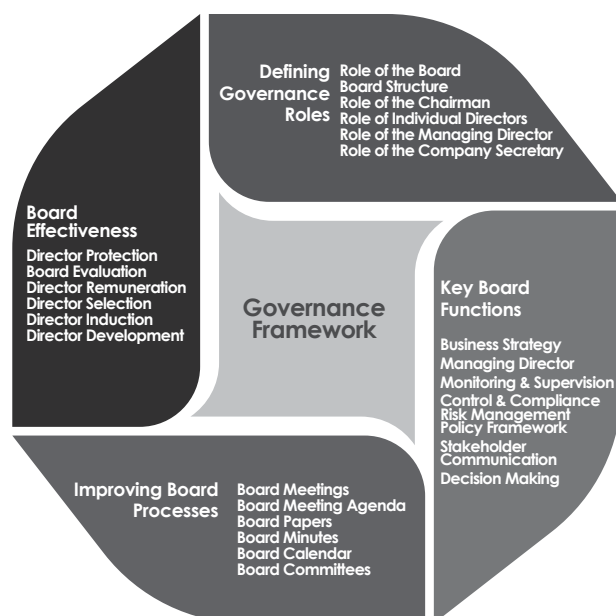
**Board of Directors Charter:** Outlines the organization and responsibilities of the Board.

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

## 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 Company Act, 2023 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 two 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 six members including two Independent Directors. The Managing Director & CEO is an Ex - Officio. As per the Finance Company Act, 2023, the size of the Board of Non-Banking Financial Institution shall be maximum of fifteen members including two Independent Directors. As per BSEC's notification, a listed company should have Independent Director of at least 2 (two) Directors or one-fifth (1/5) of the total number of Directors in the company's Board, whichever is higher. 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 maximum number is fixed as fifteen including two Independent Directors as per the Finance Company Act, 2023 and Bangladesh Bank regulations. The skills and experience of each Director and their period of office at the date of this report are set out on pages 34 to 36 of the

annual report. The Board of UCL comprises of the following:

## Non-executive Directors (as on 31 December 2023)

Six out of whom two are Independent Directors

## Independent Directors: Two (as on 31 December 2023)

## 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

As on 31 December 2023, there are two Independent Directors in the Board representing more than one-fifth of the total Directors. Out of two Independent Directors, one is nominated by Bangladesh Security and Exchange Commission. As per the BSEC code on Corporate Governance at least 2 (two) Directors or one-fifth (1/5) of the total number of Directors in the company's Board whichever is higher, should be Independent Directors. 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 has not been an executive of the company in immediately preceding 2 (two) financial years, who is not a member or TREC (Trading Right Entitlement Certificate) holder, Director or officer of any Stock Exchange and who is not a shareholder, Director (except Independent 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 the 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 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 Directors other than the Independent Directors did not receive any remuneration/fees for attending in the Board and its Committee Meetings. An amount of Tk. 5,000/- is paid to each Independent Director for attending Board and its Committee Meetings. However, the Board of Directors in its 302<sup>nd</sup> Meeting held on 24 August 2023 has reviewed and fixed the Meeting Attendance fees as Tk. 8,000/- for all the Members of the Board of Directors for attending the Board and its Committee Meetings.

### **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 76 of this Annual report. The report of the Chairman is also given on page 61 of this report.

## **MEMBERSHIP AND QUALIFICATION OF THE DIRECTORS**

The Board currently consists of six 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 34 to 36 of this annual report.

## **DIRECTORS INDEPENDENCE**

All the Directors except the Managing Director are non-executive Directors and independent from 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 34 to 36 of this report; and
- The Independent Directors providing an element of balance as well as making a considerable contribution in their respective fields of expertise.

The following measures are in place to ensure the decision making process of the Board is subject to independent judgments:

- A standard item on each Board Meeting agenda requires Directors to focus on and declare any conflicts of interest in addition to those already declared;

- Directors may seek the advice of independent experts, subject to the approval of the Board;
- All Directors must act at all times in the interests of the Company; and
- Directors meet as required independently of executive management.

Adoption of these measures ensures that the interests of shareholders, as a whole, are pursued and not jeopardized by a lack of independence.

#### **DIRECTORS' RETIREMENT AND REAPPOINTMENT**

In accordance to the guideline of the Central Bank's, a Director may be appointed for a period of three years and

the term may be extended by another two term of three years. 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. On the other hand, as per the clause no. 1(2)(e) of Corporate Governance Code - 2018 of BSEC's, the tenure of an Independent Director is three years and may be extended by another three years and the Independent Director shall not be subject to retirement by rotation as per the Company Act, 1994. 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.

#### **NUMBER OF MEETINGS OF THE BOARD AND THE PARTICIPATION OF EACH DIRECTOR**

In 2023, the Board held twelve 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;

#### **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 2023, 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 shareholder's 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. Qazi Moinuddin Mahmud, an Independent Director is the Chairman of the Audit Committee.

##### **CHAIRMAN OF THE AUDIT COMMITTEE**

The committee is chaired by a non-executive Independent Director Dr. Qazi Moinuddin Mahmud, who has required knowledge and extensive experience to serve in this role. The biography of Dr. Qazi Moinuddin Mahmud is given on page 36 of this annual report.

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

All the members of the Audit Committee 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. The biography of all the Members of the Committee is given on page 34 to 36 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 in page 38 to 39 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 FRC, 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;
- 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**

Then 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 four meeting in the year 2023. Details of audit committee meetings and attendance of audit committee members is given on page 50 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. Alamin Akhand reports directly to the Audit Committee. Internal audit performs an independent and objective assurance and consulting function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal audit is responsible for carrying out periodic audits. Its function also includes independent assessment risk exposure of our various business activities, taking into

account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining areas of audit concentration and specifying resource requirements for approval by the audit Committee.

#### **External Audit**

Our Statutory Auditor is Hussain Farhad & 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, organizational, operational and compliance controls. The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. This process has been put in place for the year and is reviewed periodically by the Board through its Audit Committee which is supported by the Internal Auditors.

#### **MANAGEMENT AND MITIGATION OF THE RISKS**

Disclosure on risk management is covered in details in the risk management section of this report from page 99 to 111. 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 73 to 75.

#### **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 73 to 75 of this annual 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 and its Committee meeting.

#### **REMUNERATION OF THE DIRECTORS**

The Board unanimously adopted the resolution in its 270th Meeting held on 29 September 2019 that the Directors other than the Independent Directors did not receive any remuneration/fees for attending in the Board and its Committee Meetings and an amount of Tk. 5,000/- is paid to each Independent Director for attending Board and its Committee Meetings. However, the Board of Directors in its 302<sup>nd</sup> Meeting held on 24 August 2023 has reviewed and fixed the Meeting Attendance fees as Tk. 8,000/- for all the Members of the Board of Directors for attending the Board and Its Committee Meetings.

Sl. No.	Name	Status with the Company	Meeting Fees		
			For Board Meeting	For Executive Committee Meeting	For Audit Committee Meeting
1	Mr. Munshi Shafiul Haque	Independent Director & Chairman	81,000/-	--	5,000/-
2	Mr. G.M. Khurshid Alam	Former Director & Chairman	--	--	--
3	Mr. Waqar A. Choudhury	Director	48,000/-	--	8,000/-
4	Mrs. Meherunnesa Haque	Director	32,000/-	--	--
5	Mr. Nadeem A. Chaudhury	Director	56,000/-	--	16,000/-
6	Ms. Tajrina Shikdar	Director	32,000/-	--	--
7	Dr. Qazi Moinuddin Mahmud, AFHEA	Independent Director	56,000/-	--	--
8	Mr. Kazi Russel Mahbub	Former Director	--	--	--
9	Dr. Hasina Sheykh	Former Independent Director	57,000/-	--	26,000/-
10	Dr. Muhammad Shahadat Hossain Siddiquee	Former Independent Director	57,000/-	--	26,000/-

## 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 2 members headed by the CEO. Other member of the committee is Mr. Salah Uddin Pallab, Assistant Vice President and Head of 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

In the year 2023, total remuneration of the Managing Director & CEO was nil as the Managing Director & CEO of the company is yet to recruit.

## REMUNERATION OF THE SENIOR MANAGEMENT

Employees in the rank of Assistant Vice President and above are considered as the senior management. In 2023, total senior management employees were 11 in number with a total remuneration of BDT 28,928,342/-.

## 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. Such a culture is rooted in a strong set of core values that provides the foundation for employees as to how UCL conducts its business. It also allows the company to develop an ethical framework that covers

- 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 promotes 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 and 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. If necessary, all the departmental heads will report regarding the implementation of this Anti-Fraud Policy to the ICC Department, which will then be reviewed and summary of findings will be reported to the Audit Committee depending the nature of the fraud.

### **Mitigating Fraud Risks**

Once risk areas are identified by management, UCL Management evaluates the adequacy of existing internal control activities and determines if further controls or changes to existing controls are required to reduce or eliminate the risk. Although there may be high risk fraud indicators in certain instances, other compensating measures may exist to mitigate the weakness in controls. It may be possible to reduce or eliminate certain fraud risks by making changes to the entity's activities and processes.

### **Hot Line Reporting of Fraudulent Behavior and/or Suspicious Activities**

The Internal Control and Compliance (ICC) Department is the focal point to report any type of fraudulent behavior or suspicious activity within the organization. The ICC Department maintains reliable communications channels (Direct telephone and 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. UCL values a free flow of information. To ensure that critical information is not withheld, all reports and questions received through the whistleblower system are treated confidentially.

### **COMMUNICATION TO THE SHAREHOLDERS AND STAKEHOLDERS**

The Company reports including quarterly, half-yearly and annual reports and accounts were sent to shareholders in a timely and accurate manner, and meet with shareholders in

the AGM where they are encouraged to ask questions about the performance, strategy and future prospect of the Company. The Stakeholders have access to company information through the company's website and postal correspondence. UCL complied with the requirements for reporting and disclosure of information to the Shareholders and Stakeholders during the year under review.

### **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 reserved capital;
- Remove auditor before expiry of term;
- On court winding up or voluntary winding up;

### **Notices of Shareholders Meeting**

Notice of an AGM, including agenda items and proposals submitted by the Board must be published at least 21 days prior to the meeting. Notices to shareholders are made by publication in the daily newspapers. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules is published in two widely circulated newspapers in English and Bangla and sent to the stock exchanges and BSEC.

### **Timely and Balanced Disclosure**

The Board has an established process to ensure accountability at a senior executive level for compliance

with the continuous disclosure obligations of Bangladesh Bank, BSEC and listing rules. Executive Management is required to communicate all matters of a material nature and which may require disclosure to regulators, to the Chairman, CEO or the Company Secretary.

### **The Rights of Shareholders**

UCL promotes effective communication with the Company's Shareholders and encourages Shareholder participation at Annual General Meetings. UCL 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 and Company Secretary and the Head of ICC. The function of the disclosure committee is to meet as and when required in order to assure compliance with the disclosure and transparency requirements and the Listing Rules, and to ensure that the routes of communication between UCL members, the disclosure committee, the company secretarial office and investor relations are clear so that the company is able to comply fully with its continuing obligations under the disclosure requirements.

# ETHICAL & COMPLIANCE STATEMENT

## 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.



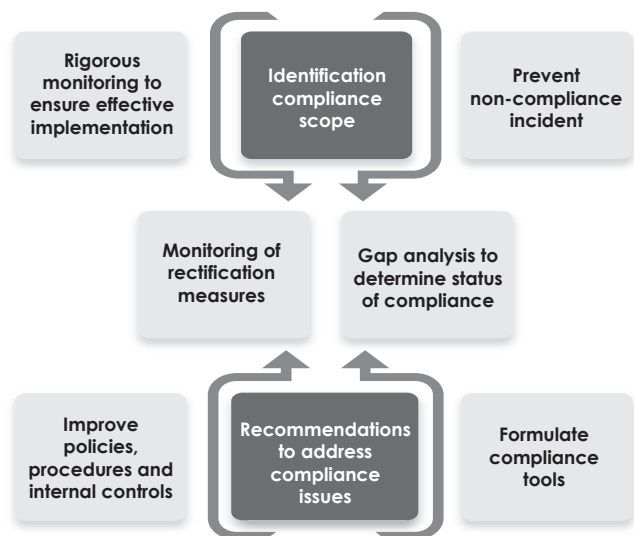
## SCOPE OF COMPLIANCE

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.



## 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 employed 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

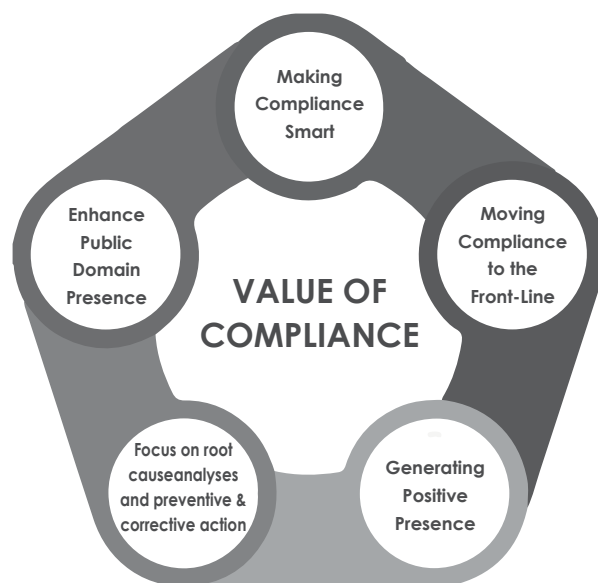
The five-pronged strategy as detailed in the previous pages ultimately aims to protect the UCL brand value by achieving compliance excellence. Fundamental to achieving compliance excellence is the process of “making compliance smart” that is attained as follows:

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 offing to raise awareness among employees on the important role that they play in ensuring the Group does not become a conduit for money laundering.

Certificate on

**COMPLIANCE WITH CONDITIONS ON CORPORATE GOVERNANCE CODE**



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

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**McMillan Woods**  
**International**  
Professionalism at the forefront

**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 31 December 2023. 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 and its subsequent amendment.

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

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

- 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 NRC related conditions and those mentioned in the statement of compliance status;
- 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;
- 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
- The governance of the Company is satisfactory.

Place: Dhaka  
Dated: 14 August 2024

For K. M. HASAN & CO.  
Chartered Accountants

Md. Amirul Islam FCA, FCS  
Senior Partner

## Status on compliance of the Corporate Governance Guideline (CGG) as on 31 December 2023

Status of compliance with the condition imposed by the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 June 2018 and Notification No. BSEC/CMRRCD/2009-193/66/PRD/148, dated 16 October 2023 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
<b>1</b>	<b>Board of Directors</b>			
<b>1(1)</b>	<b>Size of the Board of Directors</b> 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).	√		
<b>1(2)</b>	<b>Independent Directors</b>			
<b>1(2)(a)</b>	At least 2 (two) directors or one-fifth (1/5) of the total number of directors in the company's Board, whichever is higher, shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s);	√		
<b>1(2)(b)(i)</b>	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;	√		
<b>1(2)(b)(ii)</b>	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;	√		
<b>1(2)(b)(iii)</b>	who has not been an executive of the company in immediately preceding 2 (two) financial years;	√		
<b>1(2)(b)(iv)</b>	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies;	√		
<b>1(2)(b)(v)</b>	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	√		
<b>1(2)(b)(vi)</b>	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;	√		
<b>1(2)(b)(vii)</b>	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;	√		
<b>1(2)(b)(viii)</b>	Who shall not be an independent director in more than 5 (five) listed companies;	√		
<b>1(2)(b)(ix)</b>	Who has not been reported as a defaulter in the latest Credit Information Bureau (CIB) report of Bangladesh Bank for non-payment of any loan or advance or obligation to a bank or a financial institution;and	√		
<b>1(2)(b)(x)</b>	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.			No such event occurred
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 registered 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			N/A
1(3)(b)(iii)	Former or existing 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: Provided that in case of appointment of existing official as independent director, it requires clearance from the organization where he or she is in service; or	√		
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or	√		
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;			N/A
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
<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;			N/A
1(5)(v)	A discussion on continuity of any extraordinary activities and their implications (gain or loss);			N/A
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;	√		Disclosed in note no.: 45 of the Audited Financial Statements
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments			N/A
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.;			N/A
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;	√		Disclosed under Annuxure - I of the Directors' Report
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;	√		Expansion has given in the Directors' Report
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;	√		No such event occurred
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;			No such event occurred
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(5)(xxviii)	The Directors' report to shareholders does not require to include the business strategy or technical specification related to products or services, which have business confidentiality.	√		No such confidential Issue has not been incorporated
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 the 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 Company Act, 2023 and related directives of Bangladesh Bank.		
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; Provided that CFO or CS of any listed company may be appointed for the same position in any other listed or non-listed company under the same group for reduction of cost or for technical expertise,with prior approval of the Commission: Provided further that the remuneration and prerequisites of the said CFO or CS shall be shared by appointing companies proportionately;	√		
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: Provided that the CS,CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters.	√		
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.	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
4	Board of Directors' Committee			
4(i)	Audit Committee; and	√		
4(ii)	Nomination and Remuneration Committee.	As per the Bangladesh Bank (Primary regulator for NBFIs), no Financial Institutions are eligible to comply with conditions for formation of Nomination and Remuneration Committee in accordance with the Corporate Governance Code, 2018 issued by BSEC. Because, it is conflicting with the regulation of the Financial Company Act, 2023.  However, UCL has a Remuneration and Compensation Committee. The Committee is comprised of the members of the higher Management of UCL.		
5	Audit Committee			
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 60 (sixty) days from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;			No such event occurred
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.	√		
5(3)	Chairperson of the Audit Committee			
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;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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.			No such event occurred
5(3)(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM).	Since, the three years term (1st term) of Dr. Muhammad Shahadat Hossain Siddiquee, Independent Director and the then Chairman of the Audit Committee was expired on 18 October 2023 and Bangladesh Bank's decision regarding his re-appointment for 2nd term was not received before the AGM Date i.e. before 28 November 2023, Dr. Siddiquee was not attended in the AGM. Later, his re-appointment was declined by Banagldesh Bank as Independent Director for his other engagement in an Insurance Company. Independent Director Dr. Qazi Moinuddin Mahmud, who is also the Member of the Board Audit Committee and present Chairman of the Committee was attended in the AGM.		
5(4)	Meeting of the Audit Committee			
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.	√		
5(5)	Role of Audit Committee			
5(5)(a)	oversee the financial reporting process;	√		
5(5)(b)	monitor choice of accounting policies and principles;	√		
5(5)(c)	monitor Internal 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;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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
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;			No such event occurred
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 in
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 the Bangladesh Bank (Primary regulator for NBFIs), no Financial Institutions are eligible to comply with conditions for formation of Nomination and Remuneration Committee in accordance with the Corporate Governance Code, 2018 issued by BSEC. Because, it is conflicting with the regulation of the Financial Company Act, 2023.  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)	At least 02 (two) 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 www.unicap-bd.com
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 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, recovery, 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
iii Any syndicated loan/lease/investment and large scale loan/lease/investment proposal must be approved by the Board.	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

Particulars	Compliance status
<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> 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. 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.	Complied
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 policies 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:

(d) 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:

- General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) of Credit Risk.
- Revaluation reserves:
  - 50% of Revaluation reserve for fixed assets
  - 45% Revaluation reserve for securities
- All other preference shares

#### Conditions for maintaining regulatory capital:

- The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.
- 50% of revaluation reserves for fixed assets and 45% of revaluation reserves for securities are eligible for Tier 2 capital.

#### Quantitative Disclosures (Consolidated) :

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

Sl No.	Particulars	Amount in crore Taka
(a)	Paid up Capital	172.57
(b)	Statutory reserve	45.19
(c)	Retained earning	(1,098.37)
<b>Total TIRE -1 (Core Capital)</b>		<b>(880.61)</b>
(d)	The total amount of Tier 2 capital	16.15
(e)	Other deductions from capital	-
<b>Total eligible capital</b>		<b>(864.46)</b>

### 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 (Consolidated) :

Particulars	Amount in crore Taka
Capital requirement for Credit Risk	122.85
Capital requirement for Market Risk	7.17
Capital requirement for Operational Risk	-
<b>Total and Tier 1 capital ratio:</b>	
CAR on Total capital basis (%)	(66.49%)
CAR on Tier 1 capital basis (%)	(67.73%)

### 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 any legal issues if required
- Regular review of market situation and industry exposures
- Insurance coverage for funded assets

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 (Solo)

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

Particulars	Amount in crore Taka
Leasing	128.09
Term finance	526.58
Home loan	27.27
Investment in subsidiaries	565.56
Other finance	2.55
<b>Total</b>	<b>1,250.06</b>

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

Particulars	Amount in crore Taka
Dhaka Division	1,079.53
Chattogram Division	156.13
Rajshahi Division	10.21
Khulna Division	0.47
Rangpur Division	2.54
Sylhet Division	1.17
<b>Total</b>	<b>1,250.06</b>

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

Particulars	Amount in crore Taka
<b>Trade and Commerce</b>	<b>93.74</b>
<b>Industry</b>	
Garments & Knitwear	67.47
Textiles	149.50
Food Production, Processing & Rice Mills	13.17
Jute & Jute-Products	1.22
Plastic & Rubber Industry	3.73
Leather & Leather Goods	0.04
Iron, Steel & Engineering	36.60
Pharmaceuticals & Chemicals	47.78

Particulars	Amount in crore Taka
Cement & Allied Industry	0.47
Paper, Packaging, Printing, Publishing & Allied Industry	20.18
Wood, Furniture & Fixture	0.09
Glass, Glassware & Ceramic Industry	13.96
Ship Manufacturing & Breaking	76.23
Electronics & Electrical Products	21.97
Power, Gas, Petroleum, Water & Sanitary	-
Transport & Aviation	19.11
<b>Agriculture</b>	
Poultry & Livestock	23.88
Fisheries	-
Others (Cold Storage, Biofuel, Seed, Feed, Agri-related Other Institutions & Services)	17.56
<b>Housing</b>	
Individual/Retail Housing	0.04
Project/Commercial Housing	41.36
<b>Financial Corporation</b>	
Insurance Company	0.23
Audit & Accounting Firm	-
Loans to Own Subsidiaries	565.56
Other Financial Auxiliaries	0.01
<b>Service</b>	
Tourism, Hospitality & Logistics	0.45
Health Sector	28.59
Tailoring & Laundry	1.19
Restaurant Service, Catering & Online Food Supplier	-
Others	3.22
Consumer Finance	-
Personal Loan	0.0008
Auto Loan	0.12
Employee/Staff Loan	0.19
Credit Card	-
Loan Against Deposit	2.37
<b>Grand total</b>	<b>1,250.06</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	-
Not more than 3 months	23.62
Over 3 months but not more than 1 year	68.37
Over 1 year but not more than 5 years	1,081.36
Over 5 years	76.71
<b>Total</b>	<b>1,250.06</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	889.92
Loan & advances over 5 years	196.89
<b>Totals</b>	<b>1,086.81</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	682.96
Provision on unclassified loans and advances	28.49
<b>Total</b>	<b>711.45</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	11.29
Provision on classified loans and advances	481.10
<b>Total</b>	<b>492.39</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 (Solo)**

- (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)	3.58
Quoted shares (Cost Price)	3.89
Unquoted shares	-

Breakup of Total Investment	
Particulars	Amount in crore Taka
Government securities	-
Non marketable securities	-
Preference share	-
Investment in share (lock-in)	-
Marketable Securities	3.89
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)	0.03

(d)

Particulars	Amount in crore Taka
Total unrealized gains (Losses)	(0.31)
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 35.86 crore. Capital requirement is 10% of the said value which stands at BDT 3.59 crore.

General Risk – Market value of investment in equities is BDT 35.86 crore. Capital requirement is 10% of the said value which stands at BDT 3.59 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 (Consolidated)

(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)	766.65	10.00	10.71	32.93	94.83
B. Total Rate Sensitive Assets (B)	109.34	17.45	53.41	68.94	77.71
C. Mismatch	(657.31)	7.44	42.70	36.02	(17.12)
D. Cumulative Mismatch	(657.31)	(649.87)	(607.17)	(571.15)	(588.27)
E. Mismatch (%)	-85.74%	74.41%	398.60%	109.37%	-18.05%

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)	(11.77)	(23.53)	(35.30)
Revised Regulatory Capital (BDT in Crore)	(876.23)	(887.99)	(899.76)
Risk Weighted Assets (BDT in Crore)	1,300.19	1,300.19	1,300.19
Revised CAR (%)	-67.39%	-68.30%	-69.20%

#### 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.

Particulars	Amount in crore Taka
Interest rate risk	-
Equity position risk	7.17
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 (Consolidated)

(b) Capital requirement for operational risk:

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

# 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 2023 is a period of twelve months from the date of approval of the issuance of these financial statements

Although, UCL has been experiencing financial loss since 2019 and facing tremendous challenges to continue its business operations in current economic position but the Directors are hardly working to overcome from this distress

situation. In this connections, several initiatives have already been taken by UCL and we are also in the process of adopting some other strategic steps to turn around our business.

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:

The Management confident that during the period of assessment there was no such event or condition the outcome of which may create any significant 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 and the continuous guidance of our regulatory bodies UCL will be able to continue its business in upcoming years.

## 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

### • Debts with repayment records

At the end of 2023, the total fixed term borrowings of the Company were Tk. 1,993.40 million compared to Tk. 2,258.14 million of prior year.

Particulars	2023	2022	2021	2020	2019
Term borrowings	1,993.40	2,258.14	2,377.39	2,314.05	2,104.37

- **Improve of Profitability:**

UCL has incurred substantial amount of financial losses during the last 05 years because of huge amount of suspended interest income and keeping substantial amount of required provision. The management is confident that from the upcoming years, significant amount of suspended interest will return to income and provision will be released simultaneously while settlement of NPL accounts or partial recovery from NPL accounts. Besides, collection from written off accounts will directly be added to income. As consequences, significant positive impact in the profitability will be observed in the future.

- **Timely disclosure of financial results.**

As required by the regulations, UCL always 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**

- **Plan for reducing of Non-Performing Loan (NPL):**

The management of UCL have formulated several plans towards reduction of NPL within December 2024 through

exerting conventional and non-conventional initiatives. The plans include the followings:

- Full and final settlement of NPL accounts;
- Rescheduling of NPL accounts;
- Reducing NPL by collection;

Through implementations of the above plans, the Management has targeted to reduce NPL being Tk.102 crore in the year 2024. The Management firmly believes that by continuing the following process we will be able to achieve this target with this time period:

- Amicable Settlement;
- Strengthening and expediting legal actions;
- Appointing of Recovery Agent;
- Liquidation of securities;
- Attachment of property/shares;

- **Recovery from written off loan:**

The Special Asset Management Department of UCL has been exerting multi-dimensional initiatives to recover its written off loans. We have targeted to collect Tk.2.5 crore in the year 2024 from written off portfolio.

- **Settlement of TDR encashment demand through mutual understanding:**

The management of UCL has been negotiating with its depositors on continuous basis who have placed requests for deposit encashment. As per mutual understanding UCL has been settling encashment demand gradually based on its cash flow. It is mentionable here that during the year from 2019 to 26.06.2024, we have so far repaid Tk.560.63 crore to our depositors. Besides, we have also repaid Tk.374.64 crore against our bank borrowings and repaid Tk.22.99 crore against preference share at the same time. As such, UCL repaid its debt totaling Tk.958.26 crore during said time frame.

- **Reopening sources of fund inflow and resuming fresh business:**

In order to turn around from the present situation, the management plans to restart fresh disbursement at the earliest to its proven loan/lease clients from its existing cash flow or from any new source of fund.

- **Credit Rating**

UCL's credit rating is BBB+ in the long run and ST-3 for short term rated by National Credit Rating Company Ltd. that reflects moderately good credit quality for long term and average ability to meet short term financial commitments.

- **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**

Under the purview of the above, the management of UCL is confident that it will be able to continue its operation in the upcoming years and restore its hard earned reputation. Our strength is our present wholehearted workforce and honorable Board of Directors. It's our pride to let you know that there is no financial scam, corruption, embezzlement of fund at UCL. We would like to specially point out that Bangladesh Bank is closely monitoring our every operational activity towards re-building our financial strength. Their continuous support and guidelines will help us to move forward..

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 upcoming years.

# RISK MANAGEMENT

## Describe how we manage our risks

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:
  - i. ratio of non-performing loans to total loans;
  - ii. ratio of loan loss expenses to interest revenue;
  - iii. ratio of loan loss provision to gross nonperforming loans;
  - iv. ratios of large loan to total exposure; and
  - v. 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

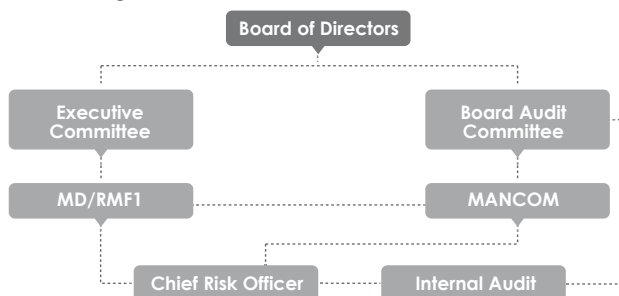
The following principles guide our management risk:

- 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.
- 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:

- Audit Committee
- Executive Committee and

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.
- 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.
- 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.

UCL is committed to creating and maintaining a unique internal control environment that is capable of sustaining its current leadership position in the financial services industry.

### **Strategy and policy**

UCL operates in an environment that is continuously exposed to uncertainties and change. Such risks may prevent the institution from achieving its strategic business objectives. To 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 and reliability, and compliance of UCL information systems and resources, including:

- management and administration of users /access control on UCL's various application software to ensure proper user access rights are attached to each job role and to ensure reliability of access control mechanisms on the applications;
- monitoring IT operations, databases, server hardware and server operating systems, network infrastructure and applications systems monitoring;
- reviewing all new systems end-to-end and coming up with technology-related risk and vulnerabilities in the product, 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.
- Implementation of whistle-blowing policy.

## Priorities for 2024

- Full implementation of the Bangladesh Bank Guidelines and Circulars 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.
- 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. Now as per Bangladesh Bank DFIM Circular Letter No. DFIM(S)/1055/67/2021-2678 dated 18 November 2021, Bangladesh Bank directed to all the NBFIs to submit the said report on quarterly basis from December 2021 and onward. As such, UCL has been submitting the report quarterly without any exception. According to the circular, UCL have already 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).

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               | • Market Risk        |
| • Liquidity Risk            | • Operational Risk   |
| • Information Security 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;
- utilize appropriate tools to measure credit risk;
- adopt a risk-based approach for determining appropriate pricing for lending products and services;
- set acceptable risk parameters;
- maintain acceptable levels of credit risk for existing individual credit exposures;
- maintain acceptable levels of overall credit risk for our portfolio;
- coordinate credit risk management and other risks inherent in UCL business activities; and
- Set remedial and recovery actions.

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. The department serves as the credit secretariat and manages other credit process initiatives for the Company.

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 categories 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%	Non-Investment
High risk	B	6	6.00 – 6.99	40–49%	6%	
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
Default risk	D	10				
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.
- 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; or
- it is apparent that no further recovery on the facility is possible;
- legal actions have been taken against customers for recovery.

All credit facility write-offs shall require endorsement at the Board level. Credit write-off approval shall be documented in writing.

Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is 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 86.94 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;
- 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;
- approval of market risk-related limits for UCL.

The ALCO, made up of relevant department heads, is responsible for:

- reviewing policies relating to market risk management;
- recommending market risk policies to the Board;
- providing management oversight for the implementation of policies relating to interest rates and share prices' risks;
- reviewing market risk strategy;
- developing policies, procedures and systems for identifying, measuring, controlling and reporting market risks;
- evaluating market risk inherent in new products;
- ensuring compliance with statutory and regulatory requirements relating to market risks;
- recommending policies and guidelines for market risk measurement, management and reporting;
- ensuring that market risk management processes (including people, systems, operations, limits and controls) are in line with market risk framework;
- recommending policies for identifying, measuring, monitoring, controlling and reporting market risk; and
- recommending steps to protect UCL capital ratios from the effects of changes in market risk factors.

UCL also provides oversight for its subsidiaries that engage in trading in quoted equities. UCL does not trade in commodity and therefore is not exposed to commodity risk.

### Policy and strategy

UCL has put in place a market risk management framework that provides the Board and Management with guidance on market risk management processes.

### Stress testing

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The ALCO is responsible for reviewing stress exposures and where necessary, enforcing reductions in overall market risk exposure.

### Outlook

Small investors are showing preference for risk-free investment avenues over the highly volatile and risky shares due to the incessant rising of interest rate and partly as a result of the uncertainty in the economic environment due to post impact of COVID - 19 along with prolong disruption in global economy for Ukraine - Russia War and also unrest in present political situation of the Country for massive students' movement to reform quota system in Govt. Jobs that finally driven to change in Govt. by formation of new Interim Govt. All these matters have been adversely affected the overall economy of Bangladesh as well as capital market operation. 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. The cash flow technique used is the maturity ladder, which assesses all UCL's cash inflows against its outflows to identify the potential for net shortfalls or net funding requirements.

UCL use of concentration ratios helps preventing it from relying on a limited number of depositors or funding sources.

### Capital management

UCL's capital management approach is driven by its strategy and organizational requirements, taking into account the regulatory and business environment in which it operates. It is company policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

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)

2023	2022	Particulars
(66.49)	(15.12)	Capital adequacy ratio(%)
<b>Capital composition:</b>		
<b>Tier 1</b>		
1,725.74	1,725.74	Paid-up capital
51.89	451.89	Statutory reserves
--	--	Non-controlling interest (insignificant)
(10,983.71)	(4,914.01)	Retained earnings
<b>(8,806.08)</b>	<b>(2,736.37)</b>	<b>Total</b>
<b>Tier 2</b>		
153.56	184.41	General provision
--	--	Asset revaluation reserves
7.90	26.50	All other preference shares
161.46	210.91	Total
<b>Capital utilization:</b>		
13,001.94	16,699.15	Qualifying risk weighted assets

## Outlook

UCL expects to continue building on the goodwill in the coming years by maintaining a strong liquidity position that ensures financial obligations are met as and when due at minimal cost. Penetration of all customer segments will continue as a means of providing a stable, low-cost deposit base for UCL from well-diversified funding sources.

## OPERATIONAL RISK

### Overview

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This definition includes legal risk but excludes reputational risk. Therefore, in line with the Basel II risk management framework and best practices, operational risk in UCL is composed of the following risk types: operations risk, legal risk, and regulatory compliance risk, and technological risk, financial and environmental risk. UCL recognizes the significance of operational risk, which is inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

## Objectives

UCL is committed to the management of operational risks. UCL's operational risk management framework aims to:

- reduce losses arising from operational risk - a key role of operational risk management in UCL is to reduce losses from operational failure;
- improve performance measurement - improved understanding of its operational risk profile shall enable appropriate allocation of risk which would allow improved performance measurement and evaluation of activities;
- ensure better control of operations - UCL expects that increased understanding of risk activities within various business units will lead to improvements in the control of operations and the emergence of a more proactive operational risk management culture;
- provide early warning signals of deterioration in UCL internal control system;
- raise awareness of operational risk in UCL from top to bottom through the implementation of an operational risk approach.
- improve the information system and take necessary action to mitigate the system failure and security;
- ensure employment practices and work place safety to prevent physical 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 employee 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. UCL recognizes that some losses, such as operational errors, are inevitable and are normal business costs; but will ensure these costs are kept within acceptable levels and potential losses are minimized.

### Governance

While the overall responsibility for operational risk management in UCL resides with the Board, the Management is responsible for the day-to-day management of such risks. To ensure consistency and prudent management of operational risks, the responsibility for managing operational risk has been split as follows:

- the overall governance owned by the Board through MANCOM.
- the approval of operational risk policies and standards for risk identification, measurement, assessment, monitoring and reporting is the responsibility of the Board and the MANCOM;

The Board 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 own, manage and are accountable for the operational risks and controls in their respective areas. They have the following responsibilities:

- Comply with Group operational risk-related policies, procedures, processes and tools in their areas.
- Assess risks and the effectiveness of controls in line with risk policies.
- Operate and monitor a suitable system of control.
- Manage and review risk as part of day-to-day business activity.
- Identify, review and assess the inherent operational risks in the context of the existing control environment.
- Create awareness of operational risk.
- Maintain the operational risk framework for the division/control and support unit, ensuring that the data and analyses are timely, relevant and complete for reporting.
- Ensure potential operational risks in new businesses, products and services, and processes within their business units are identified and mitigated.

### Outlook

UCL is on a journey to embed sound operational risk management practices, culture and environment beyond complying with regulatory requirements, but as a value driver that enhances and contributes to stakeholders' value, long-term existence and survival of the institution. To this end, a number of initiatives are currently ongoing that will enhance the risk management culture and practices within the organization and by extension, significantly reduce UCL's operational risk exposures and incidences. Some of these key initiatives are as follows:

- embed the culture of self-assessment in all activities and across all levels in the group; and
- capacity building and increase employees' risk awareness level and competence in managing risks.

### INFORMATION SECURITY RISK

#### Overview

UCL, as part of its risk management strategy, aims to continuously implement best practices that would in turn ensure strong risk governance. Business and security environments are constantly evolving and hence new threats and vulnerabilities are emerging. Addressing these

threats and ensuring no business disruption occurs becomes a challenge that organizations have to live with. It is now widely established that the best way to address information security concerns is through a combination of continuous monitoring, well defined risk measurement metrics/indices and an effective awareness programme.

## 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; and
- ensuring that UCL information security posture 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 are created and effectively communicated within the organization.
- Assess the effectiveness of UCL's information security process.
- Provide the resources (human capital, financial, systems, etc.) required to implement security initiatives.
- Ensure risk assessments (procedural and technical) are performed and used to determine the level of protection accorded to information assets.
- 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;
- harmonize checklists used to evaluate security vulnerabilities and threats;
- Help shape the development of the monitoring process to ensure that all key issues are addressed;
- have access to the current situation of UCL as prepared by the IT Department; and
- audit the information security functions to ensure effectiveness.
- Helps shape the development of the monitoring process to ensure all key issues are addressed; and

- monitors the transactions to ensure accuracy, integrity and completeness.

## Information Technology Department

IT department is accountable for the secure storage and use of major information assets. Key responsibilities are as follows:

- Ensure that information assets are properly labeled.
- Monitor the security condition of information assets.
- Review staff logical access rights to systems and application.
- Review the department/branch operating procedure.
- Ensure implementation of information security controls.
- Ensure all staffs receive information security awareness training before granting them access to information assets.

All UCL employees 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.

### **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. Mohammad Salah Uddin Pallab  
AVP & Head of Human Resource (CC)
2. Mr. Alamin Akhand  
Assistant Manager & Head of ICC (CC)
3. Mr. Fazle Karim Murad  
EVP & Head of Business (CC)
4. Mr. Asif Raihan Chowdhury  
AVP, Head of Credit Risk Management (CC)
5. Mr. Muhammad Salah Uddin  
SVP, Head of Credit Administration  
& Special Asset Management
6. Engr. Md. Zahidul Islam  
AVP & Head of ICT (CC)
7. Mr. A.N.M. Golam Shabbir  
Managing Director & CEO (CC)
8. Mr. Mohammad Rashedul Islam, ACA  
AVP, Finance & Accounts Department
9. Mr. Md. Abdul Hannan  
Senior Manager & Company Secretary (CC)
10. Mr. Khandaker Mohammad Forhad Abedin  
SVP & Head of Legal
11. Mr. Sheikh Mohammad Rezwanul Haque  
AVP & Head of Liability Business Unit
12. Mr. Mahbub Alam  
VP & Head of Treasury
13. Mr. Mohammed Zakir Hossain  
AVP, Special Asset Management
14. Mr. Mohammad Balayet Hossain  
SVP & 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. Mohammad Balayet Hossain, Member  
Mr. Mahbub Alam, Member

## MONEY LAUNDERING PREVENTION COMMITTEE MEMBERS

Fazle Karim Murad, CAMLCO  
Mohammad Balayet Hossain, Member  
Mahbub Alam, DCAMLCO

## CREDIT COMMITTEE MEMBERS

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

## ASSET-LIABILITY MANAGEMENT COMMITTEE (ALCO) 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 Secretary

## HR & REMUNERATION COMMITTEE MEMBERS

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

## 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. Emran Hossain Talukder, Member Secretary  
Mr. Mohammad Tarif Rahmatullah, Member

## CORPORATE GOVERNANCE COMMITTEE MEMBERS

Mr. A. N. M. Golam Shabbir, Chairman  
Mr. Mohammad Balayet Hossain, Member  
Mr. Md. Abdul Hannan, Member  
Mr. Alamin Akhand, 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. Asif Raihan Chowdhury, 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. Mohammad 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  
Mr. Mohammad Balayet Hossain, Member

## PROCUREMENT COMMITTEE MEMBERS

Mr. A. N. M. Golam Shabbir, Chairman  
Mr. Fazle Karim Murad, Member  
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 Muhammad Forhad Abedin, Member  
Mr. Mohammad Balayet Hossain, Member  
Mr. Mahbub Alam, Member  
Mr. Mohammad Rashedul Islam, Editorial Panel Secretary  
Mr. Mohammad Salah Uddin Pallab, Member  
Mr. Md. Abdul Hannan, Member Secretary  
Mr. Alamin Akhand, Member

## WILLFUL DEFAULTER IDENTIFICATION UNITS MEMBERS

Mr. Fazle Karim Murad, Head of the Unit  
Mr. Muhammad Salah Uddin, Member  
Mr. Khandaker Muhammad Forhad Abedin, Member  
Mr. Mohammad Balayet Hossain, Member  
Mr. Asif Raihan Chowdhury, Member Secretary  
Mr. Alamin Akhand, Member

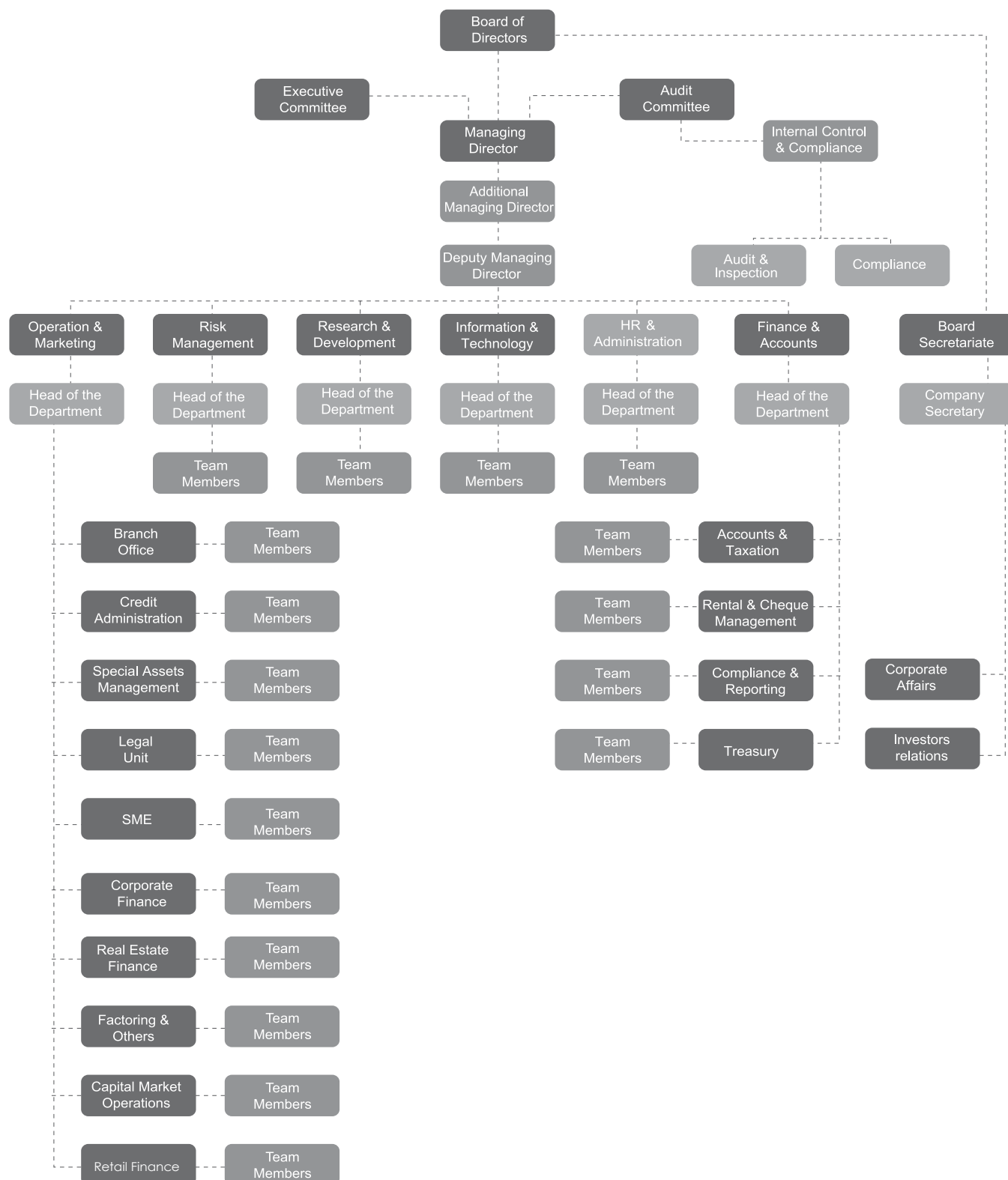
## ICT SECURITY COMMITTEE MEMBERS

Mr. Fazle Karim Murad, Chairman  
Mr. Md. Zahidul Islam, Member  
Mr. Alamin Akhand, Member  
Mr. Mohammad Atiar Rahman, 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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# 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. Every part of our business, and every employee, are measured on the contribution they make to our customers' experience with us. Our approach is to treat customers fairly, support them when they go through difficult times and consistently deliver on our goal to be a leading financial institution.

#### 2024 Challenge

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

### 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. to better assist small business customers who have

complex credit needs, UCL seeks to understand the unique needs of each business, offers proactive and innovative solutions, Provide expert advice and helps customers obtain the right products and services.

## UCL AND ITS EMPLOYEES

### Taking responsibility – to build an extraordinary workplace Approach

We want our employees to feel engaged in what they do, empowered to make a difference, excited by opportunities to develop and grow to their full potential, and recognized for their unique contributions. 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.

### 2024 Challenges

- We face a continuing challenge in recruiting people with requisite skill and knowledge.
- Managers are looking for tools, training and increased cultural awareness to prepare them for the challenges of managing adverse workforce.

### Employee Feedback

We track employee engagement through internal survey and 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 between 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		
	2023	2022	2021	2023	2022	2021
Sr. Management	0	2.67	3.61	0	0	0
Mid. Management	0	8.00	6.02	0	0	0
Jr. Management	5.56	9.33	12.05	0	0	0
Support Staff	1.39	2.67	3.61	1.39	0	0
Total:	6.94	22.67	25.30	1.39	0	0

### Transitions

As part of our commitment to be a best run company, we look for ways to streamline our operations and simplify our processes so that we can improve the value and service we provide our customers. Sometimes these changes result in the consolidation or reassignment of work to minimize the impact of these decisions on our employees, our practices are to:

- keep employees informed;
- offer employees the opportunity to apply for other internal positions;
- make every effort to minimize the overall impact through natural attrition; and
- Provide appropriate support, including employee training.

### Compensation and benefits

The objective of our compensation strategy is to attract, retain and motivate high-performing employees to produce long-term profitable growth. To achieve this, UCL's compensation includes base salary and performance incentives that are aligned with the company's strategy and business objectives and are competitive within our industry. We work to ensure a consistent approach to compensation across UCL that fosters a pay-for-performance culture. In 2014, we spent tk. 105.36 million in employee compensation and benefits. Compensation is designed to be fair and without discrimination and we ensure that it is competitive in the markets in which we compete.

### Performance and development

At the core of employee development at UCL is our Personal Performance & Development process. We encourage employees to take ownership of their careers and personal development and help managers prepare for personal development and career planning discussions. All managers and employees participate in year-end reviews.

## Investment in training and development

(In million Taka)

Particulars	2023	2022	2021	2020
UCL's investment in training	0.01	--	--	--
Average number of days of training	11.43	11.33	10.35	19.09
Average hours of training per executive	6.30	6.34	1.66	3.39

### Leadership development

Building talent at UCL for today and tomorrow is critical to our future growth and is a key accountability for UCL executives and leaders at all levels. Business leaders complete an annual review to identify future leaders who are capable of taking on executive responsibilities. Our CEO, the Senior Executive team and other leaders participate in and help facilitate UCL's leadership development programs.

### 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.

### 2024 Challenges

- Responding to local needs while maintaining a focus on our giving priorities.
- Multiple demands involving issues: in the area of education, for instance, UCL receives funding requests to support scholarships, contribution for helping distressed people, assistance for education of underprivileged and disabled children.

### Our strategy:

- Create opportunities for young people so they can fulfill their potential;
- 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. These are difficult economic times for many young people in our society, as well as the organizations that run or support youth services. We believe that makes it even more imperative for companies like UCL to play a role by creating opportunities for graduates through internships and employment.

### Responding to disasters

In the wake of devastating natural disasters in the past, UCL provided corporate funding and our employees raised money to support recovery efforts as well as 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 like SIDOR, AILA etc.
- those affected by cold waves/havoc.

### **Volunteerism**

UCL employees care and want to make a difference, so we look for programs in which our employees can also engage. We connect community organizations – which often consider human support as valuable an asset as financial support – with interested UCL employees. By volunteering, UCL employees are taking responsibility to help enrich the well-being of local communities. Volunteering also gives employees opportunities to build their skills, network and learn more about their communities.

### **Civic Contributions**

UCL is a member of different associations that track and advocate on issues of interest to their membership, including the Dhaka Chamber of Commerce and Industry, Bangladesh Association of Publicly Listed Companies, the Institute of Bankers, Bangladesh.

UCL is also a member of Bangladesh Leasing and Finance Companies Association (BLFCA), an apex body of financial institutions that serves common interest of member companies.

### **UCL & Its Environment**

#### **Taking responsibility – to be an environmental leader our approach**

We equate a healthy environment with a healthy economy. The combined pressures of population growth and urbanization place growing demands on basic resources – such as energy, water, and land. These resources are becoming increasingly constrained, and costs are rising. Just like our customers, employees, and community we are concerned about reducing our environmental impacts. How to manage the growth of a business, while reducing demands on scarce resources, is at the heart of responsible development. Whether through our financing activities, our products and services, or how we operate our facilities, this is top of mind for UCL.

#### **2024 Challenges**

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

#### **Environmental pillars**

Our goal is to be an environmental sensitive. We have been building an environmental strategy that will be embedded within UCL's vision and mission. Our environmental strategy will reach across all aspects of our business and will be managed through:

- Reducing the environmental footprint of our business operations;
- Responsible financing;
- Engaging our environmental stakeholders in dialogue to promote understanding and solutions. While there are many environmental issues that need attention, we concentrate our efforts on issues where we can be most effective. In response to feedback from customers, employees and other environmental stakeholders, we selected two areas to focus on: energy and paper.

#### **Reducing UCL's operational footprint**

We're committed to continuous improvement to lower UCL's operational footprint through:

- reducing energy use across UCL's business operations and fleet;
- reducing non-paper waste and e-waste; and
- reducing paper usage;

#### **Responsible financing**

Our financing activities include loans, lease, project financing etc. Our goal is to make balanced, informed and transparent financing decisions. We work with our clients and stakeholders to proactively mitigate environmental and related social risks in our financing activities. UCL 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 environmental footprint of our business operations;
- Responsible financing that includes proactive engagement of environmental and related social risks;
- Developing green product & service options for our customers;
- 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 to

#### 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 take environmental protection into account when making lending decisions by incorporating environmental due diligence into the lending process, which may include site visits, verification of client's environmental papers.

##### Green Products and Services:

We are working to develop new products & services that respond to customers demand for sustainable choices like paperless statements.

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
- Helping 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 is thus:

Providing financial products and services: As a financial services provider, UCL contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs which have become keys to economic growth of the country and without opening up of the financial sector to semi urban and rural areas, the projected growth of the economy will not be achievable. UCL has given strong focus in

green financing in order to ensure its commitment to be a part of the sustainable development of the economy. Based on the financials as on 31 December 2023, UCL has a total credit exposure with around 2,294 customers of Tk. 12,354.24 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. 8,136.76 million from 857 numbers of depositors helping them build up savings for investment in national economy.

## DIRECT ECONOMIC VALUE GENERATED IN 2023

(In Million Taka)

UCL's total revenue	Distributed value	Economic value retained
Tk. 315.67	Operating cost : Tk. 6,384.04	Tk. (6,069.70)
	Salaries and benefits : Tk. 170.23	
	Taxes : Tk. 29.10	
	Dividends : Tk. 00	
	Community giving : Tk 00	

\* 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 2023 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	2.24
Withholding taxes	13.42
Withholding VAT	2.14
VAT collected and paid	0.15
Excise duty collected and paid	2.39
<b>Total</b>	<b>20.33</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 144 employees as on 31 December 2023. We believe that the human resources act as the catalyst behind the development, success and future sustainability. The Human resources of the Company is guided by a robust HR Policy, attractive work place, competitive pay band and rewarding career opportunities transforming human resources in to human capital. During the year 2023, UCL paid a total amount of Tk. 170.23 million as salaries and allowances to its employees (2022: Tk. 175.35 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 to 2023.

### **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 do this by making it easy for employees to understand the roles they play in fulfilling UCL's strategies, helping employees grow personally and professionally, and being committed to employee engagement. We recognize that well-informed employees are more likely to align their actions with company goals. Employees have many opportunities to learn and ask questions about company goals, strategies and progress through meetings with senior management, regular formal communications and our extensive intranet. We have a long history of listening and responding to our employees, and we regularly seek feedback and comments. We gather employee input on our progress in key areas including career development, performance enablement, employee engagement and workplace culture. By understanding employees' views, UCL can take action to address their needs and the company's priorities. 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. We aim to retain our employees through constantly nurturing them and develop their skills by acknowledging their strengths & weaknesses. We maintain an effective management through ongoing, two-way discussion between a manager and employee about performance, priorities and challenges. At UCL, employee self-evaluation process is a preliminary step for employee development. It is a vital activity that can be essential in assessing their need for development through training, counseling etc.

At UCL, rather than simply being the "recipient" of feedback from their reporting supervisors, the employee is given a voice, and can inform or shape their own career paths. This active participation helps them to be more engaged with both their performance and the assessment process overall. Even for managers who work closely with their employees, it's not always possible to see the full picture and understand all the factors that affect employee performance. 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. It can also help to entrench this vital two-way dialogue in the organization's management culture. At UCL we greatly value employee point of view and do our best to shape up their career. 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. Employee engagement is facilitated through corporate intranet. Furthermore, the CEO and senior executives visits different offices of UCL which opens face-to-face dialogue between employees and senior management. Through these channels UCL supports a flat organizational structure and encourages collaboration throughout UCL.

#### HUMAN RESOURCE STRATEGY

- Attract qualified personnel by creating a motivated workplace;
- Retain competent employees by creating a superior workplace;
- Provide new employees with appropriate training from the outset;
- Encourage employees to maintain professional skills and give them the opportunity to develop and grow;
- Ensure maximum employees success - empower the individual, provide an opportunity to show initiative and command independent initiative;
- Maintain a spirit of ambition, efficient 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;
- 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

UCL continues to maintain a very satisfactory position in terms of people productivity. This is confirmed by the following indicators:

Particulars	2023	2022	2021	2020
Total Employee	72	75	83	97
Net income per employee (BDT in million)	(38.73)	(25.82)	(17.30)	(5.14)
Operating revenue per employee (BDT in million)	4.82	5.53	7.72	9.38
Assets per employee (BDT in million)	220.32	213.81	180.39	154.72

Staff Strength	2023	2022	2021	2020
Senior Management	11	09	10	11
Mid Level Management	25	23	29	28
Junior Level Management	24	29	29	40
Support Staff	12	14	15	18
<b>Total</b>	<b>72</b>	<b>75</b>	<b>83</b>	<b>97</b>

#### Age analysis of the employees as at 31 December 2023

Age Group Year	Sr. Mgt	Mid Level Mgt.	Jr. Level Mgt.	Support Staff	2023 Total	2022 Total
51-60	2	2	0	1	5	3
41-50	6	9	5	3	23	24
31-40	3	13	18	5	39	42
21-30	0	1	1	3	5	6
<b>Total</b>					<b>72</b>	<b>75</b>

Average age of the employees as at 31 December 2023 was 39.15 (2022: 38.27), (2021: 37.71), (2020: 31.19), (2019: 30.66)

#### Service analysis of the employees as at 31 December 2023

Service Group Year	Sr. Mgt	Mid Level Mgt.	Jr. Level Mgt.	Support Staff	2023 Total	2022 Total
Above 10	4	7	2	2	15	13
7-10	5	10	4	3	22	15
5-7	0	5	6	4	15	21
2-5	1	2	5	1	9	17
Below 2	1	1	7	2	11	09
<b>Total</b>	<b>11</b>	<b>25</b>	<b>24</b>	<b>12</b>	<b>72</b>	<b>75</b>

Average service life of the employees as at 31 December 2023 was 7.64 years (2022: 7.00), (2021: 6.26), (2020: 4.39), (2019: 3.63)

# 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	6	38	23	5	72
Management Cadre	1	16	15	4	36
Non Management Cadre	2	17	5	0	24
Support Staff	3	5	3	1	12
<b>Average age</b>	<b>39.15</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.
- 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 resourc

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	2023				2022			
	UCL	%	Group	%	UCL	%	Group	%
Net interest income	(457.48)	7.73	(435.08)	7.45	(507.49)	27.87	(513.12)	28.25
Fees earned including VAT	0.31	-0.01	79.77	(1.37)	0.83	-0.05	150.12	(8.27)
Investment income	1.37	-0.02	36.49	(0.63)	2.81	-0.15	23.19	(1.28)
Other income	25.59	-0.43	28.04	(0.48)	26.47	-1.45	28.14	(1.55)
Management expenses	(23.78)	0.40	(50.80)	0.87	(28.79)	1.58	(65.02)	3.58
Provision for doubtful losses	(5,464.56)	92.33	(5,494.96)	94.15	(1,314.54)	72.20	(1,439.44)	79.26
<b>TOTAL VALUE ADDED</b>	<b>(5,918.55)</b>	<b>100.00</b>	<b>(5,836.53)</b>	<b>100.00</b>	<b>(1,820.71)</b>	<b>100.00</b>	<b>(1,816.13)</b>	<b>100.00</b>
<b>DISTRIBUTION OF VALUE ADDED</b>								
<b>In payment to Employees</b>								
As salaries and allowances	84.45	(1.43)	170.23	(9.65)	87.37	(4.80)	175.35	(9.65)
<b>In payment to Capital Providers</b>								
Dividend to shareholders	-	-	-	-	-	-	-	-
<b>In payment to Government</b>								
Corporate tax	9.47	(0.16)	29.10	(1.95)	9.23	(0.51)	35.36	(1.95)
<b>Expansion and business growth</b>								
Retained income	(6,028.30)	101.85	(6,069.70)	113.56	(1,936.66)	106.37	(2,062.35)	113.56
Depreciation	15.83	(0.27)	33.84	(1.96)	19.35	(1.06)	35.51	(1.96)
<b>TOTAL DISTRIBUTION</b>	<b>(5,918.55)</b>	<b>100.00</b>	<b>(5,836.53)</b>	<b>100.00</b>	<b>(1,820.71)</b>	<b>100.00</b>	<b>(1,816.13)</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/(negative) MVA indicates that the company could add/(subtract) value to shareholders' wealth. The following statement indicates the MVA as at 31 December 2023 compared to the MVA of prior year:

### MARKET VALUE ADDED STATEMENT

Figures in BDT Million

VALUE ADDED	2023		2022	
	UCL	Group	UCL	Group
Market value of shares outstanding	1,535.91	1,535.91	1,708.48	1,708.48
Book value of the share outstanding	(8,687.12)	(8,806.07)	(2,658.82)	(2,736.37)
<b>MARKET VALUE ADDED</b>	<b>10,223.03</b>	<b>10,341.98</b>	<b>4,367.30</b>	<b>4,444.85</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 negative EVA for the year 2023 and also for the year 2022.

### ECONOMIC VALUE ADDED STATEMENT

Figures in BDT Million

VALUE ADDED	2023		2022	
	UCL	Group	UCL	Group
<b>Economic Value Added (EVA)</b>	<b>(749.16)</b>	<b>(760.16)</b>	<b>(807.52)</b>	<b>(808.32)</b>
Net operating profit	(554.27)	(545.64)	(612.88)	(587.55)
Provision for taxes	(9.47)	(29.10)	(9.23)	(35.36)
<b>Net Operating Profit After Tax (NOPAT)</b>	<b>(563.75)</b>	<b>(574.74)</b>	<b>(622.11)</b>	<b>(622.91)</b>
<b>Shareholders' equity as on 31 December</b>	<b>(8,687.12)</b>	<b>(8,806.07)</b>	<b>(2,658.82)</b>	<b>(2,736.37)</b>
Average shareholders' equity	(5,672.97)	(5,771.22)	(1,690.49)	(1,705.19)
Paid up capital	1,725.74	1,725.74	1,725.74	1,725.74
Cost of equity (%)*	10.74%	10.74%	10.74%	10.74%
<b>Cost of equity **</b>	<b>185.41</b>	<b>185.41</b>	<b>185.41</b>	<b>185.41</b>
* Based on weighted average rate of Sanchay Patra issued by the Bangladesh Government plus 2 % risk premium. ** Since the average shareholder equity is negative, the Paid up capital is consider to calculate the cost of equity.				
<b>Key ratios</b>				
EVA/Operating revenue (%)	(215.77)	(147.99)	(194.63)	(130.42)
EVA/Average shareholders' equity (%)	(13.21)	(13.17)	(47.77)	(47.40)
Net profit after tax/Operating revenue (%)	(1,736.25)	(1,181.64)	(466.77)	(332.75)

# FINANCIAL STATEMENTS OF UCL AND THE GROUP

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# Hussain Farhad & Co.

Chartered Accountants

## Independent Auditor's Report to the shareholders of Union Capital Limited Report on the audit of the consolidated and separate Financial Statements

### Qualified 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 of 31 December 2023, and the consolidated and separate profit and loss account, a consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated and separate financial statements present fairly, the consolidated and separate financial position of the Group & the Company as at December 31, 2023, and 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 (IFRSs) as explained in Note # 2.00.

### Basis for Qualified Opinion

As discussed in note # 2.10 of the financial statements, as of December 31, 2023, the Company reported a loss of BDT 6,028.30 million with a negative Earnings Per Share (EPS) of BDT (34.93). The Company's accumulated loss has reached BDT 10,864.76 million, which is 68% of the total assets. Additionally, around 86.94% of the total loans, advances, and lease portfolios are categorized as non-performing. Total liabilities of the Company have increased by 31% in the current year compared to the previous year. The Company's current year total liabilities shown in the financial statements are 155% of its total assets. The Net Assets Value (NAV) per share for the current year is BDT (50.34), compared to BDT (15.41) in the previous year.

Moreover, the Company has been consistently making losses over the last 5 years: BDT (988.43) million in 2019, BDT (498.71) million in 2020, BDT (1,435.88) million in 2021, BDT (1,936.66) million in 2022, and BDT (6,028.3) million in 2023.

These above situations indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The disclosures in the financial statements are insufficient to clarify the Company's going concern status.

We conducted our audit in accordance with the 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 the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Emphasis of Matters

Without modifying our opinion, we draw attention to the following matters:

1. In note no. 7.11 and 7.12 of the financial statements, the Company has disclosed the reasons that resulted in significant losses during the current year in comparison to the previous year.
2. In note no. 15 of the financial statements, the Company has disclosed the information related to regulatory capital (Core Capital and Supplementary Capital) requirements. The Company has to maintain regulatory capital amounting to BDT. 1,401,442,806 as per the Bangladesh Bank's circular no. 05 dated 4th July 2011 and DFIM circular no. 14 dated 28th December 2011. But the eligible capital of the Company stands as at 31st December 2023 amounting to BDT (8,504,935,690), resulting in a shortfall at BDT (9,906,378,496).

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Description of key audit matters	How the matters were addressed in our audit
<p><b>01. Measurement of provisions for leases, loans, and advances.</b></p> <p>The process of estimating the provisions for leases, loans, and advances portfolios associated with credit risk is significant and complex.</p> <p>For the individual analysis, these provisions consider the estimates of future business performance and the market value of the collateral provided for the credit transactions.</p> <p>Considering the complexity of the provisioning process, for the collective analysis, these provisions are manually processed and deal with voluminous databases, assumptions, and calculations.</p> <p>At the year-end of 2023, the group reported total gross loans, advances, and leases, etc., of BDT 12,354.24 million (in 2022: BDT 12,996.13 million), and the total provisions for loans, advances, and leases, presented in the financial statements for the year 2023, BDT 7,114.49 million (in 2022: BDT 2,190.55 million). The provision against loans, advances, leases, and investment made in the current year's financial statements is BDT 5,494.96 million (2022: BDT 1,439.44 million).</p> <p>We have focused on the following significant judgments and estimates which could intensify the probability of material misstatement or management bias:</p> <ul style="list-style-type: none"> <li>Completeness and timing of recognition of the loss events in accordance with criteria set out in FID circular No. 08 dated 03 August 2002, DFIM circular No. 04 dated 26 July 2021, DFIM circular No. 27 dated 21 December 2022. For individually assessed provisions, the measurement of the provision may depend on factors such as the valuation of collateral, estimates of exit values, and the timing of cash flows.</li> <li>Provision measurement primarily depends on key assumptions relating to the probability of default, the ability to repossess collateral, and recovery rates.</li> </ul> <p>See note no 7.a, &amp; 14.1 to the financial statements.</p>	<p>Our process flows in relation to the key audit matters described, included, among others:</p> <ul style="list-style-type: none"> <li>Tested the credit appraisal, loan disbursement procedures, monitoring, and provisioning process.</li> <li>Identified loss events, including early warning and default warning indicators.</li> <li>Reviewed quarterly Classification of Loans (CL).</li> <li>Reviewed the adequacy of the general and specific provisions in line with related Bangladesh Bank guidelines.</li> <li>Reviewed Bangladesh Bank circulars and other guidelines related to confront this pandemic.</li> </ul> <p>Our substantive procedures in relation to the provisions for leases, loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> <li>Reviewed adequacy of the company's general and specific provisions as per Quick Summery Report FIID(I-30/02)/2024-507 dated 10th June 2024.</li> <li>Assessed the methodologies on which the provision amounts were based, recalculated the provisions, and tested the completeness and accuracy of the underlying information.</li> </ul> <p>Finally, the appropriateness and presentation of disclosures were assessed against relevant accounting standards and Bangladesh Bank guidelines.</p>

Description of key audit matters	How the matters were addressed in our audit
<p><b>2. Legal and regulatory matters</b></p> <p>We focused on this area because Union Capital Limited and its subsidiaries (the "Group") operate in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are uncertain, and the outcome may be difficult to predict.</p> <p>These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities.</p> <p>Overall, the legal provision represents the Group's best estimate for existing legal matters that have a probable and significant impact on the group's financial position.</p> <p>See note no 1.1 to the financial statements.</p>	<p>Our procedures, in relation to the key audit matters described, included, among others:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding and evaluated the design and tested the operational effectiveness of the Group's key controls over the legal provisions and contingencies process.</li> <li>• Enquired those charged with governance to obtain their views on the status of all significant litigation and regulatory matters.</li> <li>• Enquired the Group's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports.</li> <li>• Assessed the methodologies on which the provision amounts were based, recalculated the provisions, and tested the completeness and accuracy of the underlying information.</li> <li>• Also assessed the Group's provisions and contingent liabilities disclosure.</li> </ul>
<p><b>3. IT systems and controls</b></p> <p>Our audit procedures focused 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>Our areas of audit focus included:</p> <ul style="list-style-type: none"> <li>- IT Security management.</li> <li>- IT risk management.</li> <li>- Service delivery management.</li> <li>- Infrastructure security management.</li> <li>- Access control.</li> <li>- Business Continuity and Disaster Recovery Management, etc.</li> </ul>	<p>Our procedures, in relation to the key audit matters described, included, among others:</p> <ul style="list-style-type: none"> <li>• Tested the design and operating effectiveness of the Group's IT access controls over the information systems critical to financial reporting.</li> <li>• Assessed the total IT security over its operation in accordance with the guideline on ICT security for Banks and Non-Bank Financial Institutions dated May 2015 Version 3.0.</li> <li>• Tested IT general controls (logical access, changes management and aspects of IT operational controls). We have crosschecked the data presented in the Financial Statements with its system-generated trial balance extracted from the Software. This included whether the request for system access was appropriately reviewed and authorized.</li> <li>• Tested Group's periodic review of access rights. We inspected requests for changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configurations and other application layer controls identified as key to our audit.</li> <li>• Where deficiencies were identified, we tested compensating controls or performed alternative procedures. In addition, we understood where relevant changes were made to the IT landscape during the audit period and tested those changes that significantly impacted financial reporting.</li> </ul>

Description of key audit matters	How the matters were addressed in our audit
<p><b>4. Preparation of consolidated financial statements</b></p> <p>Since 2011 and 2013, respectively, Union Capital Limited has maintained a direct ownership interest in UniCap Investments Limited and UniCap Securities Limited.</p> <p>The determination of significant control over subsidiaries requires careful assessment of different elements such as voting rights, decision-making authority, and the ability to influence the financial and operating policies of the subsidiaries.</p> <p>Furthermore, the inclusion of a subsidiary requires significant amendments in preparing the financial statements, including consolidated financial statements, which require a range of adjustments and additional disclosure requirements.</p>	<p>Our procedures, in relation to the key audit matters described, included, among others:</p> <ul style="list-style-type: none"> <li>• Thoroughly understood the consolidation process, including transactions undertaken between these companies. In this regard, we received and reviewed the signed auditor's report of subsidiaries and financial statements.</li> <li>• Carried out a risk assessment about consolidation and the adjustments necessary to properly prepare the consolidated financial statements. We have also assessed the inherent limitations of consolidation processes to address the issues.</li> <li>• Finally, we reviewed the appropriateness and presentation of disclosures relevant to respective accounting standards and guidelines.</li> </ul>

#### Other Information

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the board of directors of the company.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Group and also separate financial statements of the Company in accordance with IFRSs as explained in note no. 2, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and 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 group and the company or to cease operations, or has no realistic alternative but to do so. Management has given disclosure in the note to the financial statements in this regard.

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

#### Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement in the consolidated and separate 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 relevant 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 develop 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 Group's and 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 consolidated and separate 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 Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

### **Report on other Legal and Regulatory Requirements**

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

- i. we have obtained all the information and explanations, except for mentioned in the basis for the qualified opinion, which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii. in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;

- iii. the consolidated balance sheet and consolidated profit and loss account together with the annexed notes dealt with by the report agree with the books of account and returns;
- iv. the expenditures incurred and payments made were for the purpose of the Company's business for the year;
- v. the financial statements of the Company have been drawn up in conformity with the Finance Company Act, 2023 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- vi. adequate provisions have been made for loans, advances, leases, investments and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- vii. the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- viii. the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- ix. statements sent to Bangladesh Bank have been checked on a sample basis and no inaccuracy has come to our attention;
- x. taxes and other duties were collected and deposited in the government treasury by the company as per government instructions and found satisfactory based on test checking;
- xi. nothing has come to our attention that the company has adopted any unethical means i.e., 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;
- xii. proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied with properly as disclosed to us by management;
- xiii. based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the company are satisfactory, effective measures have been taken to prevent possible material fraud, forgery, and internal policies are being followed appropriately;
- xiv. the Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets, and procedure for sanctioning and disbursing loans/leases found satisfactory;
- xv. we have reviewed over 80% of the risk-weighted assets of the company and we have spent around 1150 person hours for the audit of the books and accounts of the Company.
- xvi. the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to the classification, provisioning, and calculation of interest suspense;
- xvii. all other issues which in our opinion were important for the stakeholders of the company have been adequately disclosed in the audit report.

Place: Dhaka  
 Date: 30 June 2024  
 DVC No: 2406300904AS190982



**Asifur Rahman FCA**  
 Partner  
 Enrolment No- 904  
**Hussain Farhad & CO.**  
 Chartered Accountants  
 Firm Reg. No- 4/452/ICAB-84

# Union Capital Limited

Consolidated Balance Sheet  
As at 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)		83,026	83,026
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	4.a	83,451,285	86,337,246
		83,534,311	86,420,272
Balance with other banks and financial institutions			
In Bangladesh		1,380,366,230	1,256,371,889
Outside Bangladesh	5.a	-	-
		1,380,366,230	1,256,371,889
Money at call and short notice			
		-	-
Investments			
Government		-	-
Others	6.a	531,987,488	547,594,443
		531,987,488	547,594,443
Loans, advances and leases			
Loans, advances and leases		12,354,242,267	12,996,132,409
Bills purchased and discounted	7.a	-	-
		12,354,242,267	12,996,132,409
Fixed assets including land, building, furniture and fixtures	8.a	412,705,252	437,336,382
Other assets	9.a	772,211,127	754,602,298
Non-banking assets	10	435,539,159	435,539,159
TOTAL ASSETS		15,970,585,834	16,513,996,851
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11.a	2,915,681,769	3,210,588,407
Deposits and other accounts			
Term deposits	12.a	8,136,764,424	8,318,252,524
Other deposits	13	19,737,010	160,342,897
		8,156,501,434	8,478,595,421
Other liabilities	14.a	13,704,473,659	7,561,182,859
Total liabilities		24,776,656,862	19,250,366,687
Shareholders' equity			
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	(10,983,706,549)	(4,914,005,454)
Total equity attributable to equity holders of the Company		(8,806,070,720)	(2,736,369,625)
Non-controlling interest		(308)	(210)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,970,585,834	16,513,996,851

# Union Capital Limited

Consolidated Balance Sheet  
As at 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Letters of guarantee		-	-
Irrevocable letters of credit		-	-
Other contingent liabilities		-	-
		-	-
Other commitments			
Undisbursed contracted loans, advances and leases		-	-
TOTAL OFF BALANCE SHEET ITEMS			
Net assets value per share (NAV)	40.a	(51.03)	(15.86)

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



Chairman



Director



Managing Director & CEO (CC)



Company Secretary (CC)

Place: Dhaka

Date: 27 June 2024

DVC No: 2406300904AS190982



Hussain Farhad & CO.  
Chartered Accountants

# Union Capital Limited

Consolidated Profit and Loss Account  
For the year ended 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
Interest income	19.a	369,359,942	418,339,461
Interest paid on deposits and borrowings etc.	20.a	(804,442,962)	(931,458,928)
<b>Net interest income</b>		<b>(435,083,020)</b>	<b>(513,119,467)</b>
Investment income	21.a	36,493,213	23,185,645
Fees, commissions, exchange and brokerage	22.a	79,771,314	150,118,467
Other operating income	23.a	28,043,873	28,141,116
		<b>144,308,400</b>	<b>201,445,228</b>
<b>Total operating income</b>		<b>(290,774,620)</b>	<b>(311,674,239)</b>
Salaries and other employee benefits	24.a	170,228,593	175,347,034
Rent, taxes, insurance, electricity etc.	25.a	5,288,476	5,232,471
Legal expenses	26.a	2,366,627	3,401,935
Postage, stamp, telecommunication etc.	27.a	4,647,612	4,566,124
Stationery, printing, advertisements etc.	28.a	3,220,543	3,682,817
Managing Director's salary and fees	29	-	-
Directors' fees	30.a	775,100	280,000
Auditors' fees	31.a	465,750	908,500
Depreciation and repair of assets	32.a	35,495,199	36,645,598
Other expenses	33.a	32,381,484	45,810,282
<b>Total operating expenses</b>		<b>254,869,383</b>	<b>275,874,761</b>
<b>Profit /(loss) before provision</b>		<b>(545,644,003)</b>	<b>(587,549,000)</b>
<b>Provision for loans, advances, leases and investments</b>			
General and special provision for loans, advances		19,468,078	91,710,220
Specific provision		4,811,013,819	1,084,486,897
Provision for diminution in value of investments		30,379,403	3,095,723
Other provision		634,095,666	260,148,882
<b>Total provision</b>		<b>5,494,956,966</b>	<b>1,439,441,722</b>
<b>Total profit/(loss) before tax</b>		<b>(6,040,600,969)</b>	<b>(2,026,990,722)</b>
<b>Provision for taxation</b>			
Current tax		21,931,192	29,929,072
Deferred tax		7,169,031	5,430,349
		<b>29,100,223</b>	<b>35,359,422</b>
<b>Net profit/(loss) after tax</b>		<b>(6,069,701,192)</b>	<b>(2,062,350,144)</b>
<b>Retained surplus/(loss)</b>		<b>(6,069,701,192)</b>	<b>(2,062,350,144)</b>
<b>Attributable to</b>			
Shareholders of the Company		(6,069,701,095)	(2,062,349,712)
Non-controlling interest		(97.5)	(432)
<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>(35.17)</b>	<b>(11.95)</b>

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



Chairman



Director



Managing Director & CEO (CC)



Company Secretary (CC)

Place: Dhaka

Date: 27 June 2024

DVC No: 2406300904AS190982



Hussain Farhad & CO.  
Chartered Accountants

# Union Capital Limited

Consolidated Statement of Changes in Shareholders' Equity  
For the year ended 31 December 2023

Figures in BDT

Particulars	Paid-up capital	Statutory reserve	Retained earnings/(loss)	Non-controlling interest	Total
Balance as at 1 January 2023	1,725,738,430	451,897,399	(4,914,005,454)	(210)	(2,736,369,835)
Net profit/(loss) for the year 2023	-	-	(6,069,701,095)	(97.5)	(6,069,701,192)
<b>Balance as at 31 December 2023</b>	<b>1,725,738,430</b>	<b>451,897,399</b>	<b>(10,983,706,549)</b>	<b>(308)</b>	<b>(8,806,071,027)</b>

## For the year ended 31 December 2022

Figures in BDT

Particulars	Paid-up capital	Statutory reserve	Retained earnings/(loss)	Non-controlling interest	Total
Balance as at 1 January 2022	1,725,738,430	451,897,399	(2,851,655,742)	222	(674,019,691)
Net profit/(loss) for the year 2022	-	-	(2,062,349,712)	(432)	(2,062,350,144)
<b>Balance as at 31 December 2022</b>	<b>1,725,738,430</b>	<b>451,897,399</b>	<b>(4,914,005,454)</b>	<b>(210)</b>	<b>(2,736,369,835)</b>

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

  
Chairman

  
Director

  
Managing Director & CEO (CC)

  
Company Secretary (CC)

Place: Dhaka

Date: 27 June 2024

# Union Capital Limited

Consolidated Cash Flow Statement  
For the year ended 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
<b>Cash flows from operating activities</b>			
Interest receipts		371,386,093	431,573,524
Interest payments		(371,626,473)	(537,374,231)
Fee and commission receipts		79,716,745	149,528,444
Recoveries of loans previously written off		24,973,302	26,474,210
Dividend receipts		17,242,402	16,935,298
Cash payments to employees		(177,018,764)	(170,312,005)
Cash payments to suppliers and management expenses		(16,501,193)	(22,464,181)
Income taxes paid		(20,725,881)	(31,787,445)
Receipts from other operating activities		1,608,533	2,256,929
Payments for other operating activities		(32,381,484)	(45,810,282)
<b>Cash generated before changes in operating assets and liabilities</b>		<b>(123,326,720)</b>	<b>(180,979,740)</b>
<b>Increase/decrease in operating assets and liabilities</b>			
Loans, advances and leases to customers		992,328,855	223,100,276
Other assets		(210,563)	67,749,625
Deposits from banks and other financial institutions		(4,723,686)	7,722,575
Deposits from customers		(317,370,301)	(316,170,141)
Net draw down/(payment) of short term loan		(7,650,000)	(159,142,771)
Other liabilities		(160,911,373)	588,135,604
<b>Cash generated from operating assets and liabilities</b>		<b>501,462,932</b>	<b>411,395,168</b>
<b>Net cash generated from/(used in) operating activities</b>		<b>378,136,212</b>	<b>230,415,428</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of securities		121,515,561	301,277,167
Payments for purchases of securities		(85,414,350)	(248,666,418)
Purchase of property, plant and equipment		(7,338,226)	(20,193,517)
Proceeds from sale of property, plant and equipment		1,465,821	-
<b>Net cash generated from/(used in) investing activities</b>		<b>30,228,806</b>	<b>32,417,232</b>
<b>Cash flows from financing activities</b>			
Receipts of long term loan		57,600,000	-
Repayment of long term loan		(344,856,638)	(248,236,611)
<b>Net cash generated from/(used in) financing activities</b>		<b>(287,256,638)</b>	<b>(248,236,611)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>121,108,380</b>	<b>14,596,049</b>
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		1,342,792,161	1,328,196,112
<b>Cash and cash equivalents at end of the year</b>		<b>1,463,900,541</b>	<b>1,342,792,161</b>
<b>Cash and cash equivalents at end of the year represents</b>			
Cash in hand		83,026	83,026
Balance with Bangladesh Bank and its agent bank		83,451,285	86,337,246
Balance with other banks and financial institutions		1,380,366,230	1,256,371,889
		<b>1,463,900,541</b>	<b>1,342,792,161</b>
<b>Net operating cash flows per share</b>	39.a	<b>2.19</b>	<b>1.34</b>

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



Chairman



Director



Managing Director & CEO (CC)



Company Secretary (CC)

Place: Dhaka

Date: 27 June 2024

# Union Capital Limited

## Balance Sheet

As at 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
<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)	4	83,451,285	86,337,246
		<b>83,485,285</b>	<b>86,371,246</b>
<b>Balance with other banks and financial institutions</b>			
In Bangladesh		1,179,997,820	1,017,442,143
Outside Bangladesh	5	-	-
		<b>1,179,997,820</b>	<b>1,017,442,143</b>
<b>Money at call and short notice</b>			
		-	-
<b>Investments</b>			
Government		-	-
Others	6	38,884,385	36,188,733
		<b>38,884,385</b>	<b>36,188,733</b>
<b>Loans, advances and leases</b>			
Loans, advances and leases		12,500,573,206	12,817,124,812
Bills purchased and discounted	7	-	-
		<b>12,500,573,206</b>	<b>12,817,124,812</b>
Fixed assets including land, building, furniture and fixtures	8	390,134,588	398,877,480
Other assets	9	1,234,421,951	1,244,558,909
Non-banking assets	10	435,539,159	435,539,159
<b>TOTAL ASSETS</b>		<b>15,863,036,394</b>	<b>16,036,102,482</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
Borrowings from other banks, financial institutions and agents	11	2,776,812,520	3,088,344,023
<b>Deposits and other accounts</b>			
Term deposits	12	8,136,764,424	8,318,252,524
Other deposits	13	19,737,010	160,342,897
		<b>8,156,501,434</b>	<b>8,478,595,421</b>
Other liabilities	14	13,616,843,249	7,127,981,734
<b>Total liabilities</b>		<b>24,550,157,203</b>	<b>18,694,921,178</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	(10,864,756,638)	(4,836,454,525)
<b>Total shareholders' equity</b>		<b>(8,687,120,809)</b>	<b>(2,658,818,696)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>15,863,036,394</b>	<b>16,036,102,482</b>

# Union Capital Limited

Balance Sheet

As at 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Letters of guarantee		-	-
Irrevocable letters of credit		-	-
Other contingent liabilities		-	-
		-	-
Other commitments			
Undisbursed contracted loans, advances and leases		-	-
TOTAL OFF BALANCE SHEET ITEMS			
Net assets value per share (NAV)	40	(50.34)	(15.41)

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



Chairman



Director



Managing Director & CEO (CC)



Company Secretary (CC)

Place: Dhaka

Date: 27 June 2024

DVC No: 2406300904AS190982



**Hussain Farhad & CO.**  
Chartered Accountants

# Union Capital Limited

## Profit and Loss Account

For the year ended 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
Interest income	19	319,929,229	384,789,709
Interest paid on deposits and borrowings etc.	20	(777,412,600)	(892,280,687)
<b>Net interest income</b>		<b>(457,483,371)</b>	<b>(507,490,978)</b>
Investment income	21	1,371,434	2,813,857
Fees, commissions, exchange and brokerage	22	313,253	830,119
Other operating income	23	25,587,809	26,474,210
		<b>27,272,496</b>	<b>30,118,186</b>
<b>Total operating income</b>		<b>(430,210,875)</b>	<b>(477,372,792)</b>
Salaries and other employee benefits	24	84,447,846	87,369,388
Rent, taxes, insurance, electricity etc.	25	2,750,625	2,551,282
Legal expenses	26	1,969,203	2,979,376
Postage, stamp, telecommunication etc.	27	1,587,399	1,578,085
Stationery, printing, advertisements etc.	28	1,993,240	1,873,591
Managing Director's salary and fees	29	-	-
Directors' fees	30	500,000	230,000
Auditors' fees	31	230,000	230,000
Depreciation and repair of assets	32	15,917,906	19,424,278
Other expenses	33	14,664,036	19,273,841
<b>Total operating expenses</b>		<b>124,060,255</b>	<b>135,509,841</b>
<b>Profit/(loss) before provision</b>		<b>(554,271,130)</b>	<b>(612,882,633)</b>
<b>Provision for loans, advances, leases and investments</b>			
General and special provision for loans, advances		19,468,078	(33,186,915)
Specific provision		4,811,013,819	1,084,486,897
Provision for diminution in value of investments		(20,597)	3,095,723
Other provision		634,095,666	260,148,882
<b>Total provision</b>		<b>5,464,556,966</b>	<b>1,314,544,587</b>
<b>Total profit/(loss) before tax</b>		<b>(6,018,828,096)</b>	<b>(1,927,427,220)</b>
<b>Provision for taxation</b>			
Current tax		2,000,000	3,000,000
Deferred tax		7,474,017	6,228,876
		<b>9,474,017</b>	<b>9,228,876</b>
<b>Net profit/(loss) after tax</b>		<b>(6,028,302,113)</b>	<b>(1,936,656,096)</b>
<b>Retained surplus/(loss)</b>		<b>(6,028,302,113)</b>	<b>(1,936,656,096)</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>(34.93)</b>	<b>(11.22)</b>

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



Chairman



Director



Managing Director & CEO (CC)



Company Secretary (CC)

Place: Dhaka

Date: 27 June 2024

DVC No: 2406300904AS190982



Hussain Farhad & CO.  
Chartered Accountants

**Union Capital Limited**  
Statement of Changes in Shareholders' Equity  
For the year ended 31 December 2023

Figures in BDT

Particulars	Paid-up capital	Statutory reserve	Retained earnings/(loss)	Total
Balance as at 1 January 2023	1,725,738,430	451,897,399	(4,836,454,525)	(2,658,818,696)
Net profit/(loss) for the year 2023	-	-	(6,028,302,113)	(6,028,302,113)
<b>Balance as at 31 December 2023</b>	<b>1,725,738,430</b>	<b>451,897,399</b>	<b>(10,864,756,638)</b>	<b>(8,687,120,809)</b>

**For the year ended 31 December 2022**

Figures in BDT

Particulars	Paid-up capital	Statutory reserve	Retained earnings/(loss)	Total
Balance as at 1 January 2022	1,725,738,430	451,897,399	(2,899,798,429)	(722,162,600)
Net profit/(loss) for the year 2022	-	-	(1,936,656,096)	(1,936,656,096)
<b>Balance as at 31 December 2022</b>	<b>1,725,738,430</b>	<b>451,897,399</b>	<b>(4,836,454,525)</b>	<b>(2,658,818,696)</b>

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



**Chairman**



**Director**



**Managing Director & CEO (CC)**



**Company Secretary (CC)**

Place: Dhaka  
Date: 27 June 2024

# Union Capital Limited

## Cash Flow Statement

For the year ended 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
<b>Cash flows from operating activities</b>			
Interest receipts		313,421,419	534,277,337
Interest payments		(340,656,245)	(503,880,560)
Fee and commission receipts		258,684	240,096
Recoveries of loans previously written off		24,973,302	26,474,210
Dividend receipts		1,331,284	2,654,930
Cash payments to employees		(98,407,328)	(84,730,382)
Cash payments to suppliers and management expenses		(8,066,868)	(10,444,008)
Income taxes paid		(2,238,565)	(3,279,449)
Receipts from other operating activities		54,569	590,023
Payments for other operating activities		(14,664,036)	(19,273,841)
<b>Cash generated before changes in operating assets and liabilities</b>		<b>(123,993,784)</b>	<b>(57,371,644)</b>
<b>Increase/decrease in operating assets and liabilities</b>			
Loans, advances and leases to customers		666,990,319	292,759,481
Other assets		10,005,724	65,173,550
Deposits from banks and other financial institutions		(4,723,686)	7,722,575
Deposits from customers		(317,370,301)	(316,170,141)
Net draw down/(payment) of short term loan		(7,650,000)	(159,142,771)
Other liabilities		247,696,350	385,879,232
<b>Cash generated from operating assets and liabilities</b>		<b>594,948,406</b>	<b>276,221,926</b>
<b>Net cash generated from/(used in) operating activities</b>		<b>470,954,622</b>	<b>218,850,282</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of securities		4,423,636	35,105,278
Payments for purchases of securities		(6,806,854)	(23,116,733)
Purchase of property, plant and equipment		(5,583,907)	(2,515,811)
Proceeds from sale of property, plant and equipment		563,723	-
<b>Net cash used in investing activities</b>		<b>(7,403,403)</b>	<b>9,472,734</b>
<b>Cash flows from financing activities</b>			
Receipts of long term loan		-	-
Repayment of long term loan		(303,881,503)	(168,219,339)
<b>Net cash generated from/(used in) financing activities</b>		<b>(303,881,503)</b>	<b>(168,219,339)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>159,669,716</b>	<b>60,103,677</b>
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		1,103,813,389	1,043,709,712
<b>Cash and cash equivalents at end of the year</b>		<b>1,263,483,105</b>	<b>1,103,813,389</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		83,451,285	86,337,246
Balance with other banks and financial institutions		1,179,997,820	1,017,442,143
		<b>1,263,483,105</b>	<b>1,103,813,389</b>
<b>Net operating cash flows per share</b>	39	<b>2.73</b>	<b>1.27</b>

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



Chairman



Director



Managing Director & CEO (CC)



Company Secretary (CC)

Place: Dhaka

Date: 27 June 2024

# Union Capital Limited

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

As at 31 December 2023

Figures in BDT

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)	-	-	83,451,285	-	-	83,451,285
Balance with banks and other financial institutions	523,946,771	642,590,231	13,460,818	-	-	1,179,997,820
Money at call and short notice	-	-	-	-	-	-
Investments	14,388,200	13,252,450	11,243,735	-	-	38,884,385
Loans, advances and leases	76,115,779	160,075,013	683,737,105	10,813,569,398	767,075,912	12,500,573,206
Fixed assets including premises, furniture and fixtures	-	-	-	-	390,134,588	390,134,588
Other assets	26,250,000	45,100,000	119,395,000	497,858,728	545,818,223	1,234,421,951
Non-banking assets	-	-	-	-	435,539,159	435,539,159
<b>Total assets</b>	<b>640,734,750</b>	<b>861,017,694</b>	<b>911,287,943</b>	<b>11,311,428,126</b>	<b>2,138,567,882</b>	<b>15,863,036,394</b>
<b>Liabilities</b>						
Borrowings from banks and financial institutions	765,846,049	92,808,875	511,139,537	1,318,872,756	88,145,303	2,776,812,520
Deposits	7,584,282,731	41,002,900	243,719,348	119,290,246	148,469,199	8,136,764,424
Other deposits	120,178	252,741	1,079,545	17,073,419	1,211,127	19,737,010
Provision and other liabilities	995,491,474	112,671,306	576,987,308	5,357,094,960	6,574,598,200	13,616,843,249
<b>Total liabilities</b>	<b>9,345,740,433</b>	<b>246,735,822</b>	<b>1,332,925,738</b>	<b>6,812,331,382</b>	<b>6,812,423,829</b>	<b>24,550,157,203</b>
<b>Net liquidity gap</b>	<b>(8,705,005,683)</b>	<b>614,281,872</b>	<b>(421,637,795)</b>	<b>4,499,096,744</b>	<b>(4,673,855,947)</b>	<b>(8,687,120,809)</b>

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


**Chairman**

**Director**

**Managing Director & CEO (CC)**

**Company Secretary (CC)**

Place: Dhaka

Date: 27 June 2024

# Notes to the Financial Statements

For the year ended 31 December 2023

## 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 4 (four) offices located in Dhaka, 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 2023 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 9 (nine) Directors and 8 (eight) Directors are nominated by Union Capital Limited to represent the Company.

# Notes to the Financial Statements

## 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 is to deliver a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory. Union Capital holds 99.99% shares of Unicap Investments Limited. Out of 7 (seven) Directors, 4 (four) 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 Finance Companies Act 2023, the Companies Act 1994, the Bangladesh 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 2023 to 31 December 2023.

### 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:

## 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
01	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 that are possible within 12 months after the reporting date); or</p> <p>b) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of 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 4,830.48 million has been charged as incremental provision for leases, loans and advances, which includes BDT 19.47 million as general provision on good loan for the year 2023. Therefore, the accumulated provision as on 31 December 2023 stand at BDT 7,121.96 million.</p> <p>In consolidated Financial Statements, the same amount is BDT 4,830.48 million which includes general provision of BDT 19.47 million. Therefore, the accumulated provision as on 31 December 2023 stand at BDT 8,142.90 million.</p>
02	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 FID circular No. 08, dated 3 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only.	<p>During this year, total market value of all shares of Union Capital Limited &amp; its subsidiaries is less than the cost price.</p> <p>As on December 31, 2023 there was BDT 152.84 million gross loss on consolidated investment in marketable listed securities.</p>
03	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 2,801.27 million from BDT 2,372.3 million resulting increase of BDT 428.98 million of interest suspense. This amount has been shown in other liabilities in note 14.5

## 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
04	Presentation of cash and cash equivalent	IAS 7 "Statement of Cash Flows"	<p>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.</p> <p>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.</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 all banks and NBFIs.</p> <p>The templates of financial statements provided detail presentation for statement of cash flows.</p>	Financial Statements for 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.
05	Measurement of deferred tax asset	IAS 7 "Statement of Cash Flows"	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.
06	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 2023 and corresponding year 2022 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
07	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 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank.
08	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 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. Moreover, the liquidity statement shows the aging profile of all financial assets and liabilities from where current/ non-current portion of assets and liabilities can be obtained.
09	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 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.  There is no financial impact for this departure but there is a disclosure in the financial statements.
10	Impairment of Investment in Subsidiaries	IAS 36 "Impairment of Assets"	An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. An impairment loss shall be recognised immediately in profit and loss as an expenses.	As per letter no: FIID (I-30/01/2021)/2022-1055 dated 19/12/2022 issued by Bangladesh Bank. Union Capital Limited shall have to maintained at least 20% provision on investment in subsidiaries.	Union Capital Limited has two wholly owned subsidiaries namely UniCap Securities Limited and UniCap Investments Limited. The investment in subsidiaries has been recorded at cost and as on 31 December 2023 the total investment of these subsidiaries is BDT 997.49 million (Note:9.1). Following Bangladesh Bank instructions, we have maintained total provision of BDT. 224.50 million as on 31 December 2023.

## 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
11	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/SMMID/NE/2023/1690 dated 28 March 2024, provisions against unrealized loss on margin loan has been extended up to 31 January 2025.	As on 31 December 2023 we have maintained Tk. 1028.40 million as provision against unrealized loss on margining loan.
12	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: i) statement of financial position, ii) statement of profit or loss and other comprehensive income, iii) statement of changes in equity, iv) statement of cash flows, v) notes, comprising significant accounting policies and other explanatory information and 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: i) balance sheet, ii) profit and loss account, iii) statement of changes in equity, iv) statement of cash flows, v) statement of liquidity, vi) notes, comprising significant accounting policies and other explanatory information.	Financial Statements for 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.  There is no financial impact for this departure in the financial statements.
13	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.  We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure-A as separate line item.	Financial Statements for 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.  There is no financial impact for this departure in the financial statements.

## 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
14	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.  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 2023 and corresponding year 2022 have been prepared as per the guideline and templates issued by Bangladesh Bank.  There is no financial impact for this departure in the financial statements.
15	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 2023 and corresponding year 2022 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.

#### 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.

## Notes to the Financial Statements

### 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 2023 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 2023 as in financial statements for 2022.

### 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 marchant 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'.

## Notes to the Financial Statements

### 2.10 Going concern

Going concern is one of the fundamental assumptions in the preparation of financial statements. Under the going concern assumption, an entity is normally viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations.

The financial statements of the Union Capital Limited have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

In this connection, it is to be stated that, Union Capital Limited has been doing business since 1998. During its 25 years of journey, UCL has been recognized and awarded by Bangladesh Bank, SAFA, ICAB and ICSB on different occasions for its notable achievements in different services and reporting categories. But in 2019, UCL experienced financial loss for first time in its history due to declining confidence of depositors on NBFI sector resulting from the news of liquidation of one NBFI's and financial scams of few other NBFI's, significant negative impact on economy for COVID-19, increasing of NPL due to non-payment of large corporate borrower, continuously fall of capital market that makes unable to repay the loan installments of our subsidiary company.

As on 31 December 2023 our classification of Loan, Lease, and Advances ratio has been increased to 86.94% from 47.45% of previous year which is mainly due to classify of loan outstanding lying with UniCap Investments Limited (a wholly owned subsidiary of Union Capital Limited) by Bangladesh Bank based on qualitative judgment. As per Bangladesh Bank guidelines, income earned on SMA and classified investment has been transferred to interest suspense's account instead taking into profit and loss account. Besides, we have to keep adequate provision against Loan, Lease and Advances following Bangladesh Bank circular. But, we need to record all expenses (finance and other) on accrual basis which significantly impacted on our profitability. For the current year, the Company has incurred losses of BDT 6,028.30 million which shows negative value of Earnings Per Share (EPS) 34.93 (2022: BDT 1,936.66 million & negative EPS 11.22) and as of 31 December 2023, the Company has an accumulated loss of Tk. 10,864.75 million, also the Net Assets Value (NAV) per share for the current year is BDT (50.34), compared to BDT (15.41) in 2022.

Despite all these difficulties, UCL is trying its best to overcome from this situation. To reach desired goals, we have planned to procure more new fresh deposit, providing loan to different clients in the form of new disbursement, give emphasis on recovery from NPL as well as written off account, strengthening collection by expediting legal action. In this relation, it is to be noted that, in the year 2023, we have collected Tk. 937.87 million as recovery from Loan, Lease, and Advances out of which Tk. 407.69 million was from classified loan. We have also collected Tk. 24.97 million from written off loan in current year and as on date the cumulative collection from written off loan account was Tk. 420.37 million. It is to be mentioned that we have already strengthen up our recovery team to recover the utmost and targeted to recovery Tk. 800.00 million from NPL during the year 2024. To reach the target we are closely working on few large loan a/c file that may be settled within 2024 which will significantly impact to our profitability by releasing provision on this loan account and transfer of interest suspense to income. Moreover, we are also in the process of selling mortgaged properties of some classified borrowers. Upon selling these properties, NPL will come down to some extent as well as it will improve our profitability. We want to add that from 1st January 2024 to 26 June 2024, we have collected Tk. 517.32 million as recovery from Loan, Lease, and Advances where Tk. 214.53 million from NPL account. In addition to these, we are giving all-out effort for recovery of Classified Loan, Lease, and Advances and also taking extensive Legal action against the same. Although, we are facing financial difficulties, we always try to pay our liabilities. In the year 2023, we paid Tk. 340.66 million as interest on deposits and borrowings and repay principal amount Tk. 322.09 million to depositors and Tk. 303.88 million for bank borrowings. We are also maintaining CRR and SLR as required by Bangladesh Bank from time to time. Moreover, the Board of Directors together with efficient management has been working relentlessly towards sustainability of the company despite of unpredictable situations in money market as well as in capital market.

In this connection, we would like to add that in reply to letter issued from Bangladesh Bank, we have submitted a recovery action plan for reducing of NPL and also submitted Time Bound Plan for improvement the quality of CAMELS Rating and Capital Adequacy Ratio. Besides, Bangladesh Bank has given primary consent for merger and we are discussing and exploring different avenue in this regard. UCL always focused on good governance with a view to bringing the best for its stakeholders and the economy as a whole.

Finally, we would like to point out that Bangladesh Bank is closely monitoring the going concern financial institutions to re-build their financial strength. There continuous support and guideline help us to move forward. As there are a few uncertainties related to the entity's ability to continue as a going Concern we therefore prepared our financial statements on going concern basis.

# Notes to the Financial Statements

## 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.

#### 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 a change in future lease payments arising from a change in an index or rate, if there is a change in UCL estimate of the amount expected to be payable under a lease, or if UCL changes 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.

## Notes to the Financial Statements

### 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.

#### 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.

## Notes to the Financial Statements

### 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

### 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.

# Notes to the Financial Statements

## 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.

### 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.

## Notes to the Financial Statements

### 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 4 (four) branches with no overseas branch as on 31 December 2023. 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, UCL 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.

# Notes to the Financial Statements

## **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 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.

## Notes to the Financial Statements

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 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 2023, 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.

## Notes to the Financial Statements

### 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.

#### 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.

# Notes to the Financial Statements

## 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.

		Figures in BDT	
		31-Dec-23	31-Dec-22
<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		83,451,285	86,337,246
Foreign currencies		-	-
		<b>83,451,285</b>	<b>86,337,246</b>
<b>Balance as at 31 December</b>		<b>83,485,285</b>	<b>86,371,246</b>
<b>4.a CASH (Consolidated)</b>			
In hand			
Union Capital Ltd.		34,000	34,000
UniCap Securities Ltd.		40,000	40,000
UniCap Investments Ltd.		9,026	9,026
		<b>83,026</b>	<b>83,026</b>
<b>Balance with Bangladesh Bank</b>			
Union Capital Ltd.		83,451,285	86,337,246
UniCap Securities Ltd.		-	-
UniCap Investments Ltd.		-	-
		<b>83,451,285</b>	<b>86,337,246</b>
<b>Balance as at 31 December</b>		<b>83,534,311</b>	<b>86,420,272</b>

## 4.1 Cash reserve requirement (CRR) and statutory liquidity reserve (SLR)

Cash reserve requirement and statutory liquidity reserve have been calculated and maintained in accordance with FID circular no. 06 dated 6 November 2003 and FID circular no. 02 dated 10 November 2004 and subsequent DFIM circular no. 03 dated 21 June 2020.

## Notes to the Financial Statements

### 4.1.1 Cash reserve requirement (CRR)

1.5% of total customer deposits

Required reserve

Actual reserve held

**Surplus(deficit)**

Figures in BDT	
31-Dec-23	31-Dec-22
81,737,002	84,833,672
84,730,929	88,571,637
<b>2,993,927</b>	<b>3,737,965</b>

### 4.1.2 Statutory liquidity reserve (SLR)

5% of total liabilities

Required reserve

Actual reserve held

**Surplus/(deficit)**

333,066,235	356,755,538
884,465,984	819,885,491
<b>551,399,749</b>	<b>463,129,953</b>

### 4.1.3 Held for cash reserve requirement (CRR)

Balance with Bangladesh Bank and its agent bank(s)

83,451,285	86,337,246
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### 4.1.4 Held for statutory liquidity reserve (SLR)

Cash in hand

Balance with Bangladesh Bank and its agent bank(s) as per statement

Balance with other banks and financial institutions (note-5)

34,000	34,000
83,451,285	86,337,246
1,179,997,820	1,017,442,143
<b>1,263,483,105</b>	<b>1,103,813,389</b>

### 4.1.5 Cash in hand

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 (2022: Tk. 34,000). As per Bangladesh Bank guidelines, the Company cannot make any cash transaction except petty cash.

### 4.1.6 Balance with Bangladesh Bank & its agent bank

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 2023 there is no shortage in CRR.

## 5 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

**This represents balance with various banks and financial institutions in Bangladesh.**

### Fixed deposit account

Bangladesh Industrial Finance Company Limited

International Leasing and Financial Services Ltd.

Community Bank Bangladesh Limited

IFIC Bank Limited, Gulshan Branch

255,065,928	209,667,767
901,924,387	775,669,366
-	2,418,122
13,460,818	-
<b>1,170,451,133</b>	<b>987,755,255</b>

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 has 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 the opening principal amount of fixed deposit laying with Bangladesh Industrial Finance Company Limited (BIFC) and International Leasing and Financial Services Limited (ILFSL) was Tk.10 crore and Tk.45 crore respectively, therefore the remaining balance has been added as interest income earned on the fixed deposit amount. Due to non-payment, the interest earned on this deposit balance has been transferred to interest suspense's account under other liabilities instead of taken into profit and loss account. Besides, as per instruction of Bangladesh Bank and considering the risk and probability of recovery, UCL has maintained full provision against the principal balance of these FDRs which has shown in note no:14 as other provision.

## Notes to the Financial Statements

### Current account

	Figures in BDT	
	31-Dec-23	31-Dec-22
Bank Alfalah Limited, Gulshan Branch	-	256
Agrani Bank Limited, Panthpath Branch	213,605	214,445
Bank Asia Limited, Corporate Branch	1,100	-
Dhaka Bank Limited, Kakrail Branch	96,607	4,058,346
Midland Bank Ltd, Gulshan Branch	51,227	378
Modhumoti Bank Limited, Dhanmondi Branch	77,129	91,104
National Credit and Commerce Bank Ltd., Banani Branch	-	345
NRB Bank Limited, Corporate Branch	24,993	25,683
Shahjalal Islami Bank Limited, Elephant Road Branch	202	1,951
Shahjalal Islami Bank Limited, Gulshan Branch	685	2,238
Social Islami Bank Limited, Eskaton Branch	71,929	76,564
United Commercial Bank Limited, New Eskaton Branch	1,665,999	3,843,614
WooriBank-Dhaka Branch	7,208	18,155
Uttara Bank Limited, Local Office	-	13,785
	<b>2,210,684</b>	<b>8,346,865</b>

### Short term deposit

Community Bank BD Limited, Gulshan Branch	1,379	2,829
Bank Asia Limited, Corporate Branch	11,307	305,249
Bank Asia Limited, Corporate Branch	56,840	46,438
Bank Asia Limited, Gulshan Branch	75,755	75,188
Dhaka Bank Limited, Local Office	2,031,398	1,268,896
Dhaka Bank Limited, Kakrail Branch	30,945	332,825
Dutch Bangla Bank Limited, Karwan Bazar Branch	26,856	29,666
Dutch Bangla Bank Limited, Karwan Bazar Branch	2,298,176	4,381,105
IFIC Bank Limited, Gulshan Branch	2,653,037	9,631,157
Jamuna Bank Limited, Sonargaon Road Branch	3,954	5,017
Modhumoti Bank Limited, Banglamotor-Branch	48,223	48,586
AB Bank Limited, Gulshan Branch	-	209
Mutual Trust Bank Limited, Principal Branch	-	6,731
Southeast Bank Limited, Islamic Banking Branch	1,373	2,500
Southeast Bank Limited, R K Mission Road Branch	96,760	5,203,627
	<b>7,336,003</b>	<b>21,340,023</b>
<b>Balance as at 31 December</b>	<b>1,179,997,820</b>	<b>1,017,442,143</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	2,210,684	8,346,865
Up to 1 month	521,736,087	442,539,150
Over 1 month but not more than 3 months	642,590,231	354,470,239
Over 3 months but not more than 1 year	13,460,818	212,085,889
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	<b>1,179,997,820</b>	<b>1,017,442,143</b>

## Notes to the Financial Statements

			Figures in BDT	
			31-Dec-23	31-Dec-22
<b>5.a</b>	<b>BALANE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (consolidated)</b>			
	Union Capital Ltd.		1,179,997,820	1,017,442,143
	UniCap Securities Ltd.		105,124,845	182,483,937
	UniCap Investments Ltd.		95,243,565	56,445,809
			<b>1,380,366,230</b>	<b>1,256,371,889</b>
	Less: Inter-company transactions		-	-
	<b>Balance as at 31 December</b>		<b>1,380,366,230</b>	<b>1,256,371,889</b>
<b>6</b>	<b>INVESTMENTS</b>			
	The investment is made up as under:			
	Government securities		-	-
	Other investments		38,884,385	36,188,733
	<b>Balance as at 31 December</b>		<b>38,884,385</b>	<b>36,188,733</b>
	This represents investment made by the Company in listed securities and unlisted securities.			
<b>6.1</b>	<b>Other investments</b>			
Ordinary share	No. of Company	Market Value	Cost	
			2023	2022
Investment in marketable securities	15	35,809,259	38,884,385	36,188,733
<b>Total</b>	<b>15</b>	<b>35,809,259</b>	<b>38,884,385</b>	<b>36,188,733</b>
<b>Listed securities:</b>				
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 listed securities at the last trading date of the year (Last trading date for 2023 was 28 December).				
<b>Sector wise investment in listed and unlisted securities at cost</b>				
Banking companies			-	-
Non Banking Financial Institutions			-	-
Insurance companies			2,145,481	1,989,939
Investment companies			5,000,000	5,000,000
Fuel & power			13,114,162	12,455,615
Manufacturing companies and others			18,624,742	16,743,179
			<b>38,884,385</b>	<b>36,188,733</b>
<b>Maturity wise grouping</b>				
Up to 1 month			14,388,200	8,500,000
Over 1 month but not more than 3 months			13,252,450	16,500,000
Over 3 months but not more than 1 year			11,243,735	11,188,733
Over 1 year but not more than 5 years			-	-
Over 5 years			-	-
			<b>38,884,385</b>	<b>36,188,733</b>
<b>6.a</b>	<b>INVESTMENTS (consolidated)</b>			
	Union Capital Ltd.		38,884,385	36,188,733
	UniCap Securities Ltd.		211,678,918	223,244,315
	UniCap Investments Ltd.		281,424,185	288,161,394
	<b>Balance as at 31 December</b>		<b>531,987,488</b>	<b>547,594,443</b>

## Notes to the Financial Statements

		Figures in BDT	
		31-Dec-23	31-Dec-22
<b>7 LOANS, ADVANCES AND LEASES</b>			
This represents loans, advances and leases financed fully in Bangladesh.			
Lease finance (note 7.1)		1,280,920,499	1,382,162,287
Term finance (note 7.2)		5,265,763,300	5,524,658,387
Home loan		272,736,267	274,426,604
Loan to subsidiaries (note 7.3)		5,655,626,868	5,610,815,536
Loan against deposits (note 7.4)		23,701,391	22,086,819
Staff loan (note 7.5)		1,824,882	2,975,179
<b>Balance as at 31 December</b>		<b>12,500,573,206</b>	<b>12,817,124,812</b>
<b>7.1 Lease finance</b>			
Principal outstanding (note 7.1.1)		771,977,821	836,518,919
Accounts receivable		508,942,678	545,643,368
<b>Total</b>		<b>1,280,920,499</b>	<b>1,382,162,287</b>
<b>7.1.1 Principal outstanding</b>			
Gross rental receivables		987,571,825	1,062,762,918
Unearned lease income		(215,594,004)	(226,243,999)
<b>Net investment</b>		<b>771,977,821</b>	<b>836,518,919</b>
<b>7.2 Term finance</b>			
Principal outstanding (note 7.2.1)		2,923,535,457	3,056,412,257
Accounts receivable		2,342,227,843	2,468,246,130
<b>Total</b>		<b>5,265,763,300</b>	<b>5,524,658,387</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>7.2.1 Movement of term finance (Principal outstanding) is made up as under:</b>			
Balance at 1 January		3,056,412,257	3,358,689,443
Less: Recovery during the year		(132,876,800)	(302,277,186)
<b>Balance as at 31 December</b>		<b>2,923,535,457</b>	<b>3,056,412,257</b>
<b>7.3 Loan to subsidiaries</b>			
UniCap Investments Limited		5,520,121,400	5,452,666,503
UniCap Securities Limited		135,505,468	158,149,033
<b>Balance as at 31 December</b>		<b>5,655,626,868</b>	<b>5,610,815,536</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.			
<b>Movement of loan against term deposit is as under:</b>			
Balance at 1 January		22,086,819	15,879,811
Less: Recovery during the year		1,614,572	6,207,008
<b>Balance as at 31 December</b>		<b>23,701,391</b>	<b>22,086,819</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		1,183,551	2,118,926
Employees car loan		641,331	856,253
<b>Balance as at 31 December</b>		<b>1,824,882</b>	<b>2,975,179</b>

## Notes to the Financial Statements

### 7. 5.1 Movement of staff loan is made up as under:

	Figures in BDT	
	31-Dec-23	31-Dec-22
Balance at 1 January	2,975,179	5,054,024
Less: Recovery during the year	(1,150,297)	(2,078,845)
<b>Balance as at 31 December</b>	<b>1,824,882</b>	<b>2,975,179</b>

### 7.6 Residual maturity grouping of loans, advances and leases

Repayable on demand	-	-
Upto 1 month	76,115,779	112,877,268
Over 1 month but not more than 3 months	160,075,013	241,570,180
Over 3 months but not more than 1 year	683,737,105	1,043,427,808
Over 1 year but not more than 5 years	10,813,569,398	8,943,424,753
Over 5 years	767,075,912	2,475,824,803
<b>Total</b>	<b>12,500,573,206</b>	<b>12,817,124,812</b>

### 7.7 Loans, advances and leases on the basis of significant concentration

a) Directors and their concerns	5,655,626,868	5,610,815,536
b) Chief executive and other senior executives	1,824,882	2,975,179
c) Customer groups	6,843,121,456	7,203,334,097
	<b>12,500,573,206</b>	<b>12,817,124,812</b>

#### d) Details of large loans, advances and leases

As per Section 25 of the Finance Companies Act. 2023, a financial institution can not sanction any loans, advances and leases exceeding 30 percent of its paid up capital and reserve . During the year 2023 Union Capital Limited has not sanction loans, advances and leases extended to external customers.

#### e) Sector wise loans, advances and leases

As per Bangladesh Bank circular, sector wise loans and advances are as follows:

##### Sector

Trade and Commerce	937,383,530	1,046,061,050
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##### Industry:

Garments & Knitwear	674,710,737	681,501,363
Textiles	1,494,999,953	1,489,307,398
Food Production, Processing & Rice Mills	131,733,744	136,194,301
Jute & Jute-Products	12,218,718	15,110,856
Plastic & Rubber Industry	37,328,035	39,726,446
Leather & Leather Goods	413,741	484,243
Iron, Steel & Engineering	366,046,045	407,452,368
Pharmaceuticals & Chemicals	477,751,904	505,020,831
Cement & Allied Industry	4,696,118	4,696,118
Paper, Packaging, Printing, Publishing & Allied Industry	201,839,986	219,894,489
Wood, Furniture & Fixture	854,661	879,661
Glass, Glassware & Ceramic Industry	139,627,992	139,951,992
Ship Manufacturing & Breaking	762,330,297	825,840,367
Electronics & Electrical Products	219,742,629	230,832,751
Power, Gas, Petrollium, Water & Sanitary	-	-
Transport & Aviation	191,058,879	229,176,394
Others	-	-

##### Agriculture

Crops	-	-
Froestry	-	-

## Notes to the Financial Statements

	Figures in BDT	
	31-Dec-23	31-Dec-22
Poultry & Livestock	238,844,831	226,023,352
Fisheries	-	2,949,889
Others (Cold Storage, Biofuel, Seed, Feed, Agri-related Other Institutions & Services)	175,637,553	194,452,277
<b>Mining &amp; Quarrying</b>		
<b>Housing</b>		
Individual/Retail Housing	375,407	533,379
Project/Commercial Housing	413,597,878	415,130,243
<b>Financial Corporation</b>		
Bank	-	-
Financial Instituion	-	-
Insurance Company	2,314,408	2,363,500
NGO	-	-
Audit & Accounting Firm	-	-
Credit Rating Agency	-	-
Merchant Banking	-	-
i. Loans to Own Subsidiaries	5,655,626,868	5,610,815,538
ii. Loans to Other FI/Bank Subsidiaries	-	-
iii. Loans to Brokerage House	-	-
Other Financial Auxiliaries	78,592	680,067
<b>Service</b>		
Education, Career & Training (Institutional),Consultancy Supervisory	-	-
Tourism, Hospitality & Logistics	4,543,778	7,787,740
Health Sector	285,851,968	304,102,492
Media, Advertising & Event Management	-	-
Beautification & Gym	-	-
Tailoring & Laundry	11,902,629	15,732,433
Private Survey Institution	-	-
Restaurant Service, Catering & Online Food Supplier	-	276,560
Telecommunication & Information Technology	-	-
Others	32,248,286	36,883,585
<b>Consumer Finance</b>		
Personal Loan	8,228	48,957
Auto Loan	1,230,076	1,922,489
Employee/Staff Loan	1,874,344	3,204,863
Credit Card	-	-
Loan Against Deposit	23,701,391	22,086,819
<b>Grand total</b>	<b>12,500,573,206</b>	<b>12,817,124,812</b>
<b>7.8 Geographical location wise loans, advances and leases</b>		
Dhaka Division	10,795,342,618	10,977,499,149
Chittagong Division	1,561,336,155	1,687,995,096
Rajshahi Division	102,119,620	106,400,528
Khulna Division	4,696,118	4,696,118
Rangpur Division	25,412,792	25,447,792
Barisal Division	-	-
Sylhet Division	11,665,904	15,086,129
<b>Total</b>	<b>12,500,573,206</b>	<b>12,817,124,812</b>

## Notes to the Financial Statements

### 7. 9 Details of large loan/investments

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 (as per the instruction of DFIM, Bangladesh Bank, UCL has reported large loan amounting to 15% or more based on paid up capital and statutory reserves). Total capital of the Company as at 31 December 2023 was Taka (6,696.80) million against that of Taka (2,658.82) million as at 31 December 2022.

	Figures in BDT	
	31-Dec-23	31-Dec-22
Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each	8	6
Amount of outstanding loans and advances [to the client as mentioned above]	8,837,924,454	8,115,274,833
Amount of classified loans and advances [out of the amount as mentioned above]	8,711,146,004	2,504,459,295
Measures taken for recovery [for the amount as mentioned above]	-	-

### 7. 10 Particulars of loans, advances and leases

#### SLParticulars

I. Financing considered good in respect of which the Company is fully secured	109,029,612	187,445,558
II. Financing considered good in respect of which the Company is partially secured	227,769,834	20,587,165
III. Financing considered good against which the Company holds no security other than the debtors' personal guarantee	321,339,877	267,683,500
IV. Financing considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	-	-
V. Financing adversely classified, provision not maintained there against	-	-
	<b>658,139,323</b>	<b>475,716,224</b>
VI. Financing due by directors or officers of the Company or any of them either separately or jointly with any other persons	1,824,882	2,975,179
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	5,655,626,868	5,610,815,536
VIII. Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Company or any of them either separately or jointly with any other person	-	-
IX. Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors of the Company have interest as directors, partners or managing agents or in case of private companies as members	-	-
X. Due from banking companies and other financial institutions	-	-
XI. Classified loans, advances and leases on which interest has not been charged	2,521,003,671	1,290,230,953
a) Amount of written off loans, advances and leases	703,807,674	717,487,846
b) Amount realized against the debts previously written off	24,973,302	26,474,210
c) Provision kept against loans and advances classified as bad/loss	6,732,191,682	1,273,841,964
d) Amount of interest creditable to the interest suspense account	496,720,325	1,936,073,352
XII. Cumulative amount of the written off loans/leases:		
Opening balance	717,487,846	740,475,772
Add: Amount written off during the year	-	-
Less: Amount recovered during the year	13,680,172	22,987,926
Cumulative to date	703,807,674	717,487,846
The amount of written off loans for which law suit filed	837,751,777	849,394,611
Written off amount recovered during the year	24,973,302	26,474,210
Excess collection over written off book value during the year	11,293,130	3,486,284
Cumulative amount recovered from written off loans/leases:	420,357,360	395,384,058
a) Cumulative amount recovered against written off book value	292,494,784	278,906,968
b) Cumulative amount recovered over written off book value	127,770,220	116,477,090

## Notes to the Financial Statements

### 7.11 Classification wise loans, advances and leases

Figures in BDT		
	31-Dec-23	31-Dec-22
Standard	784,917,773	6,089,506,938
Special mention account (SMA)	847,564,676	646,103,744
<b>Unclassified</b>	<b>1,632,482,449</b>	<b>6,735,610,682</b>
Sub-standard (SS)	74,932,710	2,014,471,578
Doubtful (DF)	276,811,628	1,146,319,573
Bad/loss (BL)	10,516,346,419	2,920,722,978
<b>Classified</b>	<b>10,868,090,757</b>	<b>6,081,514,129</b>
<b>Total</b>	<b>12,500,573,206</b>	<b>12,817,124,812</b>
<b>Rate of classified loans, leases and advances</b>	<b>86.94%</b>	<b>47.45%</b>

Based on Qualitative Judgment, Bangladesh Bank has classified the loan outstanding of Tk. 5,528.85 million lying with our subsidiary Company UniCap Investments Limited. Therefore, the classification of loan outstanding in 2023 has been significantly risen to Tk. 10,868.09 million (86.94%) from last year of Tk 6,081.51 million (47.45%).

### 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)	644,756,679	1%	39,938,251	28,599,643
Standard (Financing to owned Subsidiaries)	126,778,450	2%	2,535,569	112,216,311
Standard (SME loan/leases)	13,382,644	0.25%	2,331,260	47,398
Special mention account	741,306,548	5%	240,082,571	31,100,216
	<b>1,526,224,321</b>		<b>284,887,651</b>	<b>171,963,568</b>
<b>Classified - Specific provision</b>				
Sub-standard	33,992,666	20%	6,798,533	280,605,376
Doubtful	181,226,676	50%	90,613,338	464,142,394
Bad/loss	6,732,191,682	100%	6,732,191,682	1,273,841,964
	<b>6,947,411,024</b>		<b>6,829,603,553</b>	<b>2,018,589,734</b>
<b>Required provision for loans, advances and leases</b>			<b>7,114,491,204</b>	<b>2,190,553,302</b>
Total provision maintained for loans, advances and leases			7,114,491,204	2,190,553,302
Excess provision for loans, advances and leases			-	-

## Notes to the Financial Statements

Figures in BDT

31-Dec-23

31-Dec-22

The required provision for the year against loans, advances and leases has been significantly risen to Tk.7,114.49 million from last year of Tk.2,190.56 million because Financial Institutions Inspection Department (FIID) of Bangladesh Bank has classified the loan outstanding amount of Tk. 5,528.85 million lying with our subsidiary company UniCap Investments Limited (UIL) as Doubtful based on qualitative judgement which impacted significantly in current year Profit and Loss account. Further, considering the recent capital market trend and financial inability of UIL and for minimization of future uncertain risk, UCL has decided to classify the loan status as Bad and Loss account instead of Doubtful and maintained the required provision as per Bangladesh Bank guideline which resulted additional loss in Profit and Loss account.

### 7.13 Rate of net classified loans, advances and leases

Gross classified loans, advances and leases	10,868,090,757	6,081,514,129
Less: Interest suspense against classified loans, advances and leases	792,659,304	796,353,603
Less: Provision against classified loans, advances and leases	6,829,603,553	2,018,589,734
Net classified loans, advances and leases	3,245,827,901	3,266,570,792
Total loans, advances and leases	12,500,573,206	12,817,124,812
<b>Rate of net classified loans, advances and leases</b>	<b>25.97%</b>	<b>25.49%</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. UCL has been renewed 7 (seven) clients of public interest entity from 1 January 2023 to 31 December 2023.

### 7.a LOANS, ADVANCES AND LEASES (consolidated)

Union Capital Ltd.	12,500,573,206	12,817,124,812
UniCap Securities Ltd.	499,598,495	559,396,751
UniCap Investments Ltd.	5,009,697,433	5,230,426,382
	<b>18,009,869,135</b>	<b>18,606,947,945</b>
Less: Inter-company transactions	5,655,626,868	5,610,815,536
<b>Balance as at 31 December</b>	<b>12,354,242,267</b>	<b>12,996,132,409</b>

### 8 FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES

Furniture and fixtures	8,160,576	9,329,071
Floor Space	415,891,104	415,891,104
Office decoration	16,829,015	18,427,353
Electric equipment	36,664,258	30,588,523
Owned vehicles	10,825,597	10,825,597
Leased vehicles	2,230,000	2,230,000
Right-of-use assets	8,357,937	14,561,441
Intangible assets (software)	2,810,528	2,310,528
Mobile phones	452,600	452,600
<b>Total cost</b>	<b>502,221,615</b>	<b>504,616,217</b>
<b>Less: Accumulated depreciation and amortization</b>	<b>112,087,027</b>	<b>105,738,737</b>
<b>Written down value as at 31 December</b>	<b>390,134,588</b>	<b>398,877,480</b>

Details are shown in **Annexure - A**

### 8.a FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES (consolidated)

Union Capital Ltd.	390,134,588	398,877,480
UniCap Securities Ltd.	15,683,838	37,753,834
UniCap Investments Ltd.	6,886,826	705,068
<b>Balance as at 31 December</b>	<b>412,705,252</b>	<b>437,336,382</b>

## Notes to the Financial Statements

### 9 OTHER ASSETS

Investment in subsidiary (note 9.1)

Accrued interest

Others

#### Income generating other assets

Advance office rent

Advance to employees

Deposits with T & T, water etc.

Receivable from brokerage house against sale of shares

Transfer price receivable

Process Sharing receivable

Others

#### Non income generating other assets

Balance as at 31 December

Figures in BDT	
31-Dec-23	31-Dec-22
997,498,641	997,498,641
6,289,141	14,889,589
43,300,213	34,680,821
<b>1,047,087,995</b>	<b>1,047,069,051</b>
2,214,854	2,214,854
665,907	665,905
134,000	134,000
105,409	8,963,636
1,287,376	1,287,376
178,631,941	178,631,941
4,294,469	5,592,146
<b>187,333,956</b>	<b>197,489,858</b>
<b>1,234,421,951</b>	<b>1,244,558,909</b>

### 9.1 Investment in subsidiary

#### 9.1.1 Investment in UniCap Securities limited

UniCap Securities Limited, a private limited company incorporated in Bangladesh, is a wholly owned subsidiary of Union Capital Limited, the entire issued shares of which were acquired by the Company at a nominal value of 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.

#### 9.1.2 Investment in UniCap investments limited

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 499,999,740 was invested in UniCap Investments Limited which includes Taka 99,999,935, Taka 99,999,935, Taka 50,000,000 and Taka 249,999,870 for the year 2011, 2012, 2013 and 2018 respectively.

#### 9.1.a Deferred tax asset (consolidated)

Union Capital Limited

UniCap Securities Limited

UniCap Investments Limited

Balance as at 31 December

-	-
9,015,528	9,002,182
414,712	123,072
<b>9,430,240</b>	<b>9,125,254</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:

Particulars			Union Capital Ltd.	UniCap Securities Ltd.	UniCap Investments Ltd.
Assets	Fixed assets net of depreciation	Carrying amount	383,784,649	3,008,580	490,159
		Tax base	269,758,558	13,334,401	568,835
	ROU	Carrying amount	6,349,939	12,675,257	6,396,666
Liabilities	Employee gratuity fund	Carrying amount	-	21,078,458	-
		Tax base	-	-	-
	Lease obligation	Carrying amount	6,281,260	14,054,714	7,423,890
			<b>(114,094,770)</b>	<b>32,783,736</b>	<b>1,105,900</b>
Applicable tax rate			37.50%	27.50%	37.50%
Deferred tax assets/(Liabilities) as on December 31, 2023			(42,785,539)	9,015,528	414,712
Deferred tax assets/(Liabilities) as on December 31, 2022			(35,311,522)	9,002,182	123,072
Deferred tax expense/(income) during the period			<b>7,474,017</b>	<b>(13,346)</b>	<b>(291,640)</b>

## Notes to the Financial Statements

### 9.a OTHER ASSETS (consolidated)

Figures in BDT		
	31-Dec-23	31-Dec-22
Union Capital Ltd.	1,234,421,951	1,244,558,909
UniCap Securities Ltd.	535,344,414	497,814,552
UniCap Investments Ltd.	182,802,021	207,362,486
	<b>1,952,568,386</b>	<b>1,949,735,947</b>
Less: Inter-company transactions	1,180,357,258	1,195,133,649
<b>Balance as at 31 December</b>	<b>772,211,127</b>	<b>754,602,298</b>

### 10 NON-BANKING ASSETS

Non-banking assets	435,539,159	435,539,159
<b>Total</b>	<b>435,539,159</b>	<b>435,539,159</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.

#### 10.1 Aging of non-banking assets

Over 1 year but not more than 3 years	-	160,493,631
Over 3 years	435,539,159	275,045,528
<b>Total</b>	<b>435,539,159</b>	<b>435,539,159</b>

### 11 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS

#### Borrowings from other banks

##### In Bangladesh

Bank loan (note 11.1)	1,993,402,460	2,258,139,466
Preference share (note 11.2)	7,900,000	26,500,000
	<b>2,001,302,460</b>	<b>2,284,639,466</b>
Bangladesh Bank (Small Enterprise refinancing scheme-JICA) (Note 11.3)	2,199,550	10,491,713
Bangladesh Bank (Women entrepreneur refinance scheme (Note 11.4)	450,000	1,350,000
Bangladesh Bank (Small Enterprise refinancing scheme) (Note 11.5)	-	250,000
Bangladesh Bank (Renewable energy and environment friendly sector) (Note 11.6)	49,960,510	61,062,844
Short term borrowing and call loan (Note 11.7)	722,900,000	730,550,000
	<b>775,510,060</b>	<b>803,704,557</b>
	<b>2,776,812,520</b>	<b>3,088,344,023</b>

##### Outside Bangladesh

<b>Borrowings from banks</b>	<b>2,776,812,520</b>	<b>3,088,344,023</b>
<b>Borrowings from financial institutions</b>		
Borrowings from financial institutions	-	-
<b>Balance as at 31 December</b>	<b>2,776,812,520</b>	<b>3,088,344,023</b>

#### 11.1 Bank loan

This represents long term loan taken from different commercial banks, and is made up as under:

Balance at 1 January	2,258,139,466	2,377,391,835
Received/ interest capitalised during the year	159,599,221	342,149,815
Repayment during the year	(424,336,227)	(461,402,184)
<b>Balance as at 31 December</b>	<b>1,993,402,460</b>	<b>2,258,139,466</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.

## Notes to the Financial Statements

### 11.1.1 Break up of bank loans

	Figures in BDT	
	31-Dec-23	31-Dec-22
BASIC Bank Limited	232,515,673	239,662,501
Dutch Bangla Bank Limited	12,873,715	36,876,291
Eastern Bank Limited	250,100,441	330,631,001
Jamuna Bank Limited	36,726,702	39,102,015
Midland Bank Limited	199,496,319	213,297,008
Modhumoti Bank Limited	380,186,413	410,757,283
Mutual Trust Bank Limited	474,537,664	530,010,581
Shahjalal Islami Bank Limited	30,888,655	38,216,216
Social Islami Bank Limited	92,115,538	101,224,887
Southeast Bank Limited	194,848,406	209,338,342
Woori Bank Bangladesh	89,112,934	109,023,342
<b>Total secured long term loans</b>	<b>1,993,402,460</b>	<b>2,258,139,466</b>

### 11.2 Preference share capital

0.79 cumulative non-convertible preference share of Tk. 10,000,000 each (fully paid up)	7,900,000	26,500,000
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#### 11.2.1 Details of preference share capital

In order to increase Capital Adequacy Ratio, improving capital base and to accelerate investment growth UCL has issued 50 cumulative non-convertible redeemable preference shares of Tk. 10,000,000 each to the tune of Tk. 500,000,000 in March 2015. Since then, UCL has repaid its preference share capital and dividend thereon as per agreement. But from the mid of 2019 UCL has facing tremendous business challenge and liquidity crisis therefore it was very difficult to repay its liability as per schedule. Although there have significant business challenges as on 31 December 2023 we are able to reduce the preference share liability to 0.79 crore from 2.65 crore of previous year.

Rate of dividend payable on the preference shares is 12.50 percent per annum. Particulars of the subscribers are as follows:

Name of subscriber	No. of shares	Amount subscribed	Outstanding	Outstanding
Bangladesh Fund	0.55	100,000,000	5,300,000	5,500,000
NRB Global Bank Ltd.	1	100,000,000	-	10,000,000
DBH Corporation Ltd.	0.3	50,000,000	-	3,000,000
Uttara Finance & Investment Co. Ltd.	0.15	50,000,000	1,300,000	1,500,000
Brac Bank Ltd.	0.2	50,000,000	-	2,000,000
Midland Bank Ltd.	0.15	50,000,000	1,300,000	1,500,000
NRB Bank Ltd.	0.3	50,000,000	-	3,000,000
<b>Total</b>	<b>2.65</b>	<b>500,000,000</b>	<b>7,900,000</b>	<b>26,500,000</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	10,491,713	25,323,015
Repayment during the year	(8,292,163)	(14,831,302)
<b>Balance as at 31 December</b>	<b>2,199,550</b>	<b>10,491,713</b>

Fund is disbursed on reimbursement basis against submission of the projects with requisite papers and documents.

### 11.4 Bangladesh Bank (Women entrepreneur refinance scheme)

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	1,350,000	2,625,000
Repayment during the year	(900,000)	(1,275,000)
<b>Balance as at 31 December</b>	<b>450,000</b>	<b>1,350,000</b>

### 11.5 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:

## Notes to the Financial Statements

		Figures in BDT	
		31-Dec-23	31-Dec-22
Balance at 1 January		250,000	1,008,333
Repayment during the year		(250,000)	(758,333)
<b>Balance as at 31 December</b>		<b>-</b>	<b>250,000</b>
<b>11.6 Bangladesh Bank (Renewable energy and environment friendly sector)</b>			
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		61,062,844	72,165,179
Repayment during the year		(11,102,334)	(11,102,335)
<b>Balance as at 31 December</b>		<b>49,960,510</b>	<b>61,062,844</b>
<b>11.7 Short term borrowing and call loan</b>			
Short term borrowing (Note 11.7.1)		594,900,000	598,600,000
Call loan (Note 11.7.2)		128,000,000	131,950,000
<b>Balance as at 31 December</b>		<b>722,900,000</b>	<b>730,550,000</b>
This represents bank overdraft and call loans availed from different banks to meet short-term fund requirements.			
<b>11.7.1 Short term loans</b>			
Bangladesh Development Bank Ltd.		88,800,000	88,800,000
Mutual Trust Bank Limited		59,200,000	60,600,000
Modhumoti Bank Limited		430,000,000	430,000,000
NRB Commercial Bank Limited		3,900,000	5,000,000
South Bangla Agriculture and Commerce Bank Limited		13,000,000	14,200,000
		<b>594,900,000</b>	<b>598,600,000</b>
<b>11.7.2 Call loans</b>			
Modhumoti Bank Limited		-	2,350,000
Sonali Bank Limited		128,000,000	129,600,000
		<b>128,000,000</b>	<b>131,950,000</b>
<b>11.8 Security against borrowings from other banks and financial institutions</b>			
Secured		1,863,855,775	2,115,182,852
Unsecured		912,956,745	973,161,171
		<b>2,776,812,520</b>	<b>3,088,344,023</b>
<b>11.9 Maturity wise grouping</b>			
Repayable on demand		128,000,000	131,950,000
Upto 1 month		637,846,049	37,946,162
Over 1 month but not more than 3 months		92,808,875	307,250,735
Over 3 months but not more than 1 year		511,139,537	888,739,856
Over 1 year but not more than 5 years		1,318,872,756	1,443,998,610
Over 5 years		88,145,303	278,458,660
<b>Total</b>		<b>2,776,812,520</b>	<b>3,088,344,023</b>
<b>11.a Borrowings from other banks, financial institutions and agents (consolidated)</b>			
Union Capital Limited		2,776,812,520	3,088,344,023
UniCap Securities Limited		228,801,652	257,955,976
UniCap Investments Limited		2,983,469,207	3,245,343,550
		<b>5,989,083,379</b>	<b>6,591,643,549</b>
Less: Inter-company transactions		3,073,401,610	3,381,055,142
<b>Balance as at 31 December</b>		<b>2,915,681,769</b>	<b>3,210,588,407</b>

## Notes to the Financial Statements

		Figures in BDT	
		31-Dec-23	31-Dec-22
<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		3,277,697,430	3,282,421,116
Other institutions		4,143,811,813	4,290,760,295
<b>Total institutional deposits</b>		<b>7,421,509,243</b>	<b>7,573,181,411</b>
Term deposit		508,411,306	527,765,758
Income deposit		200,774,135	209,324,285
Monthly savings scheme		6,069,740	7,981,070
<b>Total individual deposits</b>		<b>715,255,181</b>	<b>745,071,113</b>
<b>Balance as at 31 December</b>		<b>8,136,764,424</b>	<b>8,318,252,524</b>
<b>Movements of deposits is made up as under</b>			
Balance at 1 January		8,318,252,524	8,605,845,739
Received/renewed during the year		60,426,352	244,509,162
Repayment during the year		(241,914,452)	(532,102,377)
<b>Balance as at 31 December</b>		<b>8,136,764,424</b>	<b>8,318,252,524</b>
<b>Maturity wise grouping</b>			
Repayable on demand		-	-
Repayable within 1 month		7,584,282,731	7,619,916,436
Over 1 month but not more than 6 months		41,002,900	102,453,502
Over 6 months but not more than 1 year		243,719,348	295,156,460
Over 1 year but not more than 5 years		119,290,246	92,718,578
Over 5 years but not more than 10 years		148,469,199	208,007,547
Over 10 years		-	-
Unclaimed deposits for 10 years or more		-	-
<b>Balance as at 31 December</b>		<b>8,136,764,424</b>	<b>8,318,252,524</b>
<b>12.a Term deposits (consolidated)</b>			
Union Capital Limited		8,136,764,424	8,318,252,524
UniCap Securities Limited		-	-
UniCap Investments Limited		-	-
		<b>8,136,764,424</b>	<b>8,318,252,524</b>
Less: Inter-company transactions		-	-
<b>Balance as at 31 December</b>		<b>8,136,764,424</b>	<b>8,318,252,524</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		160,342,897	181,197,248
Received during the period		411,677,841	609,975,688
Repayment during the period		(552,283,728)	(630,830,039)
<b>Balance as at 31 December</b>		<b>19,737,010</b>	<b>160,342,897</b>
<b>Breakup of other deposits on the basis of category of finance is as under</b>			
Lease advance		11,156,331	46,135,975
Term finance advance		7,766,121	78,821,663
Cash security		814,558	35,385,259
<b>Balance as at 31 December</b>		<b>19,737,010</b>	<b>160,342,897</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.			

## Notes to the Financial Statements

### 14 OTHER LIABILITIES

	Figures in BDT	
	31-Dec-23	31-Dec-22
Provision for loans, advances and leases (note 14.1)	7,114,491,204	2,190,553,302
Provision for diminution in value of investments (note 14.2)	3,075,126	3,095,723
Provision for other assets and accrued interest (note 14.3)	430,038,414	344,895,914
Special provision (note 14.4)	7,464,405	100,920,410
Other provision	548,953,166	-
Interest suspense (note 14.5)	2,801,270,847	2,372,295,608
Interest suspense others	608,037,148	444,496,377
Provision for tax (note 14.6)	91,223,899	91,462,464
Deferred tax liabilities (note 9.1.b)	42,785,539	35,311,522
Financial expenses payable (note 14.8)	1,877,366,141	1,421,249,519
Lease liability	6,281,260	9,156,969
Deferred liability-employee gratuity (note 14.9)	3,959,751	17,907,114
Dividend on preference shares	18,689,595	38,049,862
Excise duty	662,650	129,300
Withholding tax payable	798,500	899,063
VAT payable	957,220	532,198
Accrued expenses and other payable (note 14.10)	60,788,384	57,026,389
<b>Balance as at 31 December</b>	<b>13,616,843,249</b>	<b>7,127,981,734</b>

#### 14.1 Provision for loans, advances, and leases

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	284,887,651	171,963,568
Specific provision on classified loans, advances and leases	6,829,603,553	2,018,589,734
<b>Balance as at 31 December</b>	<b>7,114,491,204</b>	<b>2,190,553,302</b>

#### Movement in general provision on unclassified loans/leases:

Provision as on 1 January	171,963,568	159,503,283
Add : Provision made/(released) during the year	103,460,602	64,487,024
Less: Provision no longer required	(889,700)	(779,110)
Add/Less : Transferred from/(to)	10,353,181	(51,247,627)
Add : Net charge to profit and loss account	112,924,082	12,460,286
<b>Balance as at 31 December</b>	<b>284,887,651</b>	<b>171,963,568</b>

#### 14.1.a General provision made during the year for loans, advances and leases (consolidated)

Union Capital Limited	104,610,577	2,460,693
UniCap Securities Limited	-	-
UniCap Investments Limited	-	124,897,135
<b>Balance as at 31 December</b>	<b>104,610,577</b>	<b>127,357,829</b>

#### 14.1.b Movement in specific provision on classified loans/leases:

Provision as on 1 January	2,018,589,735	934,102,838
Less: Fully provided debts written off during the year	-	-
Add : Recoveries of amounts previously written off	-	-
Add/Less: Transferred from/(to) general provision	(10,353,181)	51,247,627
Add : Specific provision made during the year for other accounts	4,845,822,529	1,067,874,571
Less: Provision no longer required	(24,455,529)	(34,635,301)
Add : Net charge to profit and loss account	4,811,013,819	1,084,486,897
<b>Balance as at 31 December</b>	<b>6,829,603,554</b>	<b>2,018,589,735</b>
<b>Total</b>	<b>7,114,491,204</b>	<b>2,190,553,303</b>

## Notes to the Financial Statements

### 14.1.c Provision for loans, advances and leases (consolidated)

	Figures in BDT	
	31-Dec-23	31-Dec-22
Union Capital Limited	7,114,491,204	2,190,553,303
UniCap Securities Limited	45,984,381	45,984,381
UniCap Investments Limited	982,421,656	982,421,656
<b>Balance as at 31 December</b>	<b>8,142,897,240</b>	<b>3,218,959,340</b>

### 14.1.d Provision made during the year for loans, advance and leases

General provision for loans, advance and leases	112,924,082	12,460,286
Special provision	(93,456,005)	(45,647,201)
Specific provision	4,811,013,819	1,084,486,897
Other provision	634,095,666	260,148,882
<b>Balance as at 31 December</b>	<b>5,464,577,562</b>	<b>1,311,448,864</b>

### 14.1.e Provision made during the year for loans, advance and other assets (consolidated)

Union Capital Limited	4,830,481,897	1,051,299,982
UniCap Securities Limited	-	-
UniCap Investments Limited	-	124,897,135
<b>Balance as at 31 December</b>	<b>4,830,481,897</b>	<b>1,176,197,117</b>

### 14.2 Provision for diminution in value of investments

Provision as on 1 January	3,095,723	-
Add: Provision made/(released) during the year (note 14.2.1)	(20,597)	3,095,723
<b>Balance as at 31 December</b>	<b>3,075,126</b>	<b>3,095,723</b>

As on 31 December 2023, there was no amount of diminution in the value of investment in shares.

#### 14.2.1 Allocation of provision made for diminution in value of investments

Marketable securities	(20,597)	3,095,723
Unlisted securities	-	-
<b>Total</b>	<b>(20,597)</b>	<b>3,095,723</b>

#### 14.2.a Provision made during the year for diminution in value of investments (consolidated)

Union Capital Limited	(20,597)	3,095,723
UniCap Securities Limited	-	-
UniCap Investments Limited	30,400,000	-
<b>Balance as at 31 December</b>	<b>30,379,403</b>	<b>3,095,723</b>

#### 14.2.b Provision for diminution in value of investments (consolidated)

Union Capital Limited	3,075,126	3,095,723
UniCap Securities Limited	12,788,812	12,788,812
UniCap Investments Limited	58,674,833	28,274,833
<b>Balance as at 31 December</b>	<b>74,538,771</b>	<b>44,159,368</b>

### 14.3 Provision for other assets and accrued interest

Provision as on 1 January	344,895,914	84,747,032
Add : Net charge to P/L for accrued interest ( note 14.3.1)	(31,194,476)	-
Add : Net charge to P/L for Investment in subsidiaries ( note 14.3.2)	-	224,500,000
Add : Net charge to profit and loss account for other assets	116,336,976	35,648,882
<b>Balance as at 31 December</b>	<b>430,038,414</b>	<b>344,895,914</b>

In 2020, Union Capital Limited (UCL) applied to DFIM, Bangladesh Bank for extending time to keep provision against loan/lease and other assets of Tk. 432.14 million which was the part of Tk. 540.18 million deferred provision arisen in 2019. 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. To minimize the forthcoming risk UCL build up full provision against other assets and charged Tk. 116.33 million as provision in current year. So, there will be no shortfall against other assets.

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### 14.3.1 Provision for accrued interest of Unicap Investments Limited

	Figures in BDT	
	31-Dec-23	31-Dec-22
Provision as on 1 January	31,194,476	31,194,476
Add/Less : Provision required during the year as per approval	-	132,694,476
Less: Interest charge to loans, advance and leases	(31,194,476)	(132,694,476)
Less: Interest waiver	-	-
Net charge to profit and loss account	(31,194,476)	-
<b>Balance as at 31 December</b>	<b>-</b>	<b>31,194,476</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 (UIL) upon application by Union Capital Limited. As on 31 December 2023 the total outstanding balance of this accrued interest was Tk. 693.30 million which is included in the loan to subsidiary "UniCAP investment Limited" (note: 7.3). As Bangladesh Bank has classified this loan account in 2023 and UCL maintained all required provision which is shown in note no: 7.12 thus, we need not to kept provision separately on this accrued interest.

### 14.3.2 Provision made during the period for Investment in subsidiaries

Unicap Investments Limited	-	125,000,000
Unicap Securities Limited	-	99,500,000
<b>Balance as at 31 December</b>	<b>-</b>	<b>224,500,000</b>

### 14.4 Special provision for loans, advances and leases

Provision as on 1 January	100,920,410	146,568,885
Add : Provision made/(released) during the year	(93,456,005)	-
Less: Provision no longer required	-	152,872
Add : Transferred from/(to)	-	(45,648,475)
Net charge to profit and loss account	(93,456,005)	-
<b>Balance as at 31 December</b>	<b>7,464,405</b>	<b>100,920,410</b>

### 14.5 Interest suspense

Balance as on 1 January	2,372,295,608	468,785,275
Add: Transferred during the year	496,720,325	1,936,073,352
Less: Amount of interest suspense recovered	67,745,086	32,563,019
Less: Waiver during the year	-	-
Less: Adjusted during the year	-	-
Less: Write off during the year	-	-
<b>Balance as at 31 December</b>	<b>2,801,270,847</b>	<b>2,372,295,608</b>

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	188,006,929	182,811,261
On term finance	2,613,263,918	2,189,484,348
	<b>2,801,270,847</b>	<b>2,372,295,609</b>

### 14.5.1 a Interest suspense (Consolidated)

Union Capital Limited	2,801,270,847	2,372,295,609
UniCap Securities Limited	-	-
UniCap Investments Limited	-	-
<b>Balance as at 31 December</b>	<b>2,801,270,847</b>	<b>2,372,295,609</b>
Less: Inter-company transactions	1,878,831,383	1,534,900,481
<b>Balance as at 31 December</b>	<b>922,439,464</b>	<b>837,395,128</b>

## Notes to the Financial Statements

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### 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 Act 2023 and determined current tax liability as per applicable rate enacted by Finance Act 2023.

Provision for taxation	795,362,067	792,362,067
Less: Advance payment of tax	(706,138,168)	(703,899,603)
Add :Provision made during the year	2,000,000	3,000,000
Less: Transferred to/(from) during the year	-	-
<b>Balance as at 31 December</b>	<b>91,223,899</b>	<b>91,462,464</b>

While estimating the current income tax for the period ended 31 December 2023, 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.	2,000,000	3,000,000
UniCap Securities Limited	16,917,404	25,734,916
UniCap Investments Ltd.	3,013,788	1,194,157
<b>Balance as at 31 December</b>	<b>21,931,192</b>	<b>29,929,072</b>

#### 14.6.a Provision for current tax (consolidated)

Union Capital Ltd.	91,223,899	91,462,464
UniCap Securities Limited	464,510,403	447,592,999
UniCap Investments Ltd.	116,314,452	113,300,664
<b>Balance as at 31 December</b>	<b>672,048,754</b>	<b>652,356,127</b>

#### 14.7.a Deferred tax liability (consolidated)

Union Capital Ltd.	42,785,539	35,311,522
UniCap Securities Limited	-	-
UniCap Investments Ltd.	-	-
<b>Balance as at 31 December</b>	<b>42,785,539</b>	<b>35,311,522</b>

#### 14.7.b Deferred tax expenses/(income) made during the period (consolidated)

Union Capital Ltd.	7,474,017	6,228,876
UniCap Securities Limited	(13,345)	(1,049,847)
UniCap Investments Ltd.	(291,641)	251,320
<b>Balance as at 31 December</b>	<b>7,169,031</b>	<b>5,430,349</b>

### 14.8 Financial expenses payable

This comprises interest accrued on term deposits, security deposits and bank borrowings.

Interest payable on term deposits	1,820,407,960	1,403,012,239
Interest payable on cash security	432,433	12,105,058
Interest payable on long term borrowings	16,833,854	3,568,155
Interest payable on short term borrowings	39,691,894	2,564,067
<b>Balance as at 31 December</b>	<b>1,877,366,141</b>	<b>1,421,249,519</b>

### 14.9 Deferred liability-employee gratuity

Balance at 1 January	17,907,114	15,250,227
Add : Addition during the year	6,667,684	6,656,887
Less: Paid during the year	20,615,047	4,000,000
<b>Balance as at 31 December</b>	<b>3,959,751</b>	<b>17,907,114</b>

## Notes to the Financial Statements

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### 14.10 Accrued expenses and other payable

Management expenses	5,172,139	4,137,249
Unclaim dividend account (note 14.10.1)	-	-
Payable for purchase of assets	54,358,018	51,701,925
Others payables	1,258,227	1,187,215
<b>Balance as at 31 December</b>	<b>60,788,384</b>	<b>57,026,389</b>

#### 14.10.1 Unclaim dividend account

Year	Stock dividend in number	Fractional Dividend
Balance as at 31 December	-	-

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. 1,399,558 against unclaimed or undistributed or unsettled Cash & Fractional Dividend for the year 2008 to 2018 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	13,616,843,249	7,127,981,734
UniCap Securities Limited	698,881,629	757,515,065
UniCap Investments Limited	4,032,664,040	3,637,981,944
	<b>18,348,388,918</b>	<b>11,523,478,742</b>
Less: Inter-company transactions	4,643,915,259	3,962,295,883
<b>Balance as at 31 December</b>	<b>13,704,473,659</b>	<b>7,561,182,859</b>

Tk.1,878,831,384/= has been earned as interest income for the period from 2019 to 2023 on loan to UniCap Investment Limited, which has been recorded as interest suspense's account in Union Capital Limited (Parent Company) individual financial statements due to non-realization of income following Bangladesh Bank Guideline. In preparing consolidated financial statements this amount has been eliminated as intercompany transaction according to IFRS 10.

### 15 Share capital

As at 31 December 2023, a total number of 172,573,843 (2022: 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
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#### 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
Palmal Garments Hosiery Ltd.	Mrs. Tajrina Sikder	16,792,968	9.73
EC Securities Ltd.	G.M. Khurshid Alam, Ph.D	12,459,305	7.22
Enrilco Limited	Mr. Nadeem A. Chaudhury	7,902,285	4.58
Mr. Waqar A. Choudhury	Self	3,503,634	2.03
Mrs. Meherunnesa Haque	Self	3,494,029	2.02
Mr. Munshi Shafiul Haque	Self	Nil	Nil
Dr. Qazi Moinuddin Mahnud	BSEC	Nil	Nil
Mr. A.N.M. Golam Shabbir	N/A	Nil	Nil

## Notes to the Financial Statements

### Composition of shareholdings

Composition of shareholdings as on 31 December 2023 was as under:

Group	No. of Shareholders		No. of Shares		Percentage	
	2023	2022	2023	2022	2023	2022
Sponsors (Institutions)	3	3	37,154,558	37,154,558	21.53	21.53
Sponsors (Individuals)	8	8	19,791,024	19,791,024	11.47	11.47
General Public (Institutions)	230	128	37,052,510	37,840,317	21.47	21.93
General Public (Individuals)	8,705	8,134	78,575,751	77,787,944	45.53	45.08
<b>Total</b>	<b>8,946</b>	<b>8,273</b>	<b>172,573,843</b>	<b>172,573,843</b>	<b>100.00</b>	<b>100.00</b>

### Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2023 was as under:

Shareholding range	No. of Shareholders		No. of Shares		Percentage	
	2023	2022	2023	2022	2023	2022
Less than 500 shares	1,927	1,863	287,126	281,325	0.17	0.16
500 to 5,000 shares	4,733	4,468	9,851,753	9,119,981	5.71	5.28
5,001 to 10,000 shares	981	835	7,465,050	6,224,570	4.33	3.61
10,001 to 20,000 shares	593	486	8,774,533	7,077,491	5.08	4.10
20,001 to 30,000 shares	222	196	5,520,634	4,871,789	3.20	2.82
30,001 to 40,000 shares	117	90	4,116,690	3,152,751	2.39	1.83
40,001 to 50,000 shares	70	66	3,273,613	3,071,486	1.90	1.78
50,001 to 100,000 shares	173	137	12,975,944	10,150,332	7.52	5.88
100,001 to 1,000,000 shares	104	106	26,789,303	29,144,239	15.52	16.89
Over 1,000,000 shares	26	26	93,519,197	99,479,879	54.19	57.64
<b>Total</b>	<b>8,946</b>	<b>8,273</b>	<b>172,573,843</b>	<b>172,573,843</b>	<b>100.00</b>	<b>100.00</b>

### Figures in BDT

31-Dec-23

31-Dec-22

### 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	(10,864,756,638)	(4,836,454,525)
<b>Sub-Total</b>	<b>(8,687,120,809)</b>	<b>(2,658,818,696)</b>

##### Supplementary capital (Tier-2)

General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.)	174,285,119	171,963,568
Asset revaluation reserves up to 50%	-	-
Revaluation reserve for securities upto 45%	-	-
Revaluation reserve for equity instrument upto 10%	-	-
All other preference shares	7,900,000	26,500,000
Other (if any item approved by Bangladesh Bank)	-	-
<b>Sub-Total</b>	<b>182,185,119</b>	<b>198,463,568</b>
<b>Total eligible capital (A)</b>	<b>(8,504,935,690)</b>	<b>(2,460,355,128)</b>

## Notes to the Financial Statements

		Figures in BDT	
		31-Dec-23	31-Dec-22
Total risk weighted assets (RWA) (B)		14,014,428,058	16,902,031,640
Required capital based on risk weighted assets (10% of B) (C)		1,401,442,806	1,690,203,164
<b>Capital surplus (A-C)</b>		<b>(9,906,378,496)</b>	<b>(4,150,558,292)</b>
Capital adequacy ratio (%) (A/B*100)		-60.69%	-14.56%
<b>Consolidated Basis</b>			
<b>Core capital (Tier-1)</b>			
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		(308)	(210)
Retained earnings		(10,983,706,549)	(4,914,005,454)
<b>Sub-Total</b>		<b>(8,806,071,027)</b>	<b>(2,736,369,835)</b>
<b>Supplementary capital (Tier-2)</b>			
General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.)		153,559,252	184,408,882
Asset revaluation reserves up to 50%		-	-
Revaluation reserve for securities upto 45%		-	-
Revaluation reserve for equity instrument upto 10%		-	-
All other preference shares		7,900,000	26,500,000
Other (if any item approved by Bangladesh Bank)		-	-
<b>Sub-Total</b>		<b>161,459,252</b>	<b>210,908,882</b>
<b>Total eligible capital (A)</b>		<b>(8,644,611,775)</b>	<b>(2,525,460,953)</b>
Total risk weighted assets (RWA) (B)		13,001,944,652	16,699,151,377
Required capital based on risk weighted assets (10% of B) (C)		1,300,194,465	1,669,915,138
<b>Capital surplus (A-C)</b>		<b>(9,944,806,240)</b>	<b>(4,195,376,091)</b>
<b>Capital adequacy ratio (%) (A/B*100)</b>		<b>-66.49%</b>	<b>-15.12%</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		(4,836,454,525)	(2,899,798,429)
Add: Profit/(loss) after tax during the period		(6,028,302,113)	(1,936,656,096)
<b>Balance as at 31 December</b>		<b>(10,864,756,638)</b>	<b>(4,836,454,525)</b>
<b>17.a RETAINED EARNINGS/(loss) (consolidated)</b>			
Balance as on 1 January		(4,914,005,454)	(2,851,655,742)
Add: Profit/(loss) after tax during the period		(6,069,701,095)	(2,062,349,712)
<b>Balance as at 31 December</b>		<b>(10,983,706,549)</b>	<b>(4,914,005,454)</b>
<b>18 INCOME STATEMENT</b>			
<b>Income</b>			
Interest, discount and similar income (note 19)		319,929,229	384,789,709
Dividend income (note 21)		1,059,000	2,046,710
Fees, commission, exchange and brokerage (note 22)		313,253	830,119
Gains less losses arising from investment in securities (note 21)		312,434	767,147
Other operating income (note 23)		25,587,809	26,474,210
<b>Total income</b>		<b>347,201,725</b>	<b>414,907,895</b>

## Notes to the Financial Statements

### Expenses

Interest paid on deposits, borrowings etc. (Note 20)
Administrative expenses (note 18.1)
Depreciation and impairment on company assets
Other operating expenses
Provision for leases, loans, advances and investments
<b>Total expenses</b>

### 18.1 ADMINISTRATIVE EXPENSES

Salary and allowances (note 24)
Rent, taxes, insurance, electricity, etc (note 25)
Legal expenses (note 26)
Postage, stamp, telecommunication, etc (note 27)
Stationery, printings, advertisements, etc (note 28)
Managing Director's salary and allowances (note 29)
Directors' fees (note 30)
Auditors' fees (note 31)
<b>Total</b>

### 19 INTEREST INCOME

Income from lease finance
Income from term finance
Income from home finance
Interest on loan to subsidiaries
Interest on bank deposits
Income form other finance
<b>Total</b>

### 19.a INTEREST INCOME (consolidated)

Union Capital Limited
UniCap Securities Limited
UniCap Investments Limited
Less: Inter-company transactions

### 20 INTEREST PAID ON DEPOSITS, BORROWINGS, etc.

Interest on bank loan
Interest on JICA fund
Interest on women entrepreneur fund
Interest on SMEDP2 fund
Interest on financing brick kiln efficiency project
Interest on term deposits
Interest on money at call & short notice
Interest on cash security deposit
Interest on preference share
Bank charges
Interest on lease rent
<b>Total</b>

Figures in BDT	
31-Dec-23	31-Dec-22
777,412,600	892,280,687
93,478,313	96,811,722
15,917,906	19,424,278
14,664,036	19,273,841
4,830,461,300	1,054,395,705
<b>5,731,934,155</b>	<b>2,082,186,233</b>
84,447,846	87,369,388
2,750,625	2,551,282
1,969,203	2,979,376
1,587,399	1,578,085
1,993,240	1,873,591
-	-
500,000	230,000
230,000	230,000
<b>93,478,313</b>	<b>96,811,722</b>
58,799,581	62,355,208
243,666,970	279,882,754
4,392	9,951,897
15,356,435	29,238,180
2,050,202	3,205,943
51,649	155,727
<b>319,929,229</b>	<b>384,789,709</b>
319,929,229	384,789,709
14,420,930	56,567,522
50,366,218	6,220,410
<b>384,716,377</b>	<b>447,577,641</b>
15,356,435	29,238,180
<b>369,359,942</b>	<b>418,339,461</b>
218,159,886	216,742,712
243,491	801,405
35,156	103,281
-	12,083
2,912,335	3,388,484
515,488,036	600,263,191
56,955,650	59,862,423
(162,760)	2,028,891
(17,960,267)	8,259,663
1,310,600	432,099
430,473	386,455
<b>777,412,600</b>	<b>892,280,687</b>

## Notes to the Financial Statements

### 20.a INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)

Figures in BDT		
	31-Dec-23	31-Dec-22
Union Capital Limited	777,412,600	892,280,687
UniCap Securities Limited	39,130,338	62,891,141
UniCap Investments Limited	347,187,362	1,540,425,761
	<b>1,163,730,300</b>	<b>2,495,597,589</b>
Less: Inter-company transactions	359,287,338	1,564,138,661
	<b>804,442,962</b>	<b>931,458,928</b>

UniCap Investments Limited (a subsidiary company of Union Capital Limited) has charged interest expenses Tk. 343,930,903 for the year 2023 against the long term loan taken from Union Capital Limited (Parent Company). This amount has been recorded as interest suspense's account of Other Liabilities (Note:14) in Union Capital Limited (parent company) individual financial statements due to non-realization of income following Bangladesh Bank Guideline. In preparing consolidated financial statements the amount has been eliminated as intercompany transaction according to IFRS 10.

### 21 INVESTMENT INCOME

Capital gain/(loss) on sale of securities (note 21.1)	312,434	767,147
Dividend income	1,059,000	2,046,710
<b>Total</b>	<b>1,371,434</b>	<b>2,813,857</b>

#### 21.1. CAPITAL GAIN ON SALE OF SECURITIES

Gain on sales of shares	314,598	2,215,707
Loss on sales of shares	(2,164)	(1,448,560)
<b>Net gain/(loss) from sale of securities</b>	<b>312,434</b>	<b>767,147</b>

### 21.a INVESTMENT INCOME (consolidated)

Union Capital Limited	1,371,434	2,813,857
UniCap Securities Limited	29,577,191	14,326,635
UniCap Investments Limited	5,544,588	6,045,153
	<b>36,493,213</b>	<b>23,185,645</b>
Less: Inter-company transactions	-	-
	<b>36,493,213</b>	<b>23,185,645</b>

### 22 FEES, COMMISSIONS, EXCHANGE AND BROKERAGE

Processing and documentation fees	258,684	240,096
Renewals and proceeds	54,569	590,023
<b>Total</b>	<b>313,253</b>	<b>830,119</b>

### 22.a FEES, COMMISSIONS, EXCHANGE AND BROKERAGE (consolidated)

Union Capital Limited	313,253	830,119
UniCap Securities Limited	69,817,119	130,292,532
UniCap Investments Limited	9,640,942	18,995,815
<b>Total</b>	<b>79,771,314</b>	<b>150,118,467</b>

### 23 OTHER OPERATING INCOME

Gain/(loss) on sale of fixed assets	473,457	-
Income from forfeited fund	141,050	-
Recoveries of loans written off	24,973,302	26,474,210
<b>Total</b>	<b>25,587,809</b>	<b>26,474,210</b>

### 23.a OTHER OPERATING INCOME (consolidated)

Union Capital Limited	25,587,809	26,474,210
UniCap Securities Limited	2,181,027	1,323,160
UniCap Investments Limited	275,037	343,746
	<b>28,043,873</b>	<b>28,141,116</b>
Less: Inter-company transactions	-	-
	<b>28,043,873</b>	<b>28,141,116</b>

## Notes to the Financial Statements

		Figures in BDT	
		31-Dec-23	31-Dec-22
<b>24 SALARIES AND OTHER EMPLOYEE BENEFITS</b>			
Salaries & allowances		78,655,401	81,106,395
Festival bonus		5,792,445	6,262,993
<b>Total</b>		<b>84,447,846</b>	<b>87,369,388</b>
<b>24.a SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)</b>			
Union Capital Limited		84,447,846	87,369,388
UniCap Securities Limited		69,617,904	68,520,624
UniCap Investments Limited		16,162,843	19,457,022
<b>Total</b>		<b>170,228,593</b>	<b>175,347,034</b>
<b>25 RENT, TAXES, INSURANCE, ELECTRICITY etc.</b>			
Office rent, rates and taxes		-	-
Insurance		950,463	716,555
Power and electricity		1,800,162	1,834,727
<b>Total</b>		<b>2,750,625</b>	<b>2,551,282</b>
<b>25.1 DISCLOSURE RELATED TO RENT, RATE AND TAXES:</b>			
Actual rent expenses		2,248,044	2,160,690
Less: Reclassification of rent expenses (as per IFRS 16:)		2,248,044	2,160,690
<b>Total</b>		<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 20.			
<b>25.a RENT, TAXES, INSURANCE, ELECTRICITY etc. (consolidated)</b>			
Union Capital Limited		2,750,625	2,551,282
UniCap Securities Limited		1,964,164	2,081,609
UniCap Investments Limited		573,687	599,580
<b>Total</b>		<b>5,288,476</b>	<b>5,232,471</b>
<b>25.a.1 DISCLOSURE RELATED TO RENT, RATE AND TAXES:</b>			
<b>Actual rent , taxes, insurance, electricity</b>			
Union Capital Limited		4,998,669	4,711,972
UniCap Securities Limited		13,942,475	13,118,188
UniCap Investments Limited		3,772,020	3,446,154
<b>Less: Reclassification of rent expenses (as per IFRS 16)</b>			
Union Capital Limited		2,248,044	2,160,690
UniCap Securities Limited		11,978,311	11,036,579
UniCap Investments Limited		3,198,333	2,846,575
<b>Total</b>		<b>5,288,476</b>	<b>5,232,471</b>
<b>26 LEGAL EXPENSES</b>			
Court fees		-	58,500
Legal Expenses		64,111	27,500
Professional Fees		1,905,092	2,893,376
<b>Total</b>		<b>1,969,203</b>	<b>2,979,376</b>
<b>26.a LEGAL EXPENSES (consolidated)</b>			
Union Capital Limited		1,969,203	2,979,376
UniCap Securities Limited		-	-
UniCap Investments Limited		397,424	422,559
<b>Total</b>		<b>2,366,627</b>	<b>3,401,935</b>

## Notes to the Financial Statements

### 27 POSTAGE, STAMP, TELECOMMUNICATION etc.

	Figures in BDT	
	31-Dec-23	31-Dec-22
Postage	62,976	80,399
Telegram, telex, fax and e-mail	986,974	941,489
Telephone - office	537,449	556,197
<b>Total</b>	<b>1,587,399</b>	<b>1,578,085</b>

### 27.a POSTAGE, STAMP, TELECOMMUNICATION etc. (consolidated)

Union Capital Limited	1,587,399	1,578,085
UniCap Securities Limited	2,563,872	2,554,121
UniCap Investments Limited	496,341	433,918
<b>Total</b>	<b>4,647,612</b>	<b>4,566,124</b>

### 28 STATIONERY, PRINTING, ADVERTISEMENTS etc.

Printing and stationery	1,012,494	1,024,363
Advertisement	980,746	849,228
<b>Total</b>	<b>1,993,240</b>	<b>1,873,591</b>

### 28.a STATIONERY, PRINTING, ADVERTISEMENTS etc.(consolidated)

Union Capital Limited	1,993,240	1,873,591
UniCap Securities Limited	1,027,820	1,612,421
UniCap Investments Limited	199,482	196,805
<b>Total</b>	<b>3,220,543</b>	<b>3,682,817</b>

### 29 MANAGING DIRECTOR'S SALARY AND FEES

In addition to remuneration, the Managing Director & CEO is also provided with Company's car and cell phone. As per the paragraph 17 of IAS 24: "Related party Disclosures" regarding key management personnel, Managing Director is the key management personnel. His benefit is given below:

(a) Short term employee benefits:	-	-
(b) Post-employment benefits;	-	-
(c) Other long-term benefits	-	-
(d) Termination benefits; and	-	-
(e) Share-based payment	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

Managing Director & CEO is the key management personnel of Union Capital Limited which was vacant since 01 January 2022. Therefore, the amount of compensation paid to key management personnel was nil during the year 2023.

### 30 DIRECTORS' FEES

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.

The Board in its 270th Meeting held on 29 September 2019 has taken decision that the Board Members except the Independent Directors will not take any meeting fee in connection to the attendance of the Board/Committee Meetings until further notice. The Independent Directors are entitled to fee in the amount BDT 5,000 (existing amount was BDT 8,000) for attending the Board and its Committee meetings.

However, the Board in its 301st Meeting held on 24 August 2023 has revised its earlier decision and refixed the Meeting Attendance fee as Tk. 8,000/= for all the members of the Board for attending the Board and its Committee Meeting. Details are as under:

Total Board meetings (nos.)	12	10
Total Board Audit Committee meetings (nos.)	4	4
Total Board Executive Committee meetings (nos.)	0	0
Total fees paid	500,000	230,000

## Notes to the Financial Statements

	Figures in BDT	
	31-Dec-23	31-Dec-22
Total members of the Board (nos.)	6	9
Quorum for Board meeting (nos.)	4	5
Average % of Directors present in the Board Meetings	85.39%	73.79%
Quorum for Board Audit Committee Meeting (nos.)	2	2
Average % of Directors present in the Audit Committee meetings	80.00%	80.00%
Quorum for Board Executive Committee meeting (nos.)	2	2
Average no. of Directors present in the Executive Committee meetings (nos.)	Nil	Nil
<b>Total</b>	<b>500,000</b>	<b>230,000</b>
* No meeting of the Executive committee was held in 2023 and 2022.		
<b>30.a DIRECTORS' FEES (consolidated)</b>		
Union Capital Limited	500,000	230,000
UniCap Securities Limited	111,900	25,000
UniCap Investments Limited	163,200	25,000
<b>Total</b>	<b>775,100</b>	<b>280,000</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	143,750	126,500
UniCap Investments Limited	92,000	552,000
<b>Total</b>	<b>465,750</b>	<b>908,500</b>
<b>32 DEPRECIATION AND REPAIR OF ASSETS</b>		
Depreciation of fixed assets-freehold	13,939,643	17,471,259
Depreciation of right-of-use assets	1,571,780	1,687,033
Amortization of intangible assets	323,073	189,869
Repairs and maintenance of assets	83,410	76,117
<b>Total</b>	<b>15,917,906</b>	<b>19,424,278</b>
<b>32.a DEPRECIATION AND REPAIR OF ASSETS (consolidated)</b>		
Union Capital Limited	15,917,906	19,424,278
UniCap Securities Limited	14,527,455	13,024,835
UniCap Investments Limited	5,049,838	4,196,485
<b>Total</b>	<b>35,495,199</b>	<b>36,645,598</b>
<b>33 OTHER EXPENSES</b>		
HR development	23,722	3,833
Travelling and conveyance	2,985,935	2,288,971
Office expenses	3,447,309	7,565,311
Motor vehicle fuel expenses	860,490	741,279
Motor vehicle spare part expenses	410,067	649,533
Subscription and fees	2,516,440	3,048,098
Books, magazines, newspapers, etc	15,461	10,638
AGM expenses (note 33.1)	296,260	272,130
Entertainment and public relation & others	164,551	393,463
Staff Welfare	3,943,801	4,300,585
<b>Total</b>	<b>14,664,036</b>	<b>19,273,841</b>

## Notes to the Financial Statements

### 33.1. AGM EXPENSES

	Figures in BDT	
	31-Dec-23	31-Dec-22
Printing of annual report and database	250,260	224,980
Publication of notice	23,000	24,150
Scrutinizer fee	23,000	23,000
<b>Total</b>	<b>296,260</b>	<b>272,130</b>

### 33.a OTHER EXPENSES (consolidated)

Union Capital Limited	14,664,036	19,273,841
UniCap Securities Limited	15,480,124	25,031,237
UniCap Investments Limited	2,237,324	1,505,204
	32,381,484	45,810,282
Less: Inter-company transactions	-	-
<b>Total</b>	<b>32,381,484</b>	<b>45,810,282</b>

### 34 RECEIPTS FROM OTHER OPERATING ACTIVITIES

Renewals and proceeds	54,569	590,023
<b>Total</b>	<b>54,569</b>	<b>590,023</b>

### 35 PAYMENTS FOR OTHER OPERATING ACTIVITIES

HR development	23,722	3,833
Travelling and conveyance	2,985,935	2,288,971
Motor vehicle expenses	1,270,557	1,390,812
Subscription and fees	2,516,440	3,048,098
Office expenses	3,447,309	7,565,311
Books, magazines, newspapers, etc	15,461	10,638
Entertainment and public relation & staff welfare	4,108,352	4,694,048
<b>Total</b>	<b>14,664,036</b>	<b>19,273,841</b>

### 36 EARNINGS PER SHARE

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.

#### 36.1 Basic earnings per share

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 the year 2023 has been significantly decreased to (34.93) from (11.22) of previous year due to maintaining additional provision for classifying the loan outstanding laying with UniCap Investment Limited and enhancement of required provision for loan, advances and leases, decreasing interest income resulting from down gradation of on-performing loan and decreasing of other operating income resulting from less recovery from written off clients.

#### Profits attributable to ordinary shareholders

Net profit for the period	(6,028,302,113)	(1,936,656,095)
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#### Weighted average number of ordinary shares

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

<b>Earnings per share</b>	<b>(34.93)</b>	<b>(11.22)</b>
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#### 36.2 Diluted earnings per share

The dilutive effect relates to the average number of potential ordinary share held under option of convertibility. There was no such dilutive potential ordinary share during period ended 31 December 2023 and hence no diluted earnings per share is required to be calculated.

### 36.a EARNINGS PER SHARE (consolidated)

#### Profits attributable to ordinary shareholders

Net profit for the period (consolidated)	(6,069,701,095)	(2,062,349,712)
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## Notes to the Financial Statements

Figures in BDT	
31-Dec-23	31-Dec-22

Consolidated EPS for 2023 has been decreased from the same period of previous year due to i) maintaining additional provision for classifying the loan outstanding laying with UniCap Investment Limited; ii) increasing provision requirement for downgradation of non-performing loans iii) decreasing interest income due to downgradation of non-performing loans, and iv) decreasing brokerage commission due to sluggish trend in capital market.

### Weighted average number of ordinary shares

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
<b>Earnings per share- consolidated</b>	<b>(35.17)</b>	<b>(11.95)</b>

### 37 OPERATING SEGMENT REPORT (consolidated)

Particulars	For the year 2023			Total
	Core financing business	Investment Banking Business	Brokerage Business	
<b>Revenue and profit</b>				
External revenue				
Net Interest Income	(457,483,371)	47,109,759	(24,709,408)	(435,083,020)
Investment Income	1,371,434	5,544,588	29,577,191	36,493,213
Fees, commissions, exchange and brokerage	313,253	9,640,942	69,817,119	79,771,314
Other operating Income	25,587,809	275,037	2,181,027	28,043,873
<b>Total segment revenue</b>	<b>(430,210,875)</b>	<b>62,570,325</b>	<b>76,865,929</b>	<b>(290,774,620)</b>
Other operating expenses	111,589,658	21,895,436	90,909,534	224,394,628
<b>Major non-cash expenses:</b>				
Depreciation	12,470,597	3,476,703	14,527,455	30,474,755
Provision for future losses	5,464,556,966	30,400,000	-	5,494,956,966
	<b>5,588,617,221</b>	<b>55,772,139</b>	<b>105,436,989</b>	<b>5,749,826,349</b>
<b>Reportable segment profit before tax</b>	<b>(6,018,828,096)</b>	<b>6,798,187</b>	<b>(28,571,060)</b>	<b>(6,040,600,969)</b>

Particulars	For the year 2022			Total
	Core financing business	Investment Banking Business	Brokerage Business	
<b>Revenue and profit</b>				
External revenue				
Net Interest Income	(507,490,978)	695,130	(6,323,618)	(513,119,467)
Investment Income	2,813,857	6,045,153	14,326,635	23,185,645
Fees, commissions, exchange and brokerage	830,119	18,995,815	130,292,532	150,118,467
Other operating Income	26,474,210	343,746	1,323,160	28,141,116
Inter-segment revenue	-	-	-	-
<b>Total segment revenue</b>	<b>(477,372,792)</b>	<b>26,079,844</b>	<b>139,618,709</b>	<b>(311,674,239)</b>
Other operating expenses	123,650,874	24,251,161	99,951,512	247,853,546
<b>Major non-cash expenses:</b>				
Depreciation	11,858,967	3,137,412	13,024,835	28,021,215
Provision for future losses	1,314,544,587	124,897,135	-	1,439,441,722
	<b>1,450,054,428</b>	<b>152,285,709</b>	<b>112,976,347</b>	<b>1,715,316,484</b>
<b>Reportable segment profit before tax</b>	<b>(1,927,427,220)</b>	<b>(126,205,865)</b>	<b>26,642,362</b>	<b>(2,026,990,722)</b>

## Notes to the Financial Statements

### Segment assets and liabilities

Particulars	For the year 2023			Total
	Core financing business	Investment Banking Business	Brokerage Business	
<b>External Assets</b>				
Total assets	15,863,036,394	5,576,063,056	1,367,470,510	22,806,569,960
Inter-segment assets	(6,829,125,478)	(6,858,648)	-	(6,835,984,126)
<b>Total segment assets</b>	<b>9,033,910,916</b>	<b>5,569,204,408</b>	<b>1,367,470,510</b>	<b>15,970,585,834</b>
<b>External Liabilities</b>				
Total liabilities	24,550,157,203	7,016,133,247	927,683,281	32,493,973,731
Inter-segment liabilities	-	(7,577,689,305)	(139,627,564)	(7,717,316,869)
<b>Total segment liabilities</b>	<b>24,550,157,203</b>	<b>(561,556,058)</b>	<b>788,055,717</b>	<b>24,776,656,862</b>

Particulars	For the year 2022			Total
	Core financing business	Investment Banking Business	Brokerage Business	
<b>External Assets</b>				
Total assets	16,036,102,482	5,783,110,165	1,500,733,389	23,319,946,036
Inter-segment assets	(6,793,172,373)	(12,776,812)	-	(6,805,949,185)
<b>Total segment assets</b>	<b>9,242,930,109</b>	<b>5,770,333,353</b>	<b>1,500,733,389</b>	<b>16,513,996,851</b>
<b>External Liabilities</b>				
Total liabilities	18,694,921,178	6,883,325,493	1,015,471,041	26,593,717,712
Inter-segment liabilities	-	(7,175,160,094)	(168,190,931)	(7,343,351,025)
<b>Total segment liabilities</b>	<b>18,694,921,178</b>	<b>(291,834,601)</b>	<b>847,280,110</b>	<b>19,250,366,687</b>

### Figures in BDT

31-Dec-23	31-Dec-22
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### 38 AVERAGE EFFECTIVE TAX RATE

The average effective tax rate is calculated below as per International Accounting Standard (IAS) 12: Income Taxes.

Tax expenses	9,474,017	9,228,876
Accounting profit before tax	(6,018,828,096)	(1,927,427,220)
<b>Average effective tax rate</b>	<b>-0.16%</b>	<b>-0.48%</b>

#### 38.1 RECONCILIATION OF EFFECTIVE TAX RATE

Profit/(loss) before income tax as per profit & loss account	(6,018,828,096)	(1,927,427,220)
Income tax as per applicable tax rate	37.50%	-
Net inadmissible expenses (including prior years' adjustments)	-0.03%	2,000,000
Effect of deferred tax	-0.12%	7,474,017
<b>Reported average effective tax rate &amp; total tax expenses</b>	<b>-0.16%</b>	<b>9,474,017</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	29,100,223	35,359,422
Accounting profit before tax	(6,040,600,969)	(2,026,990,722)
<b>Average effective tax rate</b>	<b>-0.48%</b>	<b>-1.74%</b>

## Notes to the Financial Statements

Figures in BDT

31-Dec-23

31-Dec-22

### 38.a.1 RECONCILIATION OF EFFECTIVE TAX RATE

Profit/(loss) before income tax as per profit & loss account		(6,040,600,969)	(2,026,990,722)
Income tax as per applicable tax rate	35.83%	-	-
Net inadmissible expenses (including prior years' adjustments)	0.24%	(14,562,021)	6,743,427
Tax saving from reduced tax rates (from 0% to 20% for exempted investments income, dividend income, capital gains, etc.)	-0.60%	36,493,213	23,185,645
Effect of deferred tax	-0.12%	7,169,031	5,430,349
<b>Reported average effective tax rate &amp; total tax expenses</b>	<b>-0.48%</b>	<b>29,100,223</b>	<b>35,359,422</b>

### 39 NET OPERATING CASH FLOWS PER SHARE

Net cash flows from operating activities	470,954,622	218,850,282
Total number of ordinary shares outstanding	172,573,843	172,573,843
<b>Net operating cash flows per share</b>	<b>2.73</b>	<b>1.27</b>

### 39.a NET OPERATING CASH FLOWS PER SHARE (consolidated)

Net cash flows from operating activities	378,136,212	230,415,428
Total number of ordinary shares outstanding	172,573,843	172,573,843
<b>Net operating cash flows per share</b>	<b>2.19</b>	<b>1.34</b>

During the year 2023 the company has paid less interest expenses, employee and management expenses compared to the previous. As a result NOCFPS has been increased significantly for the period ended 31 December 2023.

### 40 NET ASSET VALUE PER SHARE (NAV)

Net asset (total assets less total liabilities)	(8,687,120,809)	(2,658,818,696)
Total number of ordinary shares outstanding	172,573,843	172,573,843
<b>Net asset value per share (NAV)</b>	<b>(50.34)</b>	<b>(15.41)</b>

NAV for 2023 has significantly decreased from previous year due to incurring net loss after tax of about Tk. 602.83 crore and the main reasons for this loss are maintaining additional provision for classifying the loan outstanding laying with UniCap Investment Limited and enhancement of required provision for loan, advances and leases, decreasing interest income resulting from down gradation of non-performing loan and decreasing of other operating income resulting from less recovery from written off clients.

### 40.a NET ASSET VALUE PER SHARE (NAV) (consolidated)

Net asset (total assets less total liabilities)	(8,806,071,028)	(2,736,369,835)
Total number of ordinary shares outstanding	172,573,843	172,573,843
<b>Net asset value per share (NAV)</b>	<b>(51.03)</b>	<b>(15.86)</b>

### 41 (INCREASE)/DECREASE IN OTHER ASSETS

Accrued interest	8,600,449	(10,243,654)
Advance office rent	-	(365,000)
Advance to employees	(2)	(50,000)
Receivable from brokerage houses against sale of shares	8,858,227	(7,098,816)
Others	(7,452,949)	82,931,020
	<b>10,005,725</b>	<b>65,173,550</b>

### 42 INCREASE/(DECREASE) IN OTHER LIABILITIES

	247,696,350	385,879,232
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## Notes to the Financial Statements

		Figures in BDT	
		31-Dec-23	31-Dec-22
<b>43</b>	<b>RECONCILIATION OF NET PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES</b>		
	<b>Net profit after tax</b>	<b>(6,028,302,113)</b>	<b>(1,936,656,096)</b>
	<b>Items not involved in cash movement:</b>		
	Add: Depreciation	15,834,497	19,348,161
	Add: Provision for loans and investments	5,464,556,966	1,314,544,587
	Add: Provision for taxation	2,000,000	3,000,000
	Add/ (Less): Accrued expenses	437,791,244	387,456,689
	Add/ (Less): Accrued Income	(6,376,576)	150,095,848
	Add/(Less): Loss/(gain) on sale of share	(312,434)	(767,147)
	Increase/(Decrease) in employee gratuity	(13,947,363)	2,656,887
	Increase/(Decrease) in Deferred tax	7,474,017	6,228,876
	<b>Adjustments to reconcile net profit after tax to net cash provided by operating activities</b>	<b>(121,755,219)</b>	<b>(54,092,195)</b>
	<b>Increase/decrease in operating assets and liabilities</b>		
	(Increase)/decrease in loans, advances	666,990,319	292,759,481
	(Increase)/decrease in other assets	10,005,724	(18,857,295)
	(Increase)/decrease in non-banking assets	-	84,030,845
	Increase/(decrease) in term & other deposits	(322,093,987)	(308,447,566)
	Increase/(decrease) in short term borrowing	(7,650,000)	(159,142,771)
	Increase/(decrease) in payable and accrued expenses	(344,819,660)	(7,812,371)
	Increase/(decrease) in income tax	(2,238,565)	(3,279,449)
	Increase/(decrease) in interest suspenses	592,516,010	393,691,603
		<b>592,709,841</b>	<b>272,942,477</b>
	<b>Net cash flows from/(used in) operating activities</b>	<b>470,954,622</b>	<b>218,850,282</b>
<b>43.a</b>	<b>RECONCILIATION OF NET PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES (consolidated)</b>		
	<b>Net profit after tax</b>	<b>(6,069,701,192)</b>	<b>(2,062,350,144)</b>
	<b>Items not involved in cash movement:</b>		
	Add: Depreciation	33,838,655	35,510,409
	Add: Provision for loans and investments	5,494,956,966	1,439,441,722
	Add: Provision for taxation	21,931,192	29,929,072
	Add/ (Less): Accrued expenses	434,607,333	390,926,166
	Add/ (Less): Accrued Income	3,128,546	13,071,217
	Add/(Less): Loss/(gain) on sale of share	(20,494,256)	(6,087,502)
	Increase/(Decrease) in employee gratuity	(6,661,555)	4,936,414
	Increase/(Decrease) in Deferred tax	7,169,031	5,430,349
	<b>Adjustments to reconcile net profit after tax to net cash provided by operating activities</b>	<b>(102,600,838)</b>	<b>(149,192,296)</b>
	<b>Increase/decrease in operating assets and liabilities</b>		
	(Increase)/decrease in loans, advances	992,328,855	223,100,276
	(Increase)/decrease in other assets	(210,563)	(16,281,220)
	(Increase)/decrease in non-banking assets	-	84,030,845
	Increase/(decrease) in term & other deposits	(322,093,987)	(308,447,566)
	Increase/(decrease) in short term borrowing	(7,650,000)	(159,142,771)
	Increase/(decrease) in payable and accrued expenses	(753,427,385)	(1,340,456,477)
	Increase/(decrease) in income tax	(20,725,881)	(31,787,445)
	Increase/(decrease) in portfolio investments fund	-	-
	Increase/(decrease) in interest suspenses	592,516,010	1,928,592,083
		<b>480,737,050</b>	<b>379,607,724</b>
	<b>Net cash flows from/(used in) operating activities</b>	<b>378,136,212</b>	<b>230,415,428</b>

## Notes to the Financial Statements

### 44 MARKET 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 2023 was 172,573,843 and the market value per share of last trading day (28 December 2023) was Tk. 8.90 in DSE. Thus market capitalization based on DSE value was Tk. 1,535.91 million (2022: Tk. 1,708.48 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	9.90	7.30	9.90	7.20
	Second quarter	9.70	7.50	9.60	7.60
	Third quarter	10.70	7.30	10.70	7.20
	Fourth quarter	9.60	7.30	9.60	7.20
No. of shareholders	There were 8,946 shareholders as per share register as on 31 December 2023.				

### 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.

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 2023 was as under:

Name of the related party	Relationship	Nature of transaction	2023	2022
Progressive Life Insurance Co. Ltd.	Father of Waqar A. Choudhury, Director, is a Director of Progressive life insurance	Term deposit	115,478,386	112,914,698
Vanguard AML BD Finance Mutual Fund 1	Common Directors	Term deposit	15,038,953	15,075,000
Vanguard AML Rupali Bank Balance Fund	Common Directors	Term deposit	19,651,153	34,144,529
UniCap Securities Limited	Subsidiary Company	Inter-company	135,505,468	158,149,033
UniCap Investments Limited	Subsidiary Company	Inter-company	5,698,753,341	5,631,298,444

### 46 PARTICULARS OF THE DIRECTORS

Sl no	Name of the Directors/ Shareholding company	Represented by	Designation	Address	% of shares as at 31 Dec-2023
1	Mr. Munshi Shafiul Haque	Self	Independent Director and Chairman	Flat: C-5, House No-712/17, Road: 10, Baitul Aman Housing Society, Adabor, Dhaka - 1257	-
2	Palmal Garments Hosiery Ltd.	Tajrina Sikder	Director	House # 2/B, Road # 29 Gulshan - 1, Dhaka-1212	9.73
3	Waqar Ahmed Choudhury	Self	Director	House # 5, Road # 87, Gulshan-2, Dhaka-1212	2.03
4	Enrilco Limited	Nadeem A. Chaudhury	Director	Navana Ellsworth (8th floor), House # 01, Road # 23, Banani, Block-B, Dhaka-1213	4.58
5	Meherunnesa Haque	Self	Director	House no.73, Road no.7/A, Dhanmondi Residential Area, Dhaka 1205	2.03
6	Dr. Qazi Moinuddin Mahmud	Bangladesh Securities and Exchange Commission	Independent Director	Flat: J, Level - 5 (Top Floor) Bangobondhu Sheikh Mujibur Rahman Hall, House Tutor's Quarter, University of Dhaka	-

## Notes to the Financial Statements

### 47 DIRECTORS AND THE ENTITIES IN WHICH THEY HAVE INTEREST

Sl	Name of the Directors	Designation	Entities
1	Mr. Munshi Shafiul Haque	Independent Director and Chairman	NIL
2	Waqar A. Choudhury	Chairman Director	1. Unicap Investments Limited 2. Vanguard Asset Management Limited 3. WAC Equity Management Limited 4. AND Telecom Ltd. 5. Nascom (Pvt.) Ltd. 6. Unicap Securities Limited 7. Rancom Trading Private Limited
3	Nadeem A. Chaudhury	Director	1. Unicap Securities Limited 2. Enrilco Limited 3. Green Delta Securities Ltd. 4. Green Delta Capital Limited
4	Tajrina Sikder	Director	1. Palmal Garments Hosiery Ltd. 2. Palmal Garments Washing Ltd. 3. Amazon Garments Ltd. 4. N.K.K. Knitwear Ltd. 5. Max Speed Plastic Ltd. 6. Designer Line (Pvt.) Ltd. 7. Palmal Knitwear Factory Limited 8. Palmal Garments Limited 9. UniCap Investments Ltd. 10. UniCap Securities Ltd.
5	Meherunnesa Haque	Director	1. Palmal Garments Washing Ltd. 2. Palmal Knitwear Factory Ltd. 3. Palmal Styles Ltd. 4. Palmal Packaging Ltd. 5. N.K.K. Knitwear Ltd. 6. N.K.K. Sweaters Ltd. 7. Pragati Fashion wear Ltd. 8. Amazon Garments Ltd. 9. Al-Hamra Garments Ltd. 10. Palmal Garments Ltd. 11. Palmal Garments Hosiery Ltd. 12. Palmal Dresses Ltd. 13. Pragati Metalex (Pvt) Ltd. 14. The Dacca Dyeing Garments Ltd. 15. UniCap Investments Ltd. 16. UniCap Securities Ltd.
6	Dr. Qazi Moinuddin Mahmud	Independent Director	NIL

### 48 DISCLOSURE ON THE BOARD AUDIT COMMITTEE

#### Composition of audit committee

The Audit committee consists of the following directors of the Board:

Sl	Name	Status with the Company	Position in the Committee
1	Dr. Qazi Moinuddin Mahmud	Independent Director	Chairman
2	Mr. Waqar A. Choudhury	Director	Member
3	Mr. Nadeem A. Chaudhury	Director	Member
4	Mrs. Meherunnesa Haque	Director	Member
5	Ms. Tajrina Sikder	Director	Member

## Notes to the Financial Statements

### Audit committee meetings held during the year

Sl no.	Meeting no.	Meeting date
1	73rd Audit Committee Meeting	30-Jan-23
2	74th Audit Committee Meeting	21-Jun-23
3	75th Audit Committee Meeting	5-Sep-23
4	76th Audit Committee Meeting	16-Oct-23

### The committee discussed the following issues during the year

- Reviewed the draft consolidated financial statements for the year ended 31 December 2022 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 2023 and fixation of their remuneration.
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2022.
- Reviewed the quarterly and half yearly financial statements for the year 2023.
- Reviewed quarterly operation report of the Company for the year 2023.

### 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	2023	2022
Lease and term finance commitments outstanding at 31 December	-	-
Real estate finance commitments outstanding at 31 December	-	-
	-	-

### 50 CAPITAL EXPENDITURE COMMITMENTS

There was no capital expenditure contracted but not incurred or provided as at 31 December 2023. There was no material capital expenditure authorised by the Board but not contracted as at 31 December 2023.

### 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	2023		2022	
	Contracts/Sanctions	Disbursements	Contracts/Sanctions	Disbursements
Lease and term finance	-	-	-	-
	-	-	-	-

### 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 2023, 12 (twelve) Board meetings were held. As on 31 December 2023, there were 6 (six) members in the Board, including two Independent Directors. As per FID circular no. 09 dated 11 September 2002, a non-banking financial institution shall have minimum 09 and maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

## Notes to the Financial Statements

### 55 NUMBER OF EMPLOYEES

As of 31 December 2023 a total number of 143 employees including subsidiaries (2022: 155) were employed in Union Capital Limited. Each of the employees received salary more than Tk. 36,000 per annum during the year 2023.

### 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 2023

The Board of Directors in its 314th meeting held on 27 June 2024 recommended for the year ended 31 December 2023 subject to the approval of the shareholders in the ensuing 26th 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 2023 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 2022 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, 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 June 2024.



Chairman



Director



Managing Director & CEO (CC)



Company Secretary (CC)

Place: Dhaka

Date: 27 June 2024

## Union Capital Limited

### Schedule of Fixed assets including land, building, furniture and fixtures

Annexure-A

As at 31 December 2023

Figures in BDT

Particulars	Cost			Rate of depreciation	Depreciation			Written down Value
	As at 1 <sup>st</sup> January 2023	Addition during the period/year	Disposal/adjustment during the period/year		As at 31 <sup>st</sup> December 2023	Charged during the period/year	Disposal/adjustment during the period/year	
<b>Freehold assets</b>								
Office space	415,891,104	-	-	2.50%	415,891,104	10,397,281	-	372,569,106
Furniture and fixtures	9,329,071	-	1,168,495	20%	8,160,576	1,103,529	1,119,558	800,837
Office decoration	18,427,353	-	1,598,338	33%	16,829,015	157,410	1,598,314	5,743
Electrical equipment	30,588,523	7,740,000	1,664,264	20%	36,664,259	1,838,491	1,622,961	9,350,495
Owned vehicles	13,055,597	-	-	20%	13,055,597	442,935	-	178,870
Software	2,310,528	500,000	-	20%	2,810,528	323,072	-	879,575
Mobile Phone	452,600	-	-	20%	452,600	-	-	24
Staff appliance	-	-	-	20%	-	-	-	-
<b>Total</b>	<b>490,054,776</b>	<b>8,240,000</b>	<b>4,431,097</b>		<b>493,863,679</b>	<b>14,262,718</b>	<b>4,340,833</b>	<b>383,784,649</b>
<b>Leasehold assets</b>								
Right-of-use assets	14,561,441	2,626,672	8,830,177	lease term	8,357,936	1,571,779	5,145,374	6,349,939
Leased vehicles	-	-	-		-	-	-	-
<b>As at 31 December 2023</b>	<b>504,616,217</b>	<b>10,866,672</b>	<b>13,261,274</b>		<b>502,221,615</b>	<b>15,834,497</b>	<b>9,486,207</b>	<b>390,134,588</b>
<b>As at 31 December 2022</b>	<b>497,151,185</b>	<b>7,465,032</b>	<b>-</b>		<b>504,616,217</b>	<b>19,348,161</b>	<b>-</b>	<b>398,877,480</b>

### Consolidated Schedule of Fixed assets including land, building, furniture and fixtures

As at 31 December 2023

Figures in BDT

Particulars	Cost			Rate of depreciation	Depreciation			Written down Value
	As at 1 <sup>st</sup> January 2023	Addition during the period/year	Disposal/adjustment during the period/year		As at 31 <sup>st</sup> December 2023	Charged during the period/year	Disposal/adjustment during the period/year	
<b>Freehold assets</b>								
Office space	415,891,104	-	-	2.50%	415,891,104	10,397,281	-	372,569,104
Furniture and fixtures	13,377,758	39,262	1,783,617	20%	11,633,403	1,258,850	1,734,680	918,771
Office decoration	45,571,902	1,690,857	9,039,488	33%	38,223,271	1,180,817	9,039,464	1,631,138
Electrical equipment	50,172,935	7,740,000	3,565,231	20%	54,347,704	2,808,514	3,523,928	11,116,490
Owned vehicles	21,221,034	-	-	20%	21,221,034	442,935	1	178,870
Software	7,180,358	524,200	-	20%	7,704,558	555,083	-	868,973
Mobile Phone	512,500	-	-	20%	512,500	-	-	44
Staff appliance	-	-	-	20%	-	-	-	-
<b>Total</b>	<b>553,927,591</b>	<b>9,994,319</b>	<b>14,388,336</b>		<b>549,533,574</b>	<b>16,643,480</b>	<b>14,298,073</b>	<b>387,283,391</b>
<b>Leasehold assets</b>								
Right-of-use assets	90,740,287	12,453,333	25,318,026	lease term	77,875,593	17,195,175	12,168,164	25,421,861
<b>As at 31 December 2023</b>	<b>644,667,878</b>	<b>22,447,652</b>	<b>39,706,363</b>		<b>627,409,167</b>	<b>33,838,655</b>	<b>26,466,237</b>	<b>412,705,252</b>
<b>As at 31 December 2022</b>	<b>602,164,601</b>	<b>42,503,277</b>	<b>-</b>		<b>644,667,878</b>	<b>35,510,409</b>	<b>-</b>	<b>437,336,382</b>

# Union Capital Limited

## Highlights on the Overall Activities (as per Bangladesh Bank guidelines)

As at 31 December 2023

## Annexure-B

Figures in million BDT

Sl No.	Particulars	2023	2022
1.	Paid-up capital	1,725.74	1,725.74
2.	Total capital	(8,504.94)	(2,460.36)
3.	Capital surplus	(9,906.38)	(4,150.56)
4.	Total assets	15,863.04	16,036.10
5.	Total deposits	8,156.50	8,478.60
6.	Total loans, advances and leases	12,500.57	12,817.12
7.	Total contingent liabilities and commitments	-	-
8.	Credit deposit ratio	1.53	1.51
9.	Percentage of classified loans against total loans, advances and leases	86.94%	47.45%
10.	Profit after tax and provision	(6,028.30)	(1,936.66)
11.	Amount of classified loans during current year	10,868.09	6,081.51
12.	Provisions kept against classified loans	6,829.60	2,018.59
13.	Provision surplus against classified loan	-	-
14.	Cost of fund	6.86%	6.64%
15.	Interest earnings assets	1,653.28	1,306.70
16.	Non-interest earnings assets	14,209.76	14,729.40
17.	Return on investment (ROI)	-106%	-115%
18.	Return on assets (ROA)	-38.00%	-12.08%
19.	Income from investment	1.37	2.81
20.	Earnings per share	(34.93)	(11.22)
21.	Net income per share	(34.93)	(11.22)
22.	Price earnings ratio	(0.25)	(0.88)

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# Hussain Farhad & 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 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 of the company give a true and fair view of the financial position of the company as at 31 December 2023, and its financial performance, and its statement of cash flows for the year then, ended in accordance with the International Financial Reporting Standards (IFRSs) as explained in note # 02.

#### Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye-laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matters

Without modifying our opinion:

1. We draw attention to Note # 2.17 of the financial statements, the company has disclosed the reasons for not provisioning the exposure against the margin loan and unrealized loss for investment in shares.
2. We draw attention to Note # 17.02 of the financial statements, the company has disclosed that the required provisions of BDT. 130,723,350 were made against the margin loan of the Beneficiary Owners', whose portfolio does not have share value.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 2.03 in the financial statements, which indicates that during the year the company incurred a loss of BDT 339,854,863 and the accumulated loss of the company reached BDT 1,940,070,193, and, the company's current liabilities exceeded its total assets by BDT. 1,262,276,262 as of the date December 31, 2023. In addition, the company has failed to comply with Rule (3ka), subrule-1(kha) of the Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules-1996 where a merchant bank is required to maintain its net worth at least 50% of paid-up capital which is currently stood at 288% negative. In this regard, the company

subsequently obtained a waiver up to December 31, 2024, from BSEC dated April 8, 2024. Those matters indicate that material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

#### Other Information

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the board of directors of the company.

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

Management is responsible for the preparation and fair presentation of the financial statements of the company in accordance with the International Financial Reporting Standards (IFRSs) as explained in note # 2 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement in 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 relevant 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 develop 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 group's and 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 group and 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 entities or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

#### **Report on other Legal and Regulatory Requirements**

In accordance with the Companies Act, 1994, the Securities and Exchange Rules, 2020, we also report that:

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii. in our opinion, proper books of accounts as required by law have been kept by the company so far as it appeared from our examination of those books;
- iii. 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 and returns;
- iv. the expenditures incurred were for the purpose of the company's business for the year;

Place: Dhaka  
Date: 16 May 2024  
DVC No: 2405160904AS552688



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**Asifur Rahman FCA**  
Partner  
Enrolment No- 904  
**Hussain Farhad & CO.**  
Chartered Accountants  
Firm Reg. No- 4/452/ICAB-84

# UniCap Investments Limited

Statement of Financial Position  
As at 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3.00	490,159	705,067
Right of use of assets	4.00	6,396,666	-
Investment in listed securities	5.00	281,424,185	288,161,394
Loan to employee		4,213,001	4,733,199
		<b>292,524,010</b>	<b>293,599,660</b>
<b>Current Assets</b>			
Advance, deposits and prepayments	6.00	142,903,010	141,067,259
Margin loan	7.00	5,005,484,433	5,225,693,183
Other receivable	8.00	39,484,300	66,172,155
Deferred tax assets	34.00	414,712	123,071
Cash and cash equivalents	9.00	95,252,591	56,454,835
		<b>5,283,539,045</b>	<b>5,489,510,503</b>
<b>Total Assets</b>		<b>5,576,063,055</b>	<b>5,783,110,163</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	10.00	500,000,000	500,000,000
Retained earnings	11.00	(1,940,070,193)	(1,600,215,330)
		<b>(1,440,070,193)</b>	<b>(1,100,215,330)</b>
<b>Non-Current Liabilities</b>			
Long term liabilities	12.00	170,370,042	382,244,385
Lease liabilities	13.00	7,423,890	-
		<b>177,793,932</b>	<b>382,244,385</b>
<b>Current Liabilities</b>			
Short term liabilities	14.00	2,813,099,165	2,863,099,165
Payable to portfolio investors	15.00	101,949,771	99,840,329
Interest payable on term loan	16.00	2,573,498,241	2,229,567,337
Other liabilities and provisions	17.00	1,233,477,688	1,195,273,614
Provision for taxation	18.00	116,314,452	113,300,664
		<b>6,838,339,317</b>	<b>6,501,081,109</b>
<b>Total equity and liabilities</b>		<b>5,576,063,055</b>	<b>5,783,110,163</b>

The annexed notes are an integral part of these financial statements.

Chief Executive Officer (CC)

Company Secretary (CC)

Director

Director

Signed in terms of our report of even date annexed.

Place: Dhaka  
Date: 09 May 2024  
DVC No: 2405160904AS552688

**Hussain Farhad & Co.**  
Chartered Accountants

# UniCap Investments Limited

Statement of Profit or Loss and Other Comprehensive Income  
For the year ended 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
<b>Revenue:</b>			
Portfolio income	19.00	54,997,926	21,874,174
Investment income	20.00	5,544,588	6,045,153
Other operating income	21.00	5,284,271	3,685,797
<b>Total Revenue</b>		<b>65,826,785</b>	<b>31,605,124</b>
Less: Portfolio management expense	22.00	347,187,362	1,540,425,761
		<b>347,187,362</b>	<b>1,540,425,761</b>
Less: Operating expenses		25,372,139	27,388,574
Salaries and other employee benefits	23.00	16,162,843	19,817,022
Rent, taxes, insurance, electricity, etc.	24.00	573,687	599,580
Postage, stamp, telecommunication, etc.	25.00	1,189,041	1,249,023
Stationery, printing, advertisements, etc.	26.00	199,482	196,805
Legal & Professional Fees		397,424	422,559
Directors' remuneration		163,200	25,000
Auditors' fee		92,000	552,000
Depreciation expense	27.00	3,476,703	3,137,414
Repair and maintenance	28.00	880,435	243,966
Other expenses	29.00	2,237,324	1,145,205
<b>Operating profit/(loss) before provision</b>		<b>(306,732,716)</b>	<b>(1,536,209,211)</b>
Provision against investment		(30,400,000)	(124,897,135)
<b>Net Profit before Tax</b>		<b>(337,132,716)</b>	<b>(1,661,106,346)</b>
Deferred tax (income)/expense	34.00	(291,641)	251,320
Income tax expense		3,013,788	1,194,157
<b>Net Profit after Tax</b>		<b>(339,854,863)</b>	<b>(1,662,551,823)</b>
<b>Earnings per share (EPS)</b>		<b>(6.80)</b>	<b>(33.25)</b>

The annexed notes are an integral part of these financial statements.



Chief Executive Officer (CC)



Company Secretary (CC)



Director



Director

Signed in terms of our report of even date annexed.

Place: Dhaka  
Date: 09 May 2024  
DVC No: 2405160904AS552688



**Hussain Farhad & Co.**  
Chartered Accountants

# UniCap Investments Limited

Statement of Changes in Equity  
For the year ended 31 December 2023

For the year ended 31 December 2023

Particulars	Share capital	Retained earnings	Total
Balance as at 01 January 2023	500,000,000	(1,600,215,330)	(1,100,215,330)
Net profit/(loss) for the year	-	(339,854,863)	(339,854,863)
<b>Balance as at 31 December 2023</b>	<b>500,000,000</b>	<b>(1,940,070,193)</b>	<b>(1,440,070,193)</b>

For the year ended 31 December 2022

Particulars	Share capital	Retained earnings	Total
Balance as at 01 January 2022	500,000,000	62,336,493	562,336,493
Net profit/(loss) for the year	-	(1,662,551,823)	(1,662,551,823)
<b>Balance as at 31 December 2022</b>	<b>500,000,000</b>	<b>(1,600,215,330)</b>	<b>(1,100,215,330)</b>

The annexed notes are an integral part of these financial statements.



Chief Executive Officer (CC)



Company Secretary (CC)



Director



Director

Signed in terms of our report of even date annexed.

Place: Dhaka  
Date: 09 May 2024

# UniCap Investments Limited

## Statement of Cash Flows

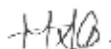
For the year ended 31 December 2023

Particulars	Figures in BDT	
	31-Dec-23	31-Dec-22
<b>A. Cash flow from operating activities</b>		
Interest receipt/(payment)	45,365,984	7,534,246
Margin loan recovered/(disbursed)	220,208,750	298,722,437
Fees commission, exchange and brokerage	9,631,942	18,195,815
Payment against administrative expenses	(25,372,139)	(12,245,472)
Advance income tax paid	(1,835,751)	2,077,322
Other receipt, net	41,789,682	43,981,956
<b>Net cash flow from operating activities</b>	<b>289,788,468</b>	<b>358,266,305</b>
<b>B. Cash flow from investing activities</b>		
Dividend receipts	4,725,074	3,816,209
Gain/(loss) on investments of shares	767,311	148,738
Receipt/(payment) from trade of securities	6,737,209	(12,777,650)
Purchase of property, plant and equipment	63,462	(152,542)
<b>Net cash flow/(used) in investing activities</b>	<b>12,293,056</b>	<b>(8,965,245)</b>
<b>C. Cash flow from financing activities</b>		
Term loan repaid UCL	(276,476,006)	(300,000,000)
Term loan repaid Premier Leasing Ltd	(22,244,385)	(24,826,735)
Term loan repaid ICB	(3,153,952)	(6,793,873)
Term loan receipt ICB	40,000,000	-
Loan Interest paid	(1,929,623)	(5,525,280)
Loan received from employee	520,198	536,780
<b>Net cash flow from financing activities</b>	<b>(263,283,768)</b>	<b>(336,609,108)</b>
<b>D. Net changes in cash and cash equivalents (A+B+C)</b>	<b>38,797,756</b>	<b>12,691,952</b>
<b>E. Opening cash and cash equivalents</b>	<b>56,454,835</b>	<b>43,762,883</b>
<b>F. Closing cash and cash equivalents</b>	<b>95,252,591</b>	<b>56,454,835</b>

The annexed notes are an integral part of these financial statements.



Chief Executive Officer (CC)



Company Secretary (CC)



Director



Director

Signed in terms of our report of even date annexed.

Place : Dhaka

Dated: 09 May 2024

# UniCap Investments Limited

Notes to the financial statements

For the year ended 31 December 2023

## 1.0 The company and its activities

### 1.1 Legal status of the Company

**UNICAP INVESTMENTS LIMITED** (the "Company") is a Public Limited Company bearing reg. no. C-93014/11, incorporated on 24 May 2011 under the Companies Act, 1994 having its registered office at A-A Bhaban, 9th Floor Tower 23 Motijheel C/A, Dhaka-1000, Bangladesh. It is a wholly-owned subsidiary of Union Capital Limited since its inception. The Company received Merchant Banking License (license no. MB-86/2013) from Bangladesh Securities and Exchange Commission (BSEC) on 30 December 2013 and commenced its operation on 24 May 2011.

### 1.02 Principal activities and nature of operation

**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 2020 and other applicable laws and regulations.

### 2.03 Going concern

#### A. Regarding Substantial Accumulated Loss

The company reported a net loss of BDT. 339,854,863 in the current year, however, the accumulated loss is BDT. 1,940,070,193. This is mainly due to the interest charge of margin loan of the parent company as required by Bangladesh Bank. As a result, there is an uncertainty has been created, the company has assessed its ability to continue as a going concern. The current liabilities of the company has significantly increased because of loan and interest of the parent company. The parent company is aware of this matter as well as has no plan to discontinue in the future. Other than that the company has moderate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements.

#### B. Regarding Non Compliance with the BSEC (Merchant Banker and Portfolio Manager) Rules-1996

According to Rule (3ka), subrule-1(kha) of the Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules-1996, UniCap Investments Ltd, functioning as a merchant bank, must maintain a net worth of at least 50% of its paid-up capital. However, as of December 31, 2023, UniCap Investments Ltd's net worth was at a deficit of 288% compared to its paid-up capital. Consequently, the Securities and Exchange Commission, through a communication dated April 8, 2024, referenced as letter # BSEC/SMMI/MB/Policy-6/2020/1740, extended the deadline until December 31, 2024, for the company to address this shortfall.

### 2.04 Reporting Period

The financial period of the Company is similar to calendar years covers one year from 01 January to 31 December and is being followed consistently.

## Notes to the Financial Statements

### 2.05 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

### 2.06 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 2022.

### 2.07 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.

### 2.08 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.

### 2.09 Cash flow statements

The net cash flows from operating activities is determined direct method as per IAS-7.

### 2.10 Portfolio management expense

It represents portfolio management expense on fund obtained from parent company.

### 2.11 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.

### 2.12 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.

## Notes to the Financial Statements

### 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 38.

### 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 2023.

### 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
Revenue from contracts with customers	15	Applied
Leases	16	Applied

### 2.16 Financial Instruments (IFRS -9)

#### Margin Loan

Margin loan is provided to clients to facilitate investment in equity securities. They are initially classified as financial assets at fair value and subsequently measured at amortised cost.

#### Investment in listed securities ( Own Portfolio)

Investment in quoted shares and unquoted shares are initially recognised at cost plus transaction costs that are directly attributable to acquisition of shares.

### 2.17 Valuation of Investment

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/Surveillance/Spokesperson (5th Part)/2019/196 dated 16 July 2020. Now, according to new directive # BSEC/SMMID/NE/2023/840 dated 22 October 2023 by Bangladesh Securities and Exchange Commission, the time period for unrealized loss is extended upto 30 June 2024.

## Notes to the Financial Statements

### 2.18 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	19,296,867	19,144,325
Add: Addition during the year	63,462	152,542
Less: Dispose during the year	-	-
<b>Closing balance (A)</b>	<b>19,360,329</b>	<b>19,296,867</b>

#### Depreciation

Opening balance	18,591,801	15,454,387
Add: Charge during the year	278,370	3,137,414
Less: Dispose during the year	-	-
<b>Closing balance (B)</b>	<b>18,870,171</b>	<b>18,591,801</b>
<b>Written down value (A-B)</b>	<b>490,159</b>	<b>705,067</b>

Details of property, plant and equipment are given in **Annexure - A**.

### 4.00 Right of Use Assets

#### Cost

Opening balance	7,022,790	7,022,790
Add: Addition during the year	9,594,999	-
Less: Dispose during the year	7,022,790	-
<b>Closing balance (A)</b>	<b>9,594,999</b>	<b>7,022,790</b>

#### Depreciation

Opening balance	7,022,790	4,681,860
Add: Charge during the year	3,198,333	2,340,930
Less: Dispose during the year	7,022,790	-
<b>Closing balance (B)</b>	<b>3,198,333</b>	<b>7,022,790</b>
<b>Written down value (A-B)</b>	<b>6,396,666</b>	<b>-</b>

Details of property, plant and equipment are given in **Annexure - A**.

### 5.00 Investment in listed securities

Investment in listed securities	258,311,600	274,403,892
Investment in Shares-ICB-Fund	21,636,395	12,757,502
Ekush Growth Fund non-listed securities	1,476,190	1,000,000
	<b>281,424,185</b>	<b>288,161,394</b>

## Notes to the Financial Statements

Details of Investment in listed securities are given in Annexure B.

### 6.00 Advance, deposits and prepayments

Advance income tax	111,999,010	110,167,259
Advance against purchase of shares (5.01)	30,400,000	30,400,000
Security deposit - CDBL	200,000	200,000
Advance against expenses	304,000	400,000
	<b>142,903,010</b>	<b>141,067,259</b>

### 6.01 Advance against purchase of shares

Amulet Pharmaceuticals Ltd	20,000,000	20,000,000
MedRx Life Science Ltd	10,400,000	10,400,000
	<b>30,400,000</b>	<b>30,400,000</b>

The aforementioned amount is the investments in placement shares of the following companies.

### 7.00 Margin loan

Opening balance	5,225,693,183	5,470,850,906
Add: addition during the year	-	178,631,939
Less: recovered/waived during the year	(220,208,750)	(423,789,662)
	<b>5,005,484,433</b>	<b>5,225,693,183</b>

Margin loans were provided by the company against the shares purchased by the clients.

\*\* See note no. 28.00 about the present status of the margin loan and its negative equity

### 8.00 Other receivable

Own portfolio (note 7.01)	4,255,114	1,384,354
Clients portfolio (note 7.02)	28,881,644	50,227,680
Broker Receivable	168,669	9,825,210
Dividend Receivables (7.03)	2,093,546	2,397,384
Others (note 7.04)	4,085,326	2,337,527
	<b>39,484,300</b>	<b>66,172,155</b>

### 8.01 Own portfolio

Opening balance	1,384,354	11,210,702
Add: Addition during the year	2,870,760	-
	4,255,114	11,210,702
Less: Adjustment during the year	-	9,826,348
<b>Closing balance</b>	<b>4,255,114</b>	<b>1,384,354</b>

### 8.02 Clients portfolio

Opening balance	50,227,680	235,307,352
Add: Addition/(Recover) during the year	-	31,800,000
	<b>50,227,680</b>	<b>267,107,352</b>
Less: Adjustment during the year	21,346,036	216,879,672
<b>Closing balance</b>	<b>28,881,644</b>	<b>50,227,680</b>

### 8.03 Dividend receivables

Opening balance	2,397,384	2,868,632
Less: Received dividend during the year	(2,041,343)	(2,844,972)
Add: Receivable dividend during the year	1,737,505	2,373,724
<b>Closing balance</b>	<b>2,093,546</b>	<b>2,397,384</b>

## Notes to the Financial Statements

### 8.04 Others

Opening balance	2,337,527	4,395,803
Less: Received during the period	-	(3,824,099)
Add: Receivable during the period	1,747,799	1,765,823
<b>Closing balance</b>	<b>4,085,326</b>	<b>2,337,527</b>

### 9.00 Cash and cash equivalents

Cash in Hand	9,026	9,026
Cash at Bank (Note 9.01)	95,243,565	56,445,809
	<b>95,252,591</b>	<b>56,454,835</b>

### 9.01 Cash at Bank

Dutch Bangla Bank Limited	416,589	12,247
Southeast Bank Limited	700,008	56,042
Bank Asia Limited	7,845,448	32,153
IFIC Bank Limited	1,392,017	56,345,368
Brac Bank Limited	84,889,503	-
	<b>95,243,565</b>	<b>56,445,809</b>

### 10.00 Share capital

Authorized capital:		
200,000,000 ordinary shares of BDT 10 each	<b>2,000,000,000</b>	<b>1,000,000,000</b>
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	2022		2023	
	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 Chowdhury	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>

### 11.00 Retained earnings

Opening balance	(1,600,215,330)	62,336,493
Add: Net profit/(loss) for the year	(339,854,863)	(1,662,551,823)
<b>Closing balance</b>	<b>(1,940,070,193)</b>	<b>(1,600,215,330)</b>

### 12.00 Long term loan

Premier Leasing and Finance Limited	-	22,244,385
Term Loan - ICB-Fund	36,846,048	-
Union Capital Limited (note 12.1)	133,523,994	360,000,000
	<b>170,370,042</b>	<b>382,244,385</b>

## Notes to the Financial Statements

	Figures in BDT	
	31-Dec-23	31-Dec-22
<b>12.01 Term loan with Union Capital Limited</b>		
Opening balance	360,000,000	360,000,000
Less: Paid during the year	(226,476,006)	-
<b>Closing balance</b>	<b>133,523,994</b>	<b>360,000,000</b>
<b>13.00 Lease liabilities</b>		
Opening balance	9,594,999	-
Add: addition during the period	757,605	-
Less : Payment during the year	2,928,714	-
<b>Closing balance</b>	<b>7,423,890</b>	<b>-</b>
<b>14.00 Short term loan with Union Capital Limited</b>		
Opening balance	2,863,099,165	3,030,404,689
Less: Paid during the year	(50,000,000)	(167,305,524)
<b>Closing balance</b>	<b>2,813,099,165</b>	<b>2,863,099,165</b>
<b>15.00 Payable to portfolio investors</b>	<b>101,949,771</b>	<b>99,840,329</b>
This represents amount payable to clients against sale of share before maturity and client available fund regarding investments in securities.		
<b>16.00 Interest payable on term loan</b>		
Opening balance	2,229,567,337	827,361,332
Add: Addition during the year	343,930,904	1,534,900,481
Less: Payment during the year	-	(132,694,476)
<b>Closing balance</b>	<b>2,573,498,241</b>	<b>2,229,567,337</b>
<b>17.00 Other liabilities and provisions</b>		
Provision for impairment of margin loan to client (17.1)	175,000,000	175,000,000
Reserved against margin loan (17.2)	807,421,656	807,421,656
Diminution in value of listed securities (17.3)	28,274,833	28,274,833
Provision against investment	30,400,000	-
Portfolio Management Expense Payable	178,631,939	178,631,939
Audit fee payable	92,000	92,000
Withholding tax and VAT	3,747,418	3,389,720
Employees Gratuity Fund	3,129,413	2,218,600
Other payables	6,780,429	244,866
	<b>1,233,477,688</b>	<b>1,195,273,614</b>
<b>17.1 Provision for impairment of margin loan to client</b>		
Opening balance	175,000,000	175,000,000
Add: Provision made during the period	-	-
<b>Closing balance</b>	<b>175,000,000</b>	<b>175,000,000</b>
<b>17.2 Reserved against margin loan</b>		
Opening balance	807,421,656	869,748,951
Less: Adjustments of during the year	-	(62,327,295)
<b>Closing balance</b>	<b>807,421,656</b>	<b>807,421,656</b>
The 12 Beneficiary Owners' accounts have negative equity balance of TK. BDT. 130,723,350 whose portfolio has no share value, is included in the above mentioned provision amount.		
<b>17.3 Diminution in value of listed securities</b>		
Opening balance	28,274,833	28,274,833
Add: Addition during the period	-	-
<b>Closing balance</b>	<b>28,274,833</b>	<b>28,274,833</b>

## Notes to the Financial Statements

	Figures in BDT	
	31-Dec-23	31-Dec-22
<b>18.00 Provision for taxation</b>		
Opening balance	113,300,664	112,106,507
Add: Provision made during the period	3,013,788	1,194,157
<b>Closing balance</b>	<b>116,314,452</b>	<b>113,300,664</b>
<b>19.00 Portfolio income</b>		
Interest on margin loan (Note 17.01)	45,365,984	3,678,359
Brokerage settlement	7,279,824	15,020,692
Portfolio management Interest (Note 17.02)	2,352,118	3,175,123
	<b>54,997,926</b>	<b>21,874,174</b>
<b>19.01 Interest on margin loan</b>	<b>45,365,984</b>	<b>3,678,359</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>19.02 Portfolio management Interest</b>	<b>2,352,118</b>	<b>3,175,123</b>
The amount includes fees and charges received from portfolio account holders for managing portfolio accounts by the Company.		
<b>20.00 Investment income</b>		
Gains/(losses) on sale of securities	767,311	148,738
Dividend income	4,777,277	5,896,415
	<b>5,544,588</b>	<b>6,045,153</b>
<b>21.00 Other operating income</b>		
Interest Income from Employee Personal Loan	9,761	29,991
Interest Income from Employee Car Loan	46,157	65,950
Interest Income from Employee Home Loan	204,620	205,304
Underwriting Fee	9,000	-
Issue Management Fee - Public Issue	-	300,000
Corporate Advisory Fee	-	500,000
Documentation Charge	14,500	42,500
Interest Income	5,000,234	2,542,051
	<b>5,284,271</b>	<b>3,685,797</b>
<b>22.00 Portfolio management expense</b>		
Interest on loan	2,214,238	4,900,292
Interest on loan UCL	343,930,904	1,534,900,481
Interest expense on lease rent (as per IFRS 16)	757,605	505,646
Bank charges	284,615	119,343
	<b>347,187,362</b>	<b>1,540,425,761</b>
<b>23.00 Salaries and other employee benefits</b>		
Salaries and allowances	14,319,437	17,744,410
Car Allowances	360,000	360,000
Contribution to gratuity fund	910,813	1,194,050
Contribution to provident fund	562,593	503,562
Medical and Employees welfare	10,000	15,000
	<b>16,162,843</b>	<b>19,817,022</b>
<b>24.00 Rent, taxes, insurance, electricity, etc.</b>		
Power and electricity	429,403	461,794
Insurance Expenses	144,284	137,786
	<b>573,687</b>	<b>599,580</b>

## Notes to the Financial Statements

### 24.01 Office rent, rate and taxes

Actual rent expenses	3,198,333	2,846,575
Less: reclassification of rent expenses (as per IFRS 16)	3,198,333	2,846,575
	-	-

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.

### 25.00 Postage, stamp, telecommunication, software etc.

Postage and stamp	14,460	9,269
Telegram, telex, fax and e-mail	335,250	297,417
Telephone and mobile	146,631	127,232
Computer Software	692,700	815,105
	<b>1,189,041</b>	<b>1,249,023</b>

### 26.00 Stationery, printing, advertisements, etc.

Printing and stationery	189,886	172,303
Books and periodicals	6,499	8,877
Advertisement and publicity	3,098	15,625
	<b>199,482</b>	<b>196,805</b>

### 27.00 Depreciation on Fixed Assets

Depreciation on Property, Plant & Equipment	278,370	796,484
Depreciation on Right of Use of Assets (as per IFRS 16)	3,198,333	2,340,930
	<b>3,476,703</b>	<b>3,137,414</b>

### 28.00 Repair and maintenance

Repair and Maintenance Expense	120,716	115,883
Office maintenance	759,720	128,084
	<b>880,435</b>	<b>243,966</b>

### 29.00 Other expenses

HR development	32,370	4,000
CDBL charge	1,251,047	53,433
Travelling and conveyance	287,301	230,678
Subscription and fees	326,000	300,000
Entertainment expenses	338,549	363,348
Others	2,057	193,746
	<b>2,237,324</b>	<b>1,145,205</b>

### 30.00 Required provision for margin loan

Negative equity	4,360,668,064	4,360,668,064
Total reserve against margin loan	982,421,656	982,421,656
<b>Percentage of reserve against margin loan</b>	<b>0.2253</b>	<b>0.2253</b>

### 31.00 Earnings per share (EPS)

Net profit/(loss) after tax: Numerator (A)	(339,854,863)	(1,662,551,823)
Number of ordinary share outstanding: Denominator (B)	50,000,000	50,000,000
<b>Earnings per share (Basic): (A/B)</b>	<b>(6.80)</b>	<b>(33.25)</b>

Diluted earnings per share has not been calculated for the year as there was no potential ordinary share as described in IAS 33.

### 32.00 Contingent liability

As on the date of reporting there was no such event that warrants for reporting as contingent liability.

### 33.00 Capital expenditure commitments

There was no capital expenditure contracted but not incurred or provided for at 31 December 2023. There was no material capital expenditure that were authorised by the Board but not contracted for at 31 December 2023.

## Notes to the Financial Statements

Figures in BDT	
31-Dec-23	31-Dec-22

### 34.00 Deferred Tax Calculation

Deferred tax has been calculated based on deductible/taxable temporary differences arising due to differences in the carrying amount of the assets and its tax base in accordance with the provision of the International Accounting Standard (IAS) 12.

Deferred tax asset is arrived at as follows:

Carrying amount at balance sheet date		Tax base	Carrying amount at balance sheet	(Taxable)/deductible temporary difference
Assets	Fixed assets net of dep.	568,835	490,159	78,676
Assets	Right of Use of Assets	6,396,666	-	(6,396,666)
Liability	Lease liability	7,423,890	-	7,423,890
				<b>1,105,900</b>
Applicable tax rate				37.5%
Deferred tax assets/(Liabilities) as on 31 December 2023				414,712
Deferred tax assets/(liabilities) as on 31 December 2022				123,071
Deferred tax expense/(income) during the period 2023				(291,641)

### 35.00 Unacknowledged debt

The Company had no claim, legal or other, against it which has not been acknowledged as debt at the balance sheet date.

### 36.00 Geographical area of operation

UniCap Investments Limited is currently operating in Chattogram and Sylhet along with its other branches at Gulshan and Motijheel in Dhaka.

### 37.00 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.

### 37.00 Approval of the financial statements

These financial statements were authorised for issue by the Board of Directors of the Company in May 09, 2024.

### 38.00 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 2023 (BDT)	31 December 2022 (BDT)
Union Capital Limited	Parent Company	Long term loan	3,173,099,165	3,223,099,165
		Interest payable	2,573,498,241	2,229,567,337
UNICAP Securities Limited	Sister Concern	Receivable against rent, utilities and others	3,513,622	1,765,823

### 39.00 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 2023

Figures in BDT

Particulars	Cost				Rate (%)	Depreciation				Written down value as at 31.12.2023
	Opening balance 01 Jan 2023	Addition during the year	Adjustment during the year	Closing balance 31 Dec 2023		Opening balance 01 Jan 2023	Charged for the year	Adjustment during the year	Closing balance 31 Dec 2023	
Furniture and fixtures	2,107,426	39,262	-	2,146,688	20	2,036,256	38,459	-	2,074,715	71,973
IT equipment	3,461,031	24,200	-	3,485,231	20	2,848,777	232,011	-	3,080,789	404,442
Motor vehicle	2,665,437	-	-	2,665,437	20	2,665,437	-	-	2,665,437	1
Office equipment	1,754,975	-	-	1,754,975	20	1,738,278	7,503	-	1,745,781	9,194
Office decoration	2,285,208	-	-	2,285,208	33	2,280,263	396	-	2,280,659	4,549
Total at 31 December 2023	12,274,077	63,462	-	12,337,539		11,569,010	278,370	-	11,847,380	490,159
Right of Use of Assets	7,022,790	9,594,999	7,022,790	9,594,999		7,022,790	3,198,333	7,022,790	3,198,333	6,396,666
Total at 31 December 2022	19,144,325	152,542	-	19,296,867		15,454,387	3,137,414	-	18,591,801	705,067

# UniCap Investments Limited

Annexure - B

## Schedule of Investments

As at 31 December 2023

Figures in BDT

Investment in listed securities				
Company Name	Quantity	Cost Value	Market Value	Unrealized Gain/Loss
AGNISYSL	30,000	871,740	711,000	(160,740)
BSC	5,000	609,615	535,000	(74,615)
BSCCL	28,000	6,141,458	6,129,200	(12,258)
BXPHERMA	249	38,298	36,404	(1,894)
CITYBANK	1,053,354	30,791,746	22,541,776	(8,249,970)
CNATEX	80,000	921,339	816,000	(105,339)
CONFIDCEM	126,000	15,358,912	11,214,000	(4,144,912)
CONTININS	110,000	6,065,707	4,400,000	(1,665,707)
EBLNRBMF	100,000	715,999	650,000	(65,999)
GENEXIL	6,240	493,685	408,096	(85,589)
IDLC	777,750	58,516,166	36,165,375	(22,350,791)
ITC	10,000	412,824	370,000	(42,824)
JHRML	2,000	159,779	140,600	(19,179)
LOVELLO	10,000	380,760	379,000	(1,760)
NPOLYMER	10,000	516,030	510,000	(6,030)
SONALIANSH	1,000	696,490	572,100	(124,390)
SUNLIFEINS	40,000	2,511,513	2,116,000	(395,513)
UPGDCL	37,000	10,671,267	8,646,900	(2,024,367)
ACI	352,698	115,308,372	91,772,020	(23,536,353)
ACTIVEFINE	50,000	1,584,964	965,000	(619,964)
AL-HAJTEX	1,000	186,372	132,100	(54,272)
AOPLC	3,694	36,940	65,014	28,074
GSPFINANCE	80,000	2,613,216	2,424,000	(189,216)
JMISMDL	1,260	460,057	321,930	(138,127)
LRBDL	10,000	397,794	351,000	(46,794)
METROSPIN	20,000	776,003	506,000	(270,003)
POWERGRID	5,000	266,188	262,000	(4,188)
PROGRESLIF	10,000	808,364	773,000	(35,364)
<b>Sub-Total</b>	<b>2,960,245</b>	<b>258,311,600</b>	<b>193,913,514</b>	<b>(64,398,085)</b>
Investment in Shares-ICB-Fund				
ACTIVEFINE	20,000	605,110	386,000	(219,110)
APEXFOOT	50	13,841	12,875	(966)
BPPL	30,000	1,401,387	879,000	(522,387)
FUWANGFOOD	10,000	340,187	275,000	(65,187)
GEMINISEA	1,500	513,029	529,950	16,921
GHAIL	20,351	394,150	356,143	(38,008)
HAKKANIPUL	2,000	134,188	120,800	(13,388)
IBP	10,000	192,672	189,000	(3,672)
KFL	12,500	321,371	332,500	11,129
METROSPIN	25,000	1,302,043	632,500	(669,543)
PHARMAID	111	100,472	87,768	(12,705)
SAIFPOWER	35,600	1,380,315	1,057,320	(322,995)
SINOBANGLA	26,000	1,729,473	1,635,400	(94,073)
YPL	5,000	155,543	133,000	(22,543)
AAMRANET	13,500	712,315	692,550	(19,765)
AGNISYSL	10,000	246,861	237,000	(9,861)
BATBC	750	442,506	389,025	(53,481)
BERGERPBL	560	1,078,186	993,440	(84,746)
CONTININS	15,000	830,192	600,000	(230,192)
DBH	11,220	826,157	636,174	(189,983)
DGIC	2,500	83,792	83,750	(42)
DOREENPWR	11,200	788,464	683,200	(105,264)
EASTERNINS	7,000	459,603	475,300	15,697
EMERALDOIL	5,000	617,855	366,000	(251,855)
PRAGATILIF	4,000	439,170	408,400	(30,770)
PREMIERCEM	8,500	565,824	455,600	(110,224)
RDFOOD	10,000	390,362	362,000	(28,362)
REPUBLIC	15,000	704,457	603,000	(101,457)
RUPALIINS	12,500	531,020	340,000	(191,020)
SEAPPEARL	7,500	1,305,835	747,750	(558,085)
SIMTEX	25,000	540,040	462,500	(77,540)
SONALIANSH	300	187,496	171,630	(15,866)
SPCL	18,720	1,880,566	1,226,160	(654,406)
UPGDCL	1,500	421,912	350,550	(71,362)
<b>Sub-Total</b>	<b>377,862</b>	<b>21,636,395</b>	<b>16,911,284</b>	<b>(4,725,111)</b>
<b>Total</b>	<b>3,338,107</b>	<b>279,947,995</b>	<b>210,824,799</b>	<b>(69,123,196)</b>

# Hussain Farhad & 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 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the 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 of the company give a true and fair view of the financial position of the company as at 31 December 2023, and of its profit or loss and other comprehensive income and its statement of cash flows for the year then ended with the International Financial Reporting Standards (IFRSs) as explained in note 3.

### Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye-Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matters

We draw attention to note # 3.04 read with 3.11 of the financial statements, the company has disclosed the reasons for not provisioning the exposure against the margin loan and unrealized loss for investment in shares.

Our opinion is not modified in respect of this matter.

### Other Information

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the board of directors of the company.

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

Management is responsible for the preparation and fair presentation of the financial statements of the company in accordance with IFRSs as explained in note 3 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement in 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 relevant 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 develop 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 group's and 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 group and 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 entities or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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**

In accordance with the Companies Act, 1994, the Securities and Exchange Rules, 2020 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 purpose of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;

- the statement of financial position and statement of profit or loss and other comprehensive income together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- the expenditures incurred were for the purpose of the Company's business for the year; and
- the computation of the year-end capital adequacy in the financial statements is accurate;

Place: Dhaka  
Date: 29 April 2024  
DVC No: 2404290904AS776914



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**Asifur Rahman FCA**  
Partner  
Enrolment No- 904  
**Hussain Farhad & CO.**  
Chartered Accountants  
Firm Reg. No- 4/452/ICAB-84

# UNICAP SECURITIES LIMITED

Statement of Financial Position  
As at 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	3,008,582	3,420,117
Right of Use of Lease Assets	5	12,675,257	34,333,718
TREC holding in stock exchanges	6	8,250,000	9,500,000
Staff loan	7	5,558,296	6,604,926
		<b>29,492,135</b>	<b>53,858,761</b>
<b>Current Assets</b>			
Cash and bank balances	8	105,164,845	182,523,937
Receivables from securities trading	9	28,620,374	25,427,122
Receivable from others	10	17,677,568	18,344,890
Receivable from margin clients	11	494,040,199	552,791,825
Proprietary position in securities & other investments	12	203,428,918	213,744,315
Receivable from proprietary Fund	13	16,148,770	1,868
Advances, deposits and prepayments	14	9,210,084	7,021,962
Advance income tax	15	454,672,090	438,016,525
Deferred Tax Assets	16	9,015,528	9,002,182
		<b>1,337,978,375</b>	<b>1,446,874,625</b>
<b>Total Assets</b>		<b>1,367,470,510</b>	<b>1,500,733,386</b>
<b>Liabilities and Shareholder's Equity</b>			
<b>Shareholders' equity</b>			
Share capital	17	500,000,000	500,000,000
Capital Reserve		195,729	4,575,068
General Reserve		4,940,402	5,527,918
Retained earnings		(65,348,905)	(24,840,641)
<b>Total Equity</b>		<b>439,787,227</b>	<b>485,262,345</b>
<b>Non Current Liabilities</b>			
Long term loan	18	211,201,652	157,955,976
Lease Liability	19	14,054,714	29,675,392
Deferred liabilities - employee gratuity	20	21,078,458	14,703,463
		<b>246,334,825</b>	<b>202,334,831</b>
<b>Current Liabilities</b>			
Payable to clients	21	110,572,267	186,981,409
Short term business liabilities	22	17,600,000	100,000,000
Payable to exchanges (DSE,CSE)	23	16,707,126	9,724,822
Accruals and payables	24	13,185,469	10,063,787
Other liabilities and provisions	25	523,283,596	506,366,192
		<b>681,348,458</b>	<b>813,136,210</b>
<b>Total Liabilities</b>		<b>927,683,283</b>	<b>1,015,471,041</b>
<b>Total Equity and Liabilities</b>		<b>1,367,470,510</b>	<b>1,500,733,386</b>

The annexed notes are an integral part of these financial statements.

Chief Executive Officer

Director

Chariman

Signed in terms of our report of even date annexed.

Place: Dhaka  
Date: 03 April 2024  
DVC No: 2404290904AS776914

**Hussain Farhad & Co.**  
Chartered Accountants

# UNICAP SECURITIES LIMITED

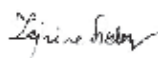
Statement of Profit or Loss and Other Comprehensive Income  
For the year ended 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
<b>Revenue:</b>			
Brokerage Commission	26	69,817,119	130,292,532
Dividend Income	27	10,162,680	9,155,019
Margin Interest from Client	28	14,420,930	56,567,522
Other Income	29	2,181,027	1,323,160
		<b>96,581,756</b>	<b>197,338,234</b>
Cost of Services	30	(8,597,205)	(16,988,659)
<b>Gross Profit</b>		<b>87,984,552</b>	<b>180,349,575</b>
Realized gain/(loss) on Sale of Securities	31	19,414,511	5,171,616
Administrative and General Expenses	32	(96,839,785)	(95,987,688)
Financial expenses	33	(39,130,338)	(62,891,141)
<b>Operating Profit or (Loss)</b>		<b>(28,571,060)</b>	<b>26,642,362</b>
<b>Net Profit before Tax or (Loss)</b>		<b>(28,571,060)</b>	<b>26,642,362</b>
Current Tax	25.3	(16,917,404)	(25,734,916)
Deferred Tax	16	13,345	1,049,847
<b>Profit after Tax or (Loss)</b>		<b>(45,475,119)</b>	<b>1,957,294</b>

The annexed notes are an integral part of these financial statements.



Chief Executive Officer



Director



Chariman



**Hussain Farhad & CO.**  
Chartered Accountants

Place: Dhaka  
Date: 03 April 2024  
DVC No: 2404290904AS776914

# UNICAP SECURITIES LIMITED

Statement of Cash Flows


For the year ended 31 December 2023

Particulars	Notes	Figures in BDT	
		31-Dec-23	31-Dec-22
<b>A. Cash flow from operating activities</b>			
Profit/(Loss) before tax		(28,571,060)	26,642,362
<b>Adjustment for items not involving movement of cash:</b>			
Depreciation and amortization		(7,854,847)	2,467,118
Employee- Gratuity		7,178,100	3,042,487
Gain on Sale of Strategic Investment in Shares (CSE)		(14,827,495)	-
<b>Profit after adjustment</b>		<b>(44,075,303)</b>	<b>32,151,967</b>
(Increase)/decrease in margin loan to clients		58,751,626	101,732,967
(Increase)/decrease in Right of Use of Lease Assets		21,658,462	(21,334,449)
(Increase)/decrease in accounts receivables		(2,525,931)	23,240,859
(Increase)/decrease in advance income tax		(16,655,565)	(26,430,675)
(Increase)/decrease of advances, deposits and prepayments		(2,188,122)	10,845,263
(Increase)/decrease of Receivable from proprietary Fund		(69,406)	8,639,907
(Increase)/decrease of staff loan		1,046,630	(1,324,855)
Increase/(decrease) in accounts payable		(69,426,839)	(86,771,642)
Increase/(decrease) in Lease Liability		(15,620,678)	19,350,745
Increase/(decrease) of deferred liability employee gratuity		(803,105)	(1,957,011)
Increase/(decrease) in Provision for Interest payable to Client		-	72,782
Increase/(decrease) in liabilities for expenses		3,121,682	(1,902,010)
		<b>(105,111,245)</b>	<b>24,161,882</b>
<b>Net cash flow/(used) in operating activities</b>		<b>(149,186,548)</b>	<b>56,313,850</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets		(1,690,857)	(2,993,535)
Investment in securities		10,315,397	49,079,499
Disposal of fixed assets		9,957,239	-
<b>Net cash flow/(used) in investing activities</b>		<b>18,581,779</b>	<b>46,085,964</b>
<b>C. Cash flow from financing activities</b>			
Repayment of long term loan		53,245,676	(160,599,392)
<b>Net cash from financing activities</b>		<b>53,245,676</b>	<b>(160,599,392)</b>
<b>D. Net Increase/(Decrease) in cash and cash equivalents (A+B+C)</b>		<b>(77,359,092)</b>	<b>(58,199,579)</b>
<b>E. Opening cash and cash equivalents</b>		<b>182,523,937</b>	<b>240,723,516</b>
<b>F. Closing cash and cash equivalents</b>		<b>105,164,845</b>	<b>182,523,937</b>

The annexed notes are an integral part of these financial statements.



Chief Executive Officer



Director



Chariman

Place: Dhaka  
Date: 03 April 2024

# UNICAP SECURITIES LIMITED

Statement of Changes in Equity  
For the year ended 31 December 2023

Figures in BDT

Particulars	Share Capital	Capital Reserve	General Reserve	Retained Earnings	Total
<b>Balance as at 01 January 2023</b>	<b>500,000,000</b>	<b>4,575,068</b>	<b>5,527,918</b>	<b>(24,840,641)</b>	<b>485,262,345</b>
Net profit after tax for the year	-	-	-	(45,475,119)	(45,475,119)
Capital Reserve Adjustment during the year	-	(4,575,068)	-	4,575,068	-
Capital Reserve Addition during the year	-	195,729	-	(195,729)	-
General Reserve Adjustment during the year	-	-	(5,527,918)	5,527,918	-
General Reserve Addition during the year	-	-	4,940,402	(4,940,402)	-
<b>Balance as at 31 December 2023</b>	<b>500,000,000</b>	<b>195,729</b>	<b>4,940,402</b>	<b>(65,348,905)</b>	<b>439,787,226</b>

For the year ended 31 December 2022

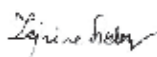
Figures in BDT

Particulars	Share Capital	Capital Reserve	General Reserve	Retained Earnings	Total
<b>Balance as at 01 January 2022</b>	<b>500,000,000</b>	<b>-</b>	<b>-</b>	<b>(16,694,949)</b>	<b>483,305,051</b>
Net profit after tax for the year	-	-	-	1,957,294	1,957,294
Capital Reserve Addition during the year	-	4,575,068	-	(4,575,068)	-
General Reserve Addition during the year	-	-	5,527,918	(5,527,918)	-
<b>Balance as at 31 December 2022</b>	<b>500,000,000</b>	<b>4,575,068</b>	<b>5,527,918</b>	<b>(24,840,641)</b>	<b>485,262,345</b>

The annexed notes are an integral part of these financial statements.



Chief Executive Officer



Director



Chariman

Place: Dhaka  
Date: 03 April 2024

# UNICAP SECURITIES LIMITED

Notes to the financial statements

For the year ended 31 December 2023

## 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 Accountig

### 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 on a going concern basis following accrual basis of accounting except for Statement of Cash Flow in accordance with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), the Companies Act 1994, Bangladesh Securities and Exchange Commission Rule 2020 and other applicable laws and regulations.

### 2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis.

### 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 cover the period from 1 January 2023 to 31 December 2023.

# Notes to the Financial Statements

## 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.

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 2023 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. Now, according to new directive # BSEC/SMMID/NE/2023/840 dated 22 October 2023 by Bangladesh Securities and Exchange Commission, the time period for unrealized loss is extended upto 30 June 2024.

### 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

## Notes to the Financial Statements

### 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 27.5% as per the Finance Act 2023.

#### 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/Surveillance/Spokesperson (5th Part)/2019/196 dated 16 July 2020. Now, according to new directive # BSEC/SMMID/NE/ 2023/840 dated 22 October 2023 by Bangladesh Securities and Exchange Commission, the time period for unrealized loss is extended upto 30 June 2024.

### 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 of business on an arm's length basis at commercial rates with related parties.

Name of Shareholder	Relationship	Nature	Amount (Tk.)
Union Capital Ltd.	Shareholder	Loan	126,778,450

### 3.13 General

- The expenses, irrespective of capital or revenue nature, accrued/due but not paid have been provided for in the books of the Company.
- Figures of previous period have been rearranged whenever necessary to conform to current periods presentation.

### 3.14 Capital Reserve

As per clause (i) of (e) of Part B [rule (1) (b), rule 5(2)] of the Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy), Rules, 2019, each registered entity have to maintain a mandatory provision at least @ 10% of profit after tax of last year as 'capital reserve' and the full amount of such reserve shall be accounted for in computing total capital. Accordingly, @10% of profit after tax of last financial year has been kept as a provision and transferred to capital reserves and also has been accounted for in computing total capital.

## Notes to the Financial Statements

### 3.15 General Reserve

As per clause (i) of (e) of Part B [rule (1) (b), rule 5(2)] of the Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy), Rules, 2019, each registered entity have to maintain a mandatory provision at least @ 1% of all outstanding margin exposure as 'General reserve' and the full amount of such reserve shall be accounted for in computing total capital.

### 3.16 Capital adequacy ratio (CAR)

As per the Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy) Rules, 2019, Capital adequacy means the level of total capital against the total risk exposure of a registered entity that is required to be maintained as per Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy) Rules, 2019, rules to ensure continuation of a safe and efficient operation and to withstand against any seen and unforeseen losses and capital adequacy ratio (CAR) means the standard ratio prescribed in these rules for measuring the level of capital adequacy of a registered entity.

As per [rule – 4 (3) (a)] of the Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy) Rules, 2019 each registered entity have to maintain the capital adequacy ratio minimum 120% or 1.20 times.

UniCap Securities Limited capital adequacy ratio (CAR) is 746.71 % or 7.4671 times as per [rule – 4 (2)] of the Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy) Rules, 2019 given computation method for the year end 2023.

		Figures in BDT	
		31-Dec-23	31-Dec-22
<b>4</b>	<b>Property, Plant and Equipment</b>		
	Office decoration and renovation	19,109,048	24,859,341
	Furniture and fixtures	1,326,141	1,941,263
	Office equipment	15,412,469	17,313,436
	Cell phone	59,900	59,900
	Motor vehicle	5,500,000	5,500,000
		<b>41,407,558</b>	<b>49,673,940</b>
	Less: Accumulated depreciation (Annexure-A)	38,398,976	46,253,823
		<b>3,008,582</b>	<b>3,420,117</b>
<b>5</b>	<b>Right of Use of Lease Assets</b>		
	Right of Use of Lease Assets Rent	34,333,719	12,999,268
	Addition during the year	231,662	31,892,168
		<b>34,565,381</b>	<b>44,891,436</b>
	<b>Less: Adjustment during the year</b>	<b>9,465,059</b>	<b>-</b>
	Less: Accumulated depreciation (Annexure-A)	12,425,063	10,557,717
		<b>12,675,258</b>	<b>34,333,719</b>
<b>6</b>	<b>TREC holding in stock exchanges</b>		
	Investment in DSE	4,500,000	4,500,000
	Investment in CSE*	3,750,000	5,000,000
		<b>8,250,000</b>	<b>9,500,000</b>
The company sells 25% of its holding of Chittagong Stock Exchange PLC. @ Tk. 15.00 in compliance with section 14 of the Exchanges Demutualization Act, 2013.			
<b>7</b>	<b>Staff Loan</b>		
	House Loan	560,115	609,213
	Car Loan	1,853,040	2,820,946
	Personal Loan	3,145,141	3,174,767
		<b>5,558,296</b>	<b>6,604,926</b>

## Notes to the Financial Statements

		Figures in BDT	
		31-Dec-23	31-Dec-22
<b>8</b>	<b>Cash and cash equivalents</b>		
	Cash in hand	40,000	40,000
	Cash at Bank (Note-8.1)	105,124,845	182,483,937
		<b>105,164,845</b>	<b>182,523,937</b>
<b>8.1</b>	<b>Cash at Bank</b>		
	Standard Chartered Bank (A/C No.02-6092357-02)-CCA	102,796,611	176,974,905
	Standard Chartered Bank (A/C No.01-6092357-02)-Dealer & Operational	442,005	354,073
	Standard Chartered Bank (A/C No.01-6092357-03)-IPO	2,585	3,275
	NRB Bank Ltd. (A/C No. 1081030011623)-IPO	130,556	129,905
	Prime Bank Ltd. (A/C No. 10411090003465)-Operational	236,288	236,888
	Dhaka Bank Ltd. (A/C No.0201313000002637)-Operational	344,511	258,513
	Farmers Bank Ltd. (A/C No. 0111100005822)-Operational	30,702	31,392
	Midland Bank Ltd. (A/C No. 0011-1050000174)-Operational	43,530	231,084
	Shahjalal Islami Bank Ltd.(A/C No.400511100008700)-CCA	172,802	1,122,814
	Rupali Bank Ltd. (A/C No. 200021367)-Operational	7,705	9,545
	NRB Bank-Bank A/C # 1081030024647-Capital Issue	38,605	39,564
	Bank A/C # SCB-01-6092357-04-Operational	506,035	175,133
	Bank A/C # SCB 01-6092357-05-Operational	172,841	40,111
	Bank A/C # Pubali-2905102001445-CCA	200,070	2,876,734
		<b>105,124,845</b>	<b>182,483,937</b>
<b>9</b>	<b>Receivables from securities trading</b>		
	Dhaka Stock Exchange Limited	28,620,374	25,358,343
	Chittagong Stock Exchange Limited	-	68,779
		<b>28,620,374</b>	<b>25,427,122</b>
<b>10</b>	<b>Receivable from others</b>		
	Receivable from Union Capital Ltd.	2,756,059	2,756,059
	Dividend income receivable	14,921,509	15,588,832
		<b>17,677,568</b>	<b>18,344,891</b>
<b>11</b>	<b>Receivable from margin clients</b>		
	Receivable against margin loan	494,040,199	552,791,825
		<b>494,040,199</b>	<b>552,791,825</b>
<b>12</b>	<b>Proprietary position in securities &amp; other investments</b>		
	Investment in listed securities (Note-12.1)	190,928,918	186,244,315
	Investment in non-listed unit fund (Note-12.2)	12,500,000	27,500,000
		<b>203,428,918</b>	<b>213,744,315</b>
<b>12.1</b>	<b>Investment in listed securities</b>		
		<b>Market value</b>	<b>Cost value Unrealized (loss)/Gain</b>
	Cement	16,765,000	39,930,100 (23,165,100)
	Engineering	11,310,863	15,557,777 (4,246,914)
	Fuel & Power	25,162,900	50,601,017 (25,438,117)
	Pharmaceuticals	34,666,215	47,683,027 (13,016,812)
	Textile	17,149,500	31,633,875 (14,484,375)
	Telecommunication	5,472,500	5,486,181 (13,681)
	Foods and Allied	65,014	36,940 28,074
		<b>110,591,992</b>	<b>190,928,918 (80,336,926)</b>

## Notes to the Financial Statements

		Figures in BDT	
		31-Dec-23	31-Dec-22
<b>12.2 Investment in non-listed unit fund</b>			
Unit fund of CWT Opportunities	2,607,500	2,500,000	107,500
Unit fund of Capitec IBBL Shariah Unit fund	9,580,000	10,000,000	(420,000)
	<b>12,187,500</b>	<b>12,500,000</b>	<b>(312,500)</b>
<b>13 Receivable from proprietary Fund</b>			
Receivable From Startegic Investment (DSE)		71,224	452
Receivable From ICB Fund		50	1,417
Receivable From Startegic Investment (CSE)		16,077,495	-
		<b>16,148,770</b>	<b>1,868</b>
<b>14 Advances, deposits and prepayments</b>			
Office Rent		1,616,700	-
DSE floor space etc		20,000	20,000
Expenses		1,379,156	726,156
Software Development Leadssoft		300,000	300,000
Prepaid Insurance		642,002	52,935
Advance for IPO (Dealer)		680,000	-
<b>Security Deposit:</b>			
Loan (advance installment)		3,597,475	3,597,475
CDBL		100,000	100,000
DSE		75,000	75,000
CSE		30,000	30,000
Others		769,750	2,120,396
		<b>9,210,084</b>	<b>7,021,962</b>
<b>15 Advance income tax</b>			
Balance at the beginning of the year		438,016,525	411,585,850
Add: Addition during the year		16,655,565	26,430,675
		454,672,090	438,016,525
		<b>454,672,090</b>	<b>438,016,525</b>
<b>16 Deferred tax Assets</b>			
Opening balance		9,002,182	7,952,335
Adjustment for the year		13,345	1,049,847
<b>Closing balance</b>		<b>9,015,527</b>	<b>9,002,182</b>
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:			
		<b>Carrying amount at balance sheet date</b>	<b>Tax base at balance sheet date</b>
Assets	Fixed assets net of depreciation	3,008,582	13,334,401
Liabilities	Employee gratuity fund	(21,078,458)	-
Assets	Right of Use of Lease Assets	12,675,257	-
Liabilities	Lease Liability	(14,054,714)	-
		<b>(18,069,876)</b>	<b>13,334,401</b>
			<b>(32,783,734)</b>
Applicable tax rate			
Deferred tax assets @ 27.50%			(9,015,527)
Less : Opening deferred tax assets			9,002,182
<b>Deferred tax income</b>			<b>(13,345)</b>

## Notes to the Financial Statements

		Figures in BDT	
		31-Dec-23	31-Dec-22
<b>17 Share capital</b>			
<b>Authorized capital</b>			
5,000,000 Ordinary Shares of Tk. 100/- each.		500,000,000	500,000,000
<b>Issued, subscribed and paid-up capital</b>			
<b>Ordinary Share capital</b>			
Paid-up Capital 5,000,000 shares of Tk.100/- each, fully paid.		500,000,000	500,000,000
<b>Name of shareholder</b>	<b>No of share</b>		
Union Capital Limited	4,999,999	499,999,900	499,999,900
Barrister Moniruzzaman Khan	1	100	100
	<b>5,000,000</b>	<b>500,000,000</b>	<b>500,000,000</b>
<b>18 Long term loan</b>			
Opening balance		157,955,976	318,555,368
Add: Addition during the year		107,074,817	-
		<b>265,030,793</b>	<b>318,555,368</b>
Less: Repayment during the year		53,829,141	160,599,392
<b>Closing balance</b>		<b>211,201,652</b>	<b>157,955,976</b>
<b>Outstanding</b>			
Union Capital Ltd.		126,778,450	157,955,976
Hajj Finance Company Ltd.		79,467,372	-
Midland Bank Ltd.		4,955,830	-
		<b>211,201,652</b>	<b>157,955,976</b>
This represents loan taken from various banks and financial institutions repayable in monthly/quarterly installments.			
<b>19 Lease Liability</b>			
Lease Liability of Rent		14,054,714	29,675,392
		<b>14,054,714</b>	<b>29,675,392</b>
<b>20 Deferred liabilities - employee gratuity</b>			
Opening balance		14,703,463	13,617,986
Add: Addition during the year		7,178,100	3,042,487
		<b>21,881,563</b>	<b>16,660,473</b>
Less: Paid during the year		803,105	1,957,011
<b>Closing balance</b>		<b>21,078,458</b>	<b>14,703,463</b>
<b>21 Payable to clients</b>			
Clients Account Payable		110,572,267	186,981,409
		<b>110,572,267</b>	<b>186,981,409</b>
<b>22 Short term business liabilities</b>			
Opening balance		100,000,000	100,000,000
Add: Addition during the year		17,600,000	-
		<b>117,600,000</b>	<b>100,000,000</b>
Less: Repayment during the year		100,000,000	-
<b>Closing balance</b>		<b>17,600,000</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 Payable to exchanges (DSE,CSE)</b>			
Dhaka Stock Exchange		16,707,126	9,724,822
Chittagong Stock Exchange		-	-
		<b>16,707,126</b>	<b>9,724,822</b>

## Notes to the Financial Statements

		Figures in BDT	
		31-Dec-23	31-Dec-22
<b>24 Accruals and payables</b>			
Interest expense		8,797,017	6,388,214
Audit fee		270,250	253,000
CDBL charges		202,132	218,942
Tax and VAT deducted at source		405,540	837,596
Excise duty-payable		2,700	2,700
Interest Payable to Client for CCA		110,577	72,782
Other payables		3,397,253	2,290,553
		<b>13,185,469</b>	<b>10,063,787</b>
<b>25 Other liabilities and provisions</b>			
Provision for diminution in value of investments (Note- 25.1)		12,788,812	12,788,812
Provision for negative equity (Note- 25.2)		45,984,381	45,984,381
Provision for corporate income tax (Note- 25.3)		464,510,403	447,592,999
		<b>523,283,596</b>	<b>506,366,192</b>
<b>25.1 Provision for diminution in value of investments</b>			
Opening balance		12,788,812	12,788,812
Add: Addition during the year		-	-
<b>Closing balance</b>		<b>12,788,812</b>	<b>12,788,812</b>
<b>25.2 Provision for negative equity</b>			
Opening balance		45,984,381	45,984,381
Add: Addition during the year		-	-
Less: Adjustment during the year		-	-
<b>Closing balance</b>		<b>45,984,381</b>	<b>45,984,381</b>
The 864 Beneficiary Owners' account have negative equity balance of TK. 10,592,170 whose portfolio have no share value, included in the above mentioned provision amount.			
<b>25.3 Provision for corporate income tax</b>			
Opening balance		447,592,999	421,858,083
Add: Provision for the year		16,917,404	25,734,916
<b>Closing balance</b>		<b>464,510,403</b>	<b>447,592,999</b>
<b>26 Brokerage commission</b>			
Brokerage commission from DSE		67,987,996	129,154,102
Brokerage commission from CSE		1,829,124	1,138,431
		<b>69,817,119</b>	<b>130,292,532</b>
<b>27 Dividend income</b>			
From Investment in Shares(Dealer A/C)		9,823,155	7,985,519
From Strategic Investment for Selling 25% of shares		323,250	905,000
From Investment in shares-ICB Fund		16,275	264,500
		<b>10,162,680</b>	<b>9,155,019</b>
<b>28 Margin Interest from Client</b>			
		14,420,930	56,567,522
		<b>14,420,930</b>	<b>56,567,522</b>

### Interest on margin loan

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%.

## Notes to the Financial Statements

### 29 Other Income

	Figures in BDT	
	31-Dec-23	31-Dec-22
BO A/C opening fee	95,500	169,500
BO A/C maintenance fee	441,100	453,000
Income from IPO Application	2,495	7,940
Cheque Dishonour and Transmission fee	59,000	107,759
Interest on staff loan	577,759	580,685
Interest on bank deposit	103,073	4,276
Gain/(Loss) on Disposal of Fixed Assets	902,100	-
	<b>2,181,027</b>	<b>1,323,160</b>

### 30 Cost of Services

Laga charges	6,506,063	12,323,124
CDBL expense	2,091,142	4,665,535
	<b>8,597,205</b>	<b>16,988,659</b>

### 31 Realized gain/(loss) on Sale of Securities

Gain/(Loss) from Investment in Shares(Dealer A/C)	4,756,412	8,571,300
Gain/(Loss) from Strategic Investment for Selling 25% of shares	(116,571)	(2,906,296)
Gain/(Loss) from investment in shares-ICB Fund	(52,825)	(493,387)
Gain From Strategic Investment-CSE	14,827,495	-
	<b>19,414,511</b>	<b>5,171,615</b>

### 32 Administrative and General Expenses

Salaries and other employees benefits (Note-32.1)	69,703,124	68,703,164
Rent, taxes, insurance and electricity (Note-32.2)	1,964,164	2,081,609
Postage, stamp and telecommunication (Note-32.3)	2,563,872	2,561,437
Stationery, printing, advertisements, etc (Note-32.4)	427,820	560,275
Auditors' fee (Note-32.5)	143,750	126,500
Depreciation and repair of assets (Note-32.6)	14,527,455	13,024,835
Other expenses (Note-32.7)	7,509,599	8,929,868
	<b>96,839,785</b>	<b>95,987,687</b>

#### 32.1 Salaries and other employees benefits

Salaries and allowances	54,914,787	54,257,133
Other benefits	14,788,337	14,446,032
	<b>69,703,124</b>	<b>68,703,164</b>

#### 32.2 Rent, taxes, insurance and electricity

Office rent, rates and taxes	544,708	-
Insurance	-	535,666
Power and electricity	1,419,456	1,545,943
	<b>1,964,164</b>	<b>2,081,609</b>

#### DISCLOSURE RELATED TO RENT, RATE AND TAXES:

Actual rent expenses		
Less: Reclassification of rent expenses (as per IFRS 16:)		
Rent, taxes, insurance and electricity	11,978,311	11,036,579
<b>Total</b>	<b>11,978,311</b>	<b>11,036,579</b>

#### 32.3 Postage, stamp and telecommunication

Postage and stamp	14,887	31,792
Telegram, telex, fax and e-mail	1,576,104	1,772,135
Telephone and mobile	972,881	757,510
	<b>2,563,872</b>	<b>2,561,437</b>

## Notes to the Financial Statements

### 32.4 Stationery, printing, advertisement, etc

Printing and stationery  
Advertisement and publicity

### 32.5 Auditors' fee

Audit Fee  
VAT on fee

### 32.6 Depreciation and repair of assets

Depreciation of fixed assets-freehold  
Depreciation on Lease Rent

### 32.7 Other expenses

Travelling and conveyance  
Training & Development  
Office maintenance  
Service charge  
Entertainment  
Bank Charges and Excise Duty  
Subscription, renewal and registration fees  
Motor vehicle expenses  
Board meeting  
Documentation Charges  
Investor Protection Fund  
Books, magazines, newspapers, etc

### 33 Financial expenses

Interest Expenses  
Interest on Lease Liability

Figures in BDT	
31-Dec-23	31-Dec-22
220,820	286,038
207,000	274,237
<b>427,820</b>	<b>560,275</b>
125,000	110,000
18,750	16,500
<b>143,750</b>	<b>126,500</b>
2,102,392	2,467,118
12,425,063	10,557,717
<b>14,527,455</b>	<b>13,024,835</b>
291,244	1,585,773
-	6,900
2,604,488	3,709,627
776,714	-
857,368	1,328,355
442,497	108,056
1,510,881	1,369,661
549,597	768,994
111,900	25,000
239,321	-
92,895	-
32,695	27,501
<b>7,509,599</b>	<b>8,929,868</b>
36,163,226	59,734,436
2,967,112	3,156,704
<b>39,130,338</b>	<b>62,891,141</b>

Chief Executive Officer

Director

Chariman

# UNICAP SECURITIES LIMITED

## Statement of Property, Plant & Equipment

As at 31 December 2023

### Annexure-A

Figures in BDT

Particulars	Cost			Rate	Depreciation			Written down value as at 31.12.2023
	Opening balance 01 Jan 2023	Addition during the year	Adjustment during the year		Charged during the year	Adjustment during the year	Total depreciation	
Office decoration and renovation	24,859,341	1,690,857	7,441,150	33%	1,023,012	7,441,150	17,488,203	1,620,845
Furniture and fixtures	1,941,263	-	615,122	20%	116,861	615,122	1,179,222	146,919
Office equipment	17,313,436	-	1,900,967	20%	962,521	1,900,967	14,171,672	1,240,797
Cell phone	59,900	-	-	20%	-	-	59,880	20
Motor vehicle	5,500,000	-	-	20%	-	-	5,499,999	1
<b>Total as at 31 December 2023</b>	<b>49,673,940</b>	<b>1,690,857</b>	<b>9,957,239</b>		<b>2,102,394</b>	<b>9,957,241</b>	<b>38,398,976</b>	<b>3,008,582</b>
<b>Total as at 31 December 2022</b>	<b>46,680,405</b>	<b>2,993,535</b>	<b>-</b>		<b>2,467,118</b>	<b>-</b>	<b>46,253,823</b>	<b>3,420,117</b>

### Schedule of Right of Use of Lease Assets As at 31 December 2023

Figures in BDT

Particulars	Cost			Rate	Depreciation			Written down value as at 31.12.2023
	Opening balance 01 Jan 2023	Addition during the year	Adjustment during the year		Charged during the year	Adjustment during the year	Total depreciation	
Right of Use of Lease Assets	69,156,056	231,662	9,465,059		12,425,063	-	47,247,402	12,675,257
<b>Total as at 31 December 2023</b>	<b>69,156,056</b>	<b>231,662</b>	<b>9,465,059</b>		<b>12,425,063</b>	<b>-</b>	<b>47,247,402</b>	<b>12,675,257</b>
<b>Total as at 31 December 2022</b>	<b>37,263,888</b>	<b>31,892,168</b>	<b>-</b>		<b>10,557,717</b>	<b>-</b>	<b>34,822,338</b>	<b>34,333,718</b>

### Schedule of Intangible Asset As at 31 December 2023

Figures in BDT

Particulars	Cost			Rate	Depreciation			Written down value as at 31.12.2023
	Opening balance 01 Jan 2023	Addition during the year	Adjustment during the year		Charged during the year	Adjustment during the year	Total depreciation	
Systems & Software	1,924,800	-	-	33%	-	-	1,924,800	-
<b>Total as at 31 December 2023</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 2022</b>	<b>1,924,800</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>1,924,800</b>	<b>-</b>

# UNICAP SECURITIES LIMITED

## Statement of Computation of Capital Adequacy

As on 31 December 2023

### a. Eligible Capital

Components	Amount	Haircut%	Haircut Amount	Eligible Amount
Paid-up-capital	500,000,000	-	-	500,000,000
Capital reserve	195,729	-	-	195,729
General Reserve	4,940,402	-	-	4,940,402
Retained Earnings	(65,348,905)	-	-	(65,348,905)
<b>Sum of core capital</b>	<b>439,787,227</b>	<b>-</b>	<b>-</b>	<b>439,787,227</b>
General Provision on Margin	45,984,381	20%	9,196,876	36,787,505
Specific Provision on Portfolio	12,788,812	30%	3,836,644	8,952,168
Sum of supplementary	58,773,193	-	13,033,520	45,739,673
	<b>498,560,420</b>		<b>13,033,520</b>	<b>485,526,900</b>

### b. Total Risk Requirement

Particulars	Risk Factor	Applicable Amount
<b>Operation Risk Requirement (ORR)</b> Based on Average Annual Gross Income (see clause (b) of sub-rule (7.1) of rule 7)	5%	5,657,634
<b>Position Risk Requirement (PRR)</b> Proprietary positions in Equity securities of Dealer & Strategic Investment: Value of "A" category securities Value of "B/G/N/." category securities Value of non-listed funds	10% 12% 3%	18,189,235 1,084,428 375,000
<b>Counterparty Risk Requirement (CPRR)</b> Exposure of credit facilities to Clients	8%	39,523,216
<b>Liability Risk Requirement (LRR)</b> Annual Revenue Reported in last year	0.20%	193,164
<b>Total Risk Requirement=</b>		<b>65,022,677</b>

### c. Capital Adequacy Ratio

$$\begin{aligned}
 \text{Capital Adequacy Ratio (CAR)} &= \frac{\text{Total Capital (TC)}}{\text{Total Risk Requirement (TRR)}} \times 100 \\
 &= \frac{485,526,900}{65,022,677} \times 100 \\
 &= 746.71 \% \quad \text{i.e. 7.4671 times}
 \end{aligned}$$



# SHAREHOLDER'S ADDITIONAL INFORMATION

## In This Section

- 241 Notice of the 26<sup>th</sup> Annual General Meeting
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# NOTICE OF THE 26<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 26<sup>th</sup> Annual General Meeting of the Company will be held on Tuesday, the 10 September 2024 at 11:30 a.m. through Hybrid System in combination of physical presence of shareholders at the venue i.e. Gulshan Shooting Club, Gulshan - 1, Dhaka - 1212 and also connection of shareholders by using digital/online platform to deal with the following businesses:

### ORDINARY BUSINESS

- AGM 24-26-01: Receive and adopt the Audited Financial Statements of the Company as of and for the year ended 31 December 2023 together with the reports of the Auditors and Directors thereon;
- AGM 24-26-02 : Approval of Dividend for the year 2023;
- AGM 24-26-03 : Retirement & re-appointment of Directors;
- AGM 24-26-04 : Appointment of the Auditors of the Company for the year 2024 and fixation of their remuneration; and
- AGM 24-26-05 : Appointment of the Auditors for certification on the compliance on conditions of Corporate Governance Code (CGC) for the year 2024 and fixation of their remuneration.

By order of the Board,

**MD. Abdul Hannan**

Company Secretary (CC)

20 August 2024, Dhaka

### NOTES

1. Shareholder's appeared in the Members/Depository Register as on \* "Record Date" i.e. 29 July 2024 are eligible to attend and vote at the 26<sup>th</sup> Annual General Meeting.  
  
\* Initially the Record Date was fixed as 28 July 2024 by the Board of Directors of the Company. Later, Dhaka Stock Exchange PLC, vide its letter ref: no: DSE-MOPS-LC-337/2024/4429(A) dated 24 July 2024 informed about shifting of the Record Date from 28 July 2024 to 29 July 2024 to facilitate spot settlement as per DSE/CSE (Settlement of Transaction) Regulations, 2023, due to Govt. declared General Holiday from 21 July 2024 to 23 July 2024.
2. Pursuant to the Bangladesh Securities and Exchange Commission's Directive no: BSEC/ICAD/SRIC/2024/ 318/09 dated 16 January 2024, the imminent 26<sup>th</sup> Annual General Meeting of the Company will be conducted through Hybrid System in combination of physical presence of shareholders at the venue i.e. Gulshan Shooting Club, Gulshan - 1, Dhaka - 1212 and also connection of shareholders by using digital/online platform through the link: <https://unicap.bdvirtualagm.com>.
3. Details login process for joining in the AGM through digital/online Platform will be notified to the shareholder's e-mail address. Full login and participation process for the digital/online platform will also be available in the website the Company at [www.unicap-bd.com](http://www.unicap-bd.com).
4. 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. 100/- (Taka One Hundred) only shall have to be affixed on the Proxy Form.
5. 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 and Proxy Form will be 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).

# EXPLANATORY NOTES TO THE NOTICE OF AGM

## AGENDUM ONE

### Presentation of the 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 2023 to the Shareholders at the Annual General Meeting. The Directors' Report, the Financial Statements and the Auditors' Report for the year ended 31 December 2023 are contained in this Annual Report.

## AGENDUM TWO

### Approval of Dividend

The Board of Directors in its meeting held on 27 June 2024 did not recommend any Dividend for the year 2023 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 offered themselves for reappointment in the next Annual General Meeting:

- a) Mrs. Meherunessa Haque, Director
- b) Mr. Wakar A. Choudhury, Director

Since the Retiring Directors have offered themselves for reappointment, and hence the Board recommended to the shareholders for approval of their re-appointment in the 26<sup>th</sup> Annual General Meeting. Biographical details of the Directors of the Company retiring at the AGM are set out on pages 34 to 35 of this Annual Report.

## AGENDUM FOUR

### Appointment of the 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. In the 25<sup>th</sup> Annual General Meeting dated 28 November 2023, the

Shareholder of the Company confirmed the appointment of Hussain Farhad & Co., Chartered Accountants as the Auditor of the Company for 2023.

Accordingly, Hussain Farhad & Co., Chartered Accountants have completed their second year as the Statutory Auditors of the Company and hence eligible for re-appointment but the mentioned Firm vide its letter ref. HFC/2024/06/30 dated 27 June 2024 has expressed unwillingness to continue as the Statutory Auditor of the Company.

Afterward, in accordance with the section 210(7) of the Company Act 1994, to fill the casual vacancy in the office of the Auditor, the Board in its 314<sup>th</sup> Meeting held on 27 June 2024 has appointed UHY Syful Shamsul Alam & Co., Chartered Accountants as the Statutory Auditor of the Company for the year 2024 with the same fee of Tk. 200,000/- (Two Lac) plus VAT until the conclusion of the next Annual General Meeting of the Company.


## 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.

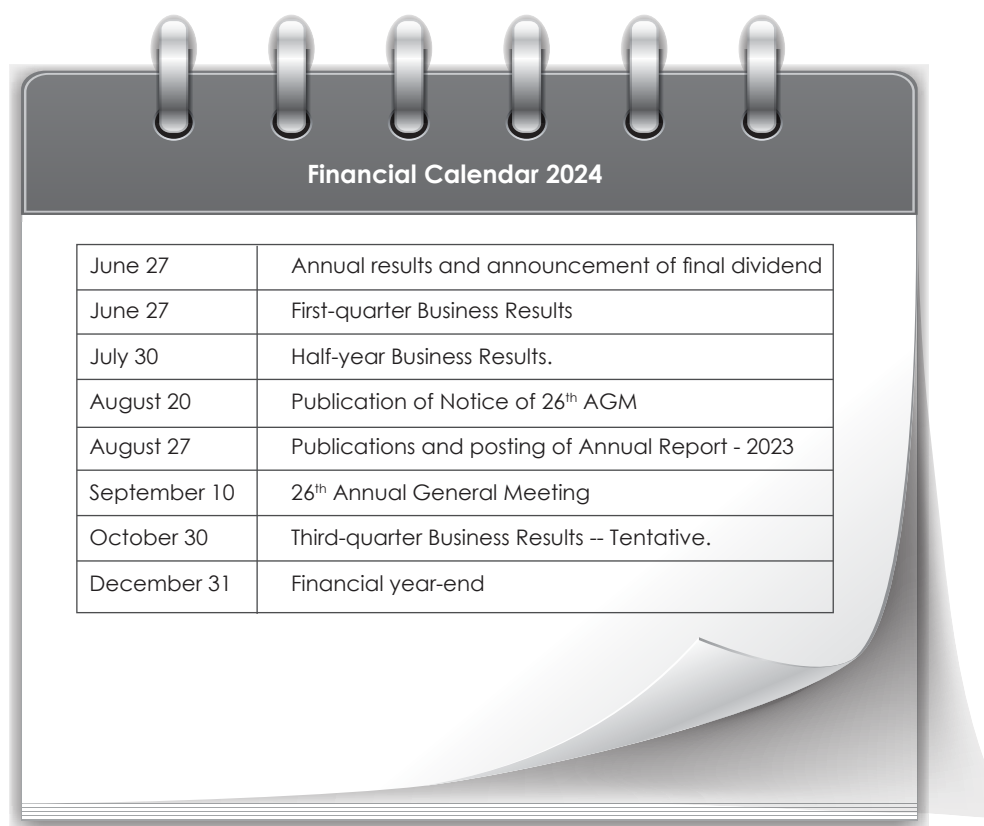
The Board recommended K. M. Hasan & Co., Chartered Accountants having its office at Hometown Apartments, 87 New Eskaton Road, Dhaka - 1000 as the Auditors of the Company to conduct compliance audit for certification on the compliance on conditions of Corporate Governance Code for the year 2023 at a fee of Tk. 30,000/- (thirty thousand) excluding VAT for approval of the Shareholders in the 26<sup>th</sup> Annual General Meeting.

# FINANCIAL CALENDAR



A graphic of a spiral-bound calendar for 2023. The calendar is dark grey with silver rings. The title 'Financial Calendar 2023' is centered at the top. Below the title is a table with 8 rows and 2 columns. The bottom right corner of the calendar page is curled up.

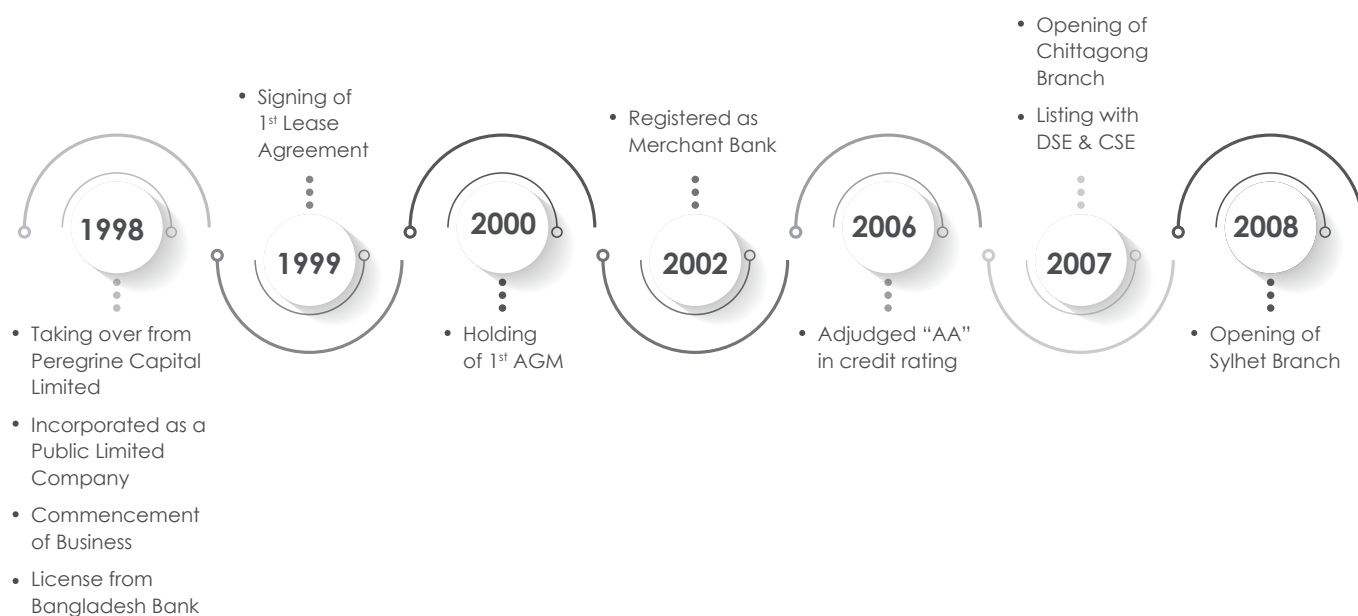
September 07	Annual results and announcement of final dividend
September 07	First-quarter Business Results
September 07	Half-year Business Results
October 17	Third-quarter Business Results
November 06	Publication of Notice of 25 <sup>th</sup> AGM
November 13	Publications and posting of Annual Report - 2022
November 28	25 <sup>th</sup> Annual General Meeting
December 31	Financial year-end

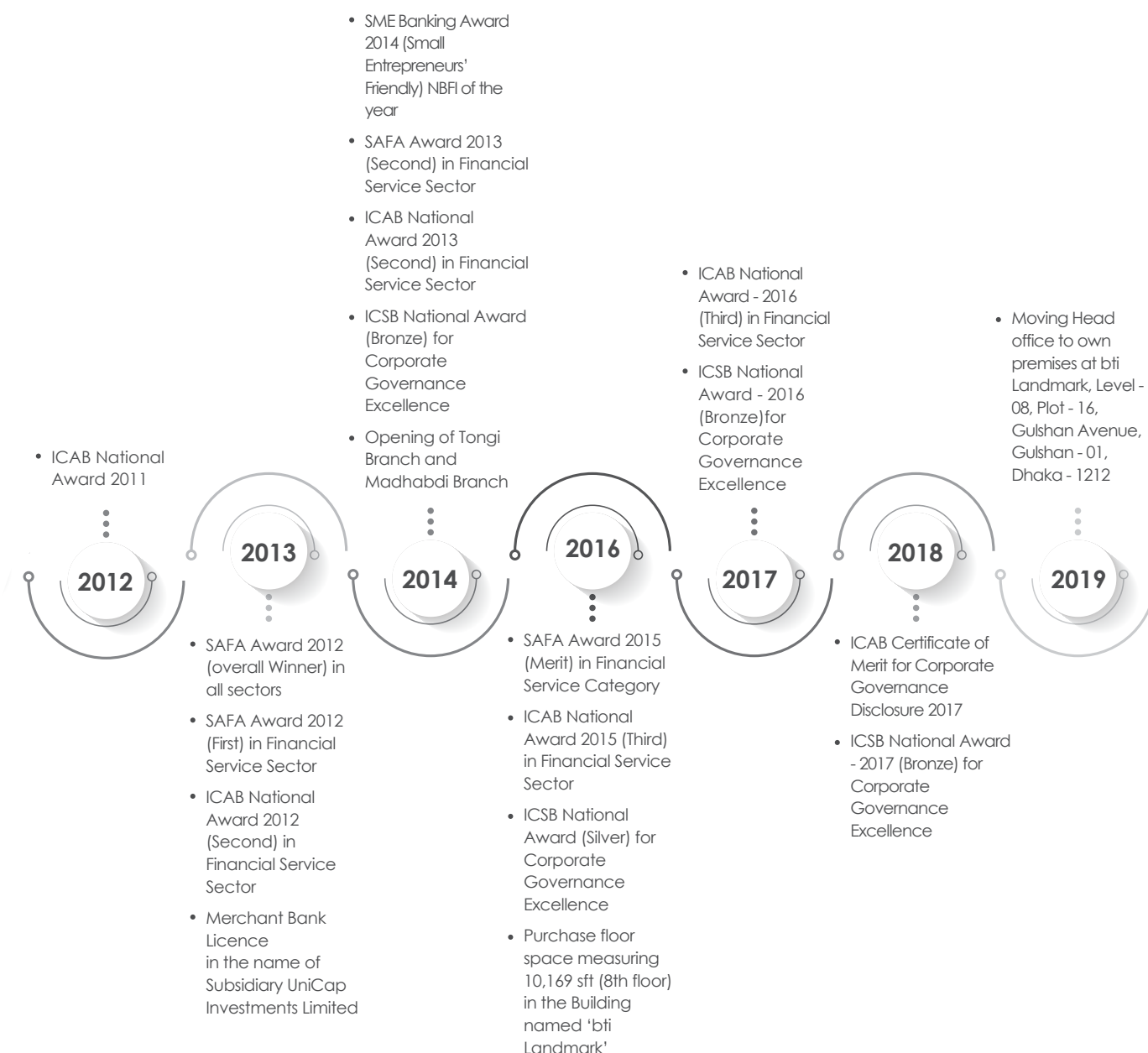


A graphic of a spiral-bound calendar for 2024. The calendar is dark grey with silver rings. The title 'Financial Calendar 2024' is centered at the top. Below the title is a table with 8 rows and 2 columns. The bottom right corner of the calendar page is curled up.

June 27	Annual results and announcement of final dividend
June 27	First-quarter Business Results
July 30	Half-year Business Results.
August 20	Publication of Notice of 26 <sup>th</sup> AGM
August 27	Publications and posting of Annual Report - 2023
September 10	26 <sup>th</sup> Annual General Meeting
October 30	Third-quarter Business Results -- Tentative.
December 31	Financial year-end

# COMPANY MILESTONES







## 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: +880-2-226601505-09  
E-mail: mailbox@unicap-bd.com  
Fax: +880-2-226601510  
Website: www.unicap-bd.com

## 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.

# 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
Sponsors & Directors (Institutions)	3	37,154,558	21.53
Sponsors & Directors (Individuals)	8	19,791,024	11.47
General Shareholder (Institutions)	230	37,052,510	21.47
General Shareholder (Individuals)	8,708	78,575,751	45.53
<b>Total</b>	<b>8,946</b>	<b>172,573,843</b>	<b>100.00</b>

## Key share information

(As on 31 December)	2023	2022	2021
Total no. of shareholders	8,946	8,273	9,104
Share Price (Taka)	8.90	9.90	9.90
No. of outstanding shares	172,573,843	172,573,843	172,573,843
Market Capitalization (Taka in million)	<b>1,535.91</b>	<b>1,708.48</b>	<b>1,708.48</b>

## SHAREHOLDERS

At the end of 2023, there were 8,946 shareholders in UCL as against 8,273 shareholders at the end of 2022. The Sponsor & Directors hold 56,945,582 no shares of Tk.10.00 each which represent 33.00 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.

## REGISTERED AND CORPORATE OFFICE

bti Landmark, Level - 08, Plot - 16,  
Gulshan Avenue, Gulshan - 01, Dhaka - 1212  
Tel: +880-2-226601505-09, Fax: +880-2-226601510  
www.unicap-bd.com

**COMPANY REGISTRATION NUMBER**

C-36021(321)/98 Dated 9 August 1998

**BANGLADESH BANK LICENSE NUMBER**

FID(L) / 19 Dated 12 August 1998

**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

**SUBSIDIARY COMPANY**

UniCap Securities Limited  
UniCap Investments Limited

**STOCK BROKER/DEALER**

UniCap Securities Limited  
(Membership DSE - 163; CSE - 82)

**PRINCIPAL BANKERS**

Dutch Bangla Bank PLC  
IFIC Bank PLC  
United Commercial Bank PLC  
Southeast Bank PLC  
Mutual Trust Bank PLC  
Dhaka Bank PLC

**AUDITORS**

Hussain Farhad & Co.  
Chartered Accountants  
Corporate Office :  
House: 15, Road: 12, Block: F, Niketon  
Gulshan - 1, Dhaka - 1212, Bangladesh  
Phone: +880 (2) 8836015-7  
E-mail: hfc@hfc-bd.com  
Web: www.hfc-bd.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

**LEGAL ADVISOR**

A. Hossain & Associates  
3/B Outer Circular Road  
Moghbazar, Dhaka.

**AGM SCRUTINIZER**

Suraiya Parveen & Associates  
Chartered Secretaries

**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: +880-2-22660150-09  
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 26<sup>th</sup> Annual General Meeting of the Company to be held  
on Hybrid System on Tuesday, 10 September 2024 at 11:30 a.m. or at any adjournment thereof.

Signed this .....

Signature of Proxy .....

Day of ....., 2024

Revenue Stamp  
Tk. 100.00

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 26<sup>th</sup> Annual General Meeting of the Shareholders of Union Capital Limited will be held  
on Hybrid System on Tuesday, 10 September 2024 at 11:30 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 25 November 2023.
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-8, 16 Gulshan Avenue, Gulshan-1, Dhaka-1212

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