



# Annual Report 2008



<b>CONTENTS</b>	<b>PAGE</b>
Notice of the Meeting	1
Company Information	2
Company Milestones	3
Chairman's Statement	4
Board of Directors' Report	5
Report on the activities of Audit Committee	6
Progress at a Glance	7
Auditors' Report to the shareholders	8
Balance Sheet	9
Profit and Loss Account	10
Statement of Changes in Equity	11
Cash Flow Statement	12
Notes to the Accounts	13
Proxy Form	14



## NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Nineteenth Annual General Meeting of the shareholders of United Leasing Company Limited will be held at the Banquet Hall of the Bangladesh-China Friendship Conference Centre (BCFCC), Agargaon, Sher-E-Bangla Nagar, Dhaka on Tuesday, March 31, 2009 at 11:00 a.m. to transact the following business:

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2008.
2. To declare Dividend for 2008.
3. To elect Directors as per Articles of Association of the Company.
4. To consider the appointment of Auditors for 2008 and fix their remuneration.
5. Approval of issuance of Bonds.
6. Authorization for issuance of Bonds and Debentures.

BY ORDER OF THE BOARD

Dated : Dhaka  
February 13, 2009

COMPANY SECRETARY

### Notes :

1. A Shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his/her stead. The proxy form must be affixed with a revenue stamp of Tk 8.00 and submitted to the Registered Office of the Company no later than 48 hours before the day of the Annual General Meeting.
2. February 28, 2008 is the Record Date.
3. Shareholders are requested to submit their queries on the Directors' Report and Audited Accounts, if any, at the Registered Office of the Company by Sunday, March 23, 2008.



## COMPANY INFORMATION

### Board of Directors

#### Chairman

Mr. Imran Ahmed

#### Nominated by

: Lawrie Group Plc, U.K.

#### Directors

Imran Ahmed

: Lawrie Group Plc

P.A. Leggatt, MBE

: Lawrie Group Plc, U.K.

A. Rouf

: Macalms Bangladesh Trust

S. Aziz Ahmad

: Surmah Valley Tea Company Limited

M.M. Alam

: The Allynugger Tea Company Limited

M.A. Azim

: The Chandpore Tea Company Limited

M. Moyeedul Islam

: United Insurance Company Limited

#### Ex- officio Director

Syed Ehsan Quadir

#### Independent Director

M. Abdul Wahed

#### Company Secretary

M. Ataul Hoque



## COMPANY INFORMATION

### Registered Office

Camellia House  
22 Kazi Nazrul Islam Avenue  
Dhaka - 1000  
PABX : (880-2) 9669006  
Fax : (880-2) 9662596  
Website : www.ulc.com.bd  
E-mail : webmail@ulc.com.bd

### Branches

#### Chittagong

Ispahan! Building  
31 Sheikh Mujib Road  
Agrabad Commercial Area  
PABX : (880-31) 714882  
Fax : (880-31) 713729  
E-mail : ctg@ulc.com.bd

#### Jessore

41 M.K. Road (2nd Floor)  
Telephone : (880-421) 68425, 68426  
E-mail : jes@ulc.com.bd

#### Gazipur

Islam Plaza (3rd Floor)  
Joydevpur Chowrasta  
Chandana  
Telephone : (880-2) 9257255  
E-mail : gaz@ulc.com.bd

#### Bogra

Saha Complex (2nd Floor), Jhawtola  
Kabi Nazrul Islam Road  
Telephone : (880-051) 69873  
E-mail : bog@ulc.com.bd

### Auditors

M.J. Abedin & Co.  
Chartered Accountants

### Legal Advisor

Orr, Dignam & Co.



## COMPANY MILESTONES

Incorporation of the Company	April 27, 1989
Commencement of operation	September 12, 1989
Public Issue of shares	March 28, 1994
Trading of shares on Dhaka Stock Exchange	June 23, 1994
Authorised capital increased	May 18, 2000
Commencement of Factoring Operation	October 03, 2005

### Branches opened

Chittagong Branch	June 16, 1994
Jessore Branch	December 26, 2005
Gazipur Branch	February 19, 2006
Bogra Branch	June 19, 2006



## CHAIRMAN'S STATEMENT

### Dear Shareholders:

It is indeed a great pleasure to welcome you all on behalf of the Board of Directors to the 20<sup>th</sup> Annual General Meeting of United Leasing Company Limited.

I feel privileged to brief you on the market scenario and the activities carried out during the year 2008 by your Company. I would also take this opportunity to update you on incidents and events happening after the balance sheet date as well as our future prospects.

### Economy

The economy achieved a GDP growth rate of 6.2% in fiscal year 2007-08, a little lower than 6.5% achieved in fiscal year 2006-07. The shares of agriculture, industry and service in the GDP were 20.9%, 29.7% and 49.4% respectively. Agricultural sector grew by 3.6% compared to 4.6% in the previous fiscal period. The industrial and service sector achieved growth rates of 6.9% and 6.7% in the fiscal year 2007-08 compared to 8.4% and 6.9% respectively in 2006-07.

Growth of domestic credit and credit to private sector remained strong throughout the year however Investment as percentage of GDP slightly decreased to 24.2 in FY08 from 24.5 in FY07. Throughout the year the country passed through a phase of uncertainty. Business community continued to suffer from lack of confidence which resulted in slower investment.

The economic environment of Bangladesh was also affected in the first half of 2008 due to soaring commodity prices in the international market, consequences of consecutive floods and devastating cyclone. Downturn of international fuel and food prices however, eased the domestic market in the second half of the year. Growth in workers' remittances helped the country in achieving a higher foreign exchange reserve of about US\$5.8 billion as on December 31, 2008.

### Industry

Financial institutions (FIs) witnessed a number of hurdles in 2008. Most of us faced a slow growth in lease financing business and recovery process of receivables was hampered due to business slowdown resulting from political uncertainty. Margins suffered due to high cost of borrowing. Withdrawal of the facility for claiming depreciation allowance on leased assets in 2007 also adversely affected the cash flow of all the FIs involved in the leasing business.

FIs are still predominantly dependent on commercial bank for fund. Imposition of tax on income from Zero Coupon Bonds for Banks, Insurance companies by Finance Ordinance 2008 thwarted the possibility of diversification of funding source.

Bangladesh Bank, however, provided some funding relief to some of the FI's through their refinance window against lending in the priority sectors such as SME, women entrepreneurs, agriculture and low cost housing.

### Company Performance

During 2008, your Company achieved a moderate growth in terms of profitability but there were significant challenges successfully met during the year. Service delivery channels across the



country and across products were considerably improved. Your Company successfully diversified both its borrower and deposit base which is considered key to long term sustainability. Company kept its focus on exploring new markets for the existing products and also on long term commitment to our existing customers.

Equipment leasing remains the core business of the Company, however progress made in Small Enterprise financing and Factoring of Accounts Receivable were noticeable. During the year, the Company introduced structured repayment products for small businesses to suit the seasonality of their cash flow. Company extended its network for expanding the portfolio of factoring of accounts receivable. To further improve our product support for supply-chain component of businesses, pre-delivery financing was introduced in the channel financing product suit. Clients availing factoring facility can now avail financing to facilitate the production and procurement process. Company also added new long term investment products that promote savings for our clients and help us match our financing requirement. All these expansion required that we also improve our physical facilities. To cater to our clients better; the Investment Relationship, Small Enterprise financing, Channel Financing and Collection services moved to our Head Office annex at the 3<sup>rd</sup> floor Noor Tower, 110 B.U.C.R Datta Road, Dhaka 1000. We are hopeful that our clients will appreciate both the service and the environment.

The Company closed the year 2008 with operating revenue of Tk.1,052.52 million and profit before tax of Tk.203.36 million compared to Tk.928.70 million and Tk.199.50 million in 2007 registering a growth of 13.33% and 1.93% respectively. Revenue from long term activities increased by 10.96% whereas revenue from short term activities increased by 64.32%. Operating cost however, increased by 26.55% which was mainly due to 25.36% increase in the major cost head i.e. financial expenses, over the last year. Adequate provision for bad debts has also been made this year to adequately cover ourselves from recovery risk. Earning-per-share increased by 6.45% to Tk.66 from Tk.62 in 2007.

Total investment portfolio stood at Tk. 7.43 billion at the end of the year compared to Tk. 7.17 billion in 2007 registering a growth of 3.59%.

### **Collection**

It was indeed a challenging year from collection perspective as there was a general lull in the business environment which was not conducive to voluntary repayments. However, your Company fared well as there was acute awareness of the situation and the collection team made significant effort to expand its physical follow-up activities to improve collection. At the beginning of the year an Early Alert process was adopted to ensure that problem accounts get identified immediately and appropriate intervention to address these accounts are initiated. This helped us to focus our recovery efforts. An active effort was also undertaken to recover from long standing problem exposures. Overall recovery ratio was satisfactory during 2008.

### **Treasury Operation**

Company's loan and deposit portfolio stood at Tk. 5.36 billion at the end of the year 2008 comprising of Tk. 2.02 billion long-term loans from banks and multilateral agencies and Tk. 3.34 billion from individual and institutional deposits.

Treasury continues to maintain diversity in its fund sourcing to minimize concentration. It also focuses on overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from exposure to un-drawn commitments and other contingent obligations.





## Human Resources

Human Resources in your Company are managed proactively. There is a continuing effort to retain and develop quality human resources. To enhance expertise and efficiency of the employees, during the year, ULC provided 737 man-days training through different training programs arranged in Foreign and Local Institutions as well as in house.

To cope with the changing business environment and build capacity to operate efficiently at larger volume; your Company has expanded the deployment of resources in almost all the functional areas especially in credit, internal control, marketing and client service. It is expected that these investments in human resource assets will allow your Company to maintain asset quality and support business expansion.

## Risk Management

You may recall that your Company has been making significant investment in creating a sustainable risk management infrastructure for the past couple of years. I am pleased to report that the efforts of the prior years are now yielding results.

The Basel II compliant, two dimensional credit risk assessment model, has now been in use for more than two years and as of December 31, 2008 around 60% of all our lending assets are risk graded and we are certain that it will be 100% by the end of this year. We now have the expertise to evaluate the efficiency of the model, modify it and most importantly have a process to ensure data integrity. The benefit of having such a risk grading model operational is that it will ultimately allow us to monitor our asset quality more transparently as well as improve our provisioning and pricing capabilities.

The Control and Compliance team was expanded and the width of their activity greatly enhanced to cover all the activities of the Company.

The repetitive nature of work in many of the departments of a financial Institution exposes itself to the risk of complacency. We implemented departmental control function checklists to mitigate such operational risks. There is now an effective process to ensure that all the risk elements associated with the operation of your Company are proactively reviewed and actions are taken to mitigate foreseeable risks.

Following Bangladesh Bank instructions the Company strengthened anti money laundering supervision by forming committees and establishing key operational control in head office and branches for mitigating reputation and financial risk.

## Corporate Governance

Throughout the year ended 31 December 2008, the Company has complied with all of the provisions of the Corporate Governance Compliance Report issued by the Securities and Exchange Commission and Corporate Governance circular by Bangladesh Bank. Your Company is committed to high standards of corporate governance, business integrity and professionalism in all its activities.



### Post Balance Sheet Date Events

Subsequent to the balance sheet date, the Directors recommended cash dividend of Tk. 20.00 per share and one bonus share for every seven shares held. There are no circumstances in the Company of which non-disclosure would affect the ability of the users of the financial statements to make proper evaluation and decisions.

### Outlook

Bangladesh Economy is expected to grow at around 6.0% in FY09 despite the expected declining trend of CPI inflation. Bangladesh Bank's monetary policy of giving priority to credit support for creation and expansion of output capacities will continue. If the political situation remains stable and recent global recession does not have a negative impact on domestic economic environment, lending in production and manufacturing sector is expected to grow significantly.

In 2009 your Company will be stepping into the 21<sup>st</sup> year of operation. With that comes the responsibility of taking this Company forward with a mature perspective. We shall continue with our mission to diversify our clients, depositors, portfolios, products and services to minimize risk and ensure long term sustenance of your Company. We expect that Company's business will grow in 2009. We are hopeful that the responsibility entrusted with us will encourage us to move forward.

### Acknowledgment

We offer special thanks to our valued customers, shareholders, regulators, lenders and the International agencies for their continuous support and cooperation.

I take this opportunity to thank my colleagues in the Board of Directors of the Company for their contribution during the year and all the employees of the Company who have dedicated their services to the growth of United Leasing.

Sincerely,

Imran Ahmed  
Chairman



bangla



bangla



bangla



## BOARD OF DIRECTORS' REPORT

### Dear Shareholders

The directors have pleasure in submitting their 20<sup>th</sup> annual report of your Company together with the audited financial statements for the year ended 31 December 2008 and auditors' report thereon.

### Principal Activities

The principal activities of the Company are:

- Long term financing in the form of lease, term loan and home loan
- Channel financing in the form of factoring of accounts receivable and short term revolving loan.

There was no significant change in the nature of these activities during the year 2008.

### Financial Results

The Company's before and after tax profit for the year 2008 were Tk. 203.4 million and Tk.153.0 million compared to Tk. 199.5 million and Tk. 142.7 million respectively in the previous year.

The financial results are summarized below:

	<b>2008 Taka</b>	<b>2007 Taka</b>
Revenue	1,052,515,161	928,729,186
Expenditure	849,153,182	729,224,434
Profit before tax	203,361,979	199,504,752
Tax expense	50,327,029	56,765,899
Profit after tax	153,034,950	142,738,853
Retained earnings	3,579,552	8,840,699
Available profit	156,614,502	151,579,552
Profit transferred to statutory reserve	50,000,000	50,000,000
Profit available for appropriation	106,614,502	101,579,552

Directors' recommendation for appropriation:

Proposed cash dividend	46,200,000	42,000,000
Proposed bonus share	33,000,000	21,000,000
Transfer to general reserve	25,000,000	35,000,000
Un-appropriated profit carried forward	2,414,502	40,379,552
	106,614,502	101,579,552

### Dividend

Board of Directors of the Company is pleased to recommend cash dividend of Tk. 20 per ordinary share i.e. a total of Tk. 46.2 million for 2.31 million ordinary shares for the year ended December 31, 2008. The Board also recommended the distribution of one bonus share for every seven shares held at record date.



### **Plan for Utilization of Undistributed Profit**

The undistributed profit will be utilized to invest in lease assets and meet contingencies under section 100 of the Schedule 1 of the Companies Act 1994.

### **Directors**

As per Articles 154, 155, and 156 of the Articles of Association of the Company, three directors namely Mr. M. Moyeedul Islam represented by United Insurance Company Limited, Mr. A. Rouf by Macalms Bangladesh Trust and Mr. S. Aziz Ahmad by Surmah Valley Tea Company Limited retire by rotation from the office and are eligible for re-election.

### **Auditors**

The auditors of the Company, M/S M. J. Abedin & Co. retire and being eligible, offer themselves for re-appointment.

### **Board Meeting and Attendance**

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

### **Shareholding Pattern**

The shareholding pattern as per clause 1.4 (K) of the SEC Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 is shown in annexure –2.

### **Statement of Directors on Financial Reports**

- a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 1994 and Securities and Exchange Rules, 1987. These statements present fairly the Company's statement of affairs, the result of its operation, cash flow, and statement of changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate Accounting Policies have been consistently applied in preparation of the financial statements except those referred to in the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- d) The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.
- e) Internal Control System is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts about the ability of the Company to continue as going concern.



### **Key Operating and Financial Data**

Company's summarized key operating and financial data for last five years is shown in annexure —3.

### **Corporate Governance Compliance Report**

Pursuant to the clause 5 of the SEC Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 we attach the Company's compliance status as Annexure - 4.

For and on behalf of the Board of Directors

February 23, 2009

Imran Ahmed  
Chairman





bangla



bangla



bangla

**Board Meeting and Attendance**

Annexure-1

Name of Directors	Meetings attended
Imran Ahmed	5
P. A. Leggatt	0
M. Moyeedul Islam	5
A. Rouf	5
S. Aziz Ahmad	5
M. A. Wahed	5
M. M. Alam	3
M. A. Azim	5
Syed Ehsan Quadir	5

Leave of absence was granted in all cases of no attendance

Annexure-2

**Shareholding Pattern as on December 31, 2008****Shareholdings of Parent/Subsidiary/Associated companies and other related parties**

Name of shareholder	Number of shares	% of holdings
United Insurance Co. Ltd.	476,740	20.64
Lawrie Group Plc, U.K.	462,000	20.00
Surmah Valley Tea Co. Ltd.	191,122	8.27
The Chandpore Tea Co. Ltd.	1,617	0.07
The Allynugger Tea Co. Ltd.	1,375	0.06
National Brokers Ltd.	42,900	1.86
Duncan Brothers (Bangladesh) Ltd.	23,100	1.00
Macalms Bangladesh Trust	22,272	0.96
Octavius Steel & Co. of BD Ltd.	16,500	0.71
The Lunqla (Sylhet) Tea Co. Ltd.	13,399	0.58
Camellia Duncan Foundation	2,943	0.13
Amo Tea Co. Ltd.	1,419	0.06
Chittaqonq Warehouses Ltd.	1,376	0.06
The Mazdehee Tea Co. Ltd.	1,376	0.06
Duncan Products Ltd.	1,372	0.06

**Shareholdings of the Directors, CEO, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children**

Name of shareholder	Number of shares	% of holdings
Syed Ehsan Quadir	66	-
Khurshid Ara Rouf (Wife of Mr. A. Rouf, nominated director)	66	-

**Shareholding of Executives : Nil****10% and above shareholdings of the Company**

Name of shareholder	Number of shares	% of holdings
United Insurance Co. Ltd.	476,740	20.64
Lawrie Group Pc, U.K. (Sponsor)	462,000	20.00



## Key Operating and Financial Data

(Taka in Million)

	2008	2007	2006	2005	2004
<b>Operating Result</b>					
Revenue	1,052	929	755	678	618
Expenses	849	729	576	410	331
Profit before tax	203	200	179	269	286
Provision for tax	50	57	56	90	132
Profit after tax	153	143	123	179	154
<b>Balance Sheet</b>					
Total investment portfolio	7,433	7,175	6,084	5,137	4,450
Total assets	8,271	7,894	6,284	5,418	4,974
Net current assets	332	315	(513)	730	674
Financial liabilities	5,359	5,488	3,872	3,351	3,103
Total liabilities	7,125	6,859	5,349	4,562	4,250
Shareholders equity	1,146	1,035	935	856	724
No. of shares outstanding (in million)	2.31	2.31	2.1	1.4	0.7
<b>Financial Ratios</b>					
Debt-equity ratio <sup>1</sup>	6.0	6.2	5.7	5.3	5.9
Current ratio <sup>2</sup>	1.09: 1	1.08: 1	0.9: 1	1.39: 1	1.33: 1
Return on equity (%) <sup>3</sup>	14.0	14.5	13.8	22.6	23.0
Expenses per taka profit after tax (Taka)	5.6	5.1	4.7	2.3	2.2
Financial expenses coverage (times) <sup>4</sup>	1.3	1.4	1.4	1.9	2.2
Net asset value per share <sup>5</sup>	496	484	445	408	345
Earning per share (Taka) <sup>5</sup>	66	62	59	85	73
Cash dividend (Taka per share) <sup>5</sup>		20	20	21.3	20
Stock dividend (bonus share)		10:1	-	2: 1	1: 1
<b>Number of Branches</b>	4	4	4	3	1
<b>Number of Employees</b>	128	89	85	67	47

1. Debt-equity ratio is the ratio between total debt and total equity.

2. Current ratio is the ratio between current assets and current liabilities.

3. Return on equity is the ratio between net profit and average equity.

4. Financial expenses coverage is the ratio between profit before interest plus depreciation & tax and financial expenses.

5. Net asset value per share, earning per share and cash dividend have been calculated based on shares outstanding at the end of the year 2008 and accordingly restated for the previous years.



## Status of Compliance of Corporate Governance

Condition No.	Title	Compliance status		Explanation for non-compliance/ comments
		Complied	Not complied	
1.1	Board's size	Yes		
1.2 (i)	Number of independent director	One		
1.2 (ii)	Appointment of independent director	Yes		
1.3	Chairman of the Board and CEO	Yes		
1.4 (a)	FS present fairly its state of affairs, results of its operations, cash flows & changes in equity	Yes		
1.4 (b)	Proper books of accounts maintained	Yes		
1.4 (c)	Appropriate accounting policies consistently applied in FS preparation & accounting estimates are based on reasonable & prudent judgment	Yes		
1.4 (d)	IASs, as applicable in Bangladesh, followed in FS preparation & any departure adequately disclosed	Yes		
1.4 (e)	The system of internal control sound in design & effectively implemented & monitored	Yes		
1.4 (f)	No significant doubt upon its ability to continue as a going concern	Yes		
1.4 (g)	Reporting of significant deviations from last year in operating results	Yes		
1.4 (h)	Key operating & financial data of at least preceding three years	Yes		
1.4 (i)	Dividend declared	Yes		
1.4 (j)	Number of board meeting held & attendance reporting	Yes		
1.4 (k)	Pattern of shareholding	Yes		
2.1	Appointment of CFO, Head of Internal Audit & Company Secretary	Yes		
2.2	Requirement to attend Board Meetings	Yes		



Condition No.	Title	Compliance status		Explanation for non-compliance/ comments
		Complied	Not complied	
3.00	Audit Committee	Yes		
3.1 (i)	Composition of Audit Committee	Yes		
3.1 (ii)	Appointment of Audit Committee members	Yes		
3.1 (iii)	Service & tenure of Audit Committee members	Yes		
3.2 (i)	Selection of the Chairman of Audit Committee	Yes		
3.2 (ii)	Qualification of the Chairman of Audit Committee	Yes		
3.3.1 (i)	Reporting of Audit Committee	Yes		
3.3.1 (ii) (a)	Report on conflicts of interest	-		No such incidence
3.3.1 (ii) (b)	Suspected or presumed fraud or irregularity or material defect in the internal control system	-		No such incidence
3.3.1 (ii) (c)	Suspected infringement of laws	-		No such incidence
3.3.1 (ii) (d)	Any other matter	-		No such incidence
3.3.2	Reporting to the Authorities	-		No such incidence
3.4	Reporting to the Shareholders & General Investors	-		No such incidence
4.00 (i)	Appraisal or valuation services or fairness opinions	Yes		
4.00 (ii)	Financial information system design and implementation	Yes		
4.00 (iii)	Book-keeping or other services related to accounting records or financial statements	Yes		
4.00 (iv)	Broker-dealer services	Yes		
4.00 (v)	Actuarial services	Yes		
4.00 (vi)	Internal audit services	Yes		
4.00 (vii)	Any other services	Yes		



## REPORT ON THE ACTIVITIES OF AUDIT COMMITTEE

During 2008, the audit Committee met five times and discharged the following responsibilities:

- Reviewed the Company's draft financial statements for the year ended on December 31, 2007 and recommended that the same be placed before the Board for approval.
- Reviewed the Audit Committee report 2007 and recommended that the report be adopted by the Board for publishing in the Annual Report 2007.
- Advised the Board on appointment of new external auditors for the year 2008 and the audit fee.
- Approved Internal Audit Calendar-2008.
- Reviewed the quarterly reports on Internal Control and Compliance prepared by the Internal Auditor.
- Reviewed the quarterly financial statements ended on March 31, 2008 and September 30, 2008.
- Reviewed the half yearly financial statements (un-audited) ended on June 30, 2008 and recommended that the same be placed to the Board for approval.
- Reviewed the Management Report of the external auditors along with the management responses on the Company's internal control.
- Reviewed Bangladesh Bank internal control and compliance Risk Matrix.
- Reviewed Internal Audit Calendar - 2009.
- Reviewed Bangladesh Bank Inspection Report on the inspection carried out by its team and implementation of their recommendation.
- Reviewed and approved the Risk Assessment of Departmental Control Function Checklist (DCFCL).

The audit committee comprised of:

Mr. M. Moyeedul Islam	Chairman
Mr. M. Abdul Wahed (Independent Director)	Member
Mr. A. Rouf	Member
Mr. S. Aziz Ahmad	Member
Mr. Ataul Hoque	Secretary

Managing Director of the Company, Mr. Syed Ehsan Quadir, attended the meetings of the audit committee by invitation.

February 23, 2009

M. Moyeedul Islam  
Chairman  
Audit Committee

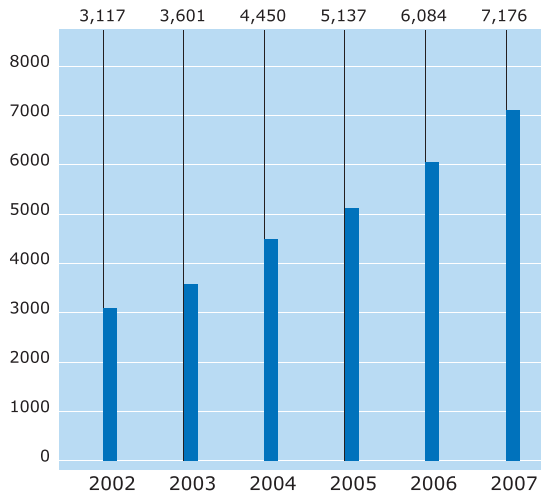




## PROGRESS AT A GLANCE

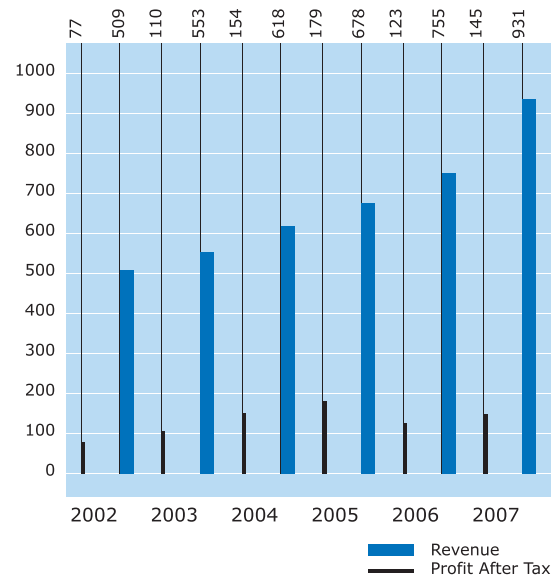
### Total Investment Portfolio

Taka in million



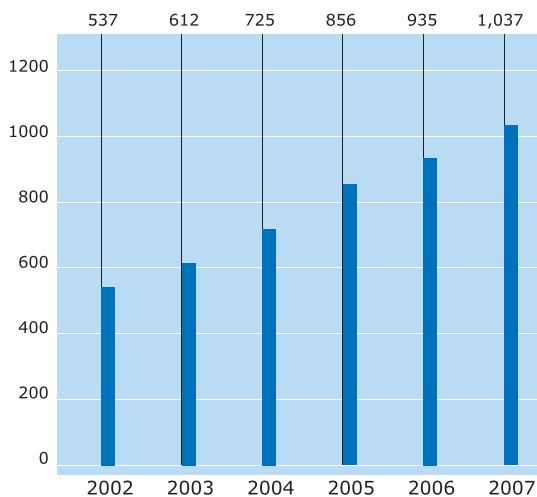
### Revenue and Profit After Tax

Taka in million



### Shareholders' Equity

Taka in million

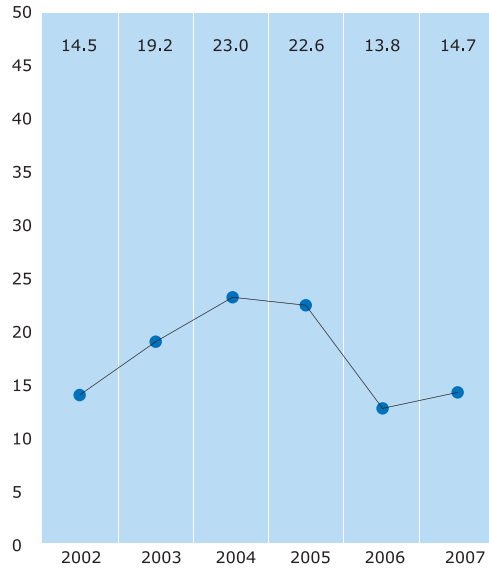




## PROGRESS AT A GLANCE

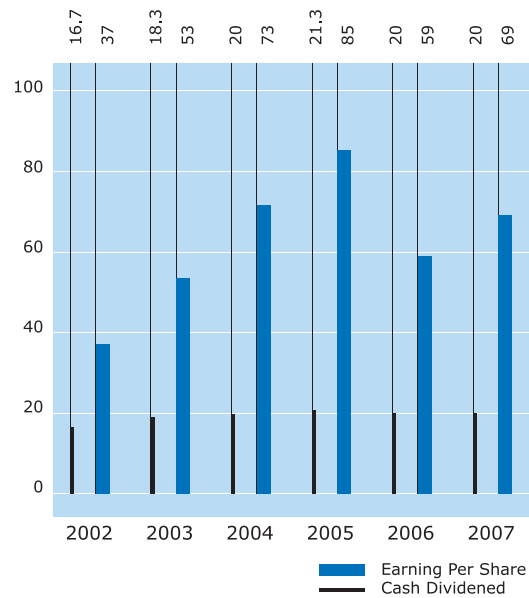
### Return on Equity

In Percent



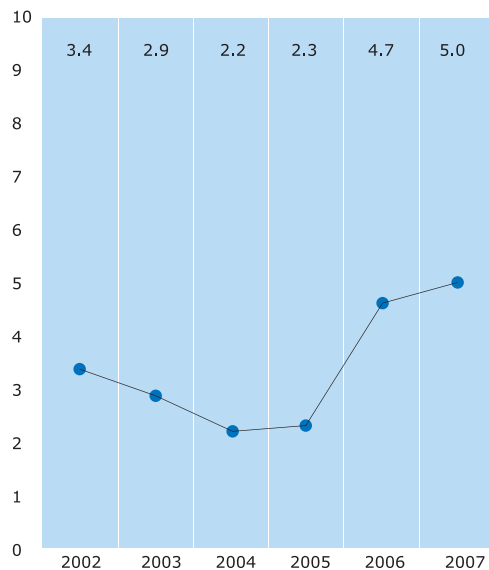
### Earning Per Share and Cash Dividend Taka per share

(Based on number of shares outstanding at end of year 2006)  
Taka in million



### Expenses per Taka After Tax Profit

In Percent





## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying Balance Sheet of the United Leasing Company Limited as of December 31, 2007 and the related Profit and Loss Account, Statement of Changes in Equity and Statement of Cash Flow together with the Notes 1 to 42 for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the Company's affairs as on December 31, 2007 and comply with the Financial Institutions Act 1993, the Companies Act 1994, the Securities and Exchange Rules 1987, the rules and regulations issued by the Bangladesh Bank and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- c) the Company's Balance Sheet and Profit and Loss Account together with the annexed notes 1 to 42 dealt with by the report are in agreement with the books of account;
- d) the financial statements have been prepared in accordance with generally accepted accounting principles in Bangladesh;
- e) the expenditure incurred and payments made for the purpose were for the purpose of the Company's business;
- f) the financial statements have been drawn up in conformity with the rules and regulations issued by the Bangladesh Bank to the extent applicable to the Company;
- g) adequate provisions have been made for leases and advances considered to be doubtful;
- h) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- i) the records and the statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- j) the information and explanations required by us have been received and found satisfactory;
- k) the Company has followed the instructions issued by the Bangladesh Bank in the matters of lease/advance classification, provisioning and suspension of interest; and
- l) the Company has complied with the relevant laws pertaining to reserves and maintenance of liquid assets.

Dhaka, February 23, 2009

**M.J. Abedin & Co.**  
Chartered Accountants



# Financial Statements

**BALANCE SHEET AS AT DECEMBER 31, 2008**

	<b>Notes</b>	<b>2008 Taka</b>	<b>2007 Taka</b>
<b>Sources of Fund</b>			
<b>Shareholders' equity</b>			
Share capital	3	231,000,000	210,000,000
Share premium	4	3,750,000	3,750,000
Reserve and surplus:			
Statutory reserve	5	200,000,000	200,000,000
General reserve	6	510,000,000	485,000,000
Dividend equalization reserve		70,000,000	70,000,000
Retained earnings		81,614,502	66,579,552
		<b>1,146,364,502</b>	<b>1,035,329,552</b>
<b>Long term loan and deposits</b>			
Long term loan	7	1,257,344,222	1,247,321,270
Term Deposit	8	1,650,139,304	1,084,979,730
		<b>2,907,483,526</b>	<b>2,332,301,000</b>
<b>Long term liabilities</b>			
Deposit against long term financing	9	212,848,043	261,172,637
Finance lease obligation	10	-	177,796
Deferred interest	11	40,069,687	41,410,346
Deferred tax liability	12	288,813,487	391,147,476
Provision for doubtful assets	13	480,000,000	380,000,000
		<b>1,021,731,217</b>	<b>1,073,908,255</b>
<b>Total</b>		<b>5,075,579,245</b>	<b>4,441,538,807</b>
<b>Application of Fund</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	14	36,594,832	20,296,431
Investments	15	173,745,900	163,600,000
Lease receivables and stock on hire	16	3,753,169,574	3,289,570,685
Term finance and home loan	17	779,631,011	652,398,745
		<b>4,743,141,317</b>	<b>4,125,865,861</b>



	Notes	2008 Taka	2007 Taka
<b>Current assets</b>			
Cash and cash equivalents	18	849,361,208	842,455,770
Accounts receivable and advances	19	578,998,520	387,732,917
Short term finance	20	498,700,651	296,739,989
Lease receivables and stock on hire	16	1,542,642,353	1,982,934,053
Term finance and home loan	17	538,681,909	639,218,124
<b>Total current assets</b>		<b>4,008,384,641</b>	<b>4,149,080,854</b>
<b>Current liabilities and related provisions</b>			
Current maturity of long term loans	7	758,006,092	712,643,406
Current maturity of term deposits	8	1,694,169,180	2,443,466,887
Current maturity of deposit against financing	9	181,876,191	124,075,363
Accrued expenses and payables	21	268,545,037	247,927,764
Short term loan	22	413,429,471	128,064,792
Provision for current taxation	23	300,916,026	148,255,008
Interest suspense account	24	56,808,534	27,265,105
Unclaimed dividend		2,196,181	1,709,583
<b>Total current liabilities</b>		<b>3,675,946,713</b>	<b>3,833,407,908</b>
<b>Net current assets</b>		<b>332,040,709</b>	<b>315,672,946</b>
<b>Total</b>		<b>5,075,579,245</b>	<b>4,441,538,807</b>
<b>Off Balance Sheet items</b>			
Contingent liabilities	36	<b>127,723,990</b>	<b>121,089,162</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

**Syed Ehsan Quadir**  
Managing Director

**M. Moyeedul Islam**  
Director

**M. Ataul Hoque**  
Company Secretary

Auditors' report to the shareholders  
See annexed report of date

Dhaka, February 23, 2009

**M.J. Abedin & Co.**  
Chartered Accountants



## PROFIT AND LOSS ACCOUNT

### For the year ended December 31, 2008

	Notes	2008 Taka	2007 Taka
<b>Operating Revenue</b>			
Income from long term financing activities	25	984,853,992	887,561,082
Income from short term financing activities	26	67,661,169	41,168,104
		<b>1,052,515,161</b>	<b>928,729,186</b>
<b>Operating Expenses</b>			
Financial expenses	27	633,593,907	541,926,190
Administrative expenses	28	105,783,554	88,313,867
Provision for doubtful assets	13	100,000,000	92,329,049
Depreciation on property, plant and equipment	14	9,775,721	6,059,933
Amortization on intangible assets		-	472,640
		<b>849,153,182</b>	<b>729,101,679</b>
		<b>203,361,979</b>	<b>199,627,507</b>
<b>Operating profit</b>			
Non-operating profit/(loss)		-	(122,755)
<b>Profit for the year before tax</b>		<b>203,361,979</b>	<b>199,504,752</b>
Tax expenses	29	50,327,029	56,765,899
		<b>153,034,950</b>	<b>142,738,853</b>
<b>Profit for the year after tax</b>			
		<b>66,579,552</b>	<b>50,840,699</b>
<b>Profit brought forward from previous year</b>			
Less: Issuance of bonus share		21,000,000	-
Dividend paid for previous year		42,000,000	42,000,000
		<b>3,579,552</b>	<b>8,840,699</b>
<b>Profit available for appropriation</b>		<b>156,614,502</b>	<b>151,579,552</b>
<b>Appropriation</b>			
Transfer to statutory reserve		50,000,000	50,000,000
Transfer to general reserve		25,000,000	35,000,000
		<b>81,614,502</b>	<b>68,379,552</b>
<b>Retained earnings carried to Balance Sheet</b>			
		<b>81,614,502</b>	<b>68,379,552</b>
<b>Earning per share (Par value Tk.100)</b>	30	<b>66</b>	<b>62</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

**Syed Ehsan Quadir**  
Managing Director

**M. Moyeedul Islam**  
Director

**M. Ataul Hoque**  
Company Secretary

Auditors' report to the shareholders  
See annexed report of date

Dhaka, February 23, 2009

**M.J. Abedin & Co.**  
Chartered Accountants



## STATEMENT OF CHANGES IN EQUITY For the year ended December 31, 2008

	Share Capital Taka	Share Premium Taka	Statutory Reserve Taka	General Reserve Taka	Dividend Equalisation Reserve Taka	Retained Earnings Taka	Total Taka
<b>Balance as at January 1, 2007</b>	210,000,000	3,750,000	-	600,000,000	70,000,000	50,840,699	934,590,699
Cash dividend paid for the year 2006						(42,000,000)	(42,000,000)
Net profit for the year 2007 after tax						142,738,853	142,738,853
Movement of general reserve			150,000,000	(150,000,000)		-	-
Transfer from current year's profit			50,000,000	35,000,000		(85,000,000)	-
<b>Balance as at December 31, 2007</b>	210,000,000	3,750,000	200,000,000	485,000,000	70,000,000	66,579,552	1,035,329,552
Cash dividend paid for the year 2007						(42,000,000)	(42,000,000)
Issuance of bonus share for the year 2007	21,000,000					(21,000,000)	-
Net profit for the year 2008 after tax						153,034,950	153,034,950
Movement of general reserve						-	-
Transfer from current year's profit			50,000,000	25,000,000		(75,000,000)	-
<b>Balance as at December 31, 2008</b>	231,000,000	3,750,000	250,000,000	510,000,000	70,000,000	81,614,502	1,146,364,502

**Syed Ehsan Quadir**  
Managing Director

**M. Moyeedul Islam**  
Director

**M. Ataul Hoque**  
Company Secretary

Auditors' report to the shareholders  
See annexed report of date

**M.J. Abedin & Co.**  
Chartered Accountants

Dhaka, February 23, 2009





## CASH FLOW STATEMENT

### For the year ended December 31, 2008

	2008 Taka	2007 Taka
<b>Cash from Operating Activities</b>		
Receipts from operational and non-operational revenue	1,050,400,396	978,293,328
Interest payments	(628,046,065)	(475,952,331)
Payments to employees and suppliers	(110,569,659)	(88,319,581)
<b>Operating profit before changes in operating assets/liabilities</b>	<b>311,784,672</b>	<b>414,021,416</b>
(Increase)/decrease in operating assets:		
Lease receivables and stock on hire	(23,307,189)	(584,056,681)
Long term finance & Home loan	(26,696,051)	(409,942,470)
Short term finance	(201,960,662)	(91,091,743)
Accounts receivables	(29,125,480)	17,053,446
Increase/ (decrease) in operating liabilities:		
Deposit against long term financing	9,476,234	(32,611,198)
Liabilities for other finance	7,136,574	(19,771,027)
Term deposits	(184,138,133)	2,130,199,955
<b>Net cash from operating activities before income tax</b>	<b>(136,830,036)</b>	<b>1,423,801,698</b>
Income tax paid	(119,281,419)	(77,225,629)
<b>Net cash provided by operating activities</b>	<b>(256,111,455)</b>	<b>1,346,576,069</b>
<b>Cash from Investing Activities</b>		
Purchase of property, plant and equipment	(26,074,122)	(7,054,000)
Sale proceeds of property, plant and equipment	-	491,401
Investment in shares	(10,145,900)	-
<b>Net cash provided by investing activities</b>	<b>(36,220,022)</b>	<b>(6,562,599)</b>
<b>Cash from Financing Activities</b>		
Receipts of long term loan	1,055,398,000	978,582,000
Repayment of long term loan	(1,000,012,362)	(1,112,506,865)
Repayment of debenture	-	(380,000,000)
Net draw down/ (payment) of short term loan	285,364,679	(197,087,355)
Dividend paid	(41,513,402)	(41,463,252)
<b>Net cash provided by financing activities</b>	<b>299,236,915</b>	<b>(752,475,472)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,905,438</b>	<b>587,537,998</b>
Cash and cash equivalents on January 1	842,455,770	254,917,772
<b>Cash and cash equivalents on December 31</b> (Note -18)	<b>849,361,208</b>	<b>842,455,770</b>



## NOTES TO THE ACCOUNTS

### For the year ended December 31, 2008

#### 1. General Information

##### 1.1 Domicile and legal form

United Leasing Company Limited was incorporated on April 27, 1989 as a public limited company under the Companies Act 1913 (currently 1994). The Company is domiciled in Bangladesh. It was granted license under the Financial Institutions Act, 1993. The shares of the Company are quoted on the Dhaka Stock Exchange Limited since 1994 and are transacted in dematerialized form through Central Depository Bangladesh Limited from October 14, 2004. The Company has its registered office situated at Camellia House, 22 Kazi Nazrul Islam Avenue, Dhaka.

##### 1.2 Nature of operations and principal activities

The company provides financial services to cater the needs of its diverse client base which includes lease finance for acquiring assets for industrial and commercial use, term loans for meeting long term funding requirement, and channel financing for short-term working capital management. The Company offers various investment opportunities for predefined tenure ranging from six months to ten years.

#### 2. Significant accounting policies

##### 2.1 Measurement bases

The financial statements of the Company have been prepared on historical cost convention in compliance with the Bangladesh Accounting Standards (BAS).

##### 2.2 Preparation and presentation criteria of financial statements

The financial statements have been prepared on a going concern basis following accrual basis of accounting except for cash flow statement and the disclosures have been made in conformity with Bangladesh Accounting Standards, the Companies Act 1994, the Financial Institutions Act 1993, the Securities and Exchange Commission Rules 1987, Guidelines from Bangladesh Bank and the Listing Regulation of Dhaka Stock Exchange.

##### 2.3 Use of estimates

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

##### 2.4 Accounting for leases

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



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

## 2.5 Accounting for term finance

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

## 2.6 Accounting for investment

### *Long term investments*

Long term investments are carried at acquisition/amortized cost. A provision is made for diminution other than temporary on an individual basis.

### *Current investments*

Current investments are carried at the lower of cost or fair value on an individual basis.

## 2.7 Property, plant and equipment and depreciation

### *Recognition*

All property, plant and equipment are initially stated at cost and depreciated over their expected useful lives. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to the location and condition for its intended use inclusive of duties and non-refundable taxes.

Fixed asset acquired under finance lease is accounted for at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset. The related obligation under the lease is accounted for as liability. Finance charges are allocated to accounting period in manner so as to provide a constant rate of charge on the outstanding liability.

Subsequent cost related to property, plant and equipment is capitalized only when it increases the future economic benefit from the asset. All other expenditures are recognized as expenses as and when they are incurred.

### *Depreciation*

Items of property, plant and equipment are depreciated based on straight-line method throughout the estimated span of useful life ranging from five to ten years. Additions are depreciated for the full year irrespective of the date of acquisition of assets at the applicable rates while no depreciation is charged on any item in the year of its disposal. Depreciation is calculated on the cost of fixed asset in order to write off such amount over the estimated useful lives of such assets. The rates of depreciation used are as follows:

- Furniture & fixture	12.50%
- Office equipment	15.00%
- Electrical equipment	20.00%
- Motor vehicle	20.00%



### *Derecognition*

An item of property, plant and equipment is de-recognized on its disposal. The gain or loss arising from de-recognition of an asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 2.8 Intangible assets

Software is generally charged off as revenue expenditure but considering the ability of generation of future economic benefits and the cost incurred to procure software, sometimes it is shown as intangible asset, which is amortized on a straight-line basis over a period of five years.

### 2.9 Account receivables

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

### 2.10 Securitization transaction

Securitization of various loan/lease result in sale of these assets to Special Purpose Vehicles ('SPVs'), which, in turn issue securities to investors. Financial assets are partially or wholly derecognized when the control of the contractual rights in the securitized assets is lost.

### 2.11 Revenue recognition

#### *Lease income*

The excess of gross lease rentals receivable over the cost of the leased asset represents the total unearned income at the time of execution of lease. The unearned income is allocated over the period of lease on a pattern reflecting a constant return on the net investment. In case of structured lease, finance income is recognized on the basis of lease structure. Earned finance income due over ninety days is not recognized as revenue rather it is recognized as suspense interest. Suspended interest is recognized as income on cash basis when it is received.

#### *Hire purchase income*

Finance income against hire purchase arrangement is allocated to the income statement over the hire purchase periods to give a constant periodic rate of return on net receivable. Income from hire purchase arrangement outstanding over ninety days is not recognized as revenue rather it is recognized as interest suspense. Suspended interest is recognized as income on cash basis when it is received.

#### *Income from long term and short term finance*

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

#### *Income from bonds*

Income from bonds is recognized on accrual basis.



### *Income from dividend*

Dividend income from investment in equity shares is recognized during the period in which they are declared in Annual General Meeting irrespective of receipt. Dividend income from preference shares is recognized on accrual basis considering the establishment of right to receive the same.

### *Income from bank deposits*

Interests from short term deposits and fixed deposits are recognized on accrual basis taking into account the principal outstanding and the effective rate over period of maturity. Income from deposits is booked against the financial expenses.

### *Fee based income*

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

## 2.12 Interest suspense account

Interest income outstanding over ninety days is not recognized as revenue rather it is recognized as interest suspense account as per Bangladesh Bank's guidelines. Suspended interest is recognized as revenue when it is received.

## 2.13 Financial expenses

Financial expenses comprise the interest on external borrowings, interest on individual and institutional deposits and direct deposit expenses are recognized as they accrue. Interest income from placement of treasury fund with banks and financial institution has been set off with the financial expenses.

## 2.14 Borrowing cost

Borrowing costs are recognized in the profit and loss account in the period on which they are incurred.

## 2.15 Provision for doubtful assets

Provisions, specific and general, are made on the basis of year end review by the management as per policy of the Company and guidelines contained in Bangladesh Bank's FID circulars. Specific provisions are made where the repayment of identified leases / loans are in doubt and reflect an estimate of the amount of loss anticipated and the general provision is made for the inherent risk of losses. Provisions are applied to write off leases / loans, in part or in whole, when they are considered wholly or partly irrecoverable.

A minimum appropriate general provision for unclassified leases and loans to the extent of 2% of the outstanding receivables is provided. The Company maintains full provision against leases and loans in case of payments outstanding for over six months irrespective of the status of classification. The Company also maintains special provision for regular leases and loans where management has doubt about recovery.

Recovery against debts written off/provided for is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities/properties or advances there-against or are considered recoverable.



## 2.16 Income taxes

### *Current tax*

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

### *Deferred tax*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and carrying amounts in the financial statements. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Tax rate prevailing at the Balance Sheet date is used to determine deferred tax.

## 2.17 Provision for accrued expenses

Provisions have been recognized in the balance sheet as follows:

- a. when the Company has a present obligation, legal or constructive as a result of a past event,
- b. when it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation; and
- c. when a reliable estimate can be made of the amount of the obligation.

## 2.18 Contingent liabilities and contingent assets

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

## 2.19 Cash and cash equivalents

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

## 2.20 Employee benefits

### *Short term employee benefits*

Salaries, bonuses, allowances and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the employees of the Company.

### *Post-employment benefits*

#### Provident fund

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



### Gratuity fund

Gratuity scheme is applicable for all its permanent employees who have completed their length of service at least for five years without any break. Provision for gratuity is made annually considering all its eligible employees available at the end of the year.

### Other long term benefits

The Company operates a group life insurance scheme for all of its permanent employees. It maintains a health insurance scheme for all of its permanent employees, which include their spouse and children.

## 2.21 Impairment of assets

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

## 2.22 Related party disclosure

The Company transacts with related parties. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions have been disclosed under note 43.

## 2.23 Earning per share

Earning per share has been calculated in accordance with BAS 33 "Earning Per Share" and shown on the face of Profit and Loss Account. Basic earning per share is calculated by dividing the net profit attributable to shareholders by the average number of ordinary shares in issue during the financial year. Retrospective recognition has been given in previous year's figure for issuance of bonus shares during the financial year.

## 2.24 Events after the balance sheet date

Events after the balance sheet date are those events that occur between the balance sheet and the date when the financial statements are authorized for issue. All material events occurring after the balance sheet have been considered in these financial statements.

## 2.25 Proposed dividend

Dividend proposed by the Board of Directors for the year shall be recognized and to be accounted for after approval by the shareholders in the Annual General Meeting.



### 3. Share Capital

	<b>2008 Taka</b>	<b>2007 Taka</b>
<b>3.1 Authorized</b> 10,000,000 ordinary shares of Tk. 100 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b>3.2 Issued, subscribed and paid-up</b>  700,000 ordinary shares of Tk. 100 each Fully paid-up in cash	  70,000,000	  70,000,000
1,610,000 ordinary shares of Tk. 100 each issued as bonus	<u>161,000,000</u>	<u>140,000,000</u>
	<b><u>231,000,000</u></b>	<b><u>210,000,000</u></b>

### 3.3 The year end composition of shareholding is as follows:

	<b>No. of shares</b>		<b>Percentage</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
(i) Sponsors – Foreign	462,000	420,000	20.00	20.00
– Domestic	559,240	278,400	24.21	13.26
			<u>44.21</u>	<u>33.26</u>
(ii) Financial institutions and companies				
– Foreign	210,305	421,189	9.10	20.06
– Domestic	513,825	426,392	22.25	20.30
			<u>31.35</u>	<u>40.36</u>
(iii) General public - Domestic	564,630	554,019	24.44	26.38
<b>Total</b>	<b><u>2,310,000</u></b>	<b><u>2,100,000</u></b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>

### 3.4 A range distribution schedule of the above shares as at December 31, 2008 is given below as required by Regulation 37 of the listing Regulations of Dhaka Stock Exchange Limited:

No. of shares	Number of Shareholders	Total number of shares	Percentage of total holdings
Less than 500	4,903	356,371	15.43
500 to 5,000	179	277,022	11.99
5,001 to 10,000	5	34,892	1.51
10,001 to 20,000	8	111,449	4.82
20,001 to 30,000	3	66,888	2.90
30,001 to 40,000	-	-	-
40,001 to 50,000	1	42,000	1.82
50,001 to 100,000	-	-	-
100,001 to 1,000,000	5	1,421,378	61.53
<b>Total</b>	<b><u>5,104</u></b>	<b><u>2,310,000</u></b>	<b><u>100.00</u></b>

### 4. Share Premium

This represents premium of Tk.50 per share over the par value of Tk.100 per share received against the issue of 75,000 shares in 1994 amounting to Tk. 3,750,000.



**5. Statutory Reserve**

	<b>2008 Taka</b>	<b>2007 Taka</b>
Balance at January 01	200,000,000	-
Transfer from general reserve	-	150,000,000
Transfer from current year profit	50,000,000	50,000,000
Balance at December 31	<b><u>250,000,000</u></b>	<b><u>200,000,000</u></b>

As per section 9 of the Financial Institutions Act, 1993 and regulation 6 of the Financial Institutions Regulations 1994, at least 20% of pre-tax profit or Tk 40,592,952 has to be transferred to Statutory Reserve Fund.

**6. General Reserve**

Balance as at January 01	485,000,000	600,000,000
Transfer to statutory reserve	-	(150,000,000)
Appropriation from current year's profit	25,000,000	35,000,000
Balance at December 31	<b><u>510,000,000</u></b>	<b><u>485,000,000</u></b>

**7. Dividend Equalization Reserve**

Balance as at January 01	70,000,000	70,000,000
Appropriation from current year's profit	-	-
Balance at December 31	<b><u>70,000,000</u></b>	<b><u>70,000,000</u></b>

This is an internal reserve built up out of profits for the purpose of attempting to maintain a steady yearly dividend.

**8. Long Term Loan**

Balance at January 01	1,959,964,676	2,473,889,541
Received during the year	1,055,398,000	978,582,000
Repaid during the year	(1,000,012,362)	(1,492,506,865)
Balance at December 31	<b><u>2,015,350,314</u></b>	<b><u>1,959,964,676</u></b>
Less: Current maturity	758,006,092	712,643,406
<b>Long Term Loan - non current</b>	<b><u>1,257,344,222</u></b>	<b><u>1,247,321,270</u></b>

**8.1 Maturity grouping of long term loan**

Payable on demand	-	-
Up to 1 month	43,575,970	36,184,301
Over 1 month but within 3 months	148,349,068	160,497,069
Over 3 months but within 1 year	566,081,053	515,962,036
Over 1 year but within 5 years	1,158,365,203	1,121,964,819
Over 5 years	98,979,020	125,356,451
	<b><u>2,015,350,314</u></b>	<b><u>1,959,964,676</u></b>



## 8.2 Nature and source of long term loan

## 8.2.1 Secured long term loan

	<b>2008 Taka</b>	<b>2007 Taka</b>
Uttara Bank Limited	237,364,766	174,401,430
Pubali Bank Limited	217,999,999	289,999,999
Trust Bank Limited	208,288,090	51,174,704
The City Bank Limited	190,000,000	-
Commercial Bank of Ceylon Plc.	150,833,345	188,888,896
BRAC Bank Limited	133,333,333	216,875,000
Sonali Bank Limited	100,000,000	43,636,352
Standard Chartered Bank	70,835,722	104,988,085
Bank Alfalah Limited	57,408,809	27,785,685
Citibank N.A.	50,909,099	101,818,190
BASIC Bank Limited	43,393,318	50,000,000
Mercantile Bank Limited	-	200,000,000
<b>Gross total</b>	<b>1,460,366,481</b>	<b>1,449,568,341</b>
Less: Current maturity	594,253,894	564,920,815
<b>Secured long term loan - Non current</b>	<b>866,112,587</b>	<b>884,647,526</b>

In 2008 the company arranged term loans from The City Bank Limited, The Trust Bank Limited, Sonali Bank Limited, Commercial Bank of Ceylon Plc, Bank Alfalah limited, Pubali Bank Limited and Uttara Bank Limited.

The loans are secured by first charge on all present and future floating assets of the Company ranking pari passu among the lenders. The Company availed counterveiling loan from Standard Chartered Bank which is secured against hypothecation of assets leased to Standard Chartered Bank.

Installments of loans which are repayable within 1 (one) year from the balance sheet date have been included under current liabilities.

## 8.2.2 Unsecured long term loan

Bangladesh Bank (SERP)	353,513,533	267,108,000
Kreditanstalt Fiir Wiederaufbau (KfW)	188,419,367	208,106,168
CBSF - matching credit	13,050,933	35,182,167
<b>Gross - total</b>	<b>554,983,833</b>	<b>510,396,335</b>
Less: Current maturity	163,752,197	147,722,591
<b>Unsecured long term loan - net of current maturity</b>	<b>391,231,636</b>	<b>362,673,744</b>



## 9. Term Deposits

These represent deposits from individuals and institutions under the Company's term deposit schemes for a period of not less than six months for institutions and one year for individuals. The Company started term deposit mobilization from individuals at the end of 2005. From the previous years experience and clients' instructions, annual profit term deposits from individuals with auto renewal instructions have been shown as non-current liability.

	<b>2008</b> <b>Taka</b>	<b>2007</b> <b>Taka</b>
Balance at January 01	3,528,446,617	1,398,246,662
Received during the year	3,171,874,464	3,462,944,564
Repaid during the year	<u>(3,356,012,597)</u>	<u>(1,332,744,609)</u>
Balance at December 31	<b>3,344,308,484</b>	<b>3,528,446,617</b>
Less: Current maturity	<u>1,694,169,180</u>	<u>2,443,466,887</u>
<b>Term deposit – non current</b>	<b><u>1,650,139,304</u></b>	<b><u>1,084,979,730</u></b>

## 10. Deposits against Financing

This represents advance rental and security deposits received from clients at the inception of allowing any lease/loan facility to the clients, adjustable or refundable at the end of the facility.

Non-interest bearing deposit	296,921,656	271,660,895
Interest bearing deposit	97,802,578	113,587,105
Deposit against financing	<b>394,724,234</b>	<b>385,248,000</b>
Less: Current maturity	<u>181,876,191</u>	<u>124,075,363</u>
<b>Deposit against financing - net of current maturity</b>	<b><u>212,848,043</u></b>	<b><u>261,172,637</u></b>

## 11. Finance Lease Obligation

Finance lease obligation comprises the liability arisen from asset taken under finance lease from different financial institutions.

Balance at January 01	1,320,959	3,201,910
Received during the year	-	-
Repaid during the year	<u>(1,143,163)</u>	<u>(1,880,951)</u>
Balance at December 31	<b>177,796</b>	<b>1,320,959</b>
Less: Current maturity	<u>177,796</u>	<u>1,143,163</u>
<b>Finance lease obligation – non current</b>	<b><u>-</u></b>	<b><u>177,796</u></b>

### 11.1 Maturity grouping of finance lease obligation

Within one year	177,796	1,143,163
Between one to five years	-	177,796
After five years	<u>-</u>	<u>-</u>
	<b><u>177,796</u></b>	<b><u>1,320,959</u></b>



## 12. Deferred interest

This represents interest accrued the during the grace period of 10 years on KfW Loan received under two credit lines repayable in equal annual installment in 20 years including grace period.

	<b>2008 Taka</b>	<b>2007 Taka</b>
Balance at January 01	57,138,390	58,076,342
Provision made during the year	19,770,084	18,331,443
Adjustment during the year	<u>(22,576,329)</u>	<u>(19,269,395)</u>
Balance at December 31	<b>54,332,145</b>	<b>57,138,390</b>
Less : Current maturity	<u>14,262,458</u>	<u>15,728,044</u>
<b>Deferred interest-non current</b>	<b><u>40,069,687</u></b>	<b><u>41,410,346</u></b>

## 13. Deferred Tax Liability/(Asset)

Deferred tax liability/ (asset) has been arising due to difference in the carrying amount of the assets/liabilities and its tax base. Deferred tax liability recognized earlier related to leased assets on finance lease is no longer required since there is no timing difference in the book value of leased assets between tax base and accounting base in accordance with the Finance Ordinance 2007. The balance of deferred tax liability related to leased assets will be depleted following the expiry of lease agreements.

The net movement on the deferred tax account is set out below:

Balance at January 01	391,147,476	430,482,376
Added/(Deducted) during the year (Note - 30)	<u>(102,333,989)</u>	<u>(39,334,900)</u>
Balance at December 31	<b><u>288,813,487</u></b>	<b><u>391,147,476</u></b>

## 14. Provision for Doubtful Assets

Balance at January 01	380,000,000	287,670,951
Provision for the year	<u>100,000,000</u>	<u>92,329,049</u>
Balance at December(Note 14.1)	<b><u>480,000,000</u></b>	<b><u>380,000,000</u></b>

The Company maintained provision for unclassified leases and loans to the extent of 2% of the outstanding receivables and full provision against leases and loans in case of payments outstanding for over six months irrespective of the status of classification. The Company also maintained special provision for regular leases and loans where management has doubt about recovery.

### 14.1 Segregation of provision for doubtful assets

Lease	187,162,753	166,238,598
Account receivables	146,276,241	150,796,416
Term finance	134,452,433	49,923,880
Short term finance	9,977,949	5,934,800
Hire purchase	1,530,624	6,506,306
Investment in ZCB- class B	<u>600,000</u>	<u>600,000</u>
	<b><u>480,000,000</u></b>	<b><u>380,000,000</u></b>



## 15. Property, Plant and Equipment

Statement of property, plant and equipment is as follows:

	Furniture & Fixture	Office equipment	Electrical equipment	Motor vehicle	Total
<b>Cost</b>					
Balance at January 01, 2008	13,389,151	197,343	13,109,376	11,904,300	38,600,170
Addition	14,402,431	4,294	9,867,397	1,800,000	26,074,122
Disposal/adjustment (note 15.1)	(11,400)	(61,320)	(546,535)	-	(619,255)
<b>Balance at December 31, 2008</b>	<b>27,780,182</b>	<b>140,317</b>	<b>22,430,238</b>	<b>13,704,300</b>	<b>64,055,037</b>
<b>Accumulated depreciation</b>					
Balance at January 01, 2008	3,833,161	160,596	7,563,172	6,746,810	18,303,739
Charge for the year	3,361,643	14,041	3,808,827	2,591,210	9,775,721
Disposal/adjustment	(11,400)	(61,320)	(546,535)	-	(619,255)
<b>Balance at December 31, 2008</b>	<b>7,183,404</b>	<b>113,317</b>	<b>10,825,464</b>	<b>9,338,020</b>	<b>27,460,205</b>
<b>WDV at December 31, 2008</b>	<b>20,596,779</b>	<b>27,000</b>	<b>11,604,774</b>	<b>4,366,280</b>	<b>36,594,832</b>
<b>WDV at December 31, 2007</b>	<b>9,555,990</b>	<b>36,747</b>	<b>5,546,204</b>	<b>5,157,490</b>	<b>20,296,431</b>

### 15.1 During the year the Company disposed the following obsolete property, plant and equipment

	Furniture & Fixture	Electrical equipment	Motor vehicle	Total
Cost	11,400	61,320	546,535	619,255
Accumulated depreciation	(11,400)	(61,320)	(546,535)	(619,255)
Written down value	-	-	-	-

	2008 Taka	2007 Taka

## 16. Investment

Investment in associate company (Note -16.1)	68,600,000	68,600,000
Investment in shares: (Note-16.2)		
Ordinary shares of United Insurance Co. Ltd	15,000,000	15,000,000
Preference Shares of BRAC Bank Limited	50,000,000	50,000,000
Investment in bonds (Note-16.3)	30,000,000	30,000,000
	<b>163,600,000</b>	<b>163,600,000</b>

### 16.1 Investment in associate company

This represents the cost of acquiring 686,000 shares in the year 2006 of Duncan Properties Limited, representing 49% equity. Duncan Properties Limited is a private limited company under the Companies Act 1994, incorporated on November 10, 2005. The Company owns 41 decimal land at 20, Kazi Nazrul Islam Avenue, Dhaka 1000. The objective of the Company is mainly to carry on management of immovable properties, purchase immovable properties, construct building thereon and dispose properties



## 16.2 Investment in shares

### *United Insurance Company Limited*

The Company subscribed 60,000 ordinary shares of United Insurance Company Limited, a listed public limited company, @ Tk 250 per share in 2001. Subsequently the Company received bonus shares in 2007 and in 2008. The bonus shares are not included in income or investment. This is considered a change in accounting policy and accordingly Tk. 1,800,000 earlier included in income and investment in 2007 for the bonus shares was adjusted in the opening retained earnings of 2008 and comparative figures of 2007 have been restated.

The total number of ordinary shares of United Leasing Company Limited now held by the Company is as follows:

Original purchase in 2001	60,000
Bonus shares received in 2007	18,000
Bonus shares received in 2008	22,000
	<u>100,000</u> Shares

As on December 31, 2008 the market value of the above shares was Tk. 175,450,000 against cost price of Tk. 15,000,000 for 60,000 shares reflected in the accounts.

### *BRAC Bank Limited*

The Company subscribed 500,000 redeemable cumulative preference shares @ Tk. 100 per share bearing 9% dividend issued by BRAC Bank Limited as per share subscription agreement made on January 31, 2006 between United Leasing Company Limited and BRAC Bank Limited.

### *Energypac Confidence Power Venture Limited*

The company subscribed 500,000 redeemable cumulative preference shares @ Tk. 100 per share bearing 12.75% dividend issued by Energypac Confidence Power Venture Limited as per share subscription agreement made on May 29, 2008 between United Leasing Company Limited and Energypac Confidence Power Venture Limited.

## 16.3 Investment in bonds

### *ULC Securitization Trust 2005-A*

As per Trust deed dated February 7, 2005 between United Leasing Company Limited (ULC) and Investment Corporation of Bangladesh (ICB) a Trust in the name of "ULC Securitization Trust 2005-A" was formed and ULC sold lease receivable of Tk. 400 million to the Trustee (ICB) to issue Asset Backed Zero-Coupon Bonds. Thereafter the Trustee issued 37 Class A and 3 Class B Bonds of Tk.10 million each of which ULC purchased 3 class B Bonds as credit enhancement to secure the interest of class A bond holders. Any loss due to non-collection of lease receivable in respect of class-A bonds held by the investors will be adjusted against the amount of class B bonds held by United Leasing Company Limited.

All Class A Bonds have been redeemed by January 2009. The redemption of the Class B Bond starts from February 2009.



	<b>2008</b>	<b>2007</b>
	<b>Taka</b>	<b>Taka</b>
<b>17. Lease Receivables and Stock on hire</b>		
Net lease receivables (Note- 17.1)	5,793,584,702	4,909,881,581
Stock on hire (Note -17.2)	76,531,184	196,329,544
Advances for leases and stock on hire (Note -17.3)	25,696,041	166,293,613
	<u>5,295,811,927</u>	<u>5,272,504,738</u>
Less: Current maturity	1,542,642,353	1,982,934,053
<b>Lease Receivable and Stock on hire-non-current</b>	<b><u>3,753,169,574</u></b>	<b><u>3,289,570,685</u></b>
<b>17.1 Net lease receivable</b>		
Gross lease receivable (Note-17.1.1)	6,536,397,485	6,271,328,326
Less: Unearned finance income	1,342,812,783	1,361,446,745
<b>Net lease receivable</b>	<b><u>5,193,584,702</u></b>	<b><u>4,909,881,581</u></b>
<i>17.1.1 Net lease receivable</i>		
Balance at January 01	4,909,881,581	4,296,569,800
Addition during the year	2,158,330,326	2,146,954,088
Realization during the year	(1,874,627,205)	(1,533,642,307)
Balance at December 31	<b><u>5,193,584,702</u></b>	<b><u>4,909,881,581</u></b>
Less : Current maturity	1,499,050,818	1,858,678,094
<b>Net lease receivable-non current</b>	<b><u>3,694,533,884</u></b>	<b><u>3,051,203,487</u></b>
<i>17.1.2 Maturity grouping of gross lease receivable</i>		
Within one year	1,891,981,607	2,520,728,596
Between one to five years	4,566,046,568	3,750,599,730
After five years	78,369,310	-
	<b><u>6,536,397,485</u></b>	<b><u>6,271,328,326</u></b>
<i>17.1.3 Maturity grouping of net lease receivable</i>		
Within one year	1,499,050,818	1,858,678,094
Between one to five years	3,642,656,588	3,051,203,487
After five years	51,877,297	-
	<b><u>5,193,584,702</u></b>	<b><u>4,909,881,581</u></b>
<i>17.1.4 Asset type-wise net lease receivable</i>		
General machinery	1,100,854,806	1,087,115,733
Industrial machinery	2,669,435,198	2,463,955,628
Motor vehicles	1,120,085,898	87,469,130
Others	303,208,800	1,271,341,090
	<b><u>5,193,584,702</u></b>	<b><u>4,909,881,581</u></b>



	<b>2008</b>	<b>2007</b>
	<b>Taka</b>	<b>Taka</b>
<b>17.2 Stock on hire</b>		
Balance at January 01	196,329,544	324,507,735
Addition during the year	14,784,359	182,952,608
Realization during the year	(134,582,719)	(311,130,799)
Balance at December 31	<b>76,531,184</b>	<b>196,329,544</b>
Less: Current maturity	43,591,535	124,255,959
<b>Stock on hire – net of current maturity</b>	<b>32,939,649</b>	<b>72,073,585</b>

*17.2.1 Maturity grouping of outstanding stock on hire*

Within one year	43,591,535	124,255,959
Between one to five years	32,939,649	72,073,585
After five years	-	-
	<b>76,531,184</b>	<b>196,329,544</b>

**17.3 Advance for leases and stock on hire**

These represent disbursements made to clients for procuring assets under lease/stock on hire and quarterly capitalized interests on disbursements. On execution, advances are transferred to lease finance/stock on hire.

**18. Term finance and home loan**

Balance at January 01	1,291,616,869	881,674,399
Addition during the year	817,326,680	668,389,625
Realization during the year	(790,630,629)	(258,447,155)
Balance at December 31	<b>1,318,312,920</b>	<b>1,291,616,869</b>
Less: Current maturity	538,681,909	639,218,124
<b>Term finance – net of current maturity</b>	<b>779,631,011</b>	<b>652,398,745</b>

**18.1 Maturity grouping of outstanding term finance and house loan**

Within one year	538,681,909	639,218,124
Between one to five years	778,223,905	652,398,745
After five years	1,407,106	-
	<b>1,318,312,920</b>	<b>1,291,616,869</b>





**19. Cash and cash equivalents**

	<b>2008 Taka</b>	<b>2007 Taka</b>
<b>Cash in hand</b>	<b>29,500</b>	<b>29,500</b>
<b>Balance with banks and financial institutions:</b>		
<u>Current deposit- local currency</u>		
Bangladesh Bank	67,040,238	54,296,057
Standard Chartered Bank	36,597,764	31,157,827
The Hong Kong & Shanghai Banking Corp. Ltd.	1,358,758	1,418,336
Dhaka Bank Limited	1,023,122	204,352
Dutch Bangla Bank Limited	466,913	2,000
Trust Bank Limited	182,756	198,487
One Bank Limited	118,432	2,787,545
Bank Alfalah Limited	55,868	58,191
The City Bank Limited	31,006	32,526
Eastern Bank Limited	18,793	9,770
United Commercial Bank Limited	18,019	21,384
Pubali Bank Limited	6,970	322,005
Sonali Bank Limited	6,193	1,250
BRAC Bank Limited	5,411	9,450
Shahjalal Islami Bank Limited	5,278	6,753
Southeast Bank Limited	4,812	719
Bank Asia Limited	4,450	-
Uttara Bank Limited	201	77,991
Commercial Bank of Ceylon Plc.	-	18,926
	<b>106,944,981</b>	<b>90,623,569</b>
<u>Call money deposit</u>		
International Leasing & Financial Services Ltd.	30,000,000	-
	<b>30,000,000</b>	-
<u>Short term deposit – local currency</u>		
Dutch-Bangla Bank Limited	41,801,755	15,174,126
Standard Chartered Bank	20,099,035	897,328
Bank Asia Limited	14,497,484	-
Commercial Bank of Ceylon Plc.	2,889,694	2,944,300
Eastern Bank Limited	281,325	157,866
Southeast Bank Limited	199,083	677,047
Citibank N.A.	-	1,952,034
	<b>79,768,377</b>	<b>21,802,701</b>
<u>Fixed deposit</u>		
Dhaka Bank Limited	632,618,350	630,000,000
Bank Alfalah Limited	-	50,000,000
Dutch Bangla Bank Limited	-	50,000,000
	<b>632,618,350</b>	<b>730,000,000</b>
	<b>849,361,208</b>	<b>842,455,770</b>

**19.1 Maturity grouping of balance with banks and financial institutions**

On demand	216,742,858	112,455,770
Not more than three months	132,618,350	130,000,000
More than three months but not more than six months	500,000,000	550,000,000
More than six months but not more than one year	-	50,000,000
	<b>849,361,208</b>	<b>842,455,770</b>



	<b>2008 Taka</b>	<b>2007 Taka</b>
<b>19.2 Cash reserve requirement (CRR)</b>		
The Company requires maintaining cash with Bangladesh Bank current account equivalent to 2.5% of term deposits excluding deposits from banks and financial institutions.		
Required reserve	64,527,046	51,595,635
Actual reserve held	67,040,238	54,296,057
Surplus	<b><u>2,513,192</u></b>	<b><u>2,700,422</u></b>

### 19.3 Statutory liquidity requirements (SLR)

The Company requires maintaining SLR to 5% of total liabilities including 2.5% of CRR and excluding loans and deposits from banks and financial institutions. Throughout the year the Company maintained SLR adequately.

## 20. Accounts receivable and advances

Advances, deposits & prepayments (Note-20.1)	18,616,756	7,416,246
Accrued income receivable (Note-20.2)	124,941,050	93,282,856
Accounts receivables (Note -20.3)	185,308,908	156,183,428
Advance corporate tax (Note – 20.4)	250,131,806	130,850,387
	<b><u>578,998,520</u></b>	<b><u>387,732,917</u></b>

### 20.1 Advance, deposit & prepayment

These represent amount advanced against office rent, prepaid expenses and deposit with BTCL, advance against salary, deposit with ICB for bond issuance etc. The advance, deposit and prepayment are considered good but not secured.

Advance	17,781,256	6,111,896
Deposit	825,500	817,500
Prepayment	10,000	486,850
	<b><u>18,616,756</u></b>	<b><u>7,416,246</u></b>

### 20.2 Accrued income receivable

Accrued income on long term activities	107,982,217	82,130,441
Accrued income on short term activities	11,216,830	5,330,156
Accrued income on bank deposits	5,742,003	5,822,259
	<b><u>124,941,050</u></b>	<b><u>93,282,856</u></b>

### 20.3 Accounts receivable

Receivable against terminated lease/loan	146,058,921	150,796,416
Other receivables	39,249,987	5,387,012
	<b><u>185,308,908</u></b>	<b><u>156,183,428</u></b>

Full provision has been made for receivable against terminated lease/ loan while the other receivables are considered good but not secured.

### 20.4 Advance corporate tax

This represents tax deducted at source in favour of the Company and advance tax paid by the Company. Advance tax will be adjusted against provision for tax after final assessment of tax.



## 21. Short term finance

Short term finance consists of short term revolving loan and factoring of accounts receivables and pre-delivery financing. Loan against term deposits represent loan taken by individual deposit holders against their respective term deposits.

	<b>2008</b>	<b>2007</b>
	<b>Taka</b>	<b>Taka</b>
Short term finance	452,194,312	283,793,604
Loan against term deposits	46,506,339	12,946,385
	<b><u>498,700,651</u></b>	<b><u>296,739,989</u></b>

## 22. Accrued expenses and payables

This is made up of the followings:

Liabilities for expenses	232,256,463	218,953,560
Liabilities other than expenses	36,288,574	28,974,204
	<b><u>268,545,038</u></b>	<b><u>247,927,764</u></b>

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

Liabilities other than expenses comprise of KfW interest differential fund kept for future utilization by the company for employees' training and AIT payables.

## 23. Short term loan

Short term loan – secured

Citibank N.A.	180,000,000	-
Standard Chartered Bank	120,000,000	120,000,000
	<b><u>300,000,000</u></b>	<b><u>120,000,000</u></b>

Bank overdrafts

Citibank N.A.	92,349,142	8,064,792
Commercial Bank of Ceylon Plc.	13,329,767	-
Dutch Bangla Bank Limited	7,750,562	-
	<b><u>113,429,471</u></b>	<b><u>8,064,792</u></b>
	<b><u>413,429,471</u></b>	<b><u>128,064,792</u></b>

## 24. Provision for current taxation

Balance at January 01	148,255,008	52,154,209
Provision made for the year	152,661,018	96,100,799
Balance at December 31	<b><u>300,916,026</u></b>	<b><u>148,255,008</u></b>



	<b>2008</b>	<b>2007</b>
	<b>Taka</b>	<b>Taka</b>
<b>25. Interest suspense account</b>		
This represents interest income on lease, hire purchase, term loan and short term loan outstanding over ninety days as per Bangladesh Bank's guidelines. The detail is as follows:		
Lease finance	31,917,066	14,467,602
Term finance	22,441,609	12,284,909
Short term finance	2,425,082	230,259
Hire purchase	24,777	282,335
	<b><u>56,808,534</u></b>	<b><u>27,265,105</u></b>
<b>26. Income from long term financing activities</b>		
Lease finance & hire purchase	767,052,536	712,897,103
Term finance & home loan	193,273,017	153,845,841
Long term investment	19,766,125	16,318,138
Dividend income from preference share	4,762,314	4,500,000
	<b><u>984,853,992</u></b>	<b><u>887,561,082</u></b>
<b>27. Income from short term financing activities</b>		
Short term finance	15,983,998	22,416,358
Channel financing	47,765,298	17,828,408
Loan against term deposit	3,911,873	923,338
	<b><u>67,661,169</u></b>	<b><u>41,168,104</u></b>
<b>28. Financial expenses</b>		
Interest on loan (Note – 28.1)	244,893,883	273,138,607
Interest on deposits	476,242,729	300,813,461
Direct deposit expenses	5,123,528	2,026,874
Finance charges on capital lease	85,196	345,841
	<b><u>726,345,336</u></b>	<b><u>576,324,783</u></b>
Interest income on bank deposit	(92,751,429)	(34,398,593)
	<b><u>633,593,907</u></b>	<b><u>541,926,190</u></b>
<b>27.1 Interest on loan</b>		
Interest on bank loan	195,860,641	187,081,548
Interest on KfW loan	19,770,084	21,509,982
Interest on call loan	15,182,375	14,958,430
Interest on loan from Bangladesh Bank	14,080,783	17,661,563
Interest on debenture	-	31,927,084
	<b><u>244,893,883</u></b>	<b><u>273,138,607</u></b>



	<b>2008</b>	<b>2007</b>
	<b>Taka</b>	<b>Taka</b>
<b>29. Administrative expenses</b>		
Salaries, bonus and allowances (Note-29.1)	50,936,575	47,609,289
Rent, rates & taxes	15,981,410	11,944,489
Traveling & conveyance	7,144,942	5,320,988
Repair & maintenance	6,457,976	4,968,233
Vehicle maintenance	5,136,627	3,046,674
Electricity, water & gas	2,902,367	1,886,917
Communication	2,814,277	2,486,948
Legal & professional charges	2,945,006	2,656,802
Annual general meeting expenses	2,526,097	1,949,600
Business promotion expenses	1,900,890	1,264,165
Medical expenses	1,388,772	502,239
Office expenses	1,200,939	654,689
Printing & stationery	1,196,757	1,091,812
Bank charges	863,324	721,362
Publicity & advertisement	811,197	631,478
Insurance charges	769,742	839,905
Fees & subscription	436,874	382,948
Statutory Auditors' remuneration (Note – 29.2)	104,500	100,000
Directors' remuneration (Note - 29.3)	117,300	98,900
Books & periodicals	98,238	116,429
Training expenses (Note -29.4)	49,746	40,000
	<b><u>105,783,554</u></b>	<b><u>88,313,867</u></b>
<b>29.1 Salary, bonus and allowances include contribution to:</b>		
Provident fund	2,000,625	3,114,755
Gratuity fund	2,065,398	1,950,000
	<b><u>4,066,023</u></b>	<b><u>5,064,755</u></b>
<b>29.2</b> Statutory Auditors' remuneration of this year includes VAT @4.5%		
<b>29.3</b> Directors remuneration includes VAT paid on meeting attending fee.		
<b>29.4</b> Total training expenses incurred Tk 2,974,037 (2007:Tk.1,601,757) out of which Tk. 2,924,291 (2007:Tk.1,561,757) has been taken as assistance from KfW, a German development partner.		
<b>30. Tax expenses</b>		
Current tax expense	152,661,018	96,100,799
Deferred tax expense/(income)	(102,333,989)	(39,334,900)
	<b><u>50,327,029</u></b>	<b><u>56,765,899</u></b>



### 31. Earning per share

The computation of EPS given below:

Earnings attributable to the ordinary shareholders  
(Net profit after tax)

153,034,950

142,738,853

Weighted average number of ordinary shares  
Outstanding

2,310,000

2,310,000

**Basic EPS**

**66****62**

### 32. Management emoluments

Remuneration  
Benefits

20,687,753

18,869,774

222,691

1,063,664

**20,910,444****19,933,438**

This includes an amount of Tk. 4,558,691 (2007:Tk. 4,770,414) paid to the Managing Director as remuneration and benefits.

### 33. Directors' remuneration for attending board meeting

The Company paid fee @ Tk. 2000 to its non-executive Directors for attending the Board meetings.

### 34. Directors' remuneration for special services

No remuneration has been paid to any Director for special services rendered.

### 35. Receivable from directors

Nothing is due from any of the Directors of the Company.

### 36. Number of employees

The number of employees engaged for the whole year or part thereof who received yearly remuneration of Tk. 36,000 or above were 139 (2007:99). The number of employees with the Company as at December 31, 2008 was 128 persons (2007:89) including 16 support staff.



**37. Contingent liabilities**

2008 Taka	2007 Taka
--------------	--------------

**Guarantees**

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

**Letter of Credit**

These include standby letters of credit opened for import of machinery for the purpose of lease.

The contingent liabilities are:

Guarantee to Banks	85,317,910	71,089,162
Letter of Credit	42,406,080	50,000,000
	<b>127,723,990</b>	<b>121,089,162</b>

**38. Commitment**

**Capital expenditure**

The Company had no capital expenditure commitment contracted but not incurred or provided for at December 31, 2008 (2007: Tk 201,790).

**Commitment to lend**

Under a lease/loan commitment the Company agrees to make funds available to customers in the future. Loan commitments, which are usually for a specified term may be unconditionally cancellable or may persist, provided all conditions in the loan facility are satisfied or waived. At the end of the year 2008, the Company had Taka 233,906,721 commitment with customers (2007: Tk 359,734,405).

**39. Claim against Company not acknowledged as debt**

The Company does not admit to the accumulated tax liability of Tk 42 million assessed by the different tax authorities for the income years 1998, 1999, 2003, 2004, 2005 and 2006 by disallowing claim for investment allowance, claiming simple interest and disallowing claim for others allowances.

**40. Proposal of dividend**

The Board of Directors has recommended a cash dividend of Tk. 20 per ordinary share i.e. a total of Tk. 46.2 million for 2.31 million ordinary shares and one bonus for every seven shares held for the year ended December 31, 2008.

**41. Dividend remitted to non-resident shareholders**

An amount of Tk. 7,560,000 equivalent to GBP 55,157 ( 2006:Tk 7,491,022 equivalent to GBP 53,539) was remitted to non-resident shareholder as dividend for the year 2007.



## 42. Foreign currency transactions

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

## 43. Related party transactions

The Company in normal course of business has entered into transactions with other entities that fall within the definition of related party contained in Bangladesh Accounting Standard 24. The Company believes that the terms of related party transactions are not significantly different from those that could have been obtained from third parties. The significant related party transactions during the year are as follows:

Name of the related party	Relationship	Nature of transactions	Balance as at December 31, 2008 Receivable/ (Payable) Taka
United Insurance Co. Ltd.	Sponsor Shareholder	Lease financing	1,975,607
United Insurance Co. Ltd.	-Do-	Term Deposit	(5,000,000)
United Insurance Co. Ltd.	-Do-	Insurance*	769,543
The Lungla (Sylhet) Tea Co. Ltd.	Common Directors	Lease Financing	7,762,684
Amo Tea Co. Ltd.	-Do-	-Do-	1,119,227
Duncan Properties Limited	Associate Company	Term Deposit	(18,000,000)

\* Paid during 2008

## 44. Reporting currency and level of exactitude

The figures in the financial statements have been stated in Bangladesh Taka and have been rounded off to the nearest integer.

## 45. Comparative information

Last year's figures and account titles have been rearranged wherever necessary, to conform current year's presentation.

## 46. Authorized for issue of the financial statements

The Board of Directors of the Company has authorized these financial statements for issue on February 23, 2009.

**Syed Ehsan Quadir**  
Managing Director

**M. Moyeedul Islam**  
Director

**M. Ataul Hoque**  
Company Secretary