



UNITED LEASING

ANNUAL REPORT 2010



Annual Report 2010



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NOTICE OF THE TWENTY SECOND ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Second Annual General Meeting of the shareholders of United Leasing Company Limited will be held at the Celebrity Hall of Bangabandhu International Conference Centre, Agargaon, Sher-E-Bangla Nagar, Dhaka on Thursday, June 9, 2011 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, 2010.
2. To declare Dividend for 2010.
3. To elect Directors as per Articles of Association of the Company and fix Directors' remuneration.
4. To consider the appointment of Auditors for 2011 and fix their remuneration.

BY ORDER OF THE BOARD

COMPANY SECRETARY

Dated : Dhaka
April 18, 2011

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 10.00 and submitted to the Registered Office of the Company no later than 48 hours before the day of the Annual General Meeting.
2. April 28, 2011 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 Monday, June 6, 2011.
4. Shareholders and proxies are requested to record their entry in the Annual General Meeting well in time.



COMPANY INFORMATION

Board of Directors

Chairman

Imran Ahmed

Nominated by

: Lawrie Group Plc of the U.K.

Directors

Peter J. Field

: Lawrie Group Plc of the 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

Independent Director

M. Abdul Wahed

Ex- officio Director

Syed Ehsan Quadir, Managing Director

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

Offices **Dhaka**

Noor Tower (3rd Floor), 110 B. U. C. R. Dutta Road (Sonargaon Road), Dhaka-1205.
Telephone: (880-2) 9662923

Northern S.R. Tower (3rd Floor), 49 Bir Uttam Ziaur Rahman Road (Old Airport Road)
Tejgaon, Dhaka. Telephone: (880-2) 9103002, 9102879

57 Shahid Syed Nazrul Islam Soroni (3rd & 4th Floor), Bongshal, Dhaka.
Telephone: (880-2) 7165955-6, E-mail: bongshal@ulc.com.bd

Chittagong

C & F Tower (5th Floor), 1712 Sheikh Mujib Road, Agrabad Commercial Area, Chittagong
PABX: (880-31) 714882,2519948, Fax: (880-31) 2519949, E-mail: ctg@ulc.com.bd

Jessore

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

Rangpur

75/76 Station Road (3rd Floor), Rangpur.
Telephone: (880-521) 53397, E-mail: rang@ulc.com.bd

Chuadanga

941-03 Post Office Para, Shahid Abul Kashem Sarak Barabazar, Chuadanga.
Telephone: (880-761) 63995-6, E-mail: chuadanga@ulc.com.bd

Gazipur

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

Bogra

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

Sylhet

Holy Complex (2nd Floor), East Dargah Gate, Sylhet- 3100.
Telephone: (880-821) 2830195, 2830736, E-mail: syl@ulc.com.bd

Belkuchi

Amin Razzak Plaza (2nd Floor), 130 Makundagati Bazar, Belkuchi, Sirajgonj.
Telephone: (880-7522) 56428, E-mail: bel@ulc.com.bd

Auditors

M. J. Abedin & Co.
Chartered Accountants

Legal Advisor

Orr, Dignam & Co.



COMPANY MILESTONES

Incorporation and commencement of operation	1989
Public issue and trading of shares on Dhaka Stock Exchange	1994
Increase of authorized capital	2000
Issue of securitized zero coupon bond	2005
Commencement of factoring operation	2005
Commencement of public deposit mobilization	2005
Commencement of home loan	2007

Branches opened

Chittagong, Agrabad	1994
Jessore, M.K. Road	2005
Gazipur, Joydevpur Chowrasta	2006
Bogra, Jhawtola	2006
Sylhet, East Dargah Gate	2009
Rangpur, Station Road	2010
Chuadanga, Barabazar	2010
Bongshal, Shahid Syed Nazrul Islam Soroni	2010



CHAIRMAN'S REPORT

Dear Shareholders:

It is a great pleasure for me to welcome you at the 22nd Annual General Meeting of United Leasing Company Limited.

At the outset, with a heavy heart I inform you that, your Company's founder Chairman Mr. Kafiluddin Mahmood expired on 07 January 2011 due to old age. He served as the Chairman of your Company from its inception in 1989 till his resignation in 2005 due to failing health. He played a pivotal role in bringing the participation of Asian Development Bank as a shareholder of ULC. Under his able guidance your Company grew in size and reputation within a very short time. After his resignation, as a mark of recognition for his monumental contribution, the Board of Directors of your Company appointed him as the Supernumerary Chairman (honorary) of ULC. With his passing away we have lost a guardian and a well wisher. May Allah rest his soul in peace.

I would now take the opportunity to brief you on the economy, the financial services sector and the performance of your Company during the year.

Economy

The country attained GDP growth of 5.8% in the FY 2009-10 from 5.9% in the previous fiscal year. Given the slow global economic recovery, severe energy crises and infrastructural handicap this growth performance is noteworthy. Agriculture grew strongly, with continued Government support, by 4.4% in FY 2009-10 from 4.1% the year before. Overall favourable weather condition along with broad based Government support and timely supply of seeds and distribution of fertilizers and better access to credit contributed to the growth.

Industry sector growth slid slightly (from 6.5% in FY 2008-09 to 6.4% in FY 2009-10) due to fall in external demand and shortage of power, gas and other infrastructural facilities. Shortage of fuel and power hit the medium and small scale industries more when compared to large scale industries which usually have their own power generating options.

The services sector accounted for about 49% of the GDP. The services sector achieved a growth of 6.4% during 2009-10 as opposed to 6.3% in 2008-09. Growth in this sector was mainly driven by demand for services linked to agricultural and industrial expansion.

Inflation remained at around 7.5% due to volatile food prices. The price of rice, vegetable oil and wheat, in line with the international market price, rose significantly pushing the food inflation to 9.7% which was moderated, to some extent, by declining trend in the non food items by 3.7%. The growth in money supply over the past years was the main reason behind rising inflationary trends.

Gross foreign exchange reserve continued to rise in FY 2009-10, equivalent to 5 months of imports, reaching \$10.7 billion at the end of November 2010, up from \$10.3 billion a year earlier. Total remittance inflow to the country reached US\$ 11.0 billion, a 13.25% increase from last year.

Financial Services Sector

2010 was a good year for many NBFIs and Banks, due to their investments in the capital market. The capital market experienced unprecedented level of activities and had drawn funds and attention of many NBFIs and Banks.

NBFIs focusing only on industrial financing activities on the other hand had a very challenging year as gas and power shortage led to sluggish industrial investment during the year. Industrial activity gained a late momentum as some entrepreneurs managed to generate own power. The industry also fared well in the SME sector backed by refinancing facilities from Bangladesh Bank.

In order to boost the fund mobilisation capabilities of the NBFIs, the regulator, Bangladesh Bank, took the positive initiative of reducing the minimum tenor of deposits taken from individuals from 12 months to 6 months.

The automatic clearing house was implemented initially in Dhaka and later to the regional clearing houses. This has facilitated faster and more convenient collection of monthly rents. Bangladesh Bank also issued directives and guidelines on ICT security, branch opening and refinancing of SME and women entrepreneurs. ULC fine-tuned its existing guidelines in the light of the new Bangladesh Bank directives.

In December 2010 Bangladesh Bank raised the Cash Reserve Requirement of the commercial banks from 5.50% to 6.0%. The measure was taken to curb inflation. However, this created serious pressure on the liquidity of the banks and forced the overnight money market rate to shoot up and remain high for a prolonged period, until Bangladesh Bank put a maximum cap on the call money rate.

Financial institutions that were earlier granted Merchant Banking licenses formed subsidiary companies as per directive of Bangladesh Bank. Few more Merchant Banking licenses were issued during the year. Our application, however, is still



under consideration of the authorities.

High corporate tax rate continued to remain a matter of concern for the industry.

Company Performance

ULC was able to achieve its business target this year which was a major challenge considering the investment environment. Your Company is perhaps one of the very few NBFIs restricting its activities to core financing and not operating in the stock market.

During 2010 SME finance achieved significant growth by expanding small client's network through new branches in Sylhet, Rangpur, Belkuchi (Sirajgonj) and Chuadanga. To encourage women entrepreneurs your Company developed separate marketing and credit teams comprising of female employees only and successfully financed a significant number of women entrepreneurs.

Two insurance interlaced deposit products were launched in the market to provide the small depositors with value added service in addition to savings. The initial response from the market is encouraging. Efforts of the investment marketing team helped to build a respectable deposit portfolio.

The channel financing operation, started in 2005, continued to achieve growth. Corporate financing also grew and we restarted participating in projects financed through syndication.

At the end of the year 2010 your Company earned net interest income of Taka 545.97 million compared to Taka 420.43 million in 2009 registering a growth of 29.86%. Profit before tax of Taka 578.28 million registered a growth of 171.82% compared to Taka 212.74 million in 2009.

Profit before tax includes non operating income of Taka 212.19 million from capital gain from divestment of shares of Duncan Properties Limited held by your Company. Operating profit before tax, exclusive of capital gain amounted to Taka 366.09 million compared to Taka 212.74 million in 2009 registering a growth of 72.08%.

Reducing the cost of fund was a major challenge which was met successfully in 2010 while maintaining a similar portfolio. Interest paid on deposits and borrowings decreased by 13.35% from Taka 685.92 million in 2009 to Taka 594.33 million. This was achieved mainly through cost effective fund mobilisation.

Operating expenses increased by 20.29% from Taka 144.60 million in 2009 to Taka 173.95 million mainly due to opening of new branches, effect of expansion in small enterprise financing, factoring of accounts receivable and individual investment services initiated during the year 2010. Adequate provision for bad debts has also been made this year to cover ourselves from recovery risk. Net assets value per share increased to Taka 307.00 from Taka 239.10 in 2009. Restated earning-per-share (exclusive of non-operating income from sale of share) increased by 22.04% to Taka 37.48 from Taka 30.71 in 2009.

Risk Management

ULC manages its overall risks as per policies and objectives set by the Board. The main financial risks as identified by the Regulators and faced by your Company are: Credit risk, liquidity risk, market risk, IT security risk and operational risk.

A separate risk management department was created to focus on, proper product structuring, operational process analysis and reengineering. Credit risk management has been turned into a proactive risk management unit by establishing guidelines and checkpoints for evaluation, documentation and disbursement processes.

Asset Liability Management Committee (ALCO) continued to actively monitor the liquidity management. This proactivity and far sight allowed your Company to manage funds cost efficiently during the entire year.

ICT department has been organised into network management and software development functions with clear descriptions and understanding of the functions and responsibilities. Our ICT guidelines are in line with global best practices and also adhere to Bangladesh Bank guidelines.

Internal compliance

The internal compliance team, its scope and intensity of its audit have all been expanded. To minimise the risk, internal compliance team conducts audit of every department and branches in your Company as per the audit calendar approved by the Audit Committee of the Board. The team also conducts daily audit on channel financing operation and generates daily reports on their activities. This has improved the effectiveness of check and balance, ensuring quality and transparency in all spheres of Company's Operation. A quarterly audit and inspection report is regularly submitted to the Audit Committee of the Board for their information and deliberation.



Collection

Over the years your Company has developed a well organised collection department which led to significant improvement in collection. At the year end, our non performing loan ratio came down to below three percent which is a significant achievement. The collection team realised a considerable amount through litigation and out of court arbitration, an effort which will continue. Our future target is to improve the monthly collection ratio further and contain NPL ratio.

Human Resources

The growing operations and branch network required mobilisation of effective human resources, which was met successfully. Besides recruitment of personnel with necessary skill level, regular trainings were arranged to further enhance skill level and develop human resource. Your Company provided 959 man days of both local and foreign trainings during 2010. To further facilitate in house trainings, ULC's own Training Centre has been established.

Post Balance Sheet Date Events

The Directors, in the Board meeting held to approve the accounts of 2010, recommended cash dividend of Taka 7.50 per share and three bonus shares for every four shares held on the record date.

There are no circumstances in your Company of which non-disclosure would affect the ability of the users of the financial statements to make proper evaluation and decisions.

Outlook

GDP growth is estimated to be 6.1% to 6.3% in FY 2010-11, a slight increase from 6% in FY 2009-10. This estimate is based largely on higher public and private investments as well as increased capacity utilisation due to rebound in exports. Private investment will rise if the supply side constraints, particularly energy are eased. However, several other downward risks remain which could drive growth below the range projected. These are: weaker than anticipated global recovery, slowdown in remittances and downturn in exports. Higher growth in FY 2010-11 is expected if the current trend of export growth is sustained and the domestic economy performs strongly.

Bangladesh Bank is expected to exercise tighter monetary control to reign in inflation. Liquidity crisis is also not expected to ease in a short time. Interest rate, of both lending and deposit, is on an increasing trend. This volatility will be demanding on the financial sector. It will also open opportunities for those who would be able to control funding cost and manage investment judiciously.

Amidst tight credit environment, depressed capital market and intensified competition, 2011 will be a challenging year. We believe, through our expanding branch network and overall improvement of service quality, we will be able to retain and expand our customer base through expansion of conventional core business.

Your Company intends to establish a stronger footprint across the country and is now better prepared to expand its operation throughout the country. The eight full fledged branches are now capable of handling the diversified product portfolio ULC offers its customers.

We, therefore, look forward to the coming year with confidence. Our main focus will be on managing costs, undertaking calculated and manageable risks, improving our service quality and adding value to our stakeholders.

Acknowledgment

We acknowledge with thanks the invaluable support and cooperation rendered to your Company by our valued customers, shareholders, regulators, lenders and the international agencies.

The Board of Directors of your Company made commendable contribution in guiding the Company for which I am thankful to them. I am also grateful to the Board of Directors for their support in conducting the meetings of the Board smoothly.

It is also my pleasure to thank the employees for their sincere and dedicated services to your Company in a challenging and competitive environment.

Sincerely,


Imran Ahmed
Chairman



BOARD OF DIRECTORS' REPORT

Dear Shareholders:

We are pleased to submit herewith the 22nd annual report of the Company together with the audited financial statements for the year ended December 31, 2010 and the 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, work order financing.
- Investment marketing in the form of deposit collection.
- SME financing in the form of medium and short term loans.

There was no significant change in the nature of these activities during the year 2010.

Financial results

The Company's before and after tax profit for the year 2010 were Taka 578.28 million and Taka 378.28 million compared to Taka 212.74 million and Taka 162.13 million respectively in the previous year.

The financial results are summarised below:

	2010 Taka	2009 Taka
Operating Income	590,041,794	447,340,847
Operating expenses and provision	(223,949,718)	(234,596,380)
Non-operating income	212,189,067	-
Profit before tax	578,281,143	212,744,467
Provision for taxation	(200,000,000)	(50,610,147)
Profit after tax	378,281,143	162,134,320
Retained surplus brought forward	4,910,929	2,576,609
Available profit	383,192,072	164,710,929
Proposed transfer from General Reserve	135,000,000	174,000,000
Accumulated surplus available for appropriation	518,192,072	338,710,929
Directors' recommendation of appropriation of accumulated surplus:		
Transferred to Statutory Reserve	80,000,000	50,000,000
Proposed cash dividend	39,600,000	19,800,000
Proposed bonus share	396,000,000	264,000,000
Retained surplus carried forward	2,592,072	4,910,929
	518,192,072	338,710,929

Dividend

The Board of Directors of the Company is pleased to recommend cash dividend of Taka 7.50 per ordinary share amounting to Taka 39.60 million for 5.28 million ordinary shares held on record date for the year ended December 31, 2010.

The Board also recommended the distribution of three shares for every four shares held on record date amounting to Taka 396 million.

Plan for utilisation of undistributed profit

The undistributed profit will be utilised 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 the Articles of Association of the Company two Directors namely, Mr. M. Moyeedul Islam represented by United Insurance Company Limited and Mr. S. Aziz Ahmad represented by Surmah Valley Tea Company Limited retire by rotation from the office and are eligible for re-election.



Managing Director

The Board appointed the existing Managing Director for a further period of three years with effect from January 1, 2011 to December 31, 2013 with Bangladesh Bank approval in accordance with FID circular no. 04 dated July 11, 2007 issued by Bangladesh Bank.

Auditors

M/S M. J. Abedin & Co., chartered accountants who have served as auditors of the Company for three consecutive years retire and are ineligible for re-appointment as per the Rules issued by Bangladesh Bank and Securities and Exchange Commission. A new auditor, therefore, is required to be appointed by the shareholders for the year 2011 in the 22nd Annual General meeting.

Board Meeting and Attendance

During the year, eight (8) 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.

Shareholders of the Company detailed in annexure-2 other than United Insurance Company Limited, had earlier informed about their intention of disposal of their entire shareholdings for which the Company issued price sensitive information. Later, the Company was informed that the transaction did not materialise as the agreement was terminated by operation of law. The Company also issued price sensitive information on this disclosure.

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 presentation of Financial Statements has been made in accordance with the Bangladesh Bank DFIM circular no. 11 dated December 23, 2009.
- e) The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.
- f) Internal Control System is sound in design and has been effectively implemented and monitored.
- g) 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

March 31, 2011

Imran Ahmed
Chairman

**Board meeting and attendance**

Name of Directors	Meetings attended
Imran Ahmed	8
Peter John Field	1
M. Moyeedul Islam	8
A. Rouf	8
S. Aziz Ahmad	8
M. A. Wahed	4
M. M. Alam	3
Syed Ehsan Quadir	8
M. A. Azim	8

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

Shareholding pattern as at December 31, 2010**Shareholdings of Parent/Subsidiary/Associated companies and other related parties**

Sl. No	Name of shareholders	Number of shares	% of holdings
1	United Insurance Co. Ltd.	1,089,690	20.64
2	Lawrie Group Plc., U.K.	1,056,000	20.00
3	Surmah Valley Tea Co. Ltd.	436,850	8.27
4	Duncan Brothers (Bangladesh) Ltd.	52,800	1.00
5	Macalms Bangladesh Trust	50,906	0.96
6	Octavius Steel & Co. of BD Ltd.	37,714	0.71
7	The Lungla (Sylhet) Tea Co. Ltd.	30,626	0.58
8	Camellia Duncan Foundation	6,038	0.11
9	The Chandpore Tea Co. Ltd.	3,692	0.07
10	Amo Tea Co. Ltd.	3,240	0.06
11	Chittagong Warehouses Ltd.	3,144	0.06
12	The Allynugger Tea Co. Ltd.	3,140	0.06
13	The Mazdehee Tea Co. Ltd.	3,138	0.06
14	Duncan Products Ltd.	3,136	0.06

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

Name of shareholders	Number of shares	% of holdings
S. Aziz Ahmad (Director)	450	-
Syed Ehsan Quadir (Managing Director)	176	-
M. Moyeedul Islam (Director)	148	-
Khurshid Ara Rouf (Wife of Mr. A. Rouf, Director)	148	-

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

Name of shareholders	Number of shares	% of holdings
United Insurance Co. Ltd.(Sponsor)	1,089,690	20.64
Lawrie Group Plc, U.K. (Sponsor)	1,056,000	20.00



Annexure-3

Key operating and financial data

(Taka in Million)

	2010	2009	2008	2007	2006
Operating result					
Net operating income	590	447	419	387	323
Non-operating income	212	-	-	-	-
Profit before tax	578	213	203	201	179
Provision for tax	200	50	50	57	56
Profit after tax	378	162	153	144	124
Balance sheet					
Total investment portfolio	7,556	7,212	7,264	7,175	6,084
Total assets	9,260	8,718	8,752	7,894	6,284
Financial liabilities	5,396	5,480	5,773	5,488	3,872
Total liabilities	7,639	7,456	7,606	6,859	5,349
Shareholders' equity	1,621	1,262	1,146	1,035	935
No. of shares outstanding (in million)	5.28	2.64	2.31	2.1	2.1
Financial ratios					
Debt-equity ratio ¹	4.7	5.9	6.6	6.6	5.7
Return on equity (%) ²	26.2	13.5	14.0	14.6	13.8
Expenses per taka profit after tax (Taka)	2.2	5.7	6.2	5.3	5.0
Financial expenses coverage (times) ³	1.6	1.3	1.3	1.4	1.4
Net asset value per share ⁴	307	239	217	196	177
Earning per share (Taka) ⁴	71.64	30.72	28.95	27.22	23.44
Cash dividend (Taka per share) ⁴	7.5	7.5	17.5	15-9	15.9
Stock dividend (bonus share)	4:3	1:1	7:1	10:1	-
Number of branches	8	5	4	4	4
Number of employees	175	127	128	89	85

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

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

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

4. Net asset value per share, earning per share and cash dividend have been calculated based on shares outstanding at the end of the year 2010 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	-	
3.00	Audit Committee	Yes	-	
3.1 (i)	Composition of Audit Committee	Yes	-	
3.1 (ii)	Appointment of Audit Committee members	Yes	-	



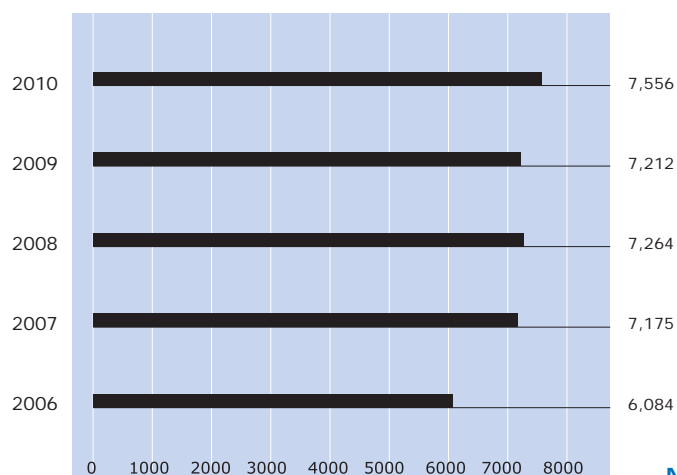
Condition No.	Title	Compliance status		Explanation for non-compliance/ comments
		Complied	Not complied	
3.1 (iii)	Service & tenure of Audit Committee members	Yes	-	
3.2 (i)	Selection of the Chairman of Audit Committee	Yes	-	
3.2 (ii)	Qualification of the Chairman of Audit Committee	Yes	-	
3.3.1 (i)	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	-	



PROGRESS AT A GLANCE

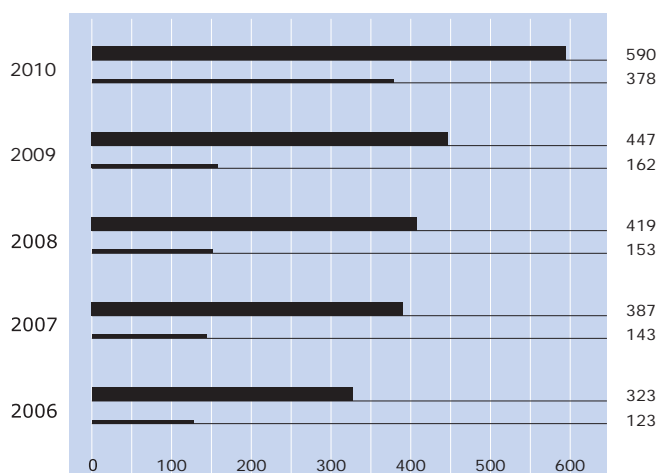
Total investment portfolio

Taka in million



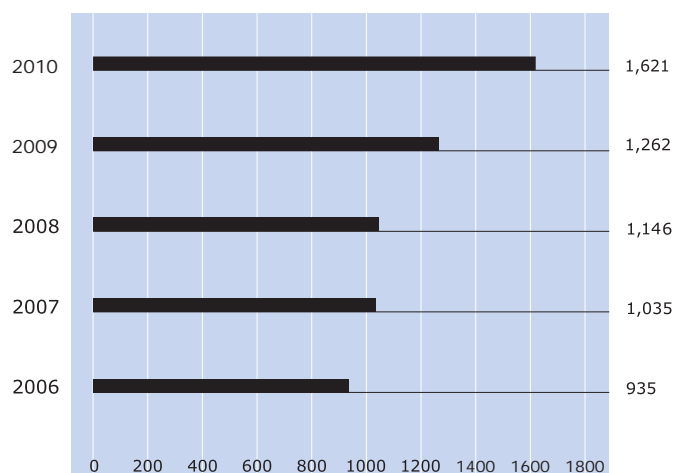
Net operating income and profit after tax

Taka in million



Shareholders' equity

Taka in million



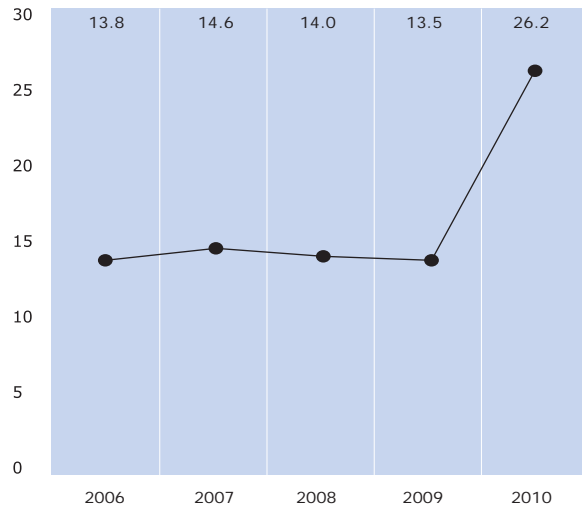
Net operating income
 Profit after tax



PROGRESS AT A GLANCE

Return on equity

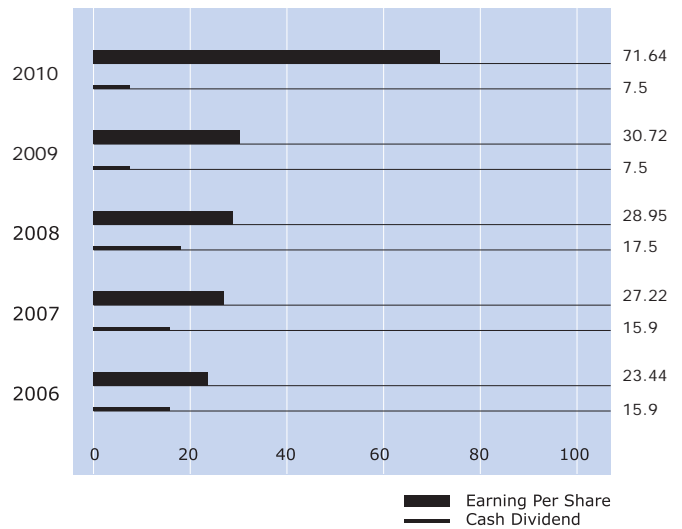
In percent



Earning per share and cash dividend taka per share

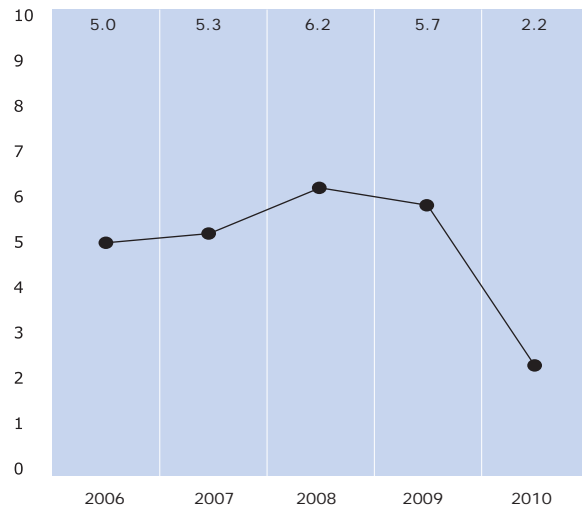
(Based on number of shares outstanding at the end of year 2010)

Amount in taka



Expenses per taka after tax profit

Amount in taka





AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying financial statements of United Leasing Company Limited which comprise the balance sheet as at 31 December 2010 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and explanatory notes thereto.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) subject to the departure from some requirements of BFRSs as disclosed in note 2.17 to comply with the rules and regulations of the country's central bank, Bangladesh Bank, give a true and fair view of the state of the Company's affairs as on 31 December 2010 and the results of its profit and loss account and its cash flow for the year then ended and comply with the Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 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 52 dealt with by the report are in agreement with the books of account and returns;
- d. the financial statements have been prepared in accordance with generally accepted accounting principles in Bangladesh;



- e. the expenditure incurred and payments made were for the purpose of the Company's business;
- f. the financial statements have been drawn up in conformity with the Financial Institutions Act 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank to the extent applicable to the company;
- g. adequate provisions have been made for leases and advances which considered to be doubtful of recovery;
- 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, March 31, 2011

M. J. ABEDIN & CO

Chartered Accountants



Financial Statements



BALANCE SHEET as at December 31, 2010

	Notes	2010 Taka	2009 Taka
Property and assets			
Cash			
	3		
In hand (including foreign currencies)		40,500	31,500
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		104,317,382	82,275,521
		104,357,882	82,307,021
Balance with banks and other financial institutions			
	4		
In Bangladesh		577,837,375	773,982,185
Outside Bangladesh		-	-
		577,837,375	773,982,185
Money at call and short notice			
	5	320,000,000	
Investments			
	6		
Government		-	-
Others		158,454,916	75,145,900
		158,454,916	75,145,900
Lease, loans and advances			
	7		
Lease receivable and stock on hire		5,087,058,876	5,016,232,986
Loans, cash credits, overdrafts, etc.		2,469,073,258	2,196,219,363
Bills purchased and discounted		-	-
		7,556,132,134	7,212,452,349
Fixed assets including premises, furniture and fixtures			
	8	42,826,833	36,689,281
Other assets			
	9	500,149,769	538,074,184
Non-financial institutional assets			
		-	-
Total assets			
		9,259,758,909	8,718,650,920
Liabilities and capital			
Liabilities			
Borrowing from banks, other financial institutions and agents			
	10	1,360,317,795	1,591,712,874
Deposits and other accounts			
	11		
Current deposits		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		4,035,304,335	3,888,302,977
Bearer certificates of deposit		-	-
Other deposits		476,327,440	476,223,760
		4,511,631,775	4,364,526,737
Other liabilities			
	12	1,766,867,266	1,499,950,380
Total liabilities			
		7,638,816,837	7,456,189,991
Capital/shareholders' equity			
	13.2	528,000,000	264,000,000
Paid- up capital			
Statutory reserve	14	380,000,000	300,000,000
Share premium	15	3,750,000	3,750,000
General reserve	16	271,000,000	406,000,000
Dividend equalization reserve	17	-	-
Retained surplus	18	438,192,072	288,710,929
		1,620,942,072	1,262,460,929
Total shareholders' equity			
		9,259,758,909	8,718,650,920
Total liabilities and shareholders' equity			
		9,259,758,909	8,718,650,920
Net asset value per share			
	19	307.00	478.20



BALANCE SHEET as at December 31, 2010

	Notes	2010 Taka	2009 Taka
Restatement of NAV			
Net asset		1,620,942,072	1,262,460,929
Number of outstanding shares (current year's)		5,280,000	5,280,000
NAV per share		307.00	239.10
Off-balance sheet items			
Contingent liabilities			
	20		
Acceptances and endorsements		-	-
Letters of guarantee		34,504,650	2,400,000
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
		34,504,650	2,400,000
Other commitments			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
		-	-
Total off-balance sheet items including contingent liabilities		34,504,650	2,400,000

The annexed notes 1 to 52 form an integral part of these financial statements.


Syed Ehsan Quadir
 Managing Director


M. Moyeedul Islam
 Director


A. Rouf
 Director


M. M. Alam
 Director

See annexed auditors' report to the Shareholders of the date.

Dhaka, March 31, 2011


M. J. Abedin & Co.
 Chartered Accountants

**PROFIT AND LOSS ACCOUNT** for the year ended December 31, 2010

	Notes	2010 Taka	2009 Taka
OPERATING INCOME			
Interest income	22	1,140,302,102	1,106,349,325
Interest paid on deposits, borrowing, etc.	23	(594,335,784)	(685,920,218)
Net interest income		545,966,318	420,429,107
Investment income	24	11,050,386	8,189,353
Commission, exchange and brokerage		-	-
Other operating income	25	33,025,090	18,722,387
Total operating income (A)		590,041,794	447,340,847
OPERATING EXPENSES			
Salaries and allowances	27	93,728,908	75,364,458
Rent, taxes, insurance, electricity, etc.	28	16,569,867	11,522,387
Legal expenses	29	4,115,642	3,277,664
Postage, stamp, telecommunication, etc.	30	3,245,065	3,020,554
Stationery, printing, advertisements, etc.	31	2,286,006	2,079,898
Managing Director's salary and benefits	32	4,911,647	4,819,278
Directors' fees	33	115,000	121,900
Auditors' fees	34	224,750	198,550
Charges on loan losses		-	-
Depreciation and repairs of assets	35	23,459,619	19,098,344
Other expenses	36	25,293,214	25,093,347
Total operating expenses (B)		173,949,718	144,596,379
Profit before provision (C=A-B)	21	416,092,076	302,744,469
Provision against lease, loans and advances	37	50,000,000	90,000,000
Provision for diminution in value of investments		-	-
Other provisions		-	-
Total provision (D)		50,000,000	90,000,000
Operating profit before taxes (C-D)		366,092,076	212,744,468
Non-operating income	26	212,189,067	-
Total profit before taxes		578,281,143	212,744,468
Provision for taxation	38	200,000,000	50,610,147
Net profit after taxation		378,281,143	162,134,321
Appropriations			
Statutory reserve	14	80,000,000	50,000,000
General reserve	16	-	-
Dividends, etc.		-	-
		80,000,000	50,000,000
Retained surplus	18	298,281,143	112,134,321
Earnings per share (EPS)	39	71.64	61.41
Restatements of EPS			
EPS considering current year's outstanding no. of shares			30.71
EPS without current year's non-operating income		37.48	

The annexed notes 1 to 52 form an integral part of these financial statements.


Syed Ehsan Quadir
 Managing Director


M. Moyeedul Islam
 Director


A. Rouf
 Director


M. M. Alam
 Director

See annexed auditors' report to the Shareholders of the date.

Dhaka, March 31, 2011


M. J. Abedin & Co.
 Chartered Accountants

STATEMENT OF CHANGES IN EQUITY for the year ended December 31, 2010



Particulars	Paid-up capital (Taka)	Statutory reserve (Taka)	Share premium (Taka)	General reserve (Taka)	Dividend equalization reserve (Taka)	Retained surplus (Taka)	Total (Taka)
Balance as at January 01, 2009	231,000,000	250,000,000	3,750,000	510,000,000	70,000,000	81,776,609	1,146,526,609
Cash dividend paid for the year 2008	-	-	-	-	-	(46,200,000)	(46,200,000)
Issuance of bonus share for the year 2008	33,000,000	-	-	-	-	(33,000,000)	-
Net profit for the year 2009 after tax	-	-	-	-	-	162,134,321	162,134,321
Appropriation made during the year	-	50,000,000	-	-	-	(50,000,000)	-
Transfer of dividend equalization reserve	-	-	-	70,000,000	(70,000,000)	-	-
Movement of general reserve	-	-	-	(174,000,000)	-	174,000,000	-
Transfer from current year's profit	-	-	-	-	-	-	-
Balance as at December 31, 2009	264,000,000	300,000,000	3,750,000	406,000,000	-	288,710,930	1,262,460,930
Surplus/deficit on account of revaluation of properties	-	-	-	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-
Net gains and losses not recognized in the income statement	-	-	-	-	-	-	-
Issuance of bonus share for 2009	264,000,000	-	-	-	-	(264,000,000)	-
Cash dividend for 2009	-	-	-	-	-	(19,800,000)	(19,800,000)
Net profit after taxation for the year	-	-	-	-	-	378,281,142	378,281,142
Movement of general reserve	-	-	-	(135,000,000)	-	135,000,000	-
Appropriation made during the year	-	80,000,000	-	-	-	(80,000,000)	-
Balance as at December 31, 2010	528,000,000	380,000,000	3,750,000	271,000,000	-	438,192,072	1,620,942,072

The annexed notes 1 to 52 form an integral part of these financial statements.


Syed Ehsan Quadir
 Managing Director


M. Moyeedul Islam
 Director


A. Rouf
 Director


M. M. Alam
 Director

See annexed auditors' report to the Shareholders of the date.



M. J. Abedin & Co.
 Chartered Accountants

Dhaka, March 31, 2011



CASH FLOW STATEMENT for the year ended December 31, 2010

	Notes	2010 Taka	2009 Taka
Cash flows from operating activities (A)			
Interest receipts in cash		1,144,616,114	1,133,582,767
Interest payments		(597,848,387)	(622,354,568)
Dividend receipts		8,239,700	6,732,516
Payments to employees		(98,608,708)	(69,269,610)
Payments to suppliers		(17,160,160)	(17,507,681)
Income taxes paid		(62,074,460)	(124,008,586)
Receipts from other operating activities	40	32,744,738	17,844,161
Payments for other operating activities	41	(62,763,849)	(53,547,398)
Cash generated from operating activities before changes in operating assets and liabilities		347,144,988	271,471,601
Increase/decrease in operating assets and liabilities			
Lease, loans and advances to banks and other FIs		(159,552,082)	(25,946,864)
Lease, loans and advances to customers		(204,705,795)	(32,796,560)
Other assets	42	90,553,349	(3,113,835)
Deposits from other banks/borrowings		(675,000,000)	(67,498,096)
Deposits from customers		822,001,358	611,492,588
Other liabilities	43	65,088,073	64,738,725
		(61,615,098)	546,875,958
Net cash from operating activities		285,529,890	818,347,559
Cash flows from investing activities (B)			
Proceeds from sale of securities		212,189,067	30,000,000
Payments for purchases of securities		(83,309,016)	-
Purchase of fixed assets		(19,504,616)	(11,442,243)
Proceeds from sale of fixed assets		779,202	1,250,500
Payment against lease obligation		(350,503)	(221,537)
Net cash used in investing activities		109,804,134	19,586,720
Cash flows from financing activities (C)			
Receipts of long term loan		214,476,000	412,989,000
Repayment of long term loan		(444,901,296)	(1,337,318,429)
Net draw down/(payment) of short term loan		-	138,502,763
Dividend paid		(19,002,677)	(45,179,613)
Net Cash from financing activities		(249,427,973)	(831,006,279)
Net increase in cash and cash equivalents (D=A+ B + C)		145,906,051	6,928,000
Effects of exchange rate changes on cash and cash equivalents (E)		-	-
Cash and cash equivalents at beginning of the year (F)		856,289,206	849,361,206
Cash and cash equivalents at end of the year (G=D+E+F)		1,002,195,257	856,289,206
Cash and cash equivalents at end of the year			
Cash in hand (including foreign currencies)		40,500	31,500
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		104,317,382	82,275,521
Balance with banks and other financial institutions [notes 4 (b)]		577,837,375	773,982,185
Money at call and short notice		320,000,000	-
		1,002,195,257	856,289,206
Net operating cash flow per share		54.08	309.98

**CASH FLOW STATEMENT** for the year ended December 31, 2010

Notes	2010 Taka	2009 Taka
Restatements of net operating cash flow per share		
Net cash from operating activities	285,529,890	818,347,559
Number of outstanding shares (current year's)	5,280,000	5,280,000
Net operating cash flow per share	54.08	154.99

The annexed notes 1 to 52 form an integral part of these financial statements.

Syed Ehsan Quadir
Managing Director

M. Moyeedul Islam
Director

A. Rouf
Director

M. M. Alam
Director

See annexed auditors' report to the Shareholders of the date.

Dhaka, March 31, 2011

M. J. Abedin & Co.
Chartered Accountants



LIQUIDITY STATEMENT as at December 31, 2010
(Analysis of maturity of assets and liabilities)

Particulars	Up to 1 month		1-3 months		3-12 months		1-5 years		Above 5 years		Total	
	Taka		Taka		Taka		Taka		Taka		Taka	
Assets:												
Cash in hand	40,500	-	-	-	-	-	-	-	-	-	-	40,500
Balance with Bangladesh Bank and its agents	104,317,382	-	-	-	-	-	-	-	-	-	-	104,317,382
Balance with banks and other financial institutions	163,992,387	212,900,543	200,944,444	-	-	-	-	-	-	-	-	577,837,375
Money at call and short notice	320,000,000	-	-	-	-	-	-	-	-	-	-	320,000,000
Investments	-	50,000,000	16,690,983	66,763,933	25,000,000	158,454,916	-	-	-	-	-	320,000,000
Leases, loans and advances	590,791,404	565,499,505	2,732,209,648	3,614,443,118	53,188,459	7,556,132,134	-	-	-	-	-	158,454,916
Fixed assets including premises, furniture & fixtures	-	-	-	17,937,599	24,889,234	42,826,833	-	-	-	-	-	42,826,833
Other assets	-	-	57,822,236	33,354,528	408,973,005	500,149,769	-	-	-	-	-	500,149,769
Non-financial institutional assets	-	-	-	-	-	-	-	-	-	-	-	-
Total assets (A):	1,179,141,674	828,400,048	3,007,667,311	3,732,499,178	512,050,698	9,259,758,909						
Liabilities:												
Borrowing from banks, other financial institutions and agents	581,662,253	249,399,339	195,154,101	259,945,377	74,156,725	1,360,317,795	-	-	-	-	-	1,360,317,795
Term deposits	287,522,623	603,253,835	1,967,521,639	1,102,430,563	74,575,674	4,035,304,335	-	-	-	-	-	4,035,304,335
Security deposits	31,458,293	4,280,613	67,601,631	372,986,903	-	476,327,440	-	-	-	-	-	476,327,440
Provision and other liabilities	-	-	424,997,733	852,954,979	488,914,555	1,766,867,266	-	-	-	-	-	1,766,867,266
Total liabilities (B):	900,643,169	856,933,787	2,655,275,104	2,588,317,821	637,646,954	7,638,816,837						
Net liquidity gap (A - B):	278,498,504	(28,533,739)	352,392,207	1,144,181,356	(125,596,256)	1,620,942,072						

The annexed notes 1 to 52 form an integral part of these financial statements.


Syed Ehsan Quadir
Managing Director


M. Moyeedul Islam
Director


A. Rouf
Director


M. M. Alam
Director

See annexed auditors' report to the Shareholders of the date.


M. J. Abedin & Co.
Chartered Accountants

Dhaka, March 31, 2011

**NOTES TO THE ACCOUNTS** for the year ended December 31, 2010**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 since October 14, 2004. The Company has its registered office at Camellia House, 22 Kazi Nazrul Islam Avenue, Dhaka.

1.2 Nature of operations and principal activities

The Company provides financial services which includes lease finance for acquiring assets for industrial and commercial use, term loans for meeting long term funding requirement, and channel/supply chain financing for short-term working capital management to cater the needs of its diverse client base. The Company offers various deposit investment opportunities of 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 Financial Reporting Standards (BFRS).

2.2 Preparation and presentation criteria of financial statements

The financial statements have been prepared on a going concern basis following accrual method of accounting except for the cash flow statement and the disclosures have been made in conformity with the Bangladesh Financial Reporting Standards, the Companies Act 1994, the Financial Institutions Act 1993, the Securities and Exchange Commission Rules 1987, the 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, the actual results could differ from estimates.

2.4 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.

2.5 Comparative information

Last year's figures and account titles have been rearranged to conform current year's presentation in accordance with the Bangladesh Bank DFIM Circular no. 11 dated December 23, 2009.

2.6 Authorization for Issue of the Financial Statements

The Board of Directors of the Company has authorized these financial statements for issue on March 31, 2011.

2.7 Materiality of financial statements

Each material item, as considered by management significant, has been presented separately in the financial statements wherever applicable.

2.8 Cash flow statement

Cash flow statement is prepared in accordance with BAS - 7 "Cash Flow Statement" and Bangladesh Bank DFIM Circular No - 11 dated December 23, 2009 under the direct method for the period, classified by operating, investing and financing activities in cash and cash equivalents during the financial year.



2.9 Statement of changes in equity

Statement of changes in equity is prepared in accordance with IAS - 1 "Presentation of Financial Statements" and Bangladesh Bank DFIM Circular No - 11 dated December 23, 2009 which reflects the increase and decrease in net assets or wealth.

2.10 Liquidity statement (asset and liability maturity analysis)

Liquidity statement is prepared in accordance with Bangladesh Bank DFIM Circular No-11 dated December 23, 2009 on residual maturity term of assets and liabilities as on the reporting date based on the following assumptions.

- i) Balance with banks and other financial institutions, money at call and short notice, etc. are on the basis of their maturity term
- ii) Investments are on the basis of their respective maturity
- iii) Lease, loans and advances are on the basis of their repayment schedule
- iv) Fixed assets are on the basis of their useful lives
- v) Other assets are on the basis of their realization / amortization
- vi) Borrowing from banks, other financial institutions and agents, etc are as per their maturity/repayment terms
- vii) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal.
- viii) Provisions and other liabilities are on the basis of their payment/adjustments schedule.

2.11 Assets and bases of their valuation

2.11.1 Cash and cash equivalents

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

2.11.2 Accounting for leases

Following Bangladesh Accounting Standards (BAS) 17-"Leases", accounting for lease transactions have 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 excluding 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 costs, if any, are charged in the year in which such costs are incurred.

2.11.3 Accounting for Loans

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

2.11.4 Accounting for investment

Long term Investments

Long term Investments are carried at acquisition/amortized cost. Provision for permanent diminution on an individual basis is made as and when they arise.

Current Investments

Current Investments are carried at the lower of cost or market value on an individual basis.



2.11.5 Fixed assets 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 is comprised of 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 the asset. The related obligation under the lease is accounted for as liability. Finance charges are allocated to accounting period in a 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.

2.11.6 Account receivable

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

2.12 Liabilities and bases of their valuation

2.12.1 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.

An appropriate general and specific provision for unclassified and classified leases, loans and advances at varying rates depending on the degree of risk associated with the certainty of collection has been provided as per company policy in excess of regulatory requirement.

2.12.2 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 for all 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.

2.12.3 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.

2.12.4 Employee 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

A separate funded gratuity scheme is maintained by the Company to motivate its employees for long term retention. 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, their spouse and children.

2.12.5 Contingent liabilities and contingent assets

The contingent liability and contingent asset are not reflected in the balance sheet but disclosed 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.

2.12.6 Proposed dividend

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

2.13 Revenue recognition

2.13.1 Interest income

Interest income comprises of interest income from lease, loans and advances and interest on placement of fund with banks and other financial institutions. Interest due is recognized on accrual basis. Interest due 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.

2.13.2 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 in a pattern reflecting a constant return on the net investment.

2.13.3 Hire purchase income

Finance income against hire purchase arrangement is allocated to the income statement over the hire purchase



period to give a constant periodic rate of return on net receivable.

2.13.4 Income from long term and short term finance

Income from long and short term finance is recognized as revenue when the interest is due. Interest due 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.

2.13.5 Income from dividend

Dividend income from investment in equity shares is recognized during the period in which it is declared. Dividend income from preference shares is recognized on accrual basis considering the establishment of right to receive the same.

2.13.6 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.

2.13.7 Fee based income

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

2.13.8 Interest paid on deposits, borrowing, etc.

Interest paid comprises of the interest payable on external borrowing, individual and institutional deposits and direct deposit expenses and are recognized as they accrue.

2.13.9 Impairment of assets

The carrying amounts of the property, plant and equipment and intangible assets are reviewed at each balance sheet date or 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 exceeds its recoverable amount. Impairment losses, if any, are recognized in the profit and loss account.

2.14 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 in note 46.

2.15 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 during the financial year. Retrospective recognition has been given in previous year's figure for issuance of bonus shares during the financial year.

2.16 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 date have been considered in these financial statements.

2.17 Disclosure of deviations from few requirements of BAS/BFRS due to regulatory compliance of Bangladesh Bank's requirements

Bangladesh Bank is the prime regulatory body for banks and financial institutions in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of BAS and BFRS. As such, the company has, in some cases, complied with the rules and regulations of Bangladesh Bank.

2.18 Financial risk management policies and objectives

The Board of Directors of the Company sets the overall risk appetite and philosophy; the risk and capital framework underpins delivery of the Board's strategy.



It is the Company's policy to optimize return to shareholders while maintaining a strong capital base and credit rating to support business growth and meet regulatory capital requirements at all times.

The main financial risks facing the Company and its management are as follows:

Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of customers to meet their obligations.

The Company has segregated duties for the officers involved in credit related activities. Credit evaluation, credit administration and credit monitoring and recovery functions are segregated and delegated to credit evaluation department, operations department, collection and special assets management department respectively. Credit approval process has been segregated for looking after corporate & medium and small financing.

Risk Review department is entrusted with the task of managing the internal risk rating model. This Internal Rating Based (IRB) approach, recommended by the Basel-II committee and also by the Bangladesh Bank in its Supervisory Review Process, coupled with our data integrity management process of monthly credit audit, helps manage asset quality and establishing a prudent credit culture within the Company that is efficient and transparent.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

The Company's liquidity policy is designed to ensure that it can at all times meet its obligations as they fall due. Liquidity management focuses on overall balance sheet structure and the control, within prudent limits, of risk arising from exposure to the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. The management of liquidity risk is carried out by Treasury department under approved policy guidelines. Compliance is monitored and coordinated by Treasury both in respect of internal policy and the regulatory requirements. The liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis. A contingency plan is in place for managing extreme situation. The risk of short term mismatch can be met by the undrawn commitment and expected renewal of short term deposits.

Market risk

Market risk is defined as the risk of loss resulting from adverse changes in risk factors such as interest rates, and equity prices together with related factors such as market volatilities. The Company is exposed to market risk because of positions held in its trading portfolios and its non-trading businesses.

Interest rate risk arises from the Company's treasury activities and lending businesses due to mismatches between the future yield and funding cost is managed daily by the Treasury department and monthly reviewed by Asset Liability Committee to monitor the interest rate movement and devise a number of alternative options to mitigate possible interest rate risks.

Equity positions can result in changes in the Company's non-trading income and reserves arising from changes in equity prices/income. Such exposure may take the form of listed and unlisted equity. The type, nature and amount of equity exposure held by the Company is not significant. The market value of the equity assets held by the Company at the balance sheet date is much higher than cost price.

Operational risk

Operational risk arises from inadequate process, misuse of process, from human or system error or from external factors.

A separate department has been created to identify operational risks and take steps to mitigate such risks. The department reviews various operational processes and evaluates the process in terms of efficiency and adequacy of the process to enforce adequate control. Processes are re-engineered to improve efficiency without diluting the control/risk. The re-engineered process is documented and imparted among the stakeholders of the process to ensure the process delivers as expected. To prevent misuse, 'maker and checker' concept is implemented in every step of operational processes. Also appropriate trainings are arranged regularly to reduce human errors. New products are also designed with internal risk mitigating features.



3. Cash

Cash in hand (Note-3.1)
Balance with Bangladesh Bank

2010 Taka	2009 Taka
40,500	31,500
104,317,382	82,275,521
104,357,882	82,307,021

3.1 Cash in hand

In local currency
In foreign currency

40,500	31,500
-	-
40,500	31,500

3.2 Statutory deposits

Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with section 19 of the Financial Institutions Act 1993, regulation 5 of the Financial Institutions regulations 1994 and FID circular no.6 dated November 06, 2003.

The Cash Reserve Requirement on the Company's term deposits received from public at the rate of 2.5% has been calculated and maintained with Bangladesh Bank in current account and 5% Statutory Liquidity Reserve, including CRR, on the total liabilities has been maintained in the form of balance with banks and the Company's, call money deposit. Both the reserves maintained by the Company are in excess of the statutory requirements, as shown below:

a) Cash Reserve Requirement (CRR)

Required reserve (2.5% on term deposit)
Actual reserve maintained

102,403,259	80,619,454
104,317,382	82,275,521
1,914,123	1,656,067

b) Statutory Liquidity Reserve (SLR)

Required reserve (5% on total liabilities)
Actual reserve maintained including CRR (note-3.3)

276,416,503	227,129,310
682,195,257	856,289,206
405,778,754	629,159,896

The surplus for SLR mostly comprises of interest earning deposits maintained with banks and financial institutions, some of which are kept under lien against credit facilities and countervailing arrangements.

3.3 Actual reserve maintained (including CRR)

Cash in hand
Balance with Bangladesh Bank
Balance with banks and other financial institutions (note-4)

40,500	31,500
104,317,382	82,275,521
577,837,375	773,982,185
682,195,257	856,289,206



4. Balance with banks and other financial institutions

	2010 Taka	2009 Taka
In Bangladesh (note-4.1)	577,837,375	773,982,185
Outside Bangladesh	-	-
	577,837,375	773,982,185
4.1 In Bangladesh		
Current deposits		
Dutch-Bangla Bank Limited	19,790,992	-
One Bank Limited	7,367,360	867,605
The Hongkong and Shanghai Banking Corporation Ltd.	1,198,082	340,205
Dhaka Bank Limited	539,691	630,515
Pubali Bank Limited	79,059	52,404
Bank Al-falah Limited	52,508	53,083
Uttara Bank Limited	51,340	23,060
Sonali Bank Limited	50,925	90,619
Trust Bank Limited	38,408	39,678
United Commercial Bank Limited	15,949	17,099
BASIC Bank Limited	3,680	4,600
Bank Asia Limited	2,225	3,375
Standard Chartered Bank	-	38,152,533
Shahjalal Islami Bank Limited	-	4,303
City Bank Limited	-	56
BRAC Bank Limited	-	25
	29,190,220	40,279,160
Short-term deposit		
Commercial Bank of Ceylon Plc.	34,866,083	10,003,138
Standard Bank Limited	17,341,839	-
Bank Asia Limited	9,560,768	3,273,573
United Commercial Bank Limited	9,482,112	-
Dutch-Bangla Bank Limited	7,395,135	5,836,140
Mutual Trust Bank Limited	1,664,505	762,945
Southeast Bank Limited	529,841	504,104
The Hongkong and Shanghai Banking Corporation Ltd.	21,100	-
Citibank N.A.	-	21,325,486
	80,861,382	41,705,386
Fixed deposits		
Dhaka Bank Limited	200,944,444	251,719,444
United Commercial Bank Limited	53,267,262	-
MIDAS Financing Limited	52,750,000	-
Standard Bank Limited	51,858,784	-
Bangladesh Industrial Finance Company Limited	51,850,000	-
Premier Leasing and Finance Limited	51,836,458	-
One Bank Limited	5,278,825	50,956,250
International Leasing and Financial Services Limited	-	152,641,667
LankaBangla Finance Limited	-	102,715,278
Commercial Bank of Ceylon Plc.	-	83,352,500
Dutch-Bangla Bank Limited	-	50,612,500
	467,785,772	691,997,639
	577,837,375	773,982,185



	2010 Taka	2009 Taka
4.2 Maturity grouping of balance with banks and other financial institutions		
On demand	29,190,220	40,279,160
Up to 1 month	134,802,167	125,057,886
Over 1 month but not more than 3 months	212,900,543	-
Over 3 months but not more than 6 months	200,944,444	506,061,806
Over 6 months but not more than 1 year	-	102,583,333
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	577,837,375	773,982,185
5. Money at call and short notice		
International Leasing and Financial Services Ltd.	110,000,000	-
AB Bank Limited	80,000,000	-
Bank Asia Limited	50,000,000	-
LankaBangla Finance Limited	30,000,000	-
Prime Finance and Investment Limited	50,000,000	-
	320,000,000	-
6. Investments		
Investment classified as per nature:		
a) Government securities		
National investment bonds	-	-
Bangladesh bank bills	-	-
Government bonds	-	-
Prize bonds	-	-
	-	-
b) Other investments		
Zero Coupon Bond	-	-
Shares (note-6.2)	158,454,916	75,145,900
	158,454,916	75,145,900
	158,454,916	75,145,900
6.1 Maturity grouping of investments		
On demand	-	-
Up to 1 month	-	-
Over 1 month but not more than 3 months	-	-
Over 3 months but not more than 6 months	-	-
Over 6 months but not more than 1 year	-	-
Over 1 year but not more than 5 years	50,000,000	50,000,000
Over 5 years	108,454,916	25,145,900
	158,454,916	75,145,900
6.2 Investment in shares		
Quoted		
United Insurance Company Limited	15,000,000	15,000,000
	15,000,000	15,000,000
Unquoted		
12.75% preference share of Energypac Confidence Power Venture Limited	8,454,916	10,145,900
10% preference share in Summit Purbanchol Power Co. Ltd.	42,500,000	-
10% preference share in Summit Uttaranchol Power Co. Ltd.	42,500,000	-
9% preference share of BRAC Bank Limited	50,000,000	50,000,000
	143,454,916	60,145,900
	158,454,916	75,145,900



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, 2008, 2009 and in 2010.

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

Original purchase in 2001	60,000
Bonus share received in 2007	18,000
Bonus share received in 2008	22,000
Bonus share received in 2009	150,000
Bonus share received in 2010	50,000
	300,000 Shares

As on December 31, 2010 the market value of the above shares was Tk.532,500,000 against cost price of 60,000 shares at Tk.15,000,000 reflected in the accounts.

7. Lease, loans and advances

7.1 Broad category-wise break up

Inside Bangladesh

	2010 Taka	2009 Taka
Lease receivable and stock on hire (note-7.2)	5,087,058,876	5,016,232,986
Loans (note-7.3)	2,469,073,258	2,196,219,363
Cash credit	-	-
Overdrafts etc.	-	-
	7,556,132,134	7,212,452,349

Outside Bangladesh

	-	-
	7,556,132,134	7,212,452,349

7.2 Lease receivable and stock on hire

Net lease receivable (note-7.2.1)	5,042,097,935	4,978,157,040
Stock on hire	6,869,332	28,925,743
Advances for leases (note-7.2.3)	38,091,609	9,150,203
	5,087,058,876	5,016,232,986

7.2.1 Net lease receivable

Gross lease receivable	6,180,803,197	6,140,802,911
Less: Unearned finance income	1,138,705,262	1,162,645,871
Net lease receivable	5,042,097,935	4,978,157,040

7.2.2 Movement of net lease receivables

Balance as at January 01	4,978,157,040	5,263,348,819
Addition during the year	2,330,836,705	1,827,070,048
Realization during the year	(2,266,895,810)	(2,112,261,827)
Balance as at December 31	5,042,097,935	4,978,157,040

7.2.3 Advance for leases

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



	2010 Taka	2009 Taka
7.3 Loans		
Term loan and home loan	1,455,574,731	1,580,239,280
Short term loan and factoring advances	1,013,498,527	615,980,083
	<u>2,469,073,258</u>	<u>2,196,219,363</u>
7.4 Maturity grouping of lease, loans and advances		
On demand	-	-
Up to 1 month	590,791,404	305,258,185
Over 1 month but not more than 3 months	565,499,505	535,202,397
Over 3 months but not more than 1 year	2,732,209,648	1,075,712,129
Over 1 year but not more than 5 years	3,614,443,118	5,279,381,089
Over 5 years	53,188,459	16,898,549
	<u>7,556,132,134</u>	<u>7,212,452,349</u>
7.5 Lease, loans and advances on the basis of significant concentration		
a) Lease, loans and advances to companies or firms in which the Directors of the Company have interests	<u>12,678,563</u>	<u>14,612,395</u>
b) Lease, loans and advances to Chief Executive and other Senior Executives	<u>4,606,279</u>	<u>5,048,855</u>
c) Number of clients with outstanding amount and classified lease, loans and advances exceeding 15% of total capital of the Company is as follows:		
Total capital of the Company	1,620,942,072	1,262,460,929
Number of clients	Nil	Nil
Amount of outstanding advances	Nil	Nil
Amount of classified advances	Nil	Nil
Measures taken for recovery	Not applicable	Not applicable
d) Industry-wise distribution of lease, loans and advances:		
1. Agricultural sector	558,718,236	328,737,859
2. Industrial sector:		
a) Textile	665,705,928	743,168,154
b) Garments	388,956,081	133,020,398
c) Jute and jute products	18,741,581	139,390,128
d) Food production/processing industry	357,421,071	464,870,963
e) Plastic industry	575,945,475	321,946,752
f) Leather and leather products	14,244,119	9,257,109
g) Iron, steel and engineering industry	502,614,827	491,003,437
h) Chemical and pharmaceutical	619,551,358	835,883,760
l) Cement/concrete and allied industry	28,807,019	2,619,745
j) Service industry	1,231,758,163	1,677,078,179
k) Paper, printing and packaging industry	501,330,328	377,299,179
l) Telecommunication/information technology	122,200,488	103,936,848
m) Glass and ceramic industry	6,129,813	134,874,965
n) Ship and ship making industry	-	169,898,839
o) Electronics and electrical industry	20,315,325	44,645,325



	2010 Taka	2009 Taka
3. Power, gas, water and sanitary service	184,173,837	142,178,997
4. Transport and communication	721,020,538	401,496,797
5. Real estate and housing	12,544,363	61,947,376
6. Merchant banking	-	-
7. Others	1,025,953,582	629,197,539
	7,556,132,134	7,212,452,349
e) Geographical location-wise lease, loans and advances		
Inside Bangladesh		
Urban		
Dhaka Division	6,149,364,624	5,919,371,574
Chittagong Division	955,963,709	942,035,907
Khulna Division	209,234,795	193,623,532
Rajshahi Division	186,455,852	73,092,340
Rangpur Division	48,502,155	57,069,077
Barisal Division	-	-
Sylhet Division	6,610,998	27,259,919
	7,556,132,134	7,212,452,349
Rural		
Outside Bangladesh		
	-	-
	7,556,132,134	7,212,452,349
7.6 Sector-wise lease, loans and advances		
Public sector	-	-
Co-operative sector	-	-
Private sector	7,556,132,134	7,212,452,349
	7,556,132,134	7,212,452,349
7.7 Particulars of lease, loans and advances		
i) Leases and loans considered good in respect of which the Company is fully secured	5,667,099,100	5,409,339,262
ii) Leases and loans considered good in respect of which the Company is partially secured	1,133,419,820	1,081,867,852
iii) Loans considered good against which the Company holds no security other than the debtors' personal guarantee	-	-
iv) Loans considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	755,613,213	721,245,235
v) Loans adversely classified; provision not maintained there against	-	-
	7,556,132,134	7,212,452,349
vi) Loans due from Directors either separately or jointly with any other persons	-	-
vii) Loans due from Officers either separately or jointly with any other persons	4,606,279	5,048,855
viii) Loans due from companies or firms in which the Directors have interest as directors, partners or managing agents or in case of private companies, as members	12,678,563	14,612,395



	2010 Taka	2009 Taka
ix) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers either separately or jointly with any other person	-	-
x) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors have interest as directors, partners or managing agents or in the case of private companies, as members	-	8,015,187
xi) Due from banking companies and other financial institutions	255,261,706	95,709,624
xii) Classified lease, loans and advances on which interest has not been charged:		
a) Increase/(decrease) of specific provision	20,825,749	(20,144,495)
b) Amount of loan written off	20,578,093	110,507,352
c) Amount realized against loan previously written off	-	-
d) Provision kept against loans classified as bad/ loss on the date of preparing the balance sheet	174,528,042	226,977,068
e) Interest credited to Interest Suspense Account (note-12.3)	14,451,038	39,573,781
xiii) Written off lease, loans and investments		
During the year	20,578,093	110,507,352
Cumulative to-date	131,085,445	110,507,352
Amount realized against loans previously written off	-	-
The amount of written-off leases, loans and advances for which law suits have been filed	131,085,445	110,507,352
7.8 Classification of lease, loans and advances		
Unclassified		
Standard	7,135,522,314	6,663,434,111
Special mention account (SMA)	204,482,941	281,987,118
	7,340,005,255	6,945,421,229
Classified		
Sub-standard	33,998,422	35,712,150
Doubtful	7,600,414	4,341,902
Bad / Loss	174,528,042	226,977,068
	216,126,879	267,031,120
	7,556,132,134	7,212,452,349
8. Fixed assets including premises, furniture and fixtures		
Cost		
Furniture and fixtures	40,894,975	32,140,382
Office equipment	219,041	180,217
Electrical equipment	32,273,772	25,519,881
Vehicles	19,020,562	16,433,300
	92,408,350	74,273,780
Less: Accumulated depreciation	49,581,517	37,584,499
Net book value at the end of the year	42,826,833	36,689,281
(Statement of property, plant and equipment is detailed in Annexure-A)		



9. Other assets

Inside Bangladesh

Income generating:

Investment in associate (note-9.1)

Income receivable (note-9.2)

Non-income generating:

Deferred tax assets (note-9.3)

Advance, deposit and prepaid expenses

Other receivables

Branch adjustments account

Advance corporate tax (Note -9.4)

Outside Bangladesh

9.1 Investment in associate

Balance as at January 01

Add: Sales of/share of profit from investment in associate company

Balance as at December 31

	2010 Taka	2009 Taka
	-	69,070,933
	38,333,024	65,928,877
	2,073,534	1,083,369
	31,280,996	14,120,834
	19,489,211	40,971,627
	-	-
	408,973,004	346,898,544
	500,149,769	538,074,184
	-	-
	500,149,769	538,074,184
	69,070,933	68,762,107
	(69,070,933)	308,826
	-	69,070,933

Original cost of acquisition of 686,000 shares of Duncan Properties Pvt. Limited was Taka 68,600,000. Details are presented under note - 26.

9.2 Income receivable amount represents interest receivable on lease, loans and advances and other investment income.

9.3 Deferred tax asset/(liability)

Deferred tax asset/(liability) has been arising due to difference in the carrying amount of the assets/liabilities and its tax base. Deferred tax arisen from property, plant and equipment has been recognized as following:

Balance as at January 01

Offset of deferred tax liability relating to leased assets

Deferred tax relating to fixed assets including furniture & fixtures

Balance as at December 31

1,083,369	(288,813,487)
-	288,578,635
990,165	1,318,221
2,073,534	1,083,369

9.4 Advance corporate tax

Balance as at January 01

Addition during the year

Settlement of previous years' tax liabilities

Balance as at December 31

346,898,544	250,131,806
62,074,460	124,008,586
-	(27,241,848)
408,973,004	346,898,544



	2010 Taka	2009 Taka
10. Borrowing from banks, other financial institutions and agents		
In Bangladesh (note-10.1)	1,360,317,795	1,591,712,874
Outside Bangladesh	-	-
	1,360,317,795	1,591,712,874
10.1 In Bangladesh		
Bank overdraft		
Mutual Trust Bank Limited	99,676,762	107,695
Standard Bank Limited	91,948,346	-
Citibank N. A.	85,914,980	149,118,535
Commercial Bank of Ceylon Plc.	75,807,128	9,010,624
United Commercial Bank Limited	50,718,262	-
Standard Chartered Bank	42,623,363	-
Dutch-Bangla Bank Limited	7,392,560	43,695,380
	454,081,401	201,932,234
Call borrowing		
Sonali Bank Limited	-	100,000,000
	-	100,000,000
Short term loan		
Citibank N. A.	200,000,000	200,000,000
City Bank Limited	100,000,000	-
BRAC Bank Limited	-	50,000,000
	300,000,000	250,000,000
Long term loan		
Kreditanstalt Für Wiederaufbau (KfW)	144,507,676	167,256,979
Commercial Bank of Ceylon Plc.	39,823,486	233,611,113
Sonali Bank Limited	-	72,727,000
BRAC Bank Limited	-	66,666,666
One Bank Limited	-	45,000,000
Dhaka Bank Limited	-	45,000,000
Bank Al-Falah Limited	-	37,500,000
	184,331,162	667,761,758
Bangladesh Bank refinancing		
Bangladesh Bank (SERP)	421,905,232	366,246,713
CBSF – Matching credit	-	5,772,169
	421,905,232	372,018,882
	1,360,317,795	1,591,712,874
10.2 Analysis by security against borrowing from banks, other financial institutions and agents		
Secured (assets pledged as security)	444,168,957	908,633,938
Secured (other-wise)	142,666,607	-
Unsecured	773,482,231	683,078,935
	1,360,317,795	1,591,712,873

Some of the loans are secured by first charge on all present and future floating assets of the Company ranking pari passu and some others are secured by other means such as FDR.



	2010 Taka	2009 Taka
10.3 Maturity grouping of borrowing from banks, other financial institutions and agents		
On demand	-	100,000,000
Up to 1 month	581,662,253	235,872,925
Over 1 month but within 3 months	249,399,339	116,536,198
Over 3 months but within 1 year	195,154,101	519,848,779
Over 1 year but within 5 years	259,945,377	528,272,883
Over 5 years	74,156,724	91,182,090
	<u>1,360,317,795</u>	<u>1,591,712,874</u>
11. Deposits and other accounts		
Current deposits	-	-
Bills payable	-	-
Savings bank deposits	-	-
Term deposits (note-11.1)	4,035,304,335	3,888,302,977
Bearer certificates of deposit	-	-
Other deposits (note-11.2)	476,327,440	476,223,760
	<u>4,511,631,775</u>	<u>4,364,526,737</u>
11.1 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.		
Deposits from banks and financial institutions	210,127,500	885,127,500
Deposits from other than banks and financial institutions	3,825,176,835	3,003,175,477
	<u>4,035,304,335</u>	<u>3,888,302,977</u>
11.1.1 Sector-wise break-up of term deposits		
Government	-	-
Banks and financial institutions	210,127,500	885,127,500
Other public	-	-
Foreign currency	-	-
Private	3,825,176,835	3,003,175,477
	<u>4,035,304,335</u>	<u>3,888,302,977</u>
11.1.2 Maturity analysis of term deposits		
a) Maturity analysis of deposits from banks and financial institutions		
Payable on demand	-	-
Up to 1 month	10,127,500	127,500
Over 1 month but within 3 months	-	205,000,000
Over 3 months but within 1 year	200,000,000	580,000,000
Over 1 year but within 5 years	-	100,000,000
Over 5 years but within 10 years	-	-
Over 10 years	-	-
	<u>210,127,500</u>	<u>885,127,500</u>



	2010 Taka	2009 Taka
b) Maturity analysis of deposits from other than banks and financial institutions		
Payable on demand	-	-
Up to 1 month	277,395,123	95,451,685
Over 1 month but within 3 months	603,253,835	87,406,254
Over 3 months but within 1 year	1,767,521,639	568,351,740
Over 1 year but within 5 years	1,102,430,563	2,212,814,496
Over 5 years but within 10 years	74,145,674	38,558,770
Over 10 years	430,000	592,532
	3,825,176,834	3,003,175,477
	4,035,304,334	3,888,302,977

11.2 Other deposits

This represents deposits against financing which is 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 expiry of the facility.

Non-interest bearing deposit	341,579,459	321,819,140
Interest bearing deposit	134,747,981	154,404,620
	476,327,440	476,223,760

11.2.1 Maturity analysis of other deposits

Payable on demand	-	-
Up to 1 month	31,458,293	20,296,202
Over 1 month but within 3 months	4,280,613	7,567,554
Over 3 months but within 1 year	67,601,631	70,167,072
Over 1 year but within 5 years	372,986,903	377,192,036
Over 5 years but within 10 years	-	1,000,896
Over 10 years	-	-
	476,327,440	476,223,760

12. Other liabilities

Finance lease obligation (note-12.1)	2,295,756	1,166,259
Provision for gratuity	1,036,405	2,801,796
Unclaimed dividend	4,013,892	3,216,569
KfW interest differential fund (note-12.2)	34,451,470	31,681,311
Interest suspense account (note-12.3)	14,451,038	39,573,781
Accrued expenses and payables (note-12.4)	406,532,803	347,836,835
Provision for lease, loans and advances (note-12.5)	488,914,555	459,492,648
Provision for income tax (note-12.6)	815,171,347	614,181,181
	1,766,867,266	1,499,950,380

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

12.2 KfW interest differential fund

This represents the difference between interest on loan from KfW @9.5% per annum and the Bangladesh Bank rate. This interest differential fund is being used for the financing of training of personnel or for other activities for the promotion or development of small enterprises in Bangladesh.

Balance as at January 01	31,681,311	25,994,515
Addition during the year	5,891,753	6,453,624
Adjusted against training program during the year	(3,121,594)	(766,828)
Balance as at December 31	34,451,470	31,681,311



2010 Taka	2009 Taka
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12.3 Interest suspense account

This represents interest receivable on lease, hire purchase, term finance and short term finance due over ninety days as per Bangladesh Bank guidelines.

Balance as at January 01	39,573,781	56,808,534
Add: Amount transferred to "interest suspense" account during the year	147,545,328	437,608,484
Less: Amount recovered from "interest suspense" account during the year	(172,668,071)	(454,843,237)
Less: Amount written-off during the year	-	-
Balance as at December 31	14,451,038	39,573,781

12.4 Accrued expenses and payables

This is made up of the following:

Liabilities for expenses	299,123,005	298,641,106
Liabilities other than expenses	107,409,798	49,195,729
	406,532,803	347,836,835

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

Liabilities other than expenses represent income tax deducted at source from depositors, suppliers, employees; VAT payables, collection against leases/loans in advance etc.

12.5 Provision for lease, loans and advances

Specific provision on classified lease, loans and advances

Balance as at January 01	321,288,931	341,433,426
Fully provided debts written off during the year	(20,578,093)	(110,507,352)
Recovery of amounts previously written off	-	-
Provision made for the year	114,803,780	90,362,857
Recoveries and provision no longer required	-	-
Net charge to Profit and Loss Account	-	-
Total provision on classified lease, loans and advances	415,514,618	321,288,931

General provision on unclassified lease, loans and advances

Balance as at January 01	138,203,717	138,566,574
Provision made for the year	(64,803,780)	(362,857)
Total provision on unclassified lease, loans and advances	73,399,938	138,203,717
Total provision on lease, loans and advances	488,914,555	459,492,648

Provision surplus/(shortage)

	2010		2009	
	<u>Required</u>	<u>Maintained</u>	<u>Required</u>	<u>Maintained</u>
On classified lease, loans and advances	181,834,082	415,514,618	220,930,033	321,288,931
On un-classified lease, loans	71,534,963	73,399,938	80,894,919	138,203,717
	253,369,045	488,914,555	301,824,952	459,492,648
Total surplus		235,545,511		157,667,696



12.6 Provision for income tax

Balance as at January 01

Add: Current tax-

Corporate tax for the year

Corporate tax for prior years

Less: Settlement of previous years' tax liabilities

(Statement of tax status is detailed in Annexure-B)

	2010 Taka	2009 Taka
	614,181,181	300,916,026
	200,990,166	160,777,489
	-	179,729,514
	815,171,347	641,423,029
	-	(27,241,848)
	815,171,347	614,181,181

13. Share capital

13.1 Authorized capital

100,000,000 ordinary shares of Taka 100 each

1,000,000,000 **1,000,000,000**

13.2 Issued, subscribed and fully paid-up capital

700,000 ordinary shares of Taka 100 each issued for cash

70,000,000 70,000,000

4,580,000 ordinary shares of Taka 100 each

issued as bonus shares

458,000,000 194,000,000

528,000,000 **264,000,000**

13.3 Capital adequacy ratio

In terms of regulation 4(d) of the Financial Institution Regulations 1994 and Bangladesh Bank DFIM circulars no. 06 and 09 dated July 07, 2002 and November 04, 2009 respectively; required risk weighted capital of the Company at the close of business on December 31, 2010 was Taka 458,329,010 as against available core capital of Taka 1,620,942,072 and supplementary capital of Taka 73,399,938 making a total capital of Taka 1,694,342,010 thereby showing a surplus capital/equity of Taka 1,236,013,000 at that date. Details are shown below:

Core capital (Tier-I)

Paid up capital (note-13.2)

528,000,000 264,000,000

Statutory reserve (note-14)

380,000,000 300,000,000

Share premium (note - 15)

3,750,000 3,750,000

General reserve (note-16)

271,000,000 406,000,000

Dividend equalization reserve (note -17)

-

Retained surplus (note-18)

438,192,072 288,710,929

1,620,942,072 **1,262,460,929**

Supplementary capital (Tier-II)

General provision maintained against unclassified loan (note-12.5)

73,399,938 138,203,717

General provision on off-balance sheet items

-

General provision on off-shore Banking Units

-

Revaluation gain/loss on investments

-

73,399,938 **138,203,717**

A) Total capital

1,694,342,010 **1,400,664,646**

B) Total liabilities

7,638,816,837 7,456,189,991

C) Required risk weighted capital based on total liabilities (6% on B)

458,329,010 447,371,399

D) Surplus (A-C)

1,236,013,000 **953,293,247**



13.4 Percentage of shareholding at the closing date

	No. of shares		Percentage	
	2010	2009	2010	2009
(i) Sponsors – Foreign	1,056,000	528,000	20.00	20.00
Domestic	1,278,260	639,130	24.21	24.21
	<u>2,334,260</u>	<u>1,167,130</u>	<u>44.21</u>	<u>44.21</u>
(ii) Financial Institutions and Companies Foreign	480,686	240,343	9.10	9.10
Domestic	1,147,103	547,772	21.73	20.75
	<u>1,627,789</u>	<u>788,115</u>	<u>30.83</u>	<u>29.85</u>
(iii) General public – Domestic	1,317,951	684,755	24.96	25.94
Total	<u>5,280,000</u>	<u>2,640,000</u>	<u>100.00</u>	<u>100.00</u>

13.5 Shareholding range on the basis of shareholding as at December 31, 2010

No. of shares	Number of Shareholders	Total number of shares	Percentage of total holdings
Less than 500	9,917	719,419	13.63%
500 to 5,000	510	604,219	11.44%
5,001 to 10,000	28	189,962	3.60%
10,001 to 20,000	15	213,843	4.05%
20,001 to 30,000	4	98,449	1.86%
30,001 to 40,000	3	107,440	2.03%
40,001 to 50,000	2	90,398	1.71%
50,001 to 100,000	4	256,442	4.86%
100,001 to 1,000,000	3	854,138	16.18%
Above 1,000,000	2	2,145,690	40.64%
Total	<u>10,488</u>	<u>5,280,000</u>	<u>100.00%</u>

14. Statutory reserve

	2010 Taka	2009 Taka
Balance as on January 01	300,000,000	250,000,000
Addition during the year	80,000,000	50,000,000
Balance as on December 31	<u>380,000,000</u>	<u>300,000,000</u>

As per section 9 of the Financial Institutions Act, 1993 and regulation 6 of the Financial Institutions Regulations 1994, at least 20% of post-tax profit or Tk. 75,656,229 has to be transferred to Statutory Reserve Fund. During the year the Company has transferred Tk. 80,000,000 to the Statutory Reserve Fund.

15. Share Premium

This represents a 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.

16. General reserve

Balance as at January 01	406,000,000	510,000,000
Appropriation from current year's profit	-	-
Transfer from dividend equalization reserve	-	70,000,000
Transfer to retained surplus	(135,000,000)	(174,000,000)
Balance as at December 31	<u>271,000,000</u>	<u>406,000,000</u>



	2010 Taka	2009 Taka
17. Dividend equalization reserve		
Balance as at January 01	-	70,000,000
Appropriation from current year's profit	-	-
Transfer to general reserve	-	(70,000,000)
Balance as at December 31	-	-
18. Retained surplus/movement of profit and loss account		
Balance as at January 01	288,710,929	81,776,609
Cash dividend for last year	(19,800,000)	(46,200,000)
Issue of bonus shares for last year	(264,000,000)	(33,000,000)
	4,910,929	2,576,609
Addition during the year		
Net profit after taxation for the year	378,281,143	162,134,320
Appropriation from current year's profit:		
Transfer to statutory reserve	(80,000,000)	(50,000,000)
Transfer to general reserve	-	-
	298,281,143	112,134,320
Profit of share from associate company	-	-
Transfer from general reserve	135,000,000	174,000,000
Balance as at December 31	438,192,072	288,710,929
19. Net asset value per share		
Total asset	9,259,758,909	8,718,650,920
Total liabilities	7,638,816,837	7,456,189,991
	1,620,942,072	1,262,460,929
Number of share outstanding	5,280,000	2,640,000
Net asset value per share (current year's)	307.00	478.20
20. Contingent liabilities		
20.1 Letters of guarantee		
Letters of guarantee (Local)	34,504,650	2,400,000
Letters of guarantee (Foreign)	-	-
Foreign counter guarantees	-	-
	34,504,650	2,400,000

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.

Money for which the Company is contingently liable in respect of guarantees given favoring:

Directors or officers	-	-
Government	-	-
Banks and other financial institutions	34,504,650	2,400,000
Others	-	-
	34,504,650	2,400,000



	2010 Taka	2009 Taka
21. Profit and loss account		
Income:		
Interest, discount and similar income (note-21.1)	1,140,302,102	1,107,402,741
Dividend income	11,050,386	7,135,937
Fees, commission and brokerage	-	-
Gains less losses arising from dealing in securities	-	-
Gains less losses arising from investment securities	-	-
Gains less losses arising from dealing in foreign currencies	-	-
Income from non-Company assets	-	-
Other operating income	33,025,090	18,722,387
Profit less losses on interest rate changes	-	-
	1,184,377,578	1,133,261,065
Expenses:		
Interest, fee and commission, etc.	594,335,784	685,920,218
Administrative expenses (note-21.2)	135,240,640	108,836,336
Other operating expenses	25,840,864	25,093,347
Depreciation on fixed assets	12,868,214	10,666,695
	768,285,502	830,516,597
	416,092,076	302,744,469
21.1 Interest, discount and similar income		
Interest on lease, loans and advances	1,140,302,102	1,106,349,325
Interest on bonds	-	1,053,416
Discount income	-	-
Interest on debentures	-	-
	1,140,302,102	1,107,402,741
21.2 Administrative expenses		
Salary and allowances	93,181,258	75,364,458
Rent, taxes, insurance, electricity, etc.	16,569,867	11,522,387
Legal expenses	4,115,642	3,277,664
Postage, stamp, telecommunication, etc.	3,245,065	3,020,554
Stationery, printing, advertisement, etc.	2,286,006	2,079,898
Managing Director's salary and fees	4,911,647	4,819,278
Directors' fees	115,000	121,900
Auditors' fees	224,750	198,550
Repair of the Company's assets	10,591,405	8,431,649
	135,240,640	108,836,336
22. Interest income		
Lease and hire purchase	733,900,962	755,287,466
Term loan and home loan	201,167,104	164,977,920
Short term loan and factoring advances	95,536,550	73,903,949
Total interest on lease, loans and advances	1,030,604,615	994,169,335
Interest on fixed deposit with banks and other financial institutions	96,070,556	97,414,870
Interest on call loans	10,952,722	8,974,792
Interest on balance with banks and other financial institutions	2,674,209	5,790,328
	1,140,302,102	1,106,349,325



	2010 Taka	2009 Taka
23. Interest paid on deposits, borrowing, etc.		
a) Interest paid on deposits:		
Deposits from other than banks and financial institutions	395,459,772	354,904,618
Deposits from banks and other financial institutions	50,085,398	121,099,536
Direct deposit expenses	14,824,202	10,087,287
Interest bearing security deposits	8,482,725	9,592,127
	468,852,097	495,683,568
b) Interest paid for borrowing:		
Bank loans	69,161,583	155,951,207
Bangladesh Bank refinance	21,570,158	18,644,946
Call loan	27,977,958	14,311,435
Overdraft	6,528,575	1,284,674
Finance charge on capital lease	245,413	44,388
	125,483,687	190,236,650
	594,335,784	685,920,218
24. Investment income		
Interest on bonds	-	1,053,416
Interest on debentures	-	-
Discount income	-	-
Gain on sale of shares	-	-
Dividend on shares	11,050,386	7,135,937
	11,050,386	8,189,353
25. Other operating income		
Reimbursement- invoice processing and collection costs	9,442,714	5,808,204
Early repayment premium	15,501,831	5,446,456
Reimbursement- documentation costs	5,047,953	3,398,267
Proceeds on titleship transfer	2,646,099	3,152,196
Profit on sale of fixed assets	280,352	569,400
Return from investment in associate company	-	308,826
Miscellaneous earnings	106,142	39,038
	33,025,090	18,722,387
26. Non-operating income		
Non-operating income arose from divestment of share of Duncan Properties Limited which is presented as follows:		
Sale proceed	281,260,000	-
Cost of investment	(69,070,933)	-
	212,189,067	-
Sale proceed represents Taka 281,260,000 arose from sale of 686,000 shares of Duncan Properties Limited, cost investment represents original acquisition cost with prior years profit from the investment.		
27. Salaries and allowances		
Basic salary, provident fund contribution and all other allowances	77,637,713	60,788,130
Festival and incentive bonus	16,091,195	14,576,328
	93,728,908	75,364,458



	2010 Taka	2009 Taka
28. Rent, taxes, insurance, electricity, etc.		
Rent, rate and taxes	11,835,322	7,553,732
Insurance	834,715	783,295
Electricity, gas and water	3,899,830	3,185,360
	16,569,867	11,522,387
29. Legal expenses		
Legal expenses	4,115,642	3,277,664
	4,115,642	3,277,664
<p>Legal expenses include expenses related to professional fees and other incentives fees relating recovery of lease, loans. Cost of purchasing non-judicial stamp increased for additional volume of business in SME sector.</p>		
30. Postage, stamp, telecommunication, etc.		
Postage, stamp, Internet	392,188	364,749
Telephone - Mobile and T & T	2,852,877	2,655,805
	3,245,065	3,020,554
31. Stationery, printing and advertisements, etc.		
Printing and stationery	979,966	1,057,760
Publicity and advertisement	1,306,040	1,022,138
	2,286,006	2,079,898
32. Managing Director's salary and benefits		
Remuneration	2,950,000	2,950,000
Other benefits	1,961,647	1,869,278
	4,911,647	4,819,278
33. Directors' fees		
Directors' fees	115,000	121,900
	115,000	121,900
<p>Directors' fees include fees for attending the meeting by the non-executive directors. Each non-executive director was remunerated @Taka 2,000 per meeting.</p>		
34. Auditors' fees		
Statutory audit fee (including VAT)	138,000	125,400
Other assurance and certification fee	86,750	73,150
	224,750	198,550
35. Depreciation and repairs of assets		
<u>Depreciation - (detailed in annexure-A)</u>		
Furniture and fixture	4,992,613	3,902,167
Electrical equipment	5,401,836	4,288,609
Motor vehicle	2,455,462	2,460,940
Office equipment	18,303	14,979
	12,868,214	10,666,695
<u>Repairs</u>		
Office equipment	1,347,044	1,022,308
Maintenance	5,770,410	4,221,711
Vehicles	3,473,950	3,187,630
	10,591,405	8,431,649
	23,459,619	19,098,344



	2010 Taka	2009 Taka
36. Other expenses		
Laundry, cleaning, photographs, etc.	37,750	36,642
Training expenses	60,000	56,600
Books, magazines and newspapers, etc.	107,084	92,305
Contractual service	975,030	918,567
Petrol, oil and lubricant	1,827,063	1,650,251
Liveries and uniforms	140,448	79,763
Donations	2,050,000	198,668
Medical expenses	538,746	269,788
Fees and subscription	1,260,006	535,749
Bank charges and commission paid	1,423,816	1,039,026
Entertainment	2,155,147	1,600,063
Annual General Meeting expenses	2,687,552	2,683,829
Business promotion expenses	2,953,565	6,236,673
Travelling and conveyance expenses	9,077,007	9,695,423
	25,293,214	25,093,347
37. Provision against lease, loans and advances		
On classified loans	114,803,780	90,362,857
On un-classified loans (Please see note-2.12.1)	(64,803,780)	(362,857)
	50,000,000	90,000,000
38. Tax expenses		
<u>Current tax</u>		
Corporate tax for the year on operating profit	169,161,806	160,716,139
Corporate tax for the year on non-operating profit	31,828,360	61,350
	200,990,166	160,777,489
Corporate tax for prior years	-	179,729,514
	200,990,166	340,507,003
<u>Deferred tax</u>		
Offset of deferred tax liability relating to leased assets	-	(288,578,635)
Deferred tax relating to fixed assets including premises, furniture and fixtures	(990,165)	(1,318,221)
	(990,165)	(289,896,856)
	200,000,000	50,610,147
39. Earnings per share (EPS)		
Net profit after tax	378,281,143	162,134,321
Number of ordinary shares outstanding	5,280,000	2,640,000
Earnings per share	71.64	61.41
Restatements of EPS		
Net profit after tax without non-operating income	197,920,436	162,134,321
Number of ordinary shares outstanding	5,280,000	5,280,000
EPS considering current year's outstanding number of shares	-	30.71
EPS without current year's non-operating income	37.48	

Earning per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of December 31, 2010 as per Bangladesh Accounting Standard (BAS) -33. According to BAS 33, EPS for 2009 has been restated for the issues of bonus share in 2010.



	2010 Taka	2009 Taka
40. Receipts from other operating activities		
Reimbursement - invoice processing and collection costs	9,442,714	5,808,204
Early repayment premium	15,501,831	5,446,456
Reimbursement-documentation costs	5,047,953	3,398,267
Proceeds on titleship transfer	2,646,099	3,152,196
Miscellaneous earnings	106,142	39,038
	32,744,738	17,844,161
41. Payments for other operating activities		
Rent, taxes, insurance, electricity, etc.	16,569,867	11,522,387
Repairs and maintenance	10,591,405	8,431,649
Traveling and conveyance expenses	9,624,659	9,695,422
Business promotion expenses	2,953,565	6,236,673
Postage, stamp, telecommunication, etc.	3,245,065	3,020,554
Legal expenses	4,115,642	3,277,664
Annual General Meeting expenses	2,687,552	2,683,829
Contractual service	975,030	918,567
Petrol, oil and lubricant	1,827,063	1,650,251
Stationery, printing and advertisements	2,286,006	2,079,898
Entertainment	2,155,147	1,600,063
Bank charges and commission paid	1,423,816	1,039,026
Fees and subscription	1,260,006	535,749
Medical expenses	538,746	269,788
Donations	2,050,000	198,668
Directors' fees	115,000	121,900
Books, magazines and newspapers	107,084	92,305
Liveries and uniforms	140,448	79,763
Training expenses	60,000	56,600
Laundry, cleaning, photographs	37,750	36,642
	62,763,849	53,547,398
42. (Increase)/decrease of other assets		
Investment in associate	69,070,933	(308,826)
Other receivables	22,472,581	(1,721,640)
Deferred tax asset	(990,165)	(1,083,369)
	90,553,349	(3,113,835)
43. Increase/(decrease) of other liabilities		
Lease advances	103,680	30,259,281
Liabilities for other finance	64,984,393	34,479,444
	65,088,073	64,738,725
44. Number of employees		
The number of employees engaged for the whole year or part thereof who received a total remuneration of Tk. 36,000 p.a were 175 (2009: 127). The number of employees at the end of the year was 162.		

**45. Disclosure on Audit Committee**

The Audit Committee comprised of:

Sl.	Name	Status in the Company	Status with committee	Educational qualification
1	M. Moyeedul Islam	Director	Chairman	M. A., LL.B
2	M. Abdul Wahed	Independent Director	Member	B.Sc. (Pharm.)
3	S. Aziz Ahmad	Director	Member	B.Sc.
4	M. Ataul Hoque	Company Secretary	Secretary	Chartered Accountant

During 2010, the Audit Committee discharged the following responsibilities:

- Reviewed the Company's draft financial statements for the year ended on December 31, 2009 and recommended that the same be placed before the Board for approval.
- Recommended that the report of the Committee be adopted by the Board for publishing in the Annual Report 2009.
- Advised the Board on appointment of new external auditors for the year 2010 and the audit fee.
- Reviewed the quarterly reports on Internal Compliance prepared by the Internal Audit department.
- Reviewed the report on pending legal cases.
- Reviewed the quarterly financial statements 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 the quarterly report on written-off cases.
- Revised the Internal Audit Calendar - 2010.
- Reviewed and approved the Internal Audit Calendar for 2011.
- Reviewed Bangladesh Bank Inspection Report on the inspection along with Company's reply and recommended its placement before the Board meeting for approval and onward submission to Bangladesh Bank.
- Reviewed management response to the special inspection report on internal compliance by Bangladesh Bank.

The Audit Committee held four (4) meetings during the year 2010. On invitation, Managing Director of the Company, Chief Financial Officer (CFO) and Head of Internal Compliance attended the meeting to meet the queries of the Audit Committee and take directives for improvement.

**46 Related party disclosures**

46.1 Particulars of Directors of the Company as on December 31, 2010

SI no.	Name of Directors	Designation	Shareholding status
1.	Imran Ahmed	Chairman	Nominated by Lawrie group Plc., UK having share of 20%
2.	Peter J. Field	Director	
3.	M. Moyeedul Islam	Director	Nominated by United Insurance Co. Ltd. having share of 20.64%
4.	A. Rouf	Director	Nominated by Macalms Bangladesh Trust having share of 1.58%.
5.	S. Aziz Ahmad	Director	Nominated by Surmah Valley Tea Co. Ltd. having share of 8.27%
6.	M. Abdul Wahed	Independent Director	Not applicable; no shareholding.
7.	M. M. Alam	Director	Nominated by The Allynugger Tea Co. Ltd. having share of 0.06%.
8.	Syed Ehsan Quadir	Director and Managing Director	Not applicable, Ex-officio capacity
9.	M. A. Azim	Director and DMD	Nominated by The Chandpore Tea Co. Ltd. having share of 0.07%



46.2 Name of Directors and their interest in different entities as at December 31, 2010

Sl no.	Name of Directors	Status with the Company	Entities where they have interest
1.	Imran Ahmed	Chairman	Director 1. United Insurance Co. Ltd. 2. Eastland Camellia Ltd. 3. Duncan Properties Ltd. 4. Octavius Steel & Co. of BD Ltd. 5. Duncan Brothers (BD) Ltd. 6. Duncan Products Ltd. 7. Chittagong Warehouse Ltd. 8. Surmah Valley Tea Co. Ltd. 9. The Lungla (Sylhet) Tea Co. Ltd. 10. The Allynugger Tea Co. Ltd. 11. Amo Tea Co. Ltd. 12. The Chandpore Tea Co. Ltd. 13. The Mazdehee Tea Co. Ltd.
2.	M. Moyeedul Islam	Director	Chairman United Insurance Co. Ltd.
3.	Peter J. Field	Director	Director 1. The Lungla (Sylhet) Tea Co. Ltd. 2. The Allynugger Tea Co. Ltd. 3. Amo Tea Co. Ltd. 4. The Chandpore Tea Co. Ltd. 5. The Mazdehee Tea Co. Ltd. 6. Eastland Camellia Ltd. 7. Surmah Valley Tea Co. Ltd. Managing Director 1. Duncan Lawrie Ltd. U.K.
4.	Mr. M. M. Alam	Director	Director United Insurance Co. Ltd.
5.	S. Aziz Ahmad	Director	Director 1. Duncan Brothers (BD) Ltd. 2. Duncan Products Ltd. 3. Octavius Steel & Co. of BD Ltd. 4. Eastland Camellia Ltd. 5. Duncan Properties Ltd. 6. United Insurance Co. Ltd.
6.	M. Abdul Wahed	Independent Director	Director United Insurance Co. Ltd.
7.	A. Rouf	Director	Director 1. The Lungla (Sylhet) Tea Co. Ltd. 2. The Allynugger Tea Co. Ltd. 3. Amo Tea Co. Ltd. 4. The Chandpore Tea Co. Ltd. 5. The Mazdehee Tea Co. Ltd. 6. United Insurance Co. Ltd. 7. Octavius Steel & Co. of BD Ltd. 8. Duncan Brothers (BD) Ltd. 9. Duncan Products Ltd. 10. Chittagong Warehouse Ltd. 11. Eastland Camellia Ltd. 12. Duncan Properties Ltd.
8.	Syed Ehsan Quadir	Director and Managing Director	-
9.	M. A. Azim	Director and DMD	-



46.3 Transactions with Directors and their related entities

Name of the Party	Name of Directors	Related by	Nature of transaction	Amount in Taka	Status of loans and advances
United Insurance Co. Ltd.	M. Moyeedul Islam	Common Director	Term deposit	105,150,000	
	Imran Ahmed	-Do-			
	Abdur Rouf	-Do-			
	Syed Aziz Ahmad	-Do-			
	M. M. Alam	-Do-			
	M. A. Wahed	-Do-			
The Lungla (Sylhet) Tea Co. Ltd.	Imran Ahmed	-Do-	Lease financing	11,960,895	Regular
	Abdur Rouf	-Do-			
The Lungla (Sylhet) Tea Co. Ltd.	Imran Ahmed	-Do-	Term deposit	23,125,000	
	Abdur Rouf	-Do-			
Amo Tea Co. Ltd.	Imran Ahmed	-Do-	Lease financing	717,668	Regular
	Abdur Rouf	-Do-			
United Insurance Co. Ltd.	M. Moyeedul Islam	-Do-	Insurance premium paid	591,043	
	Imran Ahmed	-Do-			
	Abdur Rouf	-Do-			
	Syed Aziz Ahmad	-Do-			
	M. M. Alam	-Do-			
	M. A. Wahed	-Do-			
The Mazdehee Tea Co. Ltd.	Imran Ahmed	-Do-	Office rent paid for the year	1,311,450	
	Abdur Rouf	-Do-			
The Chandpore Tea Co. Ltd.	Imran Ahmed	-Do-	Office rent paid for the year	1,311,450	
	Abdur Rouf	-Do-			
Duncan Brothers (BD) Ltd.	Imran Ahmed	-Do-	Office rent paid for the year	544,320	
	Abdur Rouf	-Do-			
	Syed Aziz Ahmad	-Do-			
Macalms Bangladesh Trust	Imran Ahmed	-Do-	Term deposit	4,539,316	
	Abdur Rouf	-Do-			
	Syed Aziz Ahmad	-Do-			



47. Commitment

Capital expenditure

The Company had no capital expenditure commitment contracted at December 31, 2010 (2009: nil).

Commitment to lend

Under a lease/loan commitment the Company agrees to make funds available to customers in the future. Lease/loan commitments, which are usually for a specified term may be unconditionally cancellable or may persist, provided all conditions in the lease/loan facility are satisfied or waived. At the end of the year 2010, the Company had Taka 363,176,343 commitment with customers (2009: Taka 251,000,818).

48. Claim against Company not acknowledged as debt

There were no such claims against the Company which required to be acknowledged as debt at December 31, 2010.

49. Proposal of dividend

The Board of Directors has recommended a cash dividend of Tk. 7.50 per ordinary share i.e. a total of Tk. 39.60 million for 5.28 million ordinary shares and three bonus shares for every four shares held for the year ended December 31, 2010.

50. Dividend remitted to non-resident shareholders

An amount of Tk.2,775,065 equivalent to GBP 25,902 (2008: Tk 8,316,000 equivalent to GBP 77,465) was remitted to non-resident shareholder as dividend for the year 2009.

51. Foreign currency transactions

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

**52. Highlights on the overall activities**

(Taka in million)

Sl no.	Particulars	2010	2009
1	Paid-up capital (note-13.2)	528.00	264.00
2	Total capital (note-13.3)	1,694.34	1,400.66
3	Capital surplus (note-13.3)	1,236.01	953.29
4	Total assets	9,259.76	8,718.65
5	Total deposits (note-11.1)	4,035.30	3,888.30
6	Total lease, loans and advances	7,556.13	7,212.45
7	Total contingent liabilities and commitments (note-20)	34.50	2.40
8	Credit deposit ratio (note- 7/ note-11.1)	1.87	1.85
9	Percentage of classified lease, loans and advances against total leases, loans and advances	2.86	3.70
10	Profit after tax and provision	378.28	162.13
11	Amount of loans classified during the year	60.51	59.01
12	Provisions kept against classified loans (note-12.5)	415.51	321.29
13	Provision surplus / (deficit) (note-12.5)	235.55	157.67
14	Cost of fund (%)	10.92	11.97
15	Interest earning assets	8,568.23	8,006.30
16	Non-interest earning assets	691.52	712.35
17	Return on investment (ROI)(%)	26.20	13.50
18	Return on assets (ROA)(%)	4.09	1.86
19	Income from investment	11.05	8.19
20	Earnings per share (Taka)	71.64	61.41
21	Net income per share (Taka)*	71.64	61.41
22	Price earning ratio (times)**	23.71	24.00

* Since ULC does not have any minority interest, EPS and net income per share remain same.

** Based on December 31 market price of the respective year

Syed Ehsan Quadir
Managing Director

M. Moyeedul Islam
Director

A. Rouf
Director

M. M. Alam
Director



Fixed assets including premises, furniture and fixture

Annexure-A
(From note-8)

Statement of property, plant and equipment is as follows:

	Furniture & Fixture (Taka)	Office equipment (Taka)	Electrical equipment (Taka)	Motor vehicle (Taka)	Total (Taka)
Cost					
Balance at January 01, 2010	32,140,382	180,217	25,519,881	16,433,300	74,273,780
Addition	8,754,593	38,824	6,949,199	3,762,000	19,504,616
Disposal/adjustment	-	-	(195,308)	(1,174,738)	(1,370,046)
Balance at December 31, 2010	40,894,975	219,041	32,273,772	19,020,562	92,408,350
Accumulated depreciation					
Balance at January 01, 2010	11,085,570	128,296	15,052,273	11,318,360	37,584,499
Charge for the year	4,992,613	18,303	5,401,836	2,455,462	12,868,214
Disposal/adjustment	-	-	(142,336)	(728,860)	(871,196)
Balance at December 31, 2010	16,078,183	146,599	20,311,773	13,044,962	49,581,517
WDV at December 31, 2010	24,816,792	72,442	11,961,999	5,975,600	42,826,833
WDV at December 31, 2009	21,054,812	51,921	10,467,608	5,114,940	36,689,281

During the year the Company disposed the following obsolete fixed assets:

	Electrical equipment (Taka)	Motor Vehicle (Taka)	Total (Taka)
Cost	195,308	1,174,738	1,370,046
Accumulated depreciation	(142,336)	(728,860)	(871,196)
Book value	52,972	445,878	498,850
Sale proceeds	55,900	723,302	779,202
Profit on disposal	2,928	277,424	280,352
Buyer	Employee & Outsider	Employee & Outsider	
Mode of disposal	Competitive quotation	Competitive quotation	

Statement of tax status

Annexure-B
(From note-12.6)

Accounting year	Assessment year	Tax provision as per accounts (Taka)	Tax as per assessment by DCT (Taka)	Excess/ (shortage) of provision (Taka)	Legal status
2004	2005-2006	28,988,565	26,639,273	2,349,292	Appeal filed with Appellate Tribunal.
2006	2007-2008	134,733,607	134,733,607	-	Assessment order received based on judgement by the Appellate Tribunal.
2007	2008-2009	137,020,502	137,020,502	-	Appeal filed with Appellate Tribunal.
2008	2009-2010	152,661,018	143,882,192	8,778,826	Assessment made u/s 82bb
2009	2010-2011	160,777,489	-	160,777,489	Return submitted and assessment made u/s 82bb
2010	2011-2012	200,990,166	-	200,990,166	Yet to be submitted.
	Total	815,171,347	442,275,574		



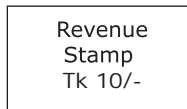
UNITED LEASING COMPANY LIMITED

Camellia House
22 Kazi Nazrul Islam Avenue, Dhaka-1000

PROXY FORM

I/We _____
of _____
being a Member of United Leasing Company Limited do hereby appoint
Mr/Ms _____
of _____
or (failing him/her)Mr/Ms _____
of _____
as my/our proxy, to vote for me/us and on my/our behalf at the Twenty Second Annual General Meeting of the Company to be held on June 9, 2011 at 11:00 a.m. and at any adjournment thereof or at any ballot to be taken in consequence thereof.

Signed this _____ day of _____ 2011



Signature of Shareholder _____
Folio/BO ID No. _____
No. of Shares _____

Signature of Proxy

N.B.: IMPORTANT

- (1) This Form of Proxy, duly completed, must be deposited at least 48 hours before the meeting at the Company's Registered Office. Proxy is invalid if not signed and stamped as explained above.
- (2) Signature of the Shareholder should agree with the Specimen Signature registered with the Company and Depository Register.

UNITED LEASING COMPANY LIMITED

Camellia House
22 Kazi Nazrul Islam Avenue, Dhaka-1000

ATTENDANCE SLIP

I hereby record my attendance at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company being held on Thursday, June 9, 2011 at 11:00 a.m. at the Celebrity Hall of Bangabandhu International Conference Centre, Agargaon, Sher-e-Bangla Nagar, Dhaka.

Name of Member/Proxy _____ Signature _____
Folio/BO ID No. _____ Dated _____

- N.B.: i) Shareholders attending the meeting in person or by Proxy are requested to complete the attendance slip and deposit the same at the entrance of the meeting hall.
- ii) Shareholders and proxies are requested to record their entry in the Annual General Meeting well in time.