

**Auditors' Report and
Audited Financial Statements of
Union Capital Limited and its Subsidiaries
For the year ended 31 December 2016**

Union Capital Limited
Consolidated Balance Sheet

Figures in BDT

BAS 1.51 (c), 1.113 & 1.38	As at 31 December	Notes	2016	2015
	PROPERTY AND ASSETS			
BAS 1.54 (i), 7.7	Cash			
	In hand (including foreign currencies)		99,000	103,093
	Balance with Bangladesh Bank and its agent bank (including foreign currencies)		184,577,238	156,930,308
		4.a	184,676,238	157,033,401
BAS 1.54 (i), 7.7	Balance with other banks and financial institutions			
	In Bangladesh		1,824,390,714	1,049,943,557
	Outside Bangladesh		-	-
		5.a	1,824,390,714	1,049,943,557
	Money at call and short notice		-	-
BAS 1.54 (d)	Investments			
	Government		-	-
	Others		1,609,360,083	1,620,829,816
		6.a	1,609,360,083	1,620,829,816
BAS 1.54 (d)	Loans, advances and leases			
	Loans, advances and leases		17,103,764,583	15,644,018,323
	Bills purchased and discounted		-	-
		7.a	17,103,764,583	15,644,018,323
BAS 1.54 (a)	Fixed assets including land, building, furniture and fixtures	8.a	35,777,302	29,253,671
BAS 1.55	Other assets	9.a	2,079,487,689	1,549,525,981
	Non-banking assets	10.	215,129,173	215,129,173
	TOTAL ASSETS		23,052,585,783	20,265,733,922
	LIABILITIES AND CAPITAL			
	Liabilities			
BAS 1.54 (m)	Borrowings from other banks, financial institutions and agents	11.a	3,419,360,890	2,815,301,880
BAS 1.54 (m)	Deposits and other accounts			
	Term deposits	12.a	12,314,836,921	10,712,749,207
	Other deposits	13.	816,384,622	1,086,037,720
			13,131,221,543	11,798,786,927
BAS 1.55	Other liabilities	14.a	3,969,176,023	3,157,718,242
	Total liabilities		20,519,758,456	17,771,807,049
	Shareholders' equity			
BAS 1.54 (r), 1.78 (e)	Paid up capital	15.0	1,422,996,034	1,329,902,836
BAS 1.55	Preference share capital	16.0	400,000,000	500,000,000
BAS 1.54 (r), 1.78 (e)	Statutory reserve	17.0	414,474,598	364,815,071
BAS 1.54 (r), 1.78 (e)	Revaluation reserve		102,024,360	102,024,360
BAS 1.54 (r), 1.78 (e)	Retained earnings	18.a	193,332,146	197,184,426
	Total equity attributable to equity holders of the Company		2,532,827,137	2,493,926,693
	Non-controlling interest		190	180
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		23,052,585,783	20,265,733,922

Union Capital Limited
Consolidated Profit and Loss Account

Figures in BDT

For the year ended 31 December		Notes	2016	2015
BAS 1.51 (c), 1.113 & 1.38				
BFRS 7.20 (b)	Interest income	20.a	1,933,122,664	2,057,078,081
BFRS 7.20 (b)	Interest paid on deposits and borrowings etc.	21.a	(1,292,772,010)	(1,343,948,222)
BAS 1.85	Net interest income		640,350,653	713,129,859
BFRS 7.20 (b)	Investment income	22.a	70,285,875	(100,802,483)
BFRS 7.20 (c)	Fees, commissions, exchange and brokerage	23.a	232,403,689	162,517,165
BAS 1.85	Other operating income	24.a	52,996,974	26,804,568
	Total operating income		996,037,192	801,649,109
BAS 1.104	Salaries and other employee benefits	25.a	128,303,819	109,812,338
BAS 1.97	Rent, taxes, insurance, electricity etc.	26.a	35,887,045	32,552,380
BAS 1.97	Legal expenses		781,023	2,372,138
BAS 1.97	Postage, stamp, telecommunication etc.	27.a	4,860,898	4,424,755
BAS 1.97	Stationery, printing, advertisements etc.	28.a	4,725,901	5,298,840
BAS 1.104	Managing Director's salary and fees	29	6,428,710	3,158,710
BAS 1.97	Directors' fees	30.a	1,873,610	1,631,500
BAS 1.97	Auditors' fees	31.a	381,750	316,250
BAS 1.97	Depreciation and repair of assets	32.a	15,272,116	13,677,283
BAS 1.97	Other expenses	33.a	50,075,586	38,209,253
BAS 1.85	Total operating expenses		248,590,458	211,453,447
BAS 1.85	Profit before provision		747,446,734	590,195,662
	Provision for loans, advances, leases and investments			
BAS 1.97	General provision	14.1.a	52,635,850	12,811,685
BAS 1.97	Specific provision	14.1.b	197,476,514	106,762,766
BAS 1.97	Provision for diminution in value of investments	14.2.a	3,918,538	(13,942,436)
	Total provision		254,030,902	105,632,015
	Total profit before tax		493,415,832	484,563,647
	Provision for taxation			
BAS 1.82 (d)	Current tax	14.4.a	234,122,963	251,996,473
BAS 1.82 (d)	Deferred tax	9.2	876,727	(1,580,403)
			234,999,690	250,416,070
BAS 1.82 (f)	Net profit after tax		258,416,141	234,147,577
	Appropriations			
	Statutory reserve		49,659,527	40,979,347
	Dividend on preference shares		53,020,545	47,397,261
	Retained surplus		155,736,069	145,770,969
BAS 1.83	Attributable to			
	Shareholders of the Company		205,395,586	186,750,285
	Non-controlling interest		10	31
	Weighted average no. of outstanding share		142,299,603	142,299,603
BAS 33.66	Earnings per share (2015: Restated)	36.a	1.44	1.31

The annexed notes 1 to 64 form an integral part of these financial statements

sd/- Chairman sd/- Director sd/- Managing Director & CEO sd/- Company Secretary

Auditors' report to the shareholders
see annexed report of date

sd/-

Dhaka, 07 May 2017

S. F. Ahmed & Co.
Chartered Accountants

Union Capital Limited
Consolidated Cash Flow Statement

Figures in BDT

BAS 1.51 (e), 1.113 & 1.38	For the year ended 31 December	2016	2015
	Cash flows from operating activities		
BAS 7.31	Interest receipts	1,902,173,605	1,917,648,911
BAS 7.31	Interest payments	(1,269,148,788)	(1,289,702,945)
BAS 7.14 (b)	Fee and commission receipts	232,403,689	162,517,165
BAS 7.14 (b)	Recoveries of loans previously written off	20,670,590	4,664,228
BAS 7.31	Dividend receipts	72,626,920	36,438,729
BAS 7.14 (d)	Cash payments to employees	(129,975,478)	(114,564,342)
BAS 7.14 (c)	Cash payments to suppliers and management expenses	(54,722,675)	(46,584,471)
BAS 7.35	Income taxes paid	(316,440,866)	(241,866,029)
BAS 7.14 (b)	Receipts from other operating activities	52,849,773	51,758,057
BAS 7.14 (c)	Payments for other operating activities	(53,111,969)	(42,529,141)
	Cash generated before changes in operating assets and liabilities	457,324,801	437,780,162
	Increase/decrease in operating assets and liabilities		
	Statutory deposits	-	-
	Purchase of trading securities (treasury bills)	-	-
	Loans, advances and leases to banks and financial institutions	-	-
BAS 7.20 (a)	Loans, advances and leases to customers	(1,459,746,260)	(901,820,996)
BAS 7.20 (a)	Other assets	(214,397,569)	(336,599,518)
BAS 7.20 (a)	Deposits from banks and other financial institutions	1,650,000,000	(130,000,000)
BAS 7.20 (a)	Deposits from customers	(317,565,384)	1,223,345,343
	Other liabilities account of customers	-	-
	Trading liabilities	-	-
BAS 7.20 (a)	Other liabilities	323,303,915	123,427,751
	Cash generated from operating assets and liabilities	(18,405,298)	(21,647,420)
	Net cash generated from/(used in) operating activities	438,919,503	416,132,742
	Cash flows from investing activities		
BAS 7.16 (d)	Proceeds from sale of securities	796,160,694	4,603,438,029
Bas 7.16 (c)	Payments for purchases of securities	(788,365,293)	(4,836,934,940)
BAS 7.16 (a)	Purchase of property, plant and equipment	(19,835,993)	(20,808,208)
BAS 7.16 (b)	Proceeds from sale of property, plant and equipment	147,213	2,870,545
	Net cash generated from/(used in) investing activities	(11,893,378)	(251,434,574)
	Cash flows from financing activities		
BAS 7.31	Dividend paid	(128,995,142)	-
BAS 7.17 (c)	Receipts of long term loan	2,253,373,250	1,357,468,545
BAS 7.17 (a)	Issuance of preference share	-	500,000,000
BAS 7.17 (a)	Repayment of preference share	(100,000,000)	-
BAS 7.17 (d)	Repayment of long term loan	(1,375,659,090)	(950,229,035)
	Non-controlling interest	-	-
BAS 7.17 (d)	Net draw down/(payment) of short term loan	(273,655,150)	(602,773,268)
	Net cash generated from/(used in) financing activities	375,063,869	304,466,242
	Net (decrease)/increase in cash and cash equivalents	802,089,994	469,164,410
	Effects of exchange rate changes on cash and cash equivalents	-	-
	Cash and cash equivalents at beginning of the year	1,206,976,958	737,812,548
	Cash and cash equivalents at end of the year	2,009,066,952	1,206,976,958
BAS 7.45	Cash and cash equivalents at end of the year represents		
	Cash in hand	99,000	103,093
	Balance with Bangladesh Bank and its agent bank	184,577,238	156,930,308
	Balance with other banks and financial institutions	1,824,390,714	1,049,943,557
		2,009,066,952	1,206,976,958
	Supplemental schedule for non-cash financing activities		
	Bonus share issued	93,093,198	120,900,250

Union Capital Limited

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2016

BAS 1.51 (c)

Figures in BDT

	Particulars	Paid-up capital	Preference share capital	Statutory reserve	Revaluation reserves	Retained earnings	Non-controlling interest	Total
BAS 1.106 (d)	Balance as at 1 January 2016	1,329,902,836	500,000,000	364,815,071	102,024,360	197,184,426	180	2,493,926,873
BAS 1.106 (d)(i)	Net profit for the year 2016	-	-	-	-	258,416,131	10	258,416,141
	Redemption of preference share	-	(100,000,000)	-	-	-	-	(100,000,000)
	Dividend on preference shares	-	-	-	-	(53,020,545)	-	(53,020,545)
	Transfer to statutory reserve	-	-	49,659,527	-	(49,659,527)	-	-
BAS 1.107	Issuance of bonus share (year 2015)	93,093,198	-	-	-	(93,093,198)	-	-
	Cash dividend (year 2015)	-	-	-	-	(66,495,142)	-	(66,495,142)
	Balance as at 31 December 2016	1,422,996,034	400,000,000	414,474,598	102,024,360	193,332,146	190	2,532,827,327
BAS 1.106 (d)	Balance as at 1 January 2015	1,209,002,586	-	323,835,724	102,024,360	172,313,739	149	1,807,176,557
BAS 1.106 (d)(i)	Net profit for the year 2015	-	-	-	-	234,147,546	31	234,147,577
	Issuance of preference share	-	500,000,000	-	-	-	-	500,000,000
	Dividend on preference shares	-	-	-	-	(47,397,261)	-	(47,397,261)
	Transfer to statutory reserve	-	-	40,979,347	-	(40,979,347)	-	-
BAS 1.107	Issuance of bonus share (year 2014)	120,900,250	-	-	-	(120,900,250)	-	-
	Balance as at 31 December 2015	1,329,902,836	500,000,000	364,815,071	102,024,360	197,184,426	180	2,493,926,873

Union Capital Limited
Balance Sheet

Figures in BDT

BAS 1.51 (c), 1.113 & 1.38	As at 31 December	Notes	2016	2015
BAS 1.38	PROPERTY AND ASSETS			
BAS 1.54 (i), 7.7	Cash			
	In hand (including foreign currencies)		64,000	64,000
	Balance with Bangladesh Bank and its agent bank (including foreign currencies)		184,577,238	156,930,308
		4	184,641,238	156,994,308
BAS 1.54 (d)	Balance with other banks and financial institutions			
	In Bangladesh		1,569,558,538	941,844,321
	Outside Bangladesh		-	-
		5	1,569,558,538	941,844,321
	Money at call and short notice		-	-
BAS 1.54 (d)	Investments			
	Government		-	-
	Others		457,124,080	562,788,114
		6	457,124,080	562,788,114
BAS 1.54 (d)	Loans, advances and leases			
	Loans, advances and leases		16,399,172,568	15,594,470,650
	Bills purchased and discounted		-	-
		7	16,399,172,568	15,594,470,650
BAS 1.54 (a)	Fixed assets including land, building, furniture and fixtures	8	13,970,191	8,108,648
BAS 1.55	Other assets	9	2,113,265,431	1,536,827,743
	Non-banking assets	10.	215,129,173	215,129,173
	TOTAL ASSETS		20,952,861,219	19,016,162,957
	LIABILITIES AND CAPITAL			
	Liabilities			
BAS 1.54 (m)	Borrowings from other banks, financial institutions and agents	11	2,817,095,514	2,443,900,345
BAS 1.54 (m)	Deposits and other accounts			
	Term deposits	12	12,314,836,921	10,712,749,207
	Other deposits	13	816,384,622	1,086,037,720
			13,131,221,543	11,798,786,927
BAS 1.55	Other liabilities	14	2,616,128,647	2,413,842,117
	Total liabilities		18,564,445,704	16,656,529,389
	Shareholders' equity			
BAS 1.54 (r), 1.78 (e)	Paid up capital	15	1,422,996,034	1,329,902,836
BAS 1.55	Preference share capital	16	400,000,000	500,000,000
BAS 1.54 (r), 1.78 (e)	Statutory reserve	17	414,474,598	364,815,071
BAS 1.54 (r), 1.78 (e)	Retained earnings	18	150,944,883	164,915,661
BAS 1.54 (r), 1.78 (e)	Total shareholders' equity		2,388,415,515	2,359,633,568
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		20,952,861,219	19,016,162,957

Union Capital Limited
Balance Sheet

Figures in BDT

	Notes	2016	2015
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Letters of guarantee		-	-
Irrevocable letters of credit		-	-
Other contingent liabilities		-	-
Other commitments			
Undisbursed contracted loans, advances and leases	46	684,100,000	962,860,000
TOTAL OFF BALANCE SHEET ITEMS		684,100,000	962,860,000
Net assets value per share (2015: Restated)		16.78	16.58

The annexed notes 1 to 64 form an integral part of these financial statements

sd/- Chairman sd/- Director sd/- Managing Director & CEO sd/- Company Secretary

Auditors' report to the shareholders
see annexed report of date

Dhaka, 07 May 2017

sd/-
S. F. Ahmed & Co.
Chartered Accountants

Union Capital Limited
Profit and Loss Account

Figures in BDT

BAS 1.51 (c), 1.113 & 1.38	For the year ended 31 December	Notes	2016	2015
BFRS 7.20 (b)	Interest income	20	1,947,088,085	2,040,278,205
BFRS 7.20 (b)	Interest paid on deposits and borrowings etc.	21	(1,213,983,464)	(1,299,588,158)
BAS 1.85	Net interest income		733,104,621	740,690,047
BFRS 7.20 (b)	Investment income	22	8,566,993	(100,882,799)
BFRS 7.20 (c)	Fees, commissions, exchange and brokerage	23	12,203,197	3,338,683
BAS 1.85	Other operating income	24	47,234,991	23,271,515
	Total operating income		801,109,802	666,417,446
BAS 1.104	Salaries and other employee benefits	25	77,251,258	67,785,591
BAS 1.97	Rent, taxes, insurance, electricity etc.	26	16,304,297	15,116,581
BAS 1.97	Legal expenses		748,120	2,299,126
BAS 1.97	Postage, stamp, telecommunication etc.	27	2,136,956	2,166,262
BAS 1.97	Stationery, printing, advertisements etc.	28	3,977,968	4,413,172
BAS 1.104	Managing Director's salary and fees	29	6,428,710	3,158,710
BAS 1.97	Directors' fees	30	1,504,000	1,045,000
BAS 1.97	Auditors' fees	31	189,750	161,000
BAS 1.97	Depreciation and repair of assets	32	7,535,558	7,586,805
BAS 1.97	Other expenses	33	16,607,288	14,727,211
BAS 1.85	Total operating expenses		132,683,905	118,459,458
BAS 1.85	Profit before provision		668,425,897	547,957,988
	Provision for loans, advances, leases and investments			
BAS 1.97	General provision	14.1	35,428,934	6,559,395
BAS 1.97	Specific provision	14.1	197,476,514	106,762,766
BAS 1.97	Provision for diminution in value of investments	14.2	(7,668,861)	23,720,087
	Total provision		225,236,587	137,042,248
	Total profit before tax		443,189,310	410,915,740
	Provision for taxation			
BAS 1.82 (d)	Current tax	14.4	194,014,949	207,599,408
BAS 1.82 (d)	Deferred tax	9.2	876,727	(1,580,403)
			194,891,676	206,019,005
BAS 1.82 (f)	Net profit after tax		248,297,634	204,896,735
	Appropriations			
	Statutory reserve	17	49,659,527	40,979,347
	Dividend on preference shares		53,020,545	47,397,261
	Retained surplus		145,617,562	116,520,127
	Weighted average no. of outstanding share		142,299,603	142,299,603
BAS 33.66	Earnings per share (2015: Restated)	36	1.37	1.11

The annexed notes 1 to 64 form an integral part of these financial statements

sd/- Chairman sd/- Director sd/- Managing Director & CEO sd/- Company Secretary

Auditors' report to the shareholders
see annexed report of date

Dhaka, 07 May 2017

sd/-
S. F. Ahmed & Co.
Chartered Accountants

Union Capital Limited
Cash Flow Statement

Figures in BDT

BAS 1.51 (c), 1.113 & 1.38	For the year ended 31 December	Notes	2016	2015
	Cash flows from operating activities			
BAS 7.31	Interest receipts		1,691,670,619	1,900,849,035
BAS 7.31	Interest payments		(1,221,230,494)	(1,257,339,410)
BAS 7.14 (b)	Fee and commission receipts		12,203,197	9,144,958
BAS 7.14 (b)	Recoveries of loans previously written off		20,670,590	4,664,228
BAS 7.31	Dividend receipts		11,910,824	15,317,328
BAS 7.14 (d)	Cash payments to employees		(84,735,467)	(72,537,595)
BAS 7.14 (c)	Cash payments to suppliers and management expenses		(25,463,935)	(26,707,700)
BAS 7.35	Income taxes paid		(271,196,104)	(157,543,924)
BAS 7.14 (b)	Receipts from other operating activities	34	111,536,760	48,225,004
BAS 7.14 (c)	Payments for other operating activities	35	(16,607,288)	(14,727,211)
	Cash generated before changes in operating assets and liabilities		228,758,702	449,344,713
	Increase/decrease in operating assets and liabilities			
	Statutory deposits		-	-
	Purchase of trading securities (treasury bills)		-	-
	Loans, advances and leases to banks and financial institutions		-	-
BAS 7.20 (a)	Loans, advances and leases to customers		(804,701,918)	(633,772,627)
BAS 7.20 (a)	Other assets	39	(303,429,084)	(250,724,235)
BAS 7.20 (a)	Deposits from banks and other financial institutions		1,650,000,000	(130,000,000)
BAS 7.20 (a)	Deposits from customers		(317,565,384)	1,223,345,343
	Other liabilities account of customers		-	-
	Trading liabilities		-	-
BAS 7.20 (a)	Other liabilities	40	(30,841,630)	(17,563,880)
	Cash generated from operating assets and liabilities		193,461,984	191,284,601
	Net cash generated from/(used in) operating activities		422,220,686	640,629,314
	Cash flows from investing activities			
BAS 7.16 (d)	Proceeds from sale of securities		756,598,735	1,769,351,075
Bas 7.16 (c)	Payments for purchases of securities		(656,091,033)	(2,046,375,949)
BAS 7.16 (a)	Purchase of property, plant and equipment		(11,714,483)	(2,731,468)
BAS 7.16 (b)	Proceeds from sale of property, plant and equipment		147,213	2,870,545
	Net cash used in investing activities		88,940,433	(276,885,797)
	Cash flows from financing activities			
BAS 7.31	Dividend paid		(128,995,142)	-
BAS 7.17 (c)	Receipts of long term loan		1,833,373,250	1,057,256,550
BAS 7.17 (a)	Issuance of preference share		-	500,000,000
BAS 7.17 (a)	Redemption of preference share		(100,000,000)	-
BAS 7.17 (d)	Repayment of long term loan		(1,186,522,931)	(809,166,539)
BAS 7.17 (d)	Net draw down/(payment) of short term loan		(273,655,150)	(602,773,268)
	Net cash generated from/(used in) financing activities		144,200,028	145,316,743
	Net (decrease)/increase in cash and cash equivalents		655,361,147	509,060,260
	Effects of exchange rate changes on cash and cash equivalents		-	-
	Cash and cash equivalents at beginning of the year		1,098,838,629	589,778,369
	Cash and cash equivalents at end of the year		1,754,199,776	1,098,838,629
BAS 7.45	Cash and cash equivalents at end of the year represents			
	Cash in hand		64,000	64,000
	Balance with Bangladesh Bank and its agent bank		184,577,238	156,930,308
	Balance with other banks and financial institutions		1,569,558,538	941,844,321
			1,754,199,776	1,098,838,629
	Supplemental schedule for non-cash financing activities			
	Bonus share issued		93,093,198	120,900,250

Union Capital Limited

Statement of Changes in shareholders' equity for the year ended 31 December 2016

Figures in BDT

BAS 1.51 (c)

	Particulars	Paid-up capital	Preference share capital	Statutory reserve	Retained earnings	Total
BAS 1.106 (d)	Balance as at 1 January 2016	1,329,902,836	500,000,000	364,815,071	164,915,661	2,359,633,568
BAS 1.106 (d)(i)	Net profit for the year 2016	-	-	-	248,297,634	248,297,634
	Redemption of preference share	-	(100,000,000)	-	-	(100,000,000)
	Dividend on preference shares	-	-	-	(53,020,545)	(53,020,545)
	Transfer to statutory reserve	-	-	49,659,527	(49,659,527)	-
BAS 1.107	Issuance of bonus share (year 2015)	93,093,198	-	-	(93,093,198)	-
	Cash dividend (year 2015)	-	-	-	(66,495,142)	(66,495,142)
	Balance as at 31 December 2016	1,422,996,034	400,000,000	414,474,598	150,944,883	2,388,415,515
BAS 1.106 (d)	Balance as at 1 January 2015	1,209,002,586	-	323,835,724	169,295,784	1,702,134,094
BAS 1.106 (d)(i)	Net profit for the year 2015	-	-	-	204,896,735	204,896,735
	Issuance of preference share	-	500,000,000	-	-	500,000,000
	Dividend on preference shares	-	-	-	(47,397,261)	(47,397,261)
	Transfer to statutory reserve	-	-	40,979,347	(40,979,347)	-
BAS 1.107	Issuance of bonus share (year 2014)	120,900,250	-	-	(120,900,250)	-
	Balance as at 31 December 2015	1,329,902,836	500,000,000	364,815,071	164,915,661	2,359,633,568

Union Capital Limited

BAS 1.65, BAS 1.51 (c) **Statement of Liquidity Analysis (Maturity of Assets and Liabilities) as at 31 December 2016**

Figures in BDT

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	above 5 years	Total
Assets						
Cash in hand	64,000	-	-	-	-	64,000
Balance with Bangladesh Bank and its agent bank(s)	-	-	184,577,238	-	-	184,577,238
Balance with banks and other financial institutions	224,558,538	490,000,000	855,000,000	-	-	1,569,558,538
Money at call and short notice	-	-	-	-	-	-
Investments	20,000,000	90,000,000	347,124,080	-	-	457,124,080
Loans, advances and leases	247,581,572	487,663,144	3,395,734,148	11,007,441,883	1,260,751,821	16,399,172,568
Fixed assets including premises, furniture and fixtures	-	-	-	-	13,970,191	13,970,191
Other assets	5,500,000	12,000,000	337,500,000	761,002,234	997,263,197	2,113,265,431
Non-banking assets	-	-	-	-	215,129,173	215,129,173
Total assets	497,704,110	1,079,663,144	5,119,935,466	11,768,444,117	2,487,114,382	20,952,861,219
Liabilities						
Borrowings from banks and financial institutions	62,724,265	307,455,153	759,636,349	1,661,981,110	25,298,637	2,817,095,514
Deposits	270,985,324	554,679,123	3,550,595,678	7,772,608,632	165,968,164	12,314,836,921
Other deposits	43,014,676	64,320,877	87,654,322	485,678,211	135,716,536	816,384,622
Provision and other liabilities	15,126,758	67,917,806	375,000,000	1,710,566,344	447,517,739	2,616,128,647
Total liabilities	391,851,023	994,372,959	4,772,886,349	11,630,834,297	774,501,076	18,564,445,704
Net liquidity gap	105,853,087	85,290,185	347,049,117	137,609,820	1,712,613,306	2,388,415,515

Union capital Limited

BAS 1.10 (e) **Notes to the Financial Statements**

BAS 1.51 (c) **as at and for the year ended 31 December 2016**

1. GENERAL INFORMATION

1.1 Domicile, legal form and country of incorporation

BAS 1.138 (a)

Union Capital Limited ("the Company") was set up for the purpose of purchasing investment banking business of Bangladesh Branch Office of Peregrine Capital Limited, Hong Kong, along with all of 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 went for Initial Public Offering in May 2007 and listed its shares with both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited in July 2007.

The registered office of the Company is located at Noor Tower (5th floor), 73 Sonargaon Road, Dhaka 1205. The operations of the Company is being carried out through its 7 (seven) offices located in Dhaka, Gazipur, Narsingdi, Chittagong and Sylhet.

1.2 Principal activities

The activities of the Company encompass a wide range of services, broadly classified as fund based and fee based activities . The Company also offers different deposit schemes as well.

Fund based services

Fund based services include lease finance, term finance, real estate finance, SME finance, hire purchase, bridge finance, bill discounting and 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 on 31 December 2016 Union Capital has two subsidiaries to include for preparation of consolidated financial statements as per Bangladesh Financial Reporting Standard (BFRS) 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 is to carry out all kinds of investment business in shares and stock, brokerage and dealing of securities. It also extends margin loan to its customers against their margin for investment in the listed securities. The required margin level is monitored daily and pursuant to established guidelines, customers are required to deposit additional margin to reduce the position, where necessary. As Union Capital owns 99.99% of the voting shares of UniCap Securities Limited and has the control over it, it is a subsidiary of Union Capital Limited. The Board of UniCap Securities Limited consists of 12 (twelve) Directors and all the Directors are nominated by Union Capital Limited to represent in the Board of the Company.

1.3.2 UniCap Investments Limited

UniCap Investments Limited was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-93014/11 dated 24 May 2011 as a public limited company under the Companies Act, 1994. The address of the Company's registered office is A-A Bhaban (9th Floor), 23 Motijheel C/A, Dhaka-1000. Principal activities of the Company is to deliver a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory. Union Capital holds 99.99% shares in the Company. Out of 9 (nine) Directors, 2 (two) Directors have been nominated from Union Capital Limited to represent in the Board of the Company.

BAS 1.112 (a)

2 BASIS OF PREPARATION

The financial statements are prepared on the historical cost basis and therefore, do not take into consideration the effect of inflation. The financial statements have been prepared and the disclosures of information have been made in accordance with the DFIM circular no. 11 dated 23 December 2009 and requirement of the Financial Institutions Act 1993, the Companies Act 1994, the Bangladesh Securities and Exchange Rules 1987, the Listing Rules of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited, Guidelines from Bangladesh Bank, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations.

In the year 2009, Bangladesh Bank issued DFIM circular no.11 dated 23 December 2009 suggesting uniform presentation and disclosure requirements within the industry. As a result, the company followed that circular with the presentation of the financial statements.

There are some areas where application of BAS and BFRS 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 is 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.
BAS 1.125	2.1	Reporting period
		The financial statements of the Company consistently cover one calendar year from 1 January to 31 December.
BAS 1.125	2.2	Directors' responsibility statement
		The Board of Directors takes the responsibility for the preparation and presentation of these consolidated and separate financial statements.
BAS 1.125	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 which are 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 to result in material adjustment to the carrying amounts of assets and liabilities in the next year.
BAS 1.125	2.4	Risk and uncertainty for use of estimates
		The preparation of financial statements in conformity with Bangladesh Accounting Standards requires Management to make estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and disclosure requirements for contingent assets and liabilities during and as at the date of the financial statements. These financial statements contained information about the assumptions it made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets, liabilities, income and expenses within the next financial year.
		In accordance with the guidelines as prescribed by BAS 37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognised in the following situations:
BAS 37.14		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 it 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

BAS 1.16 2.5 Statement of compliance

The financial statements of the Company 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 statement

In addition to the above, the Bangladesh Securities and Exchange Rules, 1987 (as amended in 1997) requires the preparation 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 Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

These financial statements have been prepared and presented in accordance with the approved accounting and reporting standards as applicable in Bangladesh. Approved accounting standards comprise International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh. As of 31 December 2016 status and applicability of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) in the case of Union Capital Limited are as under:

BAS/BFRS	BAS/BFRS	Applicability	Remarks
BAS 1	Presentation of Financial Statements	*	
BAS 2	Inventories	N/A	
BAS 7	Statement of Cash Flows	Applied	
BAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Applied	

BAS 10	Events After the Reporting Period	Applied	
BAS 11	Construction Contracts	N/A	
BAS 12	Income Taxes	Applied	
BAS 16	Property, Plant and Equipment	Applied	
BAS 17	Leases	Applied	
BAS 18	Revenue	Applied	
BAS 19	Employee Benefits	Applied	
BAS 20	Accounting of Government Grants and Disclosure of Government Assistance	N/A	
BAS 21	The Effects of Changes in Foreign Exchange Rates	Applied	
BAS 23	Borrowing Costs	Applied	
BAS 24	Related Party Disclosures	Applied	
BAS 26	Accounting and Reporting by Retirement Benefit Plans	N/A	
BAS 27	Separate Financial Statements	Applied	
BAS 28	Investments in Associates and Joint Ventures	N/A	
BAS 29	Financial Reporting in Hyperinflationary Economics	N/A	
BAS 31	Interest in Joint Venture	N/A	
BAS 32	Financial Instruments: Presentation	*	
BAS 33	Earnings Per Share	Applied	
BAS 34	Interim Financial Reporting	Applied	
BAS 36	Impairment of Assets	Applied	
BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied	
BAS 38	Intangible Assets	Applied	
BAS 39	Financial Instruments: Recognition and Measurement	*	
BAS 40	Investment Property	N/A	
BAS 41	Agriculture	N/A	

BFRS 1	First-time adoption of Bangladesh Financial Reporting Standards	N/A	
BFRS 2	Share-based Payment	N/A	
BFRS 3	Business Combinations	N/A	
BFRS 4	Insurance Contracts	N/A	
BFRS 5	Non-current Assets Held for Sale and Discontinued Operation	N/A	
BFRS 6	Exploration for and Evaluation of Mineral Resources	N/A	
BFRS 7	Financial Instruments: Disclosures	*	
BFRS 8	Operating Segments	Applied	
BFRS 10	Consolidated Financial Statements	Applied	
BFRS 11	Joint Arrangements	N/A	
BFRS 12	Disclosure of Interests in Other Entities	N/A	
BFRS 13	Fair Value Measurement	N/A	
BFRS 14	Regulatory Deferral Accounts	N/A	

* As the regulatory requirements differ with the standards, relevant disclosures are made in accordance with Bangladesh Bank's requirements (please see note 3.28).
N/A = Not Applicable

BAS 1.45 2.6 Consistency

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 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 BAS 8. We, however, have applied the same accounting and valuation principles in 2016 as in financial statements for 2015.

BFRS 8.20 **2.7 Operating Segments**

A segment is a distinguishable component of the Company that engaged in providing different types of products and services including revenues and expenses that relate to transactions with the Company's other components whose performances are regularly reviewed by the management. In this context the Company has identified three operating segments of the Group which comprise core financing business, UniCap Investments Limited full fledged merchant bank and UniCap Securities Limited brokerage. Operating results of the reportable segments are disclosed in note no. 36 in compliance with Bangladesh Financial Reporting Standard (BFRS) 8: *Operating Segments*.

BAS 27.12 **2.8 Basis of consolidation of operations of subsidiaries**

The financial statements of the Company and its subsidiaries have been consolidated in accordance with Bangladesh Financial Reporting Standard (BFRS) 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 statement 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

2.9 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the Directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

BAS 1.10(e) **3 SIGNIFICANT ACCOUNTING POLICIES**

BAS 17.31 **3.1 Lease operations**

As per Bangladesh Accounting Standard (BAS) 17: *Leases*, lease operations are divided into finance leases and operating leases. Unlike operating lease, a finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the lessee. Title may or may not eventually be transferred.

BAS 17.8 **Union Capital Limited as a lessor**

BAS 17.49
BAS 17.50 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.

BAS 17.8 **Union Capital Limited as a lessee**

BAS 17.33 Under finance lease, the asset is recognised as property, plant and equipment, and the obligation as a liability. Each asset is stated at the lower of the following two values: either the fair value of the lease asset at the inception of the lease or, the present value of the minimum lease payments which ever is lower. In calculating the present value of the minimum lease payments, the interest rate implicit in the lease is applied.

Lease payments relating to finance leases are broken down into two components: the finance charge and the redemption payment. The redemption payment reduces the residual liability and the finance charges are shown as interest expenses.

BAS 1.119 **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 three 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 six 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 statement on cash basis. Non-accrual investments are returned to performing status when required amounts including interest need to classify as regular has been collected.

BAS 24.12 **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 Bangladesh Financial Reporting Standards 10: *Consolidated Financial Statements*. Interest of the minority is shown as minority interest as separate line item of the shareholders equity which includes share capital of minority portion as well as profit earned that goes to the non-controlling interest.

3.4 Investment in securities

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

Investment in listed securities:

Investments 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. Unrealised gain or losses are not recognised in the profit and loss statement.

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 includes mainly receivable from brokerage houses against sale of securities, accrued IDCP (interest during construction period) and interest receivable. These receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

BAS 7.6 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.

BAS 1.65 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

BAS 16.73

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 Bangladesh Accounting Standards (BAS) 16: Property, Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes, if any.

BAS 23.13

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 BAS 23: Borrowing Costs.

BAS 16.12

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 statement as expenses. All up-gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

BAS 16.67

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 statement, which is determined with reference to the net book value of the assets' and net sales

BAS 16.73(b)

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:

Furniture and fixtures	20% per annum
Office decoration	33% per annum
Electrical equipment	20% per annum
Owned vehicles	20% per annum
Software	20% per annum
Mobile phone	20% per annum
Staff appliance	20% per annum

3.9 Intangible asset

BAS 38.8

Components

The main item included in intangible asset is software.

BAS 38.24

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 BAS 38: Intangible Assets. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortisation.

BAS 38.72	<p>Subsequent expenditure</p> <p>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.</p>
BAS 38.97	<p>Amortization</p> <p>Intangible asset is valued at amortised cost and written down within 5 to 10 years.</p>
BAS 39.43	<p>3.10 Bank loans</p> <p>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 statement under the head of financial expense at the implicit rate of interest. The accrued expenses are not added to carrying amounts of the loans.</p>
BAS 23.9	<p>3.11 Borrowing costs</p> <p>All borrowing costs are recognised in the profit or loss account in the period in which they are incurred.</p>
BAS 39.43	<p>3.12 Accrued expenses and other payables</p> <p>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.</p>
BAS 37.14	<p>3.13 Provision for doubtful losses</p> <p>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.</p> <p>The provision is increased by the provision for doubtful losses, which is charged to profit and loss statement, and decreased by the amount of write-offs, net of reversals.</p> <p>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.</p> <p>The provision is estimated based on two principles: 1. Bangladesh Accounting Standard (BAS) 37: <i>Provisions, contingent liabilities and contingent assets</i>, 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.</p>
	<p>3.14 Income tax</p> <p>Income tax expense represents the sum of the tax currently payable and deferred tax.</p>
BAS 12.46	<p>a. Current tax</p> <p>The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement 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 at the balance sheet date.</p>

BAS 12.15

b. Deferred tax

As per Bangladesh Accounting Standard (BAS) 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 statement.

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.

BAS 1.78 (d) **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 BAS 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

b. Gratuity scheme

The Company operates an unfunded gratuity scheme (which is a defined benefit scheme as specified in BAS 19: *Employee benefits*). Employees are entitled to gratuity benefit after completion of minimum five years of service with the Company. The gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service up to ten years of service, one and half months basic pay for every completed year of service up to fifteen years of service and two months basic pay for more than fifteen years of service. Full provision for gratuity has been made in the accounts for the existing employees based on their years of service with the Company. Gratuity amount is subject to a maximum ceiling of 50 (fifty) basic only.

c. Employee home loan scheme

To secure long-term commitment of deserving employees the Company introduced home loan 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 car scheme

The Company provides car loan facility to the employees as per loan scheme. The Company provides full time car facility to the employees from the position of Executive Vice President.

e. Employee personal loan scheme

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

3.16 Branch accounting

The Company has 7 (seven) branches with no overseas branch as on 31 December 2016. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

3.17 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.

BAS 18.29 3.18 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

BAS 18.35 (a) 3.19 Revenue recognition

Revenue is recognised in accordance with Bangladesh Accounting Standard (BAS) 18: Revenue unless otherwise mentioned or otherwise guided by the separate BAS/BFRS.

BAS 18.30 (a) 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 statement when a lease is classified as SMA and above and kept in interest suspense account. Interest on classified lease is recognised on cash basis.

BAS 18.30 (a)

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.

BAS 18.30 (a)

c. Income from real estate finance

Interest income from real estate finance is recognised on accrual basis. Interest portion of the installments that become 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.

BAS 18.30 (a)

d. Income from secured term finance

Income from secured term finance is recognised on accrual basis.

BAS 18.30 (c)

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.

BAS 18.20

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. Unrealised capital gains are not accounted for in the profit and loss statement.

BAS 1.107 **3.20 Event after the reporting period**

Proposed dividend

The proposed dividend is not recognised as a liability in the balance sheet in accordance with Bangladesh Accounting Standard (BAS) 10: Events After the Balance Sheet Date. 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.

Bangladesh Accounting Standard (BAS) 1: *Presentation of Financial Statements* also requires the dividend proposed after the balance sheet date but before the financial statements are 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 54.

BAS 36.9 3.21 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

Any impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit and loss statement.

BAS 24.17 3.22 Related party transactions

As per Bangladesh Accounting Standard (BAS) 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.

3.23 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.

BAS 37.27 3.24 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.

BAS 1.98 (f) **3.25 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 BAS 37.

3.26 Earnings per share

The Company calculates Earnings Per Share (EPS) in accordance with BAS 33: *Earnings Per Share* which has been shown on the face of Profit and Loss account, and the computation of EPS is stated in the notes to the financial statements.

BAS 33.10 **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.

BAS 33.31 **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 2016, 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.

BAS 27.28 **3.27 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.

BAS 1.19 **3.28 Disclosure of deviations from few requirements of BAS/BFRS due to mandatory compliance of Bangladesh Bank's requirements**

Bangladesh Bank is the prime regulatory body for all Non-banking Financial Institutions in Bangladesh. Some requirements of Bangladesh Bank contradict with those of BAS/BFRS. As such the Company has departed from those contradictory requirements of BAS/BFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed in notes 62 and 63 to these financial statements.

BAS 1.114 (d) (ii) **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.

In determining Single borrower/Large loan limit, the instructions of Bangladesh Bank are strictly followed. Loans are classified as per Bangladesh Bank's guidelines.

3.29.2 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 to address operational risks. The Company has also established an Internal Control & Compliance Department (ICCD) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risk. The function of ICCD is to constant vigilance against leakage of Shareholders value by identifying, assessing, measuring, managing and transferring operational risk resulting from inadequate or failed internal control processes, people and system or from external events.

3.29.7 Information technology risk

The Company has appropriate policy, procedures in place to mitigate the risk of failing to develop, implement or operate UCL's technology platforms and solutions to meet stakeholders requirements. Also the Company has built resilience into its network platform through the installation of a back-up link, disaster recovery plan, executing service level agreement with the vendor.

3.29.8 Environmental risk

Environmental risk is the risk of loss to financial, operational or reputational value resulting from the impact of environmental issues. It arises from our business activities and our operations e.g. the environmental issues associated with our clients' purchase and sale of contaminated property or development of large-scale projects may give rise to credit and reputation risk. The Company has a robust risk assessment procedure at appraisal stage in case of any credit facility to any borrower involving any activities that is detrimental to the environment. The Company has also adopted Environmental Risk Management (ERM) policy and implemented the same in all of its business activities.

3.30 Basel II and its implementation

Basel II accords are the international standards for creating regulations about how much capital is needed to put aside to guard against the various types of financial and operational risks that the Financial Institutions face.

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on 'Capital Adequacy and Market Discipline (CAMD) have been introduced by Bangladesh Bank from 01 January 2012 regarding Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR), and Disclosure requirement as stated in the guidelines to be followed by all financial institutions for the purpose of statutory compliance. In line with the requirement of the guidelines, the Company has already formed BASEL Implementation Unit (BIU) to ensure timely implementation of BASEL II accord. Calculation of CAR and MCR are detailed out in note no. 15.

Union Capital Limited
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BAS 1.77 **4.0 CASH**

In hand		
Local currency	64,000	64,000
Foreign currencies	-	-
	64,000	64,000
Balance with Bangladesh Bank		
Local currency	184,577,238	156,930,308
Foreign currencies	-	-
	184,577,238	156,930,308
	184,641,238	156,994,308

BAS 1.77 **4.a CASH (Consolidated)**

In hand		
Union Capital Ltd.	64,000	64,000
UniCap Securities Ltd.	25,000	25,000
UniCap Investments Ltd.	10,000	14,093
	99,000	103,093
Balance with Bangladesh Bank		
Union Capital Ltd.	184,577,238	156,930,308
UniCap Securities Ltd.	-	-
UniCap Investments Ltd.	-	-
	184,577,238	156,930,308
	184,676,238	157,033,401

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

Cash reserve requirement and statutory liquidity reserve have been calculated and maintained in accordance with FID circular no. 6 dated 6 November 2003.

4.1.1 Cash reserve requirement (CRR)

2.5% of total customer deposits

Required reserve	176,776,050	154,026,238
Actual reserve held	180,258,635	155,296,346
Surplus(deficit)	3,482,585	1,270,108

4.1.2 Statutory liquidity reserve (SLR)

5% of total liabilities

Required reserve	379,303,723	346,770,500
Actual reserve held	1,015,902,388	528,460,064
Surplus/(deficit)	636,598,665	181,689,564

4.1.3 Held for cash reserve requirement (CRR)

Balance with Bangladesh Bank and its agent bank(s)	184,577,238	156,930,308
--	-------------	-------------

4.1.4 Held for statutory liquidity reserve (SLR)

Cash in hand	64,000	64,000
Balance with Bangladesh Bank and its agent bank(s) as per statement	184,577,238	156,930,308
Balance with other banks and financial institutions (note-5)	1,569,558,538	941,844,321
	1,754,199,776	1,098,838,629

4.1.5 Cash in hand

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As at 31 December	2016	2015
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. 64,000 (2015: Tk. 64,000). 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 @ 2.5% is required to maintain with Bangladesh Bank current account on all deposits taken from depositors other than Banks and Financial Institutions. On 31 December 2016 there is no shortage in CRR.

BAS 1.77 5.0 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

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

Fixed deposit account

People's Leasing and Financial Services Ltd.	50,000,000	-
International Leasing and Financial Services Ltd.	100,000,000	-
Bangladesh Industrial Finance Company Limited	140,000,000	-
Modhumoti Bank Limited, Dhanmondi Branch	55,000,000	-
The Farmers Bank Ltd., Motijheel Branch	300,000,000	-
Reliance Finance Limited	-	50,000,000
Union Bank Limited- Rupnagogor, Narayanganj Branch	-	126,137,657
Midland Bank Limited, Uttara Branch	-	100,000,000
FAS Finance and Investment Ltd.	-	50,000,000
EXIM Bank (BD) Limited, Motijheel Branch	-	50,000,000
Social Islami Bank Limited, Bashundhara Branch	700,000,000	200,000,000
	1,345,000,000	576,137,657

Current account

Bank Alfalah Limited, Gulshan Branch	23,116	-
BASIC Bank Limited, Shantinagar Branch	1	1
BASIC Bank Limited, Bangshal Branch	1	483
BRAC Bank Limited, Gulshan Branch	70,539	71,839
Bank Asia Limited, Moghbazar Branch	82	2
Bank Asia Limited, Bashundhara Branch	399	139
Dhaka Bank Limited, Kakrail Branch	1,891,205	-
Mutual Trust Bank Limited, Dilkusha Branch	393,513	395,163
Modhumoti Bank Limited, Dhanmondi Branch	3,785	-
Midland Bank Ltd, Gulshan Branch	2,965	-
National Credit and Commerce Bank Ltd., Mirpur-10 Branch	258	-
NRB Bank Limited, Corporate Branch	933,814	-
Shahjalal Islami Bank Limited, Dhaka Main Branch	453	453
Shahjalal Islami Bank Limited, Elephant Road Branch	4,536,682	-
Southeast Bank Limited, Islamic Banking Branch	710,755	712,405
Southeast Bank Limited, Mirpur Branch	4,404	-
Southeast Bank Limited, Satmosjid Road Branch	4,425	-
State Bank of India, Dhaka Office	79,223	81,098
The Premier Bank Limited, Karwan Bazar Branch	32,647	34,292
United Commercial Bank Limited, New Eskaton Branch	5,448,516	4,326,821
Uttara Bank Limited, Local Office	18,558	19,708
	14,155,341	5,642,404

Short term deposit

AB Bank Limited, Karwan Bazar Branch	13,622	16,281
HSBC, Dhaka Main Office	86,280	-
HSBC, Dhaka Main Office	516,102	70,593
Southeast Bank Limited, Islamic Banking Branch	2,529,758	2,049,889
Bank Asia Limited, Corporate Branch	173,103,013	336,138,429

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As at 31 December	2016	2015
Dhaka Bank Limited, Local Office	2,091,480	10,805,800
Dutch Bangla Bank Limited, Karwan Bazar Branch	25,810,582	525,616
Mutual Trust Bank Limited, Principal Branch	3,904,381	304,107
Jamuna Bank Limited, Sonargaon Road Branch	2,347,979	10,153,545
	210,403,197	360,064,260
	1,569,558,538	941,844,321

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 2.5% 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	14,155,341	5,642,404
Up to 1 month	210,403,197	410,064,260
Over 1 month but not more than 3 months	490,000,000	326,137,657
Over 3 months but not more than 1 year	855,000,000	200,000,000
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	1,569,558,538	941,844,321

BAS 1.77 **5.a BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (consolidated)**

Union Capital Ltd.	1,569,558,538	941,844,321
UniCap Securities Ltd.	199,026,208	57,357,260
UniCap Investments Ltd.	55,805,967	50,741,976
	1,824,390,714	1,049,943,557
Less: Inter-company transactions	-	-
	1,824,390,714	1,049,943,557

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BAS 1.77 6.0 INVESTMENTS

The investment is made up as under:

Government securities	-	-
Other investments (note 6.1)	457,124,080	562,788,114
Total	457,124,080	562,788,114

This represents investment made by the Company in listed securities.

6.1 Other investments

Ordinary share	No. of Company	Market Value	Cost	
			2016	2015
Listed securities	15	436,463,685	457,124,080	562,788,114
Total	15	436,463,685	457,124,080	562,788,114

Listed securities:

Investments have been recorded at cost and adequate provision for diminution in value of investment as per Bangladesh Bank guidelines has been made. Market value of securities has been determined on the basis of the value of securities at the last trading date of the year (Last trading date for 2016 was 29 December).

Sector wise investment in listed securities at cost

Banking companies	16,518,488	1,211,832
Insurance companies	14,381,778	14,381,778
Fuel & power	9,646,268	3,075,058
Manufacturing companies and others	416,577,546	544,119,446
Total	457,124,080	562,788,114

BAS 1.61 Maturity wise grouping

Up to 1 month	20,000,000	30,000,000
Over 1 month but not more than 3 months	90,000,000	140,000,000
Over 3 months but not more than 1 year	347,124,080	392,788,114
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
Total	457,124,080	562,788,114

BAS 1.77 6.a INVESTMENTS (consolidated)

Union Capital Ltd.	457,124,080	562,788,114
UniCap Securities Ltd.	748,105,089	659,688,252
UniCap Investments Ltd.	404,130,914	398,353,450
Total	1,609,360,083	1,620,829,816

BAS 1.77 7.0 LOANS, ADVANCES AND LEASES

This represents loans, advances and leases financed fully in Bangladesh.

Lease finance (note 7.1)	1,948,222,279	2,392,844,027
Advance against lease finance (note 7.2)	14,500,000	-
Term finance (note 7.3)	8,405,475,684	7,474,504,305
Home loan	2,492,285	3,076,934
Loan to subsidiaries (note 7.4)	5,976,628,723	5,695,684,061
Loan against deposits (note 7.5)	18,745,690	4,107,000
Staff loan (note 7.6)	33,107,907	24,254,323
Total	16,399,172,568	15,594,470,650

BAS 1.77 7.1 Lease finance

Principal outstanding (note 7.1.1)	1,693,360,694	2,153,661,847
Accounts receivable	254,861,585	239,182,180
Total	1,948,222,279	2,392,844,027

7.1.1 Principal outstanding

Gross rental receivables	2,165,158,407	2,830,734,825
Unearned lease income	(471,797,713)	(677,072,978)
Net investment	1,693,360,694	2,153,661,847

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7.2 Advance against lease finance

This represents amount paid for procurement of lease assets, which are yet to be executed. On execution of lease, advances will be transferred to lease finance.

Balance at 1 January	-	45,838,797
Add: Disbursed during the year	380,868,760	304,320,000
Less: Executed during the year	(366,368,760)	(350,158,797)
Balance at 31 December	14,500,000	-

BAS 1.77 **7.3 Term finance**

Principal outstanding (note 7.3.1)	7,701,473,312	7,048,118,809
Accounts receivable	704,002,372	426,385,496
Total	8,405,475,684	7,474,504,305

Term finance includes finance already executed and advance to be executed on later date as per terms of agreement. Such advances carry interest at an agreed rate until the advances are executed.

7.3.1 Movement of term finance (Principal outstanding) is made up as under:

Balance at 1 January	7,048,118,809	6,179,957,783
Add : Disbursed during the year	6,218,020,000	3,052,669,533
Less: Recovery during the year	(5,564,665,497)	(2,184,508,507)
Balance at 31 December	7,701,473,312	7,048,118,809

7.4 Loan to subsidiaries

As per instruction of Bangladesh Bank, an amount of Tk. 1,164,749,964 representing accrued interest upto 31 December 2015 on loans given to subsidiaries of the Company has been reclassified and included in loans, leases and advances. Earlier it was included in other assets.

7.5 Loan against deposits

This represents outstanding loans given to depositors against term deposits. As per Company's policy, Union Capital Limited finances to depositors up to 95 percent of TDR value. Interest is charged on such loan @ 2 percent above the interest offered on TDR.

Movement of loan against term deposit is as under:

Balance at 1 January	4,107,000	105,786,000
Add : Disbursed during the year	63,580,000	6,030,000
Less: Recovery during the year	(48,941,310)	(107,709,000)
Balance at 31 December	18,745,690	4,107,000

BAS 1.77 **7.6 Staff loan**

Staff loan includes loan provided to the eligible employees as per Company's approved policy

Employees home loan	17,451,758	11,848,824
Employees car loan	15,132,038	11,587,599
Personal loan	524,111	817,900
Balance at 31 December	33,107,907	24,254,323

BAS 1.61 **7.7 Residual maturity grouping of loans, advances and leases**

Repayable on demand	-	-
Upto 1 month	247,581,572	190,082,350
Over 1 month but not more than 3 months	487,663,144	432,664,700
Over 3 months but not more than 1 year	3,395,734,148	3,535,741,150
Over 1 year but not more than 5 years	11,007,441,883	9,096,520,117
Over 5 years	1,260,751,821	2,339,462,333
Total	16,399,172,568	15,594,470,650

BAS 1.77 **7.8 Loans, advances and leases on the basis of significant concentration**

a) Directors and their concerns	5,988,301,831	5,738,184,470
b) Chief executive and other senior executives	33,107,907	24,254,323
c) Customer groups	10,377,762,830	9,832,031,857
Total	16,399,172,568	15,594,470,650

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d) Details of large loans, advances and leases

As per Section 14 (1) (ga) of the Financial Institutions Act 1993 a financial institution can not sanction any loans, advances and leases exceeding 30 percent of its capital (capital plus reserve) without permission from Bangladesh Bank. During the year 2016 Union Capital Limited has no such loans, advances and leases extended to external customers except loans extended to its subsidiaries that has been reported quarterly to Bangladesh Bank as per requirement.

BAS 1.77

e) Sector wise loans, advances and leases

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

Sector	2016	2015
Trade and Commerce	2,342,835,484	2,715,560,639
Industry		
Garments and Knitwear	401,703,903	592,930,103
Textile	1,837,709,161	1,241,628,144
Jute and Jute Products	114,448,421	125,086,429
Food Products and Processing Industry	538,280,672	433,898,196
Plastic Industry	46,492,325	118,581,604
Leather and Leather-Goods	2,747,016	3,898,418
Iron, Still and Engineering	952,711,900	709,912,970
Pharmaceuticals and Chemicals	527,237,724	982,864,183
Cement and Allied Industry	83,547,258	84,271,321
Telecommunication and Information Technology	60,072,879	59,580,437
Paper, Printing and Packaging	275,445,377	239,456,182
Glass, Glassware and Ceramic Industry	7,032,265	6,125,285
Ship Manufacturing Industry	342,965,731	363,856,691
Electronics and Electrical Products	163,837,625	94,474,259
Power, Gas, Water and Sanitary Service	843,634,008	574,103,241
Transport and Aviation	358,752,215	527,995,729
Agriculture	361,246,191	87,280,853
Housing	265,299,179	365,694,190
Others:		
Merchant Banking	5,092,322,086	3,759,904,690
Others	1,780,851,149	2,507,367,085
Grand total	16,399,172,568	15,594,470,650

BAS 1.77 **7.9 Geographical location wise loans, advances and leases**

Dhaka Division	14,200,907,319	12,658,660,504
Chittagong Division	2,019,579,523	2,749,490,064
Rajshahi Division	147,123,297	157,177,367
Khulna Division	-	-
Barisal Division	318,027	488,473
Sylhet Division	31,244,402	28,654,242
Total	16,399,172,568	15,594,470,650

BAS 1.77 **7.10 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. Total capital of the Company as at 31 December 2016 was Taka 2,388.40 million against that of Taka 2,359.63 million as at 31 December 2015.

Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each

	5	7
Amount of outstanding loans and advances [to the client as mentioned above]	8,207,816,000	6,668,408,115
Amount of classified loans and advances [out of the amount as mentioned above]	-	-
Measures taken for recovery [for the amount as mentioned above]	-	-

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2016

2015

BAS 1.112 (c) **7.11 Particulars of loans, advances and leases**

SL Particulars		
I. Financing considered good in respect of which the Company is fully secured	1,863,982,351	2,036,109,270
II. Financing considered good in respect of which the Company is partially secured	4,711,414,262	4,761,849,096
III. Financing considered good against which the Company holds no security other than the debtors' personal guarantee	3,095,198,474	2,385,871,976
IV. Financing considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	103,809,911	187,784,703
V. Financing adversely classified, provision not maintained there against	-	-
	9,774,404,998	9,371,615,044
VI. Financing due by directors or officers of the Company or any of them either separately or jointly with any other persons	33,107,907	24,254,323
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	5,988,301,831	5,738,184,470
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	33,107,907	24,254,323
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	5,988,301,831	5,738,184,470
X. Due from banking companies and other financial institutions	-	-
XI. Classified loans, advances and leases on which interest has not been charged	428,905,799	221,214,440
a) Amount of written off loans, advances and leases	606,951,570	442,256,466
b) Amount realized against the debts previously written off	20,670,590	4,664,228
c) Provision kept against loans and advances classified as bad/loss	214,481,190	162,277,703
d) Amount of interest creditable to the interest suspense account	75,621,958	119,938,414
XII Cumulative amount of the written off loans/leases:		
Opening balance	442,256,466	388,877,972
Add: Amount written off during the year	185,365,694	58,042,722
Less: Amount recovered during the year	20,670,590	4,664,228
Cumulative to date	606,951,570	442,256,466
The amount of written off loans for which law suit filed	636,163,739	450,798,045

BAS 1.77 **7.12 Classification wise loans, advances and leases**

Standard	14,508,827,060	13,855,690,687
Special mention account (SMA)	506,673,632	525,862,743
Unclassified	15,015,500,692	14,381,553,430
Sub-standard (SS)	553,028,986	232,388,791
Doubtful (DF)	116,164,010	393,000,466
Bad/loss (BL)	714,478,880	587,527,963
Classified	1,383,671,876	1,212,917,220
Total	16,399,172,568	15,594,470,650
Rate of classified loans, leases and advances	8.44%	7.78%

BAS 37.84 (b) **7.13 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 (%)
Loans, advances and leases up to 5 years term		
Up to 2 months	Standard	1
3 to 5 months	SMA	5
6 to 11 months	SS	20
12 to 17 months	DF	50
18 months and above	BL	100
Loans, advances and leases exceeding 5 years term		
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 -03 dated 29 April 2013, provision at the rate of 0.25 percent has been made against

Union Capital Limited

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'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
Unclassified - General provision				
Standard (Excluding SME loan/leases)	13,098,716,308	1%	130,987,163	110,776,792
Standard (SME loan/leases)	1,410,110,752	0.25%	3,525,277	4,033,154
Special mention account	489,275,474	5%	24,463,774	24,968,221
	14,998,102,534		158,976,214	139,778,167
Classified - Specific provision				
Sub-standard	280,520,987	20%	56,104,197	21,212,284
Doubtful	35,465,200	50%	17,732,600	97,476,644
Bad/loss	214,481,190	100%	214,481,190	162,277,703
	530,467,377		288,317,987	280,966,630
Required provision for loans, advances and leases			447,294,201	420,744,797
Total provision maintained for loans, advances and leases			480,627,756	433,845,684
Excess provision for loans, advances and leases			33,333,555	13,100,887

BAS 1.77 **7.14 Rate of net classified loans, advances and leases**

Gross classified loans, advances and leases	1,383,671,876	1,212,917,220
Less: Interest suspense against classified loans, advances and leases	178,670,741	173,745,183
Less: Provision against classified loans, advances and leases	288,317,987	280,966,630
Net classified loans, advances and leases	916,683,147	758,205,407
Total loans, advances and leases	16,399,172,568	15,594,470,650
Rate of net classified loans, advances and leases	5.59%	4.86%

BAS 1.77 **7.a LOANS, ADVANCES AND LEASES (consolidated)**

Union Capital Ltd.	16,399,172,568	15,594,470,650
UniCap Securities Ltd.	992,490,310	722,893,717
UniCap Investments Ltd. (note 7.a 1)	5,688,730,428	5,039,213,017
	23,080,393,306	21,356,577,384
Less: Inter-company transactions	5,976,628,723	5,712,559,061
	17,103,764,583	15,644,018,323

7.a 1 This includes the margin loan transferred from Union Capital Limited to UniCap Investments Limited, one of its subsidiaries on 1 January 2014 as a result of separation of its merchant banking operations.

BAS 1.78 (a) **8.0 FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES**

Furniture and fixtures	7,076,288	7,031,438
Office decoration	15,766,847	18,358,286
Electric equipment	27,021,510	26,532,142
Owned vehicles	12,535,992	3,162,133
Leased vehicles	3,760,000	3,760,000
Intangible assets (software)	1,122,881	943,881
Mobile phones	367,085	367,085
Staff appliances	41,329	41,329
Total cost	67,691,932	60,196,294
Less: Accumulated depreciation and amortization	53,721,741	52,087,646
Written down value at 31 December	13,970,191	8,108,648

Details are shown in **Annexure - A**

BAS 1.77 **8.a FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES (consolidated)**

Union Capital Ltd.	13,970,191	8,108,648
UniCap Securities Ltd.	17,905,944	15,625,218
UniCap Investments Ltd.	3,901,167	5,519,805
	35,777,302	29,253,671

Union Capital Limited

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As at 31 December		2016	2015
BAS 1.77	9.0 OTHER ASSETS		
	Investment in subsidiary (note 9.1)	347,498,771	347,498,771
	Accrued interest	114,667,905	65,346,310
	Others	13,274,318	9,332,511
	Income generating other assets	475,440,994	422,177,592
	Advance office rent	3,821,660	2,824,909
	Advance to employees	785,805	639,029
	Deposits with T & T, water etc.	37,500	37,500
	Advance corporate tax	1,185,250,440	914,054,336
	Receivable from brokerage house against sale of shares	87,269,018	157,501,815
	Transfer price receivable	1,287,376	1,287,376
	Deferred tax assets (note 9.2)	10,480,802	11,357,529
	Others	348,891,836	26,947,657
	Non income generating other assets	1,637,824,437	1,114,650,151
	Total	2,113,265,431	1,536,827,743

Management considers all the other assets as good.

9.1 Investment in subsidiary

9.1.1 Investment in UniCap Securities limited

UniCap Securities Limited, a private limited company incorporated in Bangladesh, is a wholly owned subsidiary of Union Capital Limited, the entire issued shares of which were acquired by the Company at a nominal value of Taka one (1) in 1998. During the year 2003, an amount of Taka 2,498,900 was invested in UniCap Securities Limited against 24,989 ordinary shares of Taka 100 each. Further, in 2005, 2009 and 2010, Taka 10,000,000, Taka 35,000,000 and Taka 50,000,000 respectively were also invested in UniCap Securities Limited against allotment of 100,000, 350,000 and 500,000 ordinary shares of Taka 100 each.

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

9.2 Deferred tax asset

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

Deferred tax asset is arrived at as follows:

		Carrying amount at balance sheet date	Tax base at balance sheet date	(Taxable)/ deductible temporary difference
Assets	Fixed assets net of depreciation	13,970,191	27,643,697	13,673,506
Liabilities	Employee gratuity fund	12,528,500	-	12,528,500
		26,498,691	27,643,697	26,202,006
	Applicable tax rate			40.00%
	Deferred tax assets as on December 31,2016			10,480,802
	Deferred tax assets as on December 31,2015			11,357,529
	Deferred tax expense/(income) during the year 2016			876,727

BAS 1.77 **9.a OTHER ASSETS (consolidated)**

Union Capital Ltd.	2,113,265,431	1,536,827,743
UniCap Securities Ltd.	449,229,464	441,572,133
UniCap Investments Ltd.	239,685,055	198,923,105
	2,802,179,950	2,177,322,981
Less: Inter-company transactions	722,692,260	627,797,000
	2,079,487,689	1,549,525,981

Union Capital Limited

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As at 31 December		2016	2015
BAS 1.77	10. NON-BANKING ASSETS		
	Non-banking assets	215,129,173	215,129,173
	Total	215,129,173	215,129,173

This represents assets owned under the 'Certificate of Ownership' given by the competent court under section 33(7) of Artha Rin Adalat Ain 2003.

BAS 1.77 11.0 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS

Borrowings from other banks

In Bangladesh

Secured long term loans		
Bank loan (note 11.1)	2,162,337,660	1,428,398,904
Un secured		
Bangladesh Bank (Small Enterprise refinancing scheme-JICA) (Note 11.2)	497,704,419	574,503,371
Bangladesh Bank (Women entrepreneur refinance scheme (Note 11.3)	87,384,524	89,239,286
Bangladesh Bank (Agriculture refinance scheme) (Note 11.4)	31,562,500	19,375,000
Short term borrowing and call loan (Note 11.5)	297,969	273,953,119
	616,949,412	957,070,776
	2,779,287,072	2,385,469,680
Outside Bangladesh	-	-
Borrowings from banks	2,779,287,072	2,385,469,680

Borrowings from financial institutions

The UAE-Bangladesh Investment Company Limited	37,808,442	58,430,665
Total	2,817,095,514	2,443,900,345

BAS 1.77 11.1 Bank loan

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

Balance at 1 January	1,428,398,904	1,252,927,545
Received during the year	1,620,000,000	760,000,000
Repayment during the year	(886,061,244)	(584,528,641)
Balance at 31 December	2,162,337,660	1,428,398,904

Loans are secured by way of first charge on all fixed and floating assets of the Company, ranking pari passu among all the lenders. The period of such loans ranges from three to five years.

11.1.1 Break up of bank loans

Dutch Bangla Bank Limited	674,288,025	141,148,385
Bank Asia Limited	144,512,531	60,000,000
Bank Alfalah Ltd	42,541,623	-
BASIC Bank Limited	35,105,757	50,000,000
Dhaka Bank Limited	-	50,000,000
Jamuna Bank Limited	90,062,817	50,000,000
Mutual Trust Bank Limited	211,110,381	158,171,667
Midland Bank Limited	100,000,000	-
Modhumoti Bank Limited	50,000,000	-
National Credit and Commerce Bank Ltd.	-	9,358,724
Premier Bank Limited	-	127,171,018
Shahjalal Islami Bank Limited	365,359,723	233,351,127
Southeast Bank Limited	273,309,994	3,450,367
Standard Bank Limited	-	52,183,329
United Commercial Bank Limited	142,713,477	177,286,088
Uttara Bank Limited	33,333,332	316,278,198
Total secured long term loans	2,162,337,660	1,428,398,904

BAS 1.77 11.2 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	574,503,370	583,226,258
Received during the year	157,373,250	188,106,550
Repayment during the year	(234,172,201)	(196,829,438)
Balance at 31 December	497,704,419	574,503,370

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

Union Capital Limited

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BAS 1.77 11.3 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	89,239,286	62,000,000
Received during the year	29,000,000	39,150,000
Repayment during the year	(30,854,762)	(11,910,714)
Balance at 31 December	87,384,524	89,239,286

BAS 1.77 11.4 Bangladesh Bank (Agriculture refinance scheme)

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to agro entrepreneur. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

Balance at 1 January	19,375,000	-
Received during the year	27,000,000	20,000,000
Repayment during the year	(14,812,500)	(625,000)
Balance at 31 December	31,562,500	19,375,000

BAS 1.77 11.5 Short term borrowing and call loan

Short term borrowing (Note 11.5.1)	297,969	33,953,119
Call loan (Note 11.5.2)	-	240,000,000
Balance at 31 December	297,969	273,953,119

This represents bank overdraft and call loans availed from different banks to meet short-term fund requirements.

11.5.1 Short term loans

Mutual Trust Bank Limited	297,969	33,953,119
	297,969	33,953,119

11.5.2 Call loans

BASIC Bank Limited	-	80,000,000
Dutch Bangla Bank Limited	-	40,000,000
Janata Bank Limited	-	40,000,000
Mercantile Bank Limited	-	40,000,000
Mutual Trust Bank Limited	-	40,000,000
	-	240,000,000

As on the reporting date, total of Tk. 240,000,000 was received from different banks as call loan. According to FID circular no. 05 dated June 08, 2005, non-banking financial institution can avail call money facility maximum upto 15% of its net assets. Based on the circular mentioned above, the maximum limit of call money for the Company was Tk. 2,044.80 million (calculated based on the half yearly report of 2016 of the Company).

11.6 Security against borrowings from other banks and financial institutions

Secured	2,200,146,102	1,486,829,569
Unsecured	616,949,412	957,070,776
	2,817,095,514	2,443,900,345

BAS 1.61 11.7 Maturity wise grouping

Repayable on demand	-	240,000,000
Upto 1 month	62,724,265	84,152,782
Over 1 month but not more than 3 months	307,455,153	196,786,331
Over 3 months but not more than 1 year	759,636,349	634,368,856
Over 1 year but not more than 5 years	1,661,981,110	1,233,369,340
Over 5 years	25,298,637	55,223,036
Total	2,817,095,514	2,443,900,345

BAS 1.77 11.a Borrowings from other banks, financial institutions and agents (consolidated)

Union Capital Limited	2,817,095,514	2,443,900,345
UniCap Securities Limited	1,175,169,784	1,008,958,996
UniCap Investments Limited	3,767,404,689	3,910,251,635
	7,759,669,986	7,363,110,976
Less: Inter-company transactions	4,340,309,097	4,547,809,097
Balance as on 31 December	3,419,360,889	2,815,301,879

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BAS 1.77 **12.0 Term Deposits**

This comprises interest bearing deposits from individuals and organizations for period ranging from 3 months to 10 years.

Banks and financial institutions	6,420,000,000	4,770,000,000
Other institutions	4,932,261,756	5,131,779,949
Total institutional deposits	11,352,261,756	9,901,779,949
Term deposit	800,176,665	566,692,530
Income deposit	156,230,000	239,270,003
Monthly savings scheme	6,168,500	5,006,725
Total individual deposits	962,575,165	810,969,258
Total	12,314,836,921	10,712,749,207

Movements of deposits is made up as under

Balance at 1 January	10,712,749,207	9,695,588,734
Received/renewed during the year	10,118,020,125	9,112,586,382
Repayment during the year	(8,515,932,411)	(8,095,425,909)
Balance at 31 December	12,314,836,921	10,712,749,207

BAS 1.61 **Maturity wise grouping**

Repayable on demand	-	-
Repayable within 1 month	270,985,324	182,000,000
Over 1 month but not more than 6 months	554,679,123	455,000,000
Over 6 months but not more than 1 year	3,550,595,678	3,403,400,000
Over 1 year but not more than 5 years	7,772,608,632	6,447,350,000
Over 5 years but not more than 10 years	165,968,164	224,999,207
Over 10 years	-	-
Unclaimed deposits for 10 years or more	-	-
Balance at 31 December	12,314,836,921	10,712,749,207

BAS 1.77 **12.a Term deposits (consolidated)**

Union Capital Limited	12,314,836,921	10,712,749,207
UniCap Securities Limited	-	-
UniCap Investments Limited	-	-
	12,314,836,921	10,712,749,207
Less: Inter-company transactions	-	-
Balance as on 31 December	12,314,836,921	10,712,749,207

BAS 1.77 **13. Other deposits**

The amount received from clients as advance against finance and cash security deposit on the stipulation that the amount will be either adjusted with the outstanding rentals/installments or repaid at the end of term. This is made up as under:

Balance at 1 January	1,086,037,720	1,009,852,850
Received during the year	3,567,959,080	2,125,704,122
Repayment during the year	(3,837,612,178)	(2,049,519,252)
Balance at 31 December	816,384,622	1,086,037,720

Breakup of other deposits on the basis of category of finance is as under

Lease advance	49,707,340	121,509,616
Term finance advance	168,743,596	239,308,090
Cash security	597,933,686	725,220,014
Balance as on 31 December	816,384,622	1,086,037,720

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.

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As at 31 December		2016	2015
BAS 1.77	14.0 OTHER LIABILITIES		
	Provision for loans, advances and leases (note 14.1)	480,627,756	433,845,684
	Provision for diminution in value of investments (note 14.2)	20,660,394	28,329,255
	Provision for other assets	4,311,000	4,311,000
	Interest suspense (note 14.3)	196,068,900	200,243,504
	Provision for tax (note 14.4)	1,375,613,230	1,181,598,281
	Financial expenses payable (note 14.5)	474,094,193	481,341,223
	Deferred liability-employee gratuity (note 14.6)	12,528,500	9,595,999
	Dividend on preference shares	37,917,806	47,397,261
	Excise duty	6,952,711	4,071,110
	Withholding tax payable	898,085	14,066,692
	VAT payable	620,752	298,573
	Accrued expenses and other payable (note 14.7)	5,835,320	8,743,535
	Total	2,616,128,647	2,413,842,117

BAS 1.77 **14.1 Provision for leases, advances and loans**

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	192,309,769	152,879,054
Specific provision on classified loans, advances and leases	288,317,987	280,966,630
Provision as on 31 December	480,627,756	433,845,684

Movement in general provision on unclassified loans/leases:

BAS 37.84 (a)	Provision as on 1 January	152,879,054	135,730,000
BAS 37.84 (a)	Add : Provision made/(released) during the year	27,193,744	45,105,065
	Less: Provision no longer required	(16,531,000)	(32,219,051)
BAS 37.84 (a)	Add : Transferred from/(to) specific provision	(6,660,963)	(2,296,355)
BAS 37.84 (a)	Add : Net charge to profit and loss account	35,428,934	6,559,395
BAS 37.84 (a)	Provision as on 31 December	192,309,769	152,879,054

BAS 1.77 **14.1.a General provision made during the year for loans, advances and leases (consolidated)**

Union Capital Limited	35,428,934	6,559,395
UniCap Securities Limited	17,206,916	(3,747,710)
UniCap Investments Limited	-	10,000,000
Balance as on 31 December	52,635,850	12,811,685

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

BAS 37.84 (a)	Provision as on 1 January	280,966,630	248,518,913
	Less: Fully provided debts written off during the year	(185,365,694)	(58,042,722)
	Add : Recoveries of amounts previously written off	20,670,590	4,664,228
	Less: Transferred from/(to) general provision	6,660,963	2,296,355
	Add : Specific provision made during the year for other accounts	70,518,183	91,501,334
	Less: Provision no longer required	(102,609,199)	(114,734,244)
BAS 37.84 (b)	Add : Net charge to profit and loss account	197,476,514	106,762,766
BAS 37.84 (a)	Provision as on 31 December	288,317,987	280,966,630
	Total	480,627,756	433,845,684

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

Union Capital Limited	480,627,756	433,845,684
UniCap Securities Limited	35,819,007	18,742,091
UniCap Investments Limited	175,000,000	175,000,000
Balance as on 31 December	691,446,762	627,587,775

14.2 Provision for diminution in value of investments

BAS 37.84 (a)	Provision as on 1 January	28,329,255	4,609,168
	Add: Provision made/(released) during the year (note 14.2.1)	(7,668,861)	23,720,087
BAS 37.84 (a)	Provision as on 31 December	20,660,394	28,329,255

As on 31 December 2016, the amount of diminution in the value of investment in shares was Tk. 20,629,317 for which full provision has been made.

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14.2.1 Allocation of provision made for diminution in value of investments

Listed securities	(7,668,861)	23,720,087
Unlisted securities	-	-
Total	(7,668,861)	23,720,087

BAS 1.77 **14.2.a Provision made during the year for diminution in value of investments (consolidated)**

Union Capital Limited	(7,668,861)	23,720,087
UniCap Securities Limited	11,940,946	(38,016,070)
UniCap Investments Limited	(353,547)	353,547
Balance as on 31 December	3,918,538	(13,942,436)

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

Union Capital Limited	20,660,394	28,329,255
UniCap Securities Limited	22,788,812	10,847,866
UniCap Investments Limited	-	353,547
BAS 37.84 (a) Balance as on 31 December	43,449,206	39,530,668

14.3 Interest suspense

BAS 37.84 (a) Balance as on 1 January	200,243,504	255,848,153
BAS 37.84 (b) Add: Transferred during the year	75,621,958	119,938,414
Less: Amount of interest suspense recovered	44,351,255	93,450,485
Less: Adjusted during the year		37,804,158
Less: Write off during the year	35,445,307	44,288,420
BAS 37.84 (a) Balance as on 31 December	196,068,900	200,243,504

Bangladesh Bank's FID circular no. 3 of 2006 requires that interest on loans/leases classified as SMA and above will be credited to interest suspense account, instead of crediting the same to income account. In accordance with the above circular interest on various loan/lease facilities classified as SMA, SS, DF and BL, has been set-aside in this account.

14.3.1 Product wise interest suspense accounts

On lease finance	93,981,677	79,995,180
On term finance	102,087,223	120,248,324
	196,068,900	200,243,504

14.3.1 a Interest suspense (Consolidated)

Union Capital Limited	196,068,900	200,243,504
UniCap Securities Limited	8,500,000	8,500,000
UniCap Investments Limited	534,358,084	220,528,870
Balance as on 31 December	738,926,984	429,272,374

14.4 Provision for tax

Provision for tax comprises provision for current tax and provision for deferred tax as well.

Provision for current tax

The Company calculated taxable profit/losses based on Income Tax Ordinance 1984 and determined current tax liability as per applicable rate enacted by Finance Act 2016.

BAS 37.84 (a) Balance at 1 January	1,181,598,282	973,998,874
BAS 37.84 (b) Add :Provision made during the year	194,014,949	207,599,408
Less: Transferred to/(from) during the year	-	-
BAS 37.84 (a) Balance at 31 December	1,375,613,231	1,181,598,282

While estimating the current income tax for the year ended 31 December 2016, 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.

BAS 1.77 **14.4.a Provision for current tax (consolidated)**

Union Capital Ltd.	194,014,949	207,599,408
UniCap Securities Limited	39,900,000	26,583,780
UniCap Investments Ltd.	208,014	17,813,285
Balance at 31 December	234,122,963	251,996,473

Union Capital Limited

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14.5 Financial expenses payable

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

Interest payable on term deposits	323,309,246	337,807,015
Interest payable on cash security	128,832,656	127,127,540
Interest payable on long term borrowings	21,952,291	16,379,279
Interest payable on short term borrowings	-	27,389
Balance at 31 December	474,094,193	481,341,223

BAS 1.77 **14.6 Deferred liability-employee gratuity**

Balance at 1 January	9,596,000	8,182,704
Add : Addition during the year	3,043,501	2,529,202
Less: Paid during the year	111,000	1,115,906
Balance at 31 December	12,528,501	9,596,000

BAS 1.77 **14.7 Accrued expenses and other payable**

Management expenses	1,638,227	5,993,244
Unclaim dividend by shareholder	1,487,483	-
Others payables	2,709,610	2,750,291
Balance at 31 December	5,835,320	8,743,535

BAS 1.77 **14.a OTHER LIABILITIES (consolidated)**

Union Capital Limited	2,616,128,647	2,413,842,117
UniCap Securities Limited	932,295,119	674,589,521
UniCap Investments Limited	2,357,265,372	1,514,334,797
	5,905,689,138	4,602,766,435
Less: Inter-company transactions	1,936,513,115	1,445,048,193
Balance at 31 December	3,969,176,023	3,157,718,242

BAS 1.79 **15.0 Share capital**

As at 31 December 2016, a total number of 142,299,603 (2015: 132,900,283) ordinary shares of Tk.10 each were issued, subscribed and fully paid up. Details are as follows:

BAS 1.79 (a)(i)

Authorized capital

200,000,000 ordinary shares of Tk. 10 each	2,000,000,000	2,000,000,000
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BAS 1.79 (a)(ii)

Issued, subscribed and paid up capital:

132,990,283 ordinary shares of Tk.10 each	1,329,902,836	1,209,002,586
9,309,320 bonus shares	93,093,198	120,900,250
Total 142,299,603	1,422,996,034	1,329,902,836

BAS 1.79

Pattern of shareholdings

Directors/ Executives	Represented by	No. of shares held	Percentage
Enrilco Limited	Mr. Nadeem A. Chaudhury	6,516,008	4.58
Palmal Garments Hosiery Ltd.	Mrs. Tajrina Sikder	13,847,017	9.73
Palmal Garments Hosiery Ltd.	Mr. Kazi Russel Mahbub		
EC Securities Ltd.	Mr. Chowdhury Tanzim Karim	10,273,599	7.22
EC Securities Ltd.	Capt. Minhazur Reza Chowdhury		
Mr. M. Faizur Rahman	Self	6,564,343	4.61
Mr. Waqar A. Choudhury	Self	2,889,000	2.03
Mrs. Meherunnesa Haque	Self	2,881,082	2.02
Ms. Sabita Rezwana Rahman	Self	3,136,608	2.21
Mr. Mohammad Nurun Nabi FCA	Self	Nil	Nil
Mr. Md. Abdul Karim	Self	Nil	Nil
Mr. Md. Fayekuzzaman	Self	Nil	Nil
Mr. Mahmudul Alam	N/A	Nil	Nil

Union Capital Limited
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Composition of shareholdings

Composition of shareholdings as on 31 December 2016 was as under:

Group	No. of Shareholders		No. of Shares		Percentage	
	2016	2015	2016	2015	2016	2015
Sponsors (Institutions)	3	5	30,636,624	31,502,357	21.53	23.69
Sponsors (Individuals)	6	20	19,270,141	41,263,106	13.53	31.02
General Public (Institutions)	316	165	24,026,899	26,210,964	16.88	19.71
General Public (Individuals)	7,335	7,897	68,365,939	34,013,856	48.04	25.58
Total	7,660	8,087	142,299,603	132,990,283	100.00	100.00

Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2016 was as under:

Shareholding range	No. of Shareholders		No. of Shares		Percentage	
	2016	2015	2016	2015	2016	2015
Less than 500 shares	2,177	2,450	356,409	381,772	0.25	0.29
500 to 5,000 shares	4,059	4,484	7,568,638	8,050,655	5.32	6.05
5,001 to 10,000 shares	624	568	4,399,231	4,094,908	3.09	3.08
10,001 to 20,000 shares	337	284	4,782,188	4,017,381	3.36	3.02
20,001 to 30,000 shares	129	92	3,227,887	2,250,098	2.27	1.69
30,001 to 40,000 shares	64	46	2,261,374	1,566,275	1.59	1.18
40,001 to 50,000 shares	57	32	2,618,385	1,447,409	1.84	1.09
50,001 to 100,000 shares	91	46	6,487,235	3,093,831	4.56	2.33
100,001 to 1,000,000 shares	98	57	29,891,626	16,698,032	21.01	12.56
Over 1,000,000 shares	24	28	80,706,630	91,389,922	56.72	68.72
Total	7,660	8,087	142,299,603	132,990,283	100.00	100.00

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	1,422,996,034	1,329,902,836
Share premium	-	-
Statutory reserves	414,474,598	364,815,071
General reserves	-	-
Retained earnings	150,944,883	164,915,661
Sub-Total	1,988,415,515	1,859,633,568

Supplementary capital (Tier-2)

General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet ex	192,309,769	152,879,054
Asset revaluation reserves up to 50%	-	-
Revaluation reserve for securities upto 45%	-	-
Revaluation reserve for equity instrument upto 10%	-	-
All other preference shares	400,000,000	500,000,000
Other (if any item approved by Bangladesh Bank)	-	-
Sub-Total	592,309,769	652,879,054
Total eligible capital (A)	2,580,725,284	2,512,512,622

Total risk weighted assets (RWA) (B)	20,065,489,859	18776214934
Required capital based on risk weighted assets (10% of B) (C)	2,006,548,986	1,877,621,493
Capital surplus (A-C)	574,176,298	634,891,128
Capital adequacy ratio (%) (A/B*100)	12.86%	13.38%

Union Capital Limited

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As at 31 December	2016	2015
Consolidated Basis		
Core capital (Tier-1)		
Paid up capital	1,422,996,034	1,329,902,836
Share premium	-	-
Statutory reserves	414,474,598	364,815,071
General reserves	-	-
Non-controlling interest	190	180
Retained earnings	193,332,146	197,184,426
Sub-Total	2,030,802,968	1,891,902,513
Supplementary capital (Tier-2)		
General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet ex	235,807,674	228,697,985
Asset revaluation reserves up to 50%	51,012,180	51,012,180
Revaluation reserve for securities upto 45%	-	-
Revaluation reserve for equity instrument upto 10%	-	-
All other preference shares	400,000,000	500,000,000
Other (if any item approved by Bangladesh Bank)	-	-
Sub-Total	686,819,854	779,710,165
Total eligible capital (A)	2,717,622,822	2,671,612,678
Total risk weighted assets (RWA) (B)	22,963,897,069	20,029,983,776
Required capital based on risk weighted assets (10% of B) (C)	2,296,389,707	2,002,998,378
Capital surplus (A-C)	421,233,115	668,614,300
Capital adequacy ratio (%) (A/B*100)	11.83%	13.34%

16.0 Preference share capital

40 cumulative non-convertible preference share of Tk. 10,000,000 each (fully paid up)	400,000,000	500,000,000
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16.1 Details of preference share capital

The Company issued 50 cumulative non-convertible redeemable preference share of Tk. 10,000,000 each to the tune of Tk. 500,000,000 in March 2015. Rate of dividend payable on the preference shares is 12.50 percent per annum. Particulars of the subscribers are as follows:

Name of subscriber	No. of shares	Amount subscribed	Outstanding	Outstanding
Bangladesh Fund	10	100,000,000	80,000,000	100,000,000
NRB Global Bank Ltd.	10	100,000,000	80,000,000	100,000,000
National Housing Finance Co. Ltd.	5	50,000,000	40,000,000	50,000,000
DBH Corporation Ltd.	5	50,000,000	40,000,000	50,000,000
Uttara Finance & Investment Co. Ltd.	5	50,000,000	40,000,000	50,000,000
Brac Bank Ltd.	5	50,000,000	40,000,000	50,000,000
Midland Bank Ltd.	5	50,000,000	40,000,000	50,000,000
NRB Bank Ltd.	5	50,000,000	40,000,000	50,000,000
Total	50	500,000,000	400,000,000	500,000,000

BAS 1.77 **17.0 STATUTORY RESERVE**

Balance as on 1 January	364,815,071	323,835,724
Add: Transferred from profit during the year	49,659,527	40,979,347
Balance as on 31 December	414,474,598	364,815,071

BAS 1.77 **18.0 Retained earnings**

Balance as on 1 January	164,915,661	169,295,784
Less: Issuance of bonus shares (2015)	(93,093,198)	(120,900,250)
Less: Cash dividend (2015)	(66,495,142)	-
Add: Profit after tax for the year	248,297,634	204,896,735
Less: Dividend on preference shares	(53,020,545)	(47,397,261)
Less: Transferred to statutory reserve	(49,659,527)	(40,979,347)
	150,944,883	164,915,661

BAS 1.77 **18.a RETAINED EARNINGS (consolidated)**

Balance as on 1 January	197,184,426	172,313,739
Less: Issuance of bonus shares (2015)	(93,093,198)	(120,900,250)
Less: Cash dividend paid (2015)	(66,495,142)	-
Add: Profit after tax for the year	258,416,131	234,147,546
Less: Dividend on preference shares	(53,020,545)	(47,397,261)
Less: Transferred to statutory reserve	(49,659,527)	(40,979,347)
Balance as on 31 December	193,332,146	197,184,426

Union Capital Limited**Notes to the audited financial statements**

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BAS 1.97 19.0 INCOME STATEMENT**Income**

Interest, discount and similar income (note 20)	1,947,088,084	2,040,278,205
Dividend income (note 22)	13,723,324	7,573,366
Fees, commission, exchange and brokerage (note 23)	12,203,197	3,338,683
Gains less losses arising from investment in securities (note 22)	(5,156,331)	(108,456,165)
Other operating income (note 24)	47,234,991	23,271,515
Total income	2,015,093,265	1,966,005,604

Expenses

Interest paid on deposits, borrowings etc. (Note 21)	1,213,983,464	1,299,588,158
Administrative expenses (note 19.1)	108,541,059	96,145,442
Depreciation and impairment on company assets	7,535,558	7,586,805
Other operating expenses	16,607,288	14,727,211
Provision for leases, loans, advances and investments	225,236,585	137,042,251
Total expenses	1,571,903,954	1,555,089,867

BAS 1.97 19.1 ADMINISTRATIVE EXPENSES

Salary and allowances (note 25)	77,251,258	67,785,591
Rent, taxes, insurance, electricity, etc (note 26)	16,304,297	15,116,581
Legal expenses	748,120	2,299,126
Postage, stamp, telecommunication, etc (note 27)	2,136,956	2,166,262
Stationery, printings, advertisements, etc (note 28)	3,977,968	4,413,172
Managing Director's salary and allowances (note 29)	6,428,710	3,158,710
Directors' fees (note 30)	1,504,000	1,045,000
Auditors' fees (note 31)	189,750	161,000
	108,541,059	96,145,442

Union Capital Limited
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	2016	2015
BAS 18.35 (b) 20.0 INTEREST INCOME		
Income from lease finance	233,536,999	383,638,018
Income from term finance	988,519,415	1,011,052,594
Income from home finance	388,655	421,502
Interest on loan to subsidiaries	637,966,948	613,911,153
Interest on bank deposits	84,972,359	29,807,980
Income form other finance	1,703,709	1,446,958
Total	1,947,088,085	2,040,278,205
BAS 1.97 20.a INTEREST INCOME (consolidated)		
Union Capital Limited	1,947,088,085	2,040,278,205
UniCap Securities Limited	127,548,647	99,808,606
UniCap Investments Limited	496,452,879	530,902,422
	2,571,089,611	2,670,989,234
Less: Inter-company transactions	637,966,948	613,911,153
	1,933,122,663	2,057,078,081
BAS 1.97 21.0 INTEREST PAID ON DEPOSITS, BORROWINGS, etc.		
Interest on bank loan	119,703,272	116,296,212
Interest on JICA fund	26,962,931	30,769,591
Interest on Agriculture refinance fund	1,296,919	355,035
Interest on women entrepreneur fund	4,352,492	3,640,750
Interest on term deposits	966,296,072	1,018,686,826
Interest on money at call & short notice	37,730,534	57,642,514
Interest on cash security deposit	56,443,454	70,243,518
Interest on obligation under capital leases	-	355,700
Bank charges	1,197,790	1,598,012
Total	1,213,983,464	1,299,588,158
BAS 1.97 21.a INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)		
Union Capital Limited	1,213,983,464	1,299,588,158
UniCap Securities Limited	194,637,973	136,006,901
UniCap Investments Limited	522,117,521	522,264,317
	1,930,738,958	1,957,859,375
Less: Inter-company transactions	637,966,948	613,911,153
	1,292,772,010	1,343,948,222
BAS 18.35 (b) 22.0 INVESTMENT INCOME		
Capital gain/(loss) on sale of securities (note 22.1)	(5,156,331)	(108,456,165)
Dividend income	13,723,324	7,573,366
Total	8,566,993	(100,882,799)
BAS 1.97 22.1. CAPITAL GAIN ON SALE OF SECURITIES		
Gain on sales of shares	23,958,188	14,004,082
Loss on sales of shares	(29,114,519)	(122,460,247)
Net gain/(loss) from sale of securities	(5,156,331)	(108,456,165)
BAS 1.97 22.a INVESTMENT INCOME (consolidated)		
Union Capital Limited	8,566,993	(100,882,799)
UniCap Securities Limited	60,681,694	18,102,453
UniCap Investments Limited	1,037,188	(18,022,137)
	70,285,875	(100,802,483)
Less: Inter-company transactions	-	-
	70,285,875	(100,802,483)
BAS 18.35 (b) 23.0 FEES, COMMISSIONS, EXCHANGE AND BROKERAGE		
Processing and documentation fees	12,203,197	9,144,958
Issue management fee	-	(400,000)
Underwriting commission	-	(5,406,275)
Total	12,203,197	3,338,683

Union Capital Limited**Notes to the audited financial statements**

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BAS 1.97 **23.a FEES, COMMISSIONS, EXCHANGE AND BROKERAGE (consolidated)**

Union Capital Limited	12,203,197	3,338,683
UniCap Securities Limited	180,234,226	110,453,805
UniCap Investments Limited	39,966,266	48,724,677
Total	232,403,689	162,517,165

BAS 18.35 (b) **24.0 OTHER OPERATING INCOME**

Delinquent interest, IDCP etc.	9,998,698	8,602,193
Renewals and proceeds	16,418,502	9,814,831
Gain/(loss) on sale of fixed assets	147,201	190,263
Others	20,670,590	4,664,228
Total	47,234,991	23,271,515

BAS 1.97 **24.a OTHER OPERATING INCOME (consolidated)**

Union Capital Limited	47,234,991	23,271,515
UniCap Securities Limited	4,955,801	3,432,484
UniCap Investments Limited	806,182	100,569
Total	52,996,974	26,804,568

BAS 1.104 **25.0 SALARIES AND OTHER EMPLOYEE BENEFITS**

Salaries & allowances (a)	71,039,999	58,615,073
Festival and incentive bonus	6,211,259	9,170,518
Total	77,251,258	67,785,591

Salaries and allowances include contribution to approved Provident Fund and Gratuity Fund amounting to Tk.5,587,131 and Tk. 5,345,941 for the year 2016 and 2015 respectively.

BAS 1.97 **25.a SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)**

Union Capital Limited	77,251,258	67,785,591
UniCap Securities Limited	42,755,357	34,063,313
UniCap Investments Limited	8,297,203	7,963,434
Total	128,303,818	109,812,338

BAS 1.97 **26.0 RENT, TAXES, INSURANCE, ELECTRICITY etc.**

Office rent, rates and taxes	13,627,498	12,922,569
Insurance	219,969	113,709
Power and electricity	2,456,830	2,080,303
Total	16,304,297	15,116,581

BAS 1.97 **26.a RENT, TAXES, INSURANCE, ELECTRICITY etc. (consolidated)**

Union Capital Limited	16,304,297	15,116,581
UniCap Securities Limited	14,519,955	12,487,709
UniCap Investments Limited	5,062,793	4,948,090
Total	35,887,045	32,552,380

BAS 1.97 **27.0 POSTAGE, STAMP, TELECOMMUNICATION etc.**

Postage	189,075	122,347
Telegram, telex, fax and e-mail	547,914	697,269
Telephone - office	1,399,967	1,346,646
Total	2,136,956	2,166,262

BAS 1.97 **27.a POSTAGE, STAMP, TELECOMMUNICATION etc. (consolidated)**

Union Capital Limited	2,136,956	2,166,262
UniCap Securities Limited	2,390,909	1,990,074
UniCap Investments Limited	333,034	268,419
Total	4,860,898	4,424,755

Union Capital Limited**Notes to the audited financial statements**

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BAS 1.97 **28.0 STATIONERY, PRINTING, ADVERTISEMENTS etc.**

Printing and stationery	1,535,900	1,094,747
Advertisement and publicity	2,442,068	3,318,425
Total	3,977,968	4,413,172

BAS 1.97 **28.a STATIONERY, PRINTING, ADVERTISEMENTS etc.(consolidated)**

Union Capital Limited	3,977,968	4,413,172
UniCap Securities Limited	507,371	660,551
UniCap Investments Limited	240,562	225,117
Total	4,725,901	5,298,840

29 MANAGING DIRECTOR'S SALARY AND FEES **6,428,710** **3,158,710**

In addition to remuneration, the Managing Director & CEO is also provided with Company's car and cell phone.

BAS 1.97 **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. Details are as under:

Total Board meetings (nos.)	18	16
Total Board Audit Committee meetings (nos.)	4	5
Total Board Executive Committee meetings (nos.)	2	7
Total fees paid	1,504,000	1,045,000
Total members of the Board (nos.)	12	12
Quorum for Board meeting (nos.)	5	5
Average number of Directors present in the Board meetings (nos.)	9.71	8.88
Quorum for Board Audit Committee Meeting (nos.)	2	2
Average no. of Directors present in the Audit Committee meetings (nos.)	3.50	3.60
Quorum for Board Executive Committee meeting (nos.)	2	2
Average no. of Directors present in the Executive Committee meetings (nos.)	4.50	4.43

BAS 1.97 **30.a DIRECTORS' FEES (consolidated)**

Union Capital Limited	1,504,000	1,045,000
UniCap Securities Limited	287,500	437,000
UniCap Investments Limited	82,110	149,500
Total	1,873,610	1,631,500

BAS 1.97 **31.0 AUDITORS' FEE**

Auditors' fee	165,000	140,000
VAT on audit fee	24,750	21,000
Total	189,750	161,000

BAS 1.97 **31.a AUDITORS' FEE (consolidated)**

Union Capital Limited	189,750	161,000
UniCap Securities Limited	115,000	97,750
UniCap Investments Limited	77,000	57,500
Total	381,750	316,250

BAS 1.104 **32.0 DEPRECIATION AND REPAIR OF ASSETS**

Depreciation of fixed assets-freehold	4,575,523	4,876,137
Depreciation of fixed assets-leasehold vehicle	148,665	1,168,669
Amortization of intangible assets	164,367	142,156
Repairs and maintenance of assets	320,385	256,194
Office maintenance	2,326,618	1,143,649
Total	7,535,558	7,586,805

Union Capital Limited
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BAS 1.97 **32.a DEPRECIATION AND REPAIR OF ASSETS (consolidated)**

Union Capital Limited	7,535,558	7,586,805
UniCap Securities Limited	5,845,190	3,782,141
UniCap Investments Limited	1,891,368	2,308,337
Total	15,272,116	13,677,283

BAS 1.97 **33.0 OTHER EXPENSES**

HR development	419,526	315,901
Travelling and conveyance	5,081,487	4,038,461
Motor vehicle expenses	1,174,325	953,258
Subscription and fees	2,407,737	1,299,239
Books, magazines, newspapers, etc	33,345	52,973
AGM expenses (note 33.1)	1,908,721	1,863,682
Entertainment and public relation & others	4,611,487	5,335,649
Donation	970,660	868,048
Total	16,607,288	14,727,211

BAS 1.97 **33.1. AGM EXPENSES**

Rent for venue	80,500	69,000
Printing of annual report and database	1,616,750	1,666,160
Publication of notice	55,220	55,350
Entertainment	134,111	46,345
Others	22,140	26,827
Total	1,908,721	1,863,682

BAS 1.97 **33.a OTHER EXPENSES (consolidated)**

Union Capital Limited	16,607,288	14,727,211
UniCap Securities Limited	32,600,566	22,488,665
UniCap Investments Limited	867,732	993,377
	50,075,586	38,209,253
Less: Inter-company transactions	-	-
Total	50,075,586	38,209,253

BAS 1.97 **34 RECEIPTS FROM OTHER OPERATING ACTIVITIES**

Delinquent interest, IDCP etc.	9,998,698	8,602,193
Renewals and proceeds	16,418,502	9,814,831
Interest on deposits	84,972,359	29,807,980
Others	147,201	190,263
Total	111,536,760	48,415,267

BAS 1.97 **35 PAYMENTS FOR OTHER OPERATING ACTIVITIES**

HR development	419,526	315,901
Travelling and conveyance	5,081,487	4,038,461
Motor vehicle expenses	1,174,325	953,258
Subscription and fees	2,407,737	1,299,239
Books, magazines, newspapers, etc	33,345	52,973
AGM expenses	1,908,721	1,863,682
Entertainment and public relation & others	4,611,487	5,335,649
Donation	970,660	868,048
Total	16,607,288	14,727,211

Union Capital Limited
Notes to the audited financial statements

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BAS 33.70 **36 EARNINGS PER SHARE**

Earnings Per Share (EPS) is calculated in accordance with Bangladesh Accounting Standard 33: *Earnings Per Share* which has been shown on the face of Profit and Loss account.

Basic earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders of Tk. 195,277,089 (2015: Tk. 157,499,474) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2016 was 142,299,603 (2015: 132,990,283).

Profits attributable to ordinary shareholders

Net profit for the year	195,277,089	157,499,474
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BAS 33.70 (b) **Weighted average number of ordinary shares**

Ordinary shares at 1 January	132,990,283	120,900,259
Bonus shares issued	9,309,320	12,090,025
Weighted average number of ordinary shares at 31 December	142,299,603	132,990,283
Restated weighted average number of ordinary shares	142,299,603	142,299,603
Earnings per share	1.37	1.18
Earnings per share (restated)	1.37	1.11

Diluted earnings per share

The dilutive effect relates to the average number of potential ordinary share held under option of convertibility. There was no such dilutive potential ordinary share during the year 2016 and hence no diluted earnings per share is required to be calculated.

BAS 1.97 **36.a EARNINGS PER SHARE (consolidated)**

Profits attributable to ordinary shareholders

Net profit for the year (consolidated)	205,395,586	186,750,285
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Weighted average number of ordinary shares

Ordinary shares at 1 January	132,990,283	120,900,259
Bonus shares issued	9,309,320	12,090,025
Weighted average number of ordinary shares at 31 December	142,299,603	132,990,283
Restated weighted average number of ordinary shares	142,299,603	142,299,603
Earnings per share- consolidated	1.44	1.40
Earnings per share- consolidated (restated)	1.44	1.31

BAS 1.97 **37 OPERATING SEGMENT REPORT (consolidated)**

	For the year 2016			
	Core financing business	Investment Banking Business	Brokerage Business	Total
Revenue and profit				
<i>External revenue</i>				
Net Interest Income	733,104,621	(25,664,642)	(67,089,326)	640,350,653
Investment Income	8,566,993	1,037,189	60,681,694	70,285,876
Fees, commissions, exchange and brokerage	12,203,197	39,966,267	180,234,226	232,403,690
Other operating Income	47,234,991	806,182	4,955,801	52,996,974
Total segment revenue	801,109,802	16,144,997	178,782,394	996,037,192
Other operating expenses	127,474,965	15,248,243	93,198,888	235,922,096
<i>Major non-cash expenses:</i>				
Depreciation	5,208,940	1,627,837	5,831,585	12,668,362
Provision for future losses	225,236,587	(353,547)	29,147,862	254,030,902
	357,920,492	16,522,533	128,178,335	502,621,361
Reportable segment profit before tax	443,189,310	(377,537)	50,604,058	493,415,832

Union Capital Limited
Notes to the audited financial statements

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	For the year 2015			
	Core financing business	Investment Banking Business	Brokerage Business	Total
Revenue and profit				
<i>External revenue</i>				
Net Interest Income	740,690,047	8,638,106	(36,198,294)	713,129,859
Investment Income	(100,882,799)	(18,022,137)	18,102,453	(100,802,483)
Fees, commissions, exchange and brokerage	3,338,683	48,724,677	110,453,805	162,517,165
Other operating Income	23,271,515	100,569	3,432,484	26,804,568
Inter-segment revenue	-	-	-	-
Total segment revenue	666,417,446	39,441,215	95,790,447	801,649,109
Other operating expenses	112,016,302	15,672,502	72,424,530	200,113,334
<i>Major non-cash expenses:</i>				
Depreciation	6,443,156	1,262,994	3,633,964	11,340,114
Provision for future losses	137,042,248	10,353,547	(41,763,780)	105,632,015
	255,501,706	27,289,042	34,294,714	317,085,462
Reportable segment profit before tax	410,915,740	12,152,173	61,495,734	484,563,647

Segment assets and liabilities

	For the year 2016			
	Core financing business	Investment Banking Business	Brokerage Business	Total
External Assets				
Total assets	20,952,861,219	6,392,263,531	2,406,782,016	29,751,906,766
Inter-segment assets	(6,699,320,983)	-	-	(6,699,320,983)
Total segment assets	14,253,540,236	6,392,263,531	2,406,782,016	23,052,585,783
External Liabilities				
Total liabilities	18,564,445,704	6,124,670,061	2,107,464,903	26,796,580,667
Inter-segment liabilities	-	(5,125,570,553)	(1,151,251,660)	(6,276,822,212)
Total segment liabilities	18,564,445,704	999,099,508	956,213,243	20,519,758,455

Segment assets and liabilities

	For the year 2015			
	Core financing business	Investment Banking Business	Brokerage Business	Total
External Assets				
Total assets	19,016,162,957	5,692,765,446	1,897,161,582	26,606,089,984
Inter-segment assets	(6,340,356,061)	-	-	(6,340,356,061)
Total segment assets	12,675,806,896	5,692,765,446	1,897,161,582	20,265,733,923
External Liabilities				
Total liabilities	16,656,529,389	5,424,586,432	1,683,548,517	23,764,664,338
Inter-segment liabilities	-	(4,766,370,098)	(1,226,487,191)	(5,992,857,289)
Total segment liabilities	16,656,529,389	658,216,333	457,061,327	17,771,807,049

38 AVERAGE EFFECTIVE TAX RATE

The average effective tax rate is calculated below as per Bangladesh Accounting Standard (BAS) 12: *Income Taxes*.

	2016	2015
Tax expenses	194,891,676	206,019,005
Accounting profit before tax	443,189,310	410,915,740
Average effective tax rate	43.97%	50.14%

38.a AVERAGE EFFECTIVE TAX RATE (consolidated)

The consolidated average effective tax rate is calculated below as per Bangladesh Accounting Standard (BAS) 12: *Income Taxes*.

	2016	2015
Tax expenses	234,999,690	250,416,070
Accounting profit before tax	493,415,832	484,563,647
Average effective tax rate	47.63%	51.68%

Union Capital Limited**Notes to the audited financial statements**

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39 (INCREASE)/DECREASE IN OTHER ASSETS

Accrued interest	(49,321,595)	(12,227,485)
Advance office rent	(996,751)	2,253,756
Advance to employees	(146,776)	(113,400)
Receivable from brokerage houses against sale of shares	70,232,797	(141,183,415)
Others	(323,196,759)	(99,453,690)
	(303,429,084)	(250,724,234)

40 INCREASE/(DECREASE) IN OTHER LIABILITIES

Interest suspense	(4,174,604)	(99,893,069)
Financial expenses payable	(7,247,030)	42,248,748
Obligation under capital lease	-	(3,374,054)
Excise duty	2,881,601	866,063
Withholding tax payable	(13,168,607)	(832,778)
VAT payable	322,179	(298,988)
Accrued expenses and other payable	(9,455,169)	43,720,197
	(30,841,630)	(17,563,880)

41 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 2016 was 142,299,603 and the market value per share of last trading day (31 December 2016) was Tk. 20.50 in DSE. Thus market capitalization based on DSE value was Tk. 2,917.14 million (2015: Tk. 1,928.36 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.

	Quarters	DSE		CSE	
		High	Low	High	Low
High-low share price	First quarter	16.60	13.30	16.30	13.50
	Second quarter	14.20	11.10	14.10	11.00
	Third quarter	13.70	10.50	13.70	10.50
	Fourth quarter	20.50	12.00	20.40	12.00
No. of shareholders	There were 7,660 shareholders as per share register as on 31 December 2016.				

BAS 24.12, 24.17 **42 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 Bangladesh Accounting Standard 24: *Related Party Disclosures*. The Company extends loans/leases to related parties including its directors and related companies. These related party loans/leases were made at the competitive terms including interest rates and collateral requirements, as those offered to other customers of similar credentials. During 2016, there were no loans/leases to related parties that were charged off.

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 2016 was as under:

Name of the related party	Relationship	Nature of transaction	2016	2015
Chowdhury Tanzim Karim	The Chairman	Term deposit	(2,701,486)	(2,517,136)
Chowdhury Ania Karim	Daughter of Chowdhury Tanzim Karim, the Chairman	Term deposit	(100,000)	(100,000)
Chowdhury Isabell Karim	Daughter of Chowdhury Tanzim Karim, the Chairman	Term deposit	(100,000)	(100,000)
Tanzila Karim	Mother of Chowdhury Tanzim Karim, the Chairman	Term deposit	(9,413,619)	(8,472,116)
Marina Yasmin Chowdhury	Mother-in-law of Chowdhury Tanzim Karim, the Chairman	Term deposit	(17,668,484)	(28,446,451)
Nasiruddin Ahmad Choudhury	Father of Waqar A. Choudhury, Director	Term deposit	(10,000,000)	-
Sylvana Sikder	Spouse of Kazi Russel Mahbub, Director	Term deposit	(6,000,000)	-
Meherunnesa Haque	Director	Term deposit	(25,000,000)	(5,000,000)
EC Securities Limited	Shareholder of the Company	Term deposit	(10,951,000)	-
UniCap Investments Limited	Subsidiary Company	Term deposit	(824,458)	-
Kazi Golam Rahman	Father of Mrs. Sabita Rezwana Rahman, Director	Term deposit	-	(2,204,500)
Green Delta Insurance Company Ltd.	Mother of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance	Term deposit	(77,449,371)	(71,975,926)
Progressive Life Insurance Co. Ltd.	Father of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance	Term deposit	(107,422,300)	(86,703,205)
Vanguard AML BD Finance Mutual Fun	Common Directors	Term deposit	(126,245,000)	(104,995,000)
Green Delta Insurance Company Ltd.	Mother of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance	Lease finance	11,673,108	29,375,409
UniCap Securities Limited	Subsidiary Company	Inter-company	884,306,637	937,694,046
UniCap Investments Limited	Subsidiary Company	Inter-company	5,092,322,086	4,757,990,015
Total			5,594,426,113	5,414,545,136

43 PARTICULARS OF THE DIRECTORS

SI no.	Name of the Directors/ Shareholding company	Represented by	Designation	Address	% of shares as at 31 December
1	EC Securities Ltd.	Chowdhury Tanzim Karim	Chairman	East Coast Center SWG-8, Gulshan Avenue, Dhaka 1212	7.22
2	EC Securities Ltd.	Capt. Minhazur Reza Chowdhury	Director	East Coast Center SWG-8, Gulshan Avenue, Dhaka 1212	
3	Palmal Garments Hosiery Ltd.	Tajrina Sikder	Director	House # 2/B, Road # 29, Gulshan – 1, Dhaka-1212	9.73
4	Palmal Garments Hosiery Ltd.	Kazi Russel Mahbub	Director	House # 2/B, Road # 29, Gulshan – 1, Dhaka-1212	
5	Mrs. Sabita Rezwana Rahman	Self	Director	Royal Concord, Apt # 304, House # 54, Road # 84, Gulshan -2, Dhaka 1212	2.21
6	Waqar Ahmed Choudhury	Self	Director	House # 5, Road # 87, Gulshan-2, Dhaka-1212	2.03
7	Enrilco Limited	Nadeem A. Chaudhury	Director	Navana Ellsworth (8th floor), House # 01, Road # 23, Banani, Block-B, Dhaka-1213	4.58
8	M. Faizur Rahman	Self	Director	House no. 33, Road no. 12, Baridhara, Dhaka	4.61
9	Meherunnesa Haque	Self	Director	House no.73, Road no.7/A, Dhanmondi Residential Area, Dhaka	2.02
10	Mohammad Nurun Nabi FCA	Self	Independent Director	Altashish Bhaban, 39/5/3 (279), Purbo Hajipara, Rampura, Dhaka 1219	-
11	Md. Abdul Karim	Self	Independent Director	House # 207/A, Road # 10, DOHS Mohakhali, Dhaka 1206	-
12	Md. Fayekuzzaman	Self	Independent Director	Flat # A3, House # 277, Road # 10, Block-A, Bashundhara R/A, Dhaka	-
13	Mahmudul Alam	Ex-officio	Managing Director & CEO	Flat-B2, House # 70, Road # 11/A, Dhanmondi R/A, Dhaka-1205	-

44 DIRECTORS AND THE ENTITIES IN WHICH THEY HAVE INTEREST

SI	Name of the Directors	Designation	
1	Chowdhury Tanzim Karim	Chairman	1. UniCap Investments Limited 2. UniCap Securities Limited
2	M. Faizur Rahman	Director	1. Asian Surveyors Ltd. 2. UniCap Securities Ltd.
3	Waqar A. Choudhury	Director	1. Vanguard Asset Management Limited 2. WAC Equity Management Limited 3. Rancom Trading Private Limited
4	Nadeem A. Chaudhury	Director	1. Enrilco Limited 2. Green Delta Securities Ltd. 3. Green Delta Capital Limited
5	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.
6	Capt. Minhazur Reza Chowdhury	Director	Nil
7	Mrs. Sabita Rezwana Rahman	Director	Nil
8	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.
9	Kazi Russel Mahbub	Director	Floral Accessories Ltd.
10	Mohammad Nurun Nabi FCA	Independent Director	1. Skeftch Pvt. Ltd. 2. Krishi Biplob Ltd. 3. Shikarpur Horticulture Ltd. 4. Debonair Ltd. 5. Orbitex Ltd. 6. AZWA Developments Ltd. 7. ACNABIN Associates Ltd. 8. Dinajpur Super Meat Products Ltd. 9. Intercontinental Business Ltd. 10. Shine Embroidery Ltd. 11. WIN WIN Setabgonj Auto Bricks Ltd. 12. WIN WIN International Ltd. 13. AMTRAS Ltd. 14. SABAH Bangladesh 15. Health & Education for less Privileged People 16. WIN WIN Jalalabad Auto Bricks Indus. Ltd.
11	Md. Abdul Karim	Independent Director	1. UniCap Securities Ltd. 2. Green Delta Insurance Co. Ltd.
12	Md. Fayekuzzaman	Independent Director	1. National Tea Company Limited 2. HF Asset Management Limited

45 DISCLOSURE ON THE BOARD AUDIT COMMITTEE

Composition of audit committee

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

Name	Status with the Company	Status with the Committee	Educational Qualification
Mohammad Nurun Nabi FCA	Independent Director	Chairman	Bachelor of Science from Karachi University
M. Faizur Rahman	Director	Member	Graduate from University of Dhaka
Nadeem A. Chaudhury	Director	Member	Graduate in Civil Engineering
Tajrina Sikder	Director	Member	Graduate from ABAC University of Thailand
Sabita Rezwana Rahman	Director	Member	M.Sc. in Microbiology from Dhaka Univ

Audit committee meetings held during the year

Sl no.	Meeting no.	Meeting date
1	39 th Audit Committee Meeting	30.Mär.16
2	40 th Audit Committee Meeting	29.Okt.16
3	41 th Audit Committee Meeting	26.Dez.16
4	42 th Audit Committee Meeting	28.Dez.16

The committee discussed the following issues during the year

- Reviewed the draft consolidated financial statements for the year ended 31 December 2015 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
- 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 2016 and fixation of their remuneration.
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2015.
- Reviewed the quarterly financial statements for the year 2016.
- Reviewed the inspection report of Bangladesh Bank for the year 2015 and management response thereon.
- Reviewed quarterly operation report of the Company for the year 2016.

46 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	
	2016	2015
Lease and term finance commitments outstanding at 31 December	684.10	962.86
Real estate finance commitments outstanding at 31 December	-	-
	684.10	962.86

47 CAPITAL EXPENDITURE COMMITMENTS

There was no capital expenditure contracted but not incurred or provided as at 31 December 2016. There was no material capital expenditure authorised by the Board but not contracted as at 31 December 2016.

48 UNACKNOWLEDGED DEBT

The Company had no claim, legal or other, against it which has not been acknowledged as debt at the balance sheet date.

49 NEW CONTRACTS/SANCTIONS AND DISBURSEMENTS

During the year the Company contracted and disbursed the following amount:

	In million Taka			
	2016		2015	
	Contracts/ Sanctions	Disbursements	Contracts/ Sanctions	Disbursements
Lease and term finance	6,383.71	6,662.47	3,389.88	3,363.02
Real estate finance	-	-	-	-
Car loan	-	-	-	-
	6,383.71	6,662.47	3,389.88	3,363.02

50 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.

51 BOARD MEETINGS AND NUMBER OF DIRECTORS

During the year 2016, 16 (sixteen) Board meetings were held. As on 31 December 2016, there were 9 (nine) members in the Board, excluding three Independent Directors and the Managing Director. As per FID circular no. 09 dated 11 September 2002, a non-banking financial institution shall have maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

52 NUMBER OF EMPLOYEES

As of 31 December 2016 a total number of 199 employees including subsidiaries (2015: 171) were employed in Union Capital Limited. Each of the employees received salary more than Tk. 36,000 per annum during the year 2016.

53 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.

54 IMPACT OF INFLATION AND CHANGING PRICES

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities.

Financial statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs. However, in some cases, particular BAS/BFRS specifically suggests to measure some assets/liabilities at fair value. Such as, BAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

55 EVENTS AFTER THE REPORTING PERIOD

55.1 Dividend for the year 2016

The Board of the Directors in its 237th meeting held on 07 May 2017 recommended 10% stock dividend amounting to BDT 142,299,603 for the year ended 31 December 2016 subject to the approval of the shareholders in the ensuing 20th Annual General Meeting (AGM).

55.2 Others

No other material event occurred after the reporting period, which could materially affect the amounts or disclosures in these financial statements.

56 FOREIGN CURRENCY EXPOSURE PROFILE

There were no foreign currency monetary assets or liabilities that would give rise to gains or losses in the profit and loss account.

57 COMPARATIVE FIGURES

Comparative information has been disclosed in respect of the year 2015 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 2015 have been restated, reclassified and rearranged whenever considered necessary to ensure comparability with the current period.

58 FINANCIAL HIGHLIGHTS

Key financial highlights of the Company are annexed as **Annexure-B**.

59 GEOGRAPHICAL AREA OF OPERATIONS

Union Capital Limited is currently operating in Chittagong, Gazipur, Narshingdi and Sylhet along with its other branches at Sonargaon Road, Gulshan and Motijheel in Dhaka.

60 INTERIM FINANCIAL STATEMENTS

Union Capital Limited publishes its interim financial statements quarterly as required by the Bangladesh Securities and Exchange Commission.

61 CHANGE IN AND DISAGREEMENT WITH AUDITORS

There were no changes and disagreement with the Auditors on accounting and financial disclosures.

62 DEPARTURE FROM BANGLADESH ACCOUNTING STANDARD (BAS) 1

According to DFIM Circular no. 11 dated 23 December 2009 there is no scope to use the name or include Statement of Financial Position and Other Comprehensive Income while preparing the financial statements. As such the Company does not use the caption and also not prepare the same.

63 DEPARTURE FROM BAS 39

The requirement of DFIM circular no. 11 dated 23 December 2009 contradict with the requirement of BAS 39 - *Financial Instruments: Recognition and Measurement*. As per BAS 39, investment in shares falls either under “at fair value through profit and loss account” or under “available for sale” where any change in the fair value at the year end is to be taken to profit and loss account or revaluation reserve respectively. Union Capital Limited followed the guidelines of Bangladesh Bank’s circular under which investment in both quoted and unquoted shares were recognized at cost and required provision has been made for the losses arising from diminution in value of investment.

64 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors of the Company on 07 May 2017.

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Union Capital Limited
Schedule of fixed assets as at 31 December 2016

Annexure-A

Figures in BDT

Particulars	BAS 16.73 (e)(i)				Rate of depreciation	BAS 16.73 (e)(vii)				Written down Value
	Cost					Depreciation				
	As at 1 Jan 2016	Addition during the year	Disposal/ adjustment during the year	As at 31 Dec 2016		As at 1 Jan 2016	Charged during the year	Disposal/ adjustment during the year	As at 31 Dec 2016	
Freehold assets										
Furniture and fixtures	7,031,438	225,100	180,250	7,076,288	20%	5,653,517	428,398	180,250	5,901,665	1,174,623
Office decoration	18,358,286	-	2,591,439	15,766,847	33%	17,415,045	498,852	2,591,433	15,322,464	444,383
Electrical equipment	26,532,142	972,150	482,782	27,021,510	20%	22,424,128	1,605,804	482,776	23,547,156	3,474,354
Owned vehicles	3,162,133	9,373,859	-	12,535,992	20%	1,947,409	2,042,469	-	3,989,878	8,546,114
Software	943,881	179,000	-	1,122,881	20%	627,819	164,367	-	792,186	330,695
Mobile Phone	367,085	-	-	367,085	20%	367,067	-	-	367,067	18
Staff appliance	41,329	-	-	41,329	20%	41,326	-	-	41,326	3
	56,436,294	10,750,109	3,254,471	63,931,932		48,476,311	4,739,890	3,254,459	49,961,742	13,970,190
Leasehold assets										
Leased vehicles	3,760,000	-	-	3,760,000	20%	3,611,335	148,664	-	3,759,999	1
As at 31 December 2016	60,196,294	10,750,109	3,254,471	67,691,932		52,087,646	4,888,554	3,254,459	53,721,741	13,970,191
As at 31 December 2015	64,622,212	754,415	5,180,333	60,196,294		48,400,738	6,186,959	2,500,051	52,087,646	8,108,648

Consolidated schedule of fixed assets as at 31 December 2016

Particulars	BAS 16.73 (e)(i)				Rate of depreciation	BAS 16.73 (e)(vii)				Written down Value
	Cost					Depreciation				
	As at 1 Jan 2016	Addition during the year	Disposal/ adjustment during the year	As at 31 Dec 2016		As at 1 Jan 2016	Charged during the year	Disposal/ adjustment during the year	As at 31 Dec 2016	
Freehold assets										
Furniture and fixtures	9,776,651	272,350	180,250	9,868,751	20%	6,525,063	969,336	180,250	7,314,149	2,554,602
Office decoration	27,590,928	21,315	2,591,439	25,020,804	33%	19,764,696	3,572,554	2,591,433	20,745,817	4,274,987
Electrical equipment	34,143,767	4,144,595	482,782	37,805,580	20%	24,105,031	3,437,713	482,776	27,059,968	10,745,612
Owned vehicles	8,362,133	14,098,859	-	22,460,992	20%	2,640,745	3,397,473	-	6,038,218	16,422,774
Software	3,658,894	334,500	-	3,993,394	20%	1,438,778	810,260	-	2,249,038	1,744,356
Mobile Phone	426,985	-	-	426,985	20%	380,041	11,976	-	392,017	34,968
Staff appliance	41,329	-	-	41,329	20%	41,326	-	-	41,326	3
	84,000,687	18,871,619	3,254,471	99,617,835		54,895,680	12,199,312	3,254,459	63,840,533	35,777,302
Leasehold assets										
Leased vehicles	3,760,000	-	-	3,760,000	20%	3,611,335	148,664	-	3,759,999	1
As at 31 December 2016	87,760,687	18,871,619	3,254,471	103,377,835		58,507,015	12,347,976	3,254,459	67,600,532	35,777,303
As at 31 December 2015	74,109,865	18,831,155	5,180,333	87,760,687		49,923,149	11,083,918	2,500,051	58,507,016	29,253,671

Annexure-B

Union Capital Limited
Highlights on the Overall Activities (as per Bangladesh Bank guidelines)
As at 31 December 2016

Figures in million BDT

Sl no.	Particulars	2016	2015
1.	Paid-up capital	1,423.00	1,329.90
2.	Total capital	2,580.73	2,512.51
3.	Capital surplus	574.18	634.89
4.	Total assets	20,952.86	19,016.16
5.	Total deposits	13,131.22	11,798.79
6.	Total loans, advances and leases	16,399.17	15,594.47
7.	Total contingent liabilities and commitments	684.10	962.86
8.	Credit deposit ratio	1.25	1.32
9.	Percentage of classified loans against total loans, advances and leases	8.44%	7.78%
10.	Profit after tax and provision	248.30	204.90
11.	Amount of classified loans during current year	1,383.67	1,212.92
12.	Provisions kept against classified loans	288.32	280.97
13.	Provision surplus against classified loan	33.33	13.10
14.	Cost of fund	8.42%	10.29%
15.	Interest earnings assets	17,718.60	16,517.85
16.	Non-interest earnings assets	3,234.26	2,498.31
17.	Return on investment (ROI)	10.46%	10.09%
18.	Return on assets (ROA)	1.19%	1.08%
19.	Income from investment	8.57	- 100.88
20.	Earnings per share (2015: restated)	1.37	1.11
21.	Net income per share (2015: restated)	1.37	1.11
22.	Price earnings ratio	14.94	12.24