



M. M. RAHMAN & CO.

CHARTERED ACCOUNTANTS

M. OBAIDUR RAHMAN, FCA

RATIQUL ISLAM KHAN, FCA

PRACHI-NIKET

54, DILKHUSHA COMMERCIAL AREA

DHAKA-1000, BANGLADESH

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Fareast Finance & Investment Limited

Balance Sheet

as at 31 December 2008

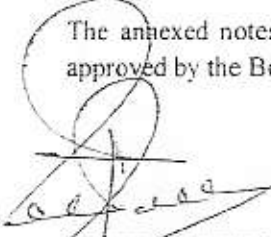
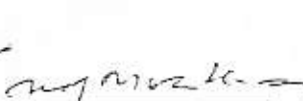


	Notes	2008 Taka	2007 Taka
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity		313,365,684	263,112,712
Paid up capital	4.2	195,750,100	195,750,100
Statutory reserve	5	35,173,118	25,122,523
Retained earnings		82,442,466	42,240,089
Non current liabilities		616,707,780	498,004,206
Secured long term loans-net of current maturity	6	554,911,236	440,252,818
Unsecured long term loans-net of current maturity	7	0	534,000
Term deposits-net of current maturity	8	39,594,761	32,679,000
Liabilities under finance lease-net of current maturity	9	2,772,182	3,050,930
Advance rental against lease receivables-net of current maturity	10	19,429,601	21,487,458
Current liabilities		934,859,425	751,565,643
Current maturity of secured long term loans	6	337,494,300	256,035,496
Current maturity of unsecured long term loans	7	534,000	534,000
Current maturity of term deposits	8	397,999,994	315,863,414
Current maturity of liabilities under finance lease	9	1,869,728	1,388,090
Current maturity of advance rental against lease receivables	10	4,339,325	2,164,270
Current maturity of advance installment against term finances	11	0	39,430
Short term loans	12	115,841,455	120,128,662
Accrued expenses	13	38,019,945	37,414,773
Sundry liabilities	14	15,165,541	6,402,371
Provision for income tax	15	23,595,137	11,595,137
Provision for investments	16	56,338,438	71,389,475
Suspended interest for investments	17	26,516,836	27,893,501
Total shareholders' equity and liabilities		1,947,788,163	1,611,965,537



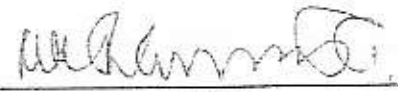


	Notes	2008 Taka	2007 Taka
ASSETS AND INVESTMENTS			
Non current assets and investments		1,208,410,908	888,867,288
Net lease receivables-net of current maturity	18	521,731,238	534,112,470
Advance against assets to be leased	19	27,914,412	31,617,032
Term finances-net of current maturity	20	523,795,968	323,137,786
Advance against term finances	21	134,969,290	0
Current assets and investments		732,071,885	716,033,390
Current maturity of net lease receivables	18	199,451,434	185,716,441
Current maturity of term finances	20	227,907,736	216,604,832
Accounts receivable and advances	22	163,101,763	163,462,955
Other receivables	23	18,686,112	40,357,724
Investment in shares	24	101,753,144	93,311,314
Cash and cash equivalents	25	21,171,696	16,580,124
Property, plant and equipment	26	7,305,370	7,064,859
Total assets and investments		1,947,788,163	1,611,965,537

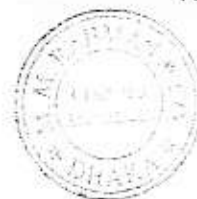
The annexed notes 1 to 42 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 12 March 2009 and were signed on its behalf by:

			
M. A. Khaleque Chairman	Md. Monir Hossain Vice Chairman	Asad Khan Managing Director	Santanu Saha Company Secretary

Signed in terms of our separate report of even date annexed


 Auditors

Dhaka, 15 March 2009



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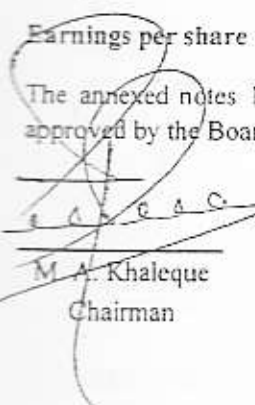
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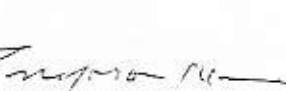
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Fareast Finance & Investment Limited
Profit and Loss Account
for the year ended 31 December 2008


	Notes	2008 Taka	2007 Taka
Operational income		312,061,791	278,873,512
Lease income	27	122,012,978	104,683,658
Interest on term finances	28	108,021,900	74,955,325
Capital gain on sale of shares including dividend	29	30,447,627	68,048,408
Other operational income	30	51,579,286	31,186,121
Operational expenses		226,267,459	183,253,510
Financial expenses	31	195,527,087	158,692,334
Directors' fees	32	628,000	784,000
Auditors' fee		130,890	102,250
Salary and allowances	33.1	13,983,678	11,302,189
Other administrative expenses	34	15,997,804	12,372,737
Income from operation		85,794,332	95,620,002
Non operational income		1,013,192	2,045,399
Interest on deposits	35	1,013,192	674,401
Profit/(loss) on sale of fixed assets		0	1,370,998
Profit before provisions and income tax		86,807,524	97,665,401
Provision for investments	16	24,554,552	43,221,428
Profit before income tax		62,252,972	54,443,973
Provision for income tax	15	12,000,000	2,000,000
Net profit after income tax		50,252,972	52,443,973
Earnings per share	39	25.67	26.79

The annexed notes 1 to 42 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 12 March 2009 and were signed on its behalf by:


M. A. Khaleque
Chairman


Md. Monir Hossain
Vice Chairman


Asad Khan
Managing Director


Santanu Saha
Company Secretary

Signed in terms of our separate report of even date annexed



Auditors

Dhaka, 15 March 2009



Fareast Finance & Investment Limited
Cash Flow Statement
for the year ended 31 December 2008

	2008 Taka	2007 Taka
OPERATING ACTIVITIES		
Rental and other collections against investments	393,388,992	297,132,437
Sale of shares and dividend income	673,182,453	591,956,933
Other operational income	51,579,286	31,128,691
Operational expenses	(223,096,404)	(163,729,563)
Net cash flows from operating activities	895,054,327	756,488,498
INVESTING ACTIVITIES		
Acquisition of leased assets	(177,554,114)	(402,420,235)
Advances made for acquisition of leased assets	3,702,620	157,154,501
Proceeds from disposal of leased assets	4,828,622	60,291,406
Investment against term finances	(211,961,086)	(79,994,258)
Advances made for term finances	(134,969,290)	0
Acquisition of fixed assets	(2,806,394)	(6,180,801)
Proceeds from disposal of fixed assets	0	1,371,000
Realization/(Payment) of advances	(2,168,663)	759,456
Purchase of shares	(651,176,656)	(669,405,735)
Net cash flows from investing activities	(1,172,104,961)	(938,424,666)
FINANCING ACTIVITIES		
Drawdown from long term loans	511,549,166	255,339,810
Repayment of long term loans	(315,965,944)	(247,879,771)
Drawdown from short term loans	945,712,793	610,369,403
Repayment of short term loans	(950,000,000)	(557,500,000)
Receipt of term deposits	626,614,466	438,103,257
Repayment of term deposits	(537,562,125)	(325,528,504)
Drawdown from liabilities under finance lease	1,920,000	4,020,000
Repayment of liabilities under finance lease	(1,717,110)	(1,017,071)
Receipt of interest on deposits	1,013,192	674,401
Receipt of advance rental against leased assets	5,674,300	14,868,516
Repayment of advance rental against leased assets	(5,557,102)	(13,137,211)
Repayment of advance installment against term finances	(39,430)	(51,320)
Net cash flows from financing activities	281,642,206	178,261,510
Net increase/(decrease) in cash and cash equivalents	4,591,572	(3,674,658)
Cash and cash equivalents at 01 January	16,580,124	20,254,782
Cash and cash equivalents at 31 December	21,171,696	16,580,124





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Fareast Finance & Investment Limited
Statement of Changes in Shareholders' Equity
for the year ended 31 December 2008

Description	Share capital Taka	Statutory reserve Taka	Retained earnings Taka	Total Taka
Balance at 01 January 2008	195,750,100	25,122,523	42,240,089	263,112,712
Bonus shares issued for 2007	0	0	0	0
Net profit for the year 2008	0	0	50,252,972	50,252,972
Transferred to statutory reserve	0	10,050,595	(10,050,595)	0
Balance as at 31 December 2008	195,750,100	35,173,118	82,442,466	313,365,684
Balance at 01 January 2007	174,000,100	14,633,728	22,034,911	210,668,739
Bonus shares issued for 2006	21,750,000	0	(21,750,000)	0
Net profit for the year 2007	0	0	52,443,973	52,443,973
Transferred to statutory reserve	0	10,488,795	(10,488,795)	0
Balance as at 31 December 2007	195,750,100	25,122,523	42,240,089	263,112,712





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Fareast Finance & Investment Limited

Accounting policies and notes to the Financial Statements for the year ended 31 December 2008

(forming an integral part of the financial statements)

1. Legal status and nature of the company

1.1 Domicile, legal form, country of incorporation and status of the company

Fareast Finance & Investment Limited ("the company") was incorporated in Bangladesh as a public limited company with limited liability, on 21 June 2001 under the Companies Act, 1994. The company was authorized to commence business in Bangladesh as per Certificate of Commencement dated 21 June 2001.

The company obtained license from Bangladesh Bank as a Financial Institution under the Financial Institutions Act, 1993 to operate as a leasing and financing company on 03 July 2001.

1.2 Address of registered office and place of business of the company

The registered office of the company is at Printers' Building (9th level), 5 Rajuk Avenue, Motijheel Commercial Area, Dhaka-1000, Bangladesh. Company's principal office is also situated at the same address and at present, the company has no branch office in Bangladesh or abroad.

1.3 Objective of the company

Company's business strategy aims at broad-based exposure with emphasis on the following:

- a) To provide capital finance for various small and medium enterprises aiming at poverty alleviation and creating employment opportunities. In case of large finance, the company's policy is to provide finance through syndication with other financial institutions.
- b) To provide lease finance for various agricultural equipment namely tractors, power tillers, power pumps to promote mechanization of agriculture in the country.
- c) To provide lease finance for commercial vehicles particularly buses for urban transportation and inter district communication.
- d) To provide medical equipments, apparatus etc. to enterprising doctors to enable them render improved services to patients.
- e) To assist professionals in research work to obtain various research instruments on easy installment basis.
- f) To promote industrialization of the country by way of participation specially in the BMRE of the existing projects.
- g) To provide lease finance to the fixed income group in-order to enable them to improve their standard of living by using various household durables.





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- h) To provide term finance to the clients in-order to enable them to meet their working capital and or other needs.

1.4 *Principal activities of the company*

The company concentrates its activities for full payout leases and term finances, extended on the basis of recovering the full capital cost of the asset/finance, plus imputed interest charges. The company eventually will seek to broaden its leasing and financing services by entering into vendor programs with asset suppliers, underwriters, brokers, leveraged leases, lease syndications, sale and lease back finances, financing for business expansions and temporarily financed assets. The company may extend guarantees for lease/finance obligations to other institutions/companies subject to the Laws and Rules of the Government of the Peoples' Republic of Bangladesh.

1.5 *Nature of operation of the company*

The company extends lease finance for all types of machinery, equipment, household durables including vehicles for the purpose of industrial, commercial, agricultural and personal use in Bangladesh and also term finance to its clients within the purview of the Law.

1.6 *Number of employees of the company*

At the end of the year 2008 and at the end of the year 2007, number of employees was twenty nine and twenty five respectively.

2. **Significant accounting policies**

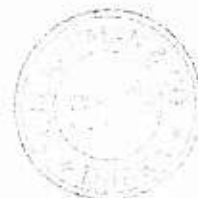
Disclosure under Bangladesh Accounting Standard-1 "Presentation of Financial Statements" have been used by the management in preparing the financial statements.

Basis of accounting

The accounts are prepared under historical cost convention on generally accepted accounting principles on going concern basis and as per Bangladesh Accounting Standards as adopted by The Institute of Chartered Accountants of Bangladesh. Specific accounting policies selected and applied for significant transactions and events are depicted below:

2.1 *Accounting for investment in leases*

As per Bangladesh Accounting Standard-17 "Leases", Fareast Finance & Investment Limited (FFIL) recognizes leased assets in the balance sheet and presents them as receivable at an amount equal to the net investment in the lease. Under a finance lease all the risks and rewards incident to legal ownership are transferred by FFIL, and thus the lease payment receivable is treated as repayment of principal and finance income to reimburse and reward for its investment and services. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.





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2.2 *Accounting for term finance*

As per International Financial Reporting Standard-7 "Financial Instruments: Disclosures", term finances given by the company are recognized as financial asset on its balance sheet when and only when, the company becomes a party to the contractual provisions of the finances and have a contractual right to receive cash or another financial asset from the finance. Subsequently, the financial assets are presented in the balance sheet at amortized cost using the effective interest rate method.

2.3 *Recognition of leased assets*

Company's leased assets are stated at the gross lease receivables less the unearned lease income. Lease payments relating to the accounting period are applied against the gross investment in the lease to reduce both the principal and the unearned lease income.

2.4 *Recognition of term finances*

Term finances are stated at the initial investment less accumulated principal amortization calculated under effective interest rate method. Initial investment represents principal finance and capitalization of interest accumulated before starting repayment and amortization rate under effective interest rate method represents the rate that exactly discounts the expected stream of future cash payments through maturity.

2.5 *Provision for investments*

To meet the unforeseen losses, provision has been made for the lease receivables, term finances and investment in shares as per circulars issued by Bangladesh Bank in this regard.

2.6 *Measurement of property, plant and equipment*

Company's property, plant and equipment are stated at their cost less accumulated depreciation in accordance with Bangladesh Accounting Standard 16 "Property, Plant and Equipment". Cost represents cost of acquisition or construction.

2.7 *Depreciation on property, plant and equipment*

Depreciation on property, plant and equipment has been charged only from the month of acquisition of the asset (if purchased on or before fifteenth day of the month) to the end of the year and in case of assets disposed off, no depreciation on the assets has been charged on the month of disposal of assets. Depreciation on all assets is computed to write off over the estimated useful economic lives of the assets. Normal repairs and maintenance other than major replacements, renewals and or betterment of the assets are treated as operational expenses.

Depreciation on property, plant and equipment under company's own use is charged on straight-line method throughout the estimated useful lives of the assets. The annual depreciation rates applicable to the principal categories of assets are as follows:

	Rate (%)
Furniture	18
Office equipment	20
Office software	20
Office crockery	20
Motor vehicle	20





2.8 *Depreciation of assets under finance lease*

As per Bangladesh Accounting Standard-17 "Leases", FFIL recognizes its assets, taken on lease as its assets under property, plant and equipment and liabilities in the Balance Sheet at amounts equal at the inception of the lease to the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets owned, and the depreciation recognized is calculated on the basis set out in Bangladesh Accounting Standard 16 "Property, Plant and Equipment".

2.9 *Investment in shares*

Investment in shares are recognized as current investment and shown in the Balance Sheet under the current assets and investments head. Investment in shares has been shown at lower of cost and market price and the carrying amount has been determined on an individual portfolio basis. Provision has been made for reduction in market price of shares as on the date of the Balance Sheet.

2.10 *Cash and cash equivalents*

According to Bangladesh Accounting Standard-7 "Cash Flow Statements", cash comprises cash in hand and demand deposits and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bangladesh Accounting Standard-1 "Presentation of Financial Statements" provides that the cash and cash equivalents are not restricted in use. Considering the provisions of Bangladesh Accounting Standard-7 and Bangladesh Accounting Standard-1, cash in hand, fixed deposits and bank balances have been considered as cash and cash equivalents.

2.11 *Long term loans*

In conformation to Bangladesh Accounting Standard-30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions", long term loans taken from banks and financial institutions are placed into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date.

2.12 *Term deposits*

The company takes term deposits from banks, financial institutions and general public at various rates against issuance of fixed deposits receipts as per circulars issued by Bangladesh Bank.

2.13 *Creditors and accrued expenses*

Liabilities are recognized for amounts to be paid in future for goods and services received, whether or not billed by the suppliers.





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2.14 Revenue recognition

The revenues are recognized after satisfying all the conditions for revenue recognition as provided in Bangladesh Accounting Standard-17 "Leases" and Bangladesh Accounting Standard-18 "Revenue".

- a) As per Bangladesh Accounting Standard-17 "Leases", finance income are recognized as income based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.
- b) In case of overdue rental, finance income included in the lease rental receivable for more than three months is excluded from the income.
- c) Interest on term finances are recognized as income at the time of its becoming receivable from the client.
- d) In case of overdue interest on term finances, interest receivable for more than three months is excluded from the income.
- e) Interest accrued on leased assets and term finances due from the date of installment for the month of December is recognized as income (on time proportion basis).
- f) Dividend income has been accounted for on accrual basis.
- g) Profit or loss on sale of leased assets has been accounted for on completion of sale basis at the time of sale of the respective leased asset.
- h) Profit or loss on sale of fixed assets has been accounted for on completion of sale basis at the time of sale of the respective fixed asset.

2.15 Financial expenses

Interest on borrowings of fund from different sources are recognized as financial expenses according to Bangladesh Accounting Standard-23 "Borrowing Costs". Interest represents amount paid and accrued up to the end of the year.

2.16 Taxation

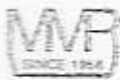
Provision for income tax has been made according to the Income Tax Ordinance 1984.

2.17 Earnings per share (EPS)

The company calculates earnings per share (EPS) in accordance with Bangladesh Accounting Standard-33 "Earnings Per Share" shown on the face of the profit and loss account while, the computation of EPS is stated in note # 39.

Basic earnings per share

This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.



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For calculation of basic earnings and weighted average number of ordinary shares outstanding during the year, the following formulas have been used:

Basic earnings

This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary share issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days the specific shares outstanding as a proportion of the total number of days during the year.

Diluted earnings per share

No diluted earnings per share is required to be calculated for the year, as there was no scope for dilution during the year under review.

2.18 *Transactions with enterprises related to the Directors*

The Board of Directors in their ninth meeting unanimously resolved that the Directors of Fareast Finance & Investment Limited shall not take any loan/advance/lease or any kind of credit facility from the company in their own name or in the name of an Institution/Firm/Company/Organization where they have an interest as a Director/Partner/Proprietor or Guarantor as the case may be either in individual capacity or jointly. For this purpose, Directors include wife, husband, father, mother, son, daughter, son-in-law, son's wife, father-in-law and mother-in-law of a Director.

2.19 *Cash flow statement*

Cash flow statement is prepared principally in accordance with Bangladesh Accounting Standard-7 "Cash Flow Statements" and the cash flow from the operating activities have been presented under direct method as prescribed by the Securities and Exchange Rules 1987 and by considering the provision of Paragraph-19 of Bangladesh Accounting Standard-7 which provides that "Enterprises are encouraged to report cash flows from operating activities using the direct method".

2.20 *Foreign currency translation*

Transactions denominated in foreign currencies are translated into Bangladesh Taka and recorded at rates of exchange ruling on the date of transaction in accordance with Bangladesh Accounting Standard-21 "The Effects of Changes in Foreign Exchange Rates".

2.21 *Derivatives*

According to International Financial Reporting Standard-7 "Financial Instruments: Disclosures", the company was not a party to any derivative contract (financial instruments) at the Balance Sheet date, such as forward exchange contracts, currency swap agreement or contract to hedge currency exposure related to import of capital machinery to be leased to lessees in future.



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3. Additional information on financial statements

3.1 Responsibility for preparation and presentation of financial statements

The Board of Directors is responsible for the preparation and presentation of the financial statements under section 183 of the Companies Act 1994.

3.2 Components of the financial statements

Following the Bangladesh Accounting Standard-1 "Presentation of Financial Statements", the company's complete set of financial statements include the following components:

- a) Balance Sheet as at 31 December 2008
- b) Profit and Loss Account for the year ended 31 December 2008
- c) Cash Flow Statement for the year ended 31 December 2008
- d) Statement of Changes in Shareholders' Equity for the year ended 31 December 2008
- e) Accounting policies and notes to the Financial Statements.

3.3 Uncertainties for use of estimates in preparation of financial statements

The preparation of financial statements in conformity with the Bangladesh Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of other information at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used for accounting of certain items such as depreciation on fixed assets, accrued expenses and income taxes in respect of note numbers 2.7, 13 and 15 respectively.

3.4 Compliance with local Laws and Rules

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other relevant local Laws and Rules.

3.5 Reporting currency and level of precision

The figures in the financial statements represent Bangladesh currency (Taka), which have been rounded off to the nearest taka.

3.6 Reporting period

Financial statements of the company cover one calendar year from 01 January to 31 December consistently.





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4. Share capital

4.1 Authorized

5,000,000 ordinary shares of Tk100 each

2008 Taka	2007 Taka
<u>500,000,000</u>	<u>500,000,000</u>

4.2 Issued, subscribed and paid up

1,740,001 ordinary shares of Tk 100 each
217,500 ordinary shares of Tk 100 each (Bonus shares)
Total

195,750,100	174,000,100
0	21,750,000
<u>195,750,100</u>	<u>195,750,100</u>

4.3 Composition of shareholders by shares holding

Holding of shares

Less than 500
501 to 5,000
5,001 to 10,000
10,001 to 20,000
20,001 to 30,000
30,001 to 40,000
40,001 to 50,000
50,001 to 100,000
100,001 to 1,000,000
Total

Number of holders	Total holding (%)
0	0
0	0
0	0
1	1
1	1
1	2
3	7
6	22
9	67
<u>21</u>	<u>100</u>

5. Statutory reserve

This represents 20% of net profit available for distribution set aside in compliance with Rule 6 of The Financial Institutions Regulation, 1994.

6. Secured long term loans-net of current maturity

Fund required for the company's business operations are primarily financed by taking loans from various banks and financial institutions at various rates chargeable per annum with quarterly rest. Such loans are secured by floating charges on all movable and immovable assets of the company ranking Pari-Passu among the lenders. Loans repayable within one year have been reflected under current liabilities.





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Detail of these loans are as under:

	2008 Taka	2007 Taka
Balance at 01 January	696,288,314	688,561,275
Add: Draw down during the year	511,549,166	255,339,810
Less: Repayment during the year	(315,431,944)	(247,612,771)
Balance at 31 December	892,405,536	696,288,314
Less: Transferred to current liabilities being repayable within next year	337,494,300	256,035,496
Net balance at 31 December	554,911,236	440,252,818

Details of these loans are as under:

Bangladesh Commerce Bank Limited	5,963,247	16,649,926
Bank Alfalah Limited	14,568,268	35,643,167
Bank Asia Limited	9,375,000	21,875,000
BASIC Bank Limited	46,452,962	3,760,530
BRAC Bank Limited	9,375,000	16,875,000
Export Import Bank of Bangladesh Limited	52,611,943	71,600,480
IIDFC Limited	193,492	2,354,128
International Leasing And Financial Services Limited	145,742	687,082
Mercantile Bank Limited	63,666,632	56,832,311
Mutual Trust Bank Limited	134,628,202	49,297,309
National Bank Limited	46,754,790	71,216,035
Pubali Bank Limited	108,578,948	144,000,000
Shahjalal Islami Bank Limited	2,013,912	9,367,472
Social Investment Bank Limited	65,328,010	0
Southeast Bank Limited	2,083,323	16,667,330
The City Bank Limited	44,386,898	84,450,271
Trust Bank Limited	202,945,833	95,012,273
Uttara Bank Limited	83,333,334	0
Total	892,405,536	696,288,314

6.1 Aging analysis of secured long term loans

Up to one year	337,494,300	256,035,496
Above one year to three years	445,044,549	349,927,912
Above three years to five years	109,866,687	90,324,906
Above five years	0	0
Total	892,405,536	696,288,314

7. Unsecured long term loans-net of current maturity

This unsecured long term loan was taken from Bangladesh Bank under refinancing program of Agriculture Credit and Special Program. Details of which are given below:

Balance at 01 January	1,068,000	1,335,000
Add: Draw down during the year	0	0
Less: Repayment during the year	(534,000)	(267,000)
Balance at 31 December	534,000	1,068,000
Less: Transferred to current liabilities being repayable within next year	534,000	534,000
Net balance at 31 December	0	534,000





7.1 *Aging analysis of unsecured long term loans*

	2008 Taka	2007 Taka
Up to one year	534,000	534,000
Above one year to three years	0	534,000
Above three years to five years	0	0
Above five years	0	0
Total	534,000	1,068,000

8. **Term deposits-net of current maturity**

The company takes term deposits at various rates ranging from 9.00% to 15.50% per annum. Details are as follows:

Balance at 01 January	348,542,414	235,967,661
Add: Deposits taken during the year	626,614,466	438,103,257
Less: Repayment made during the year	(537,562,125)	(325,528,504)
Balance at 31 December	437,594,755	348,542,414
Less: Transferred to current liabilities being repayable within next year	397,999,994	315,863,414
Net balance at 31 December	39,594,761	32,679,000

This includes Tk.107,594,755 (Tk.88,542,414 in the year 2007) received as deposits from general public.

8.1 *Aging analysis of term deposits*

Up to one year	397,999,994	315,863,414
Above one year to three years	29,675,161	20,708,000
Above three years to five years	9,419,600	11,971,000
Above five years	500,000	0
Total	437,594,755	348,542,414

9. **Liabilities under finance lease**

Liabilities under finance lease represents liability against three motor vehicles taken under finance lease from International Leasing And Financial Services Limited. Details of which are given below:

Balance at 01 January	4,439,020	1,436,091
Add: Addition during the year	1,920,000	4,020,000
Less: Repayment during the year	(1,717,110)	(1,017,071)
Balance at 31 December (Note # 9.1)	4,641,910	4,439,020
Less: Transferred to current liabilities being repayable within next year	1,869,728	1,388,090
Net balance at 31 December	2,772,182	3,050,930



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9.1 *Aging analysis of liabilities under finance lease*

	2008 Taka	2007 Taka
Up to one year	1,869,728	1,388,090
Above one year to three years	2,667,630	2,618,948
Above three years to five years	104,552	431,982
Above five years	0	0
Total	4,641,910	4,439,020

10. **Advance rental against lease receivables-net of current maturity**

The company takes rentals as advance from the lessees on signing of lease agreement, which is non-interest bearing and refundable/adjustable during or at the end of lease period. Details are as follows:

Balance at 01 January	23,651,728	21,920,423
Add: Advance rentals taken during the year	5,674,300	14,868,516
Less: Advance rentals adjusted during the year	(5,557,102)	(13,137,211)
Balance at 31 December	23,768,926	23,651,728
Less: Transferred to current liabilities being adjustable within next year	4,339,325	2,164,270
Net balance at 31 December	19,429,601	21,487,458

11. **Advance installments against term finances-net of current maturity**

The company takes installments as advance from the clients on signing of term finance agreement, which is non-interest bearing and refundable/adjustable during or at the end of facility period. Details are as follows:

Balance at 01 January	39,430	90,750
Add: Advance installments received during the year	0	0
Less: Advance installments adjusted during the year	(39,430)	(51,320)
Balance at 31 December	0	39,430
Less: Transferred to current liabilities being adjustable within next year	0	39,430
Net balance at 31 December	0	0

12. **Short term loans**

This consists of as follows:

The City Bank Limited	40,000,000	0
Bank overdraft (Note-12.1)	31,179,567	16,398,131
Call loan (Note-12.2)	20,000,000	80,000,000
Margin account (Note-12.3)	24,661,888	23,730,531
	115,841,455	120,128,662

12.1 *Bank overdraft*

National Bank Limited	19,656,745	9,243,052
Trust Bank Limited	11,522,822	7,155,079
	31,179,567	16,398,131

Limit of above overdrafts were Tk.20,000,000 from National Bank Limited and Tk.40,000,000 from Trust Bank Limited. Such loans are secured by floating charges on all movable and immovable assets of the company ranking *Pari-Passu* among the lenders.





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12.2. Call loan

During the year the company made transactions with seven banks and financial institutions. Call loans outstanding at 31 December are as follows:

	2008 Taka	2007 Taka
Bangladesh Commerce Bank Limited	20,000,000	0
The City Bank Limited	0	30,000,000
Trust Bank Limited	0	50,000,000
	<u>20,000,000</u>	<u>80,000,000</u>

12.3. Margin account

This represents loan taken from Prime Finance & Investment Limited against investment in shares and debentures in the capital market.

13. Accrued expenses

This represents the amount payable at the end of the year against interest on term deposits, bonus (performance), leave encashment, auditors' fee, office maintenance expenses, advertisement and publicity expenses, communication expenses and interest on term loans.

Interest on term loans	7,337,511	5,645,688
Interest on term deposits	28,620,437	30,556,535
Others	2,061,997	1,212,550
Total	<u>38,019,945</u>	<u>37,414,773</u>

14. Sundry liabilities

This represents partial rental/installment received from clients, leave fare assistance deducted from employees' salary and tax deducted at source. All the liabilities have subsequently been paid or adjusted.

The details are as follows:

Received from clients against partial rental/installment	15,128,442	6,110,352
Salary payable-LFA	0	469
Tax deducted at sources	37,099	291,550
Total	<u>15,165,541</u>	<u>6,402,371</u>

15. Provision for income tax

This represents the amount provided for to cover the estimated tax liability of the company up to 31 December 2008, based on income tax laws and regulations applicable to the company on the Balance Sheet date. Assessment for the year 2001, 2002, 2003, 2004 and 2005 has been completed while 2006 is under appeal and 2007 is under process of assessment. The total provision is made up as follows:

Balance at 01 January	11,595,137	9,595,137
Add: Provision made during the year	12,000,000	2,000,000
Balance at 31 December	<u>23,595,137</u>	<u>11,595,137</u>





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16. Provision for investments

This represents the amount calculated as per circulars issued by the Bangladesh Bank in this regard to cover all the required provisions of the company as at 31 December 2008. Total provision is made up as follows:

	2008 Taka	2007 Taka
Balance at 01 January	71,389,475	28,168,047
Less: Adjusted during the year for written-off loans/leases	(39,605,589)	0
Add: Provision for the year	24,554,552	43,221,428
Balance at 31 December	56,338,438	71,389,475

Segregation of provision for investments

Lease finances	30,576,681	42,923,121
Term finances	19,609,276	26,285,402
Investment in shares	6,152,481	2,180,952
Balance at 31 December	56,338,438	71,389,475

17. Suspended interest for investments

This represents lease income and interest on term finances not recognised as income according to Bangladesh Bank's FID circular # 3 of 2006 in respect of investments.

Balance at 01 January	27,893,501	4,970,849
Add: Interest suspense made during the year	(1,376,665)	22,922,652
Balance at 31 December	26,516,836	27,893,501

18. Net lease receivables-net of current maturity

This represents gross lease receivables against leases less unearned lease income and net of principal of leases realizable in the next year. Details are given below:

Gross lease receivables		
Balance at 01 January	989,567,768	736,314,856
Add: Investment in leases executed during the year	251,255,590	572,728,860
Less: Realization and disposals during the year	(255,105,085)	(319,475,948)
Balance at 31 December (Note # 18.1)	985,718,273	989,567,768
Unearned lease income		
Balance at 01 January	269,738,857	200,260,010
Add: Investment in leases executed during the year	73,701,476	170,308,625
Less: Realization and disposals during the year	(78,904,732)	(100,829,778)
Balance at 31 December	264,535,601	269,738,857





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	2008 Taka	2007 Taka
Net lease receivables at 31 December	721,182,672	719,828,911
Less: Transferred to current assets being realizable within next year	199,451,434	185,716,441
Net balance at 31 December	521,731,238	534,112,470

The above amount is receivable against assets owned by the company used by the lessees. Classification status of the net lease receivable is as follows:

Standard	539,114,301	556,202,212
Special Mention Account	133,372,228	76,248,624
Substandard	25,248,139	52,706,083
Doubtful	1,767,984	34,557,687
Bad/Loss	21,680,020	114,305
Total	721,182,672	719,828,911

18.1 Aging analysis of gross lease receivables

Up to one year	312,460,670	295,474,960
Above one year to three years	483,510,617	470,900,880
Above three years to five years	167,250,465	208,316,881
Above five years	22,496,521	14,875,047
	985,718,273	989,567,768

19. Advance against assets to be leased

This represents disbursements for procurement of assets to be leased. On execution of lease, advance will be transferred to lease receivables.

20. Term finances-net of current maturity

This represents cost of investments including capitalized interest less recovered during the year and to be recovered in future. Details are given below:

Balance at 01 January	539,742,618	419,748,360
Add: Disbursement during the year	459,569,290	268,920,000
Add: Term finances executed from previous years advances	0	40,000,000
Add: Interest capitalized during the year	75,017,590	17,919,973
Less: Term finances repayment not yet started (Note # 21)	(134,969,290)	0
Less: Collection/Adjustment during the year	(187,656,504)	(206,845,715)
Balance at 31 December	751,703,704	539,742,618
Less: Transferred to current assets being realizable within next year	227,907,736	216,604,832
Net balance at 31 December	523,795,968	323,137,786

Classification status of the above term finances is as follows:

Standard	728,007,109	446,333,580
Special Mention Account	8,851,606	27,844,776
Substandard	7,250,108	55,983,383
Doubtful	1,643,526	8,202,196
Bad/Loss	5,951,355	1,378,683
Total	751,703,704	539,742,618





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21. Advance against term finances

This represents amount financed to clients against which repayment was not started during the year. On starting repayment, advance will be transferred to term finances.

22. Accounts receivable and advances

This is made up as follows:

	2008 Taka	2007 Taka
Receivable against lease receivables	107,792,251	86,373,950
Receivable against term finances	51,767,980	75,716,136
Advances, deposits and prepayments (Note # 22.1)	3,541,532	1,372,869
	<u>163,101,763</u>	<u>163,462,955</u>

22.1 Advances, deposits and prepayments

This is made up as follows:

General advances	473,500	25,000
Advance against car loan facility	1,066,664	0
Advance corporate income tax	1,990,768	1,337,269
Deposits	10,600	10,600
Total	<u>3,541,532</u>	<u>1,372,869</u>

General advances

No amount was due by the directors severally or jointly with any other person. However, as on 31 December 2008 Tk.270,500 was lying as salary advance with seven employees having position from Assistant Manager to Vice President and one support staff of the company.

Advance against car loan facility

Advance of Tk.1,200,000 was given to Vice President against car loan facility under Company's "Policy for Transport Loan and Assistance to FFIL Employees" approved by the Board of Directors. During the year 2008 Tk.133,336 was collected.

Advance corporate income tax

Advance corporate income tax represents tax deducted at sources by different organisations and deposit of advance income tax, which would be adjusted with the corporate tax liability of the Company. Year wise break up is as follows:

Year		
2002	305,479	305,479
2004	252,496	252,496
2005	343,562	343,562
2006	34,438	34,438
2007	401,294	401,294
2008	653,499	0
	<u>1,990,768</u>	<u>1,337,269</u>



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23. Other receivables

This represents interest receivable on FDRs, amount receivable against shares sold, interest accrued on leased assets and term finances from the date of installment in the month of December to the end of December of the year.

24. Investment in shares

The detail of investment in shares are as follows:

Name of the company	Number of shares	Cost price Taka	Market price at end of the year Taka
DESCO Limited	1,920	1,835,554	1,830,240
Eastern Bank Limited	9,580	7,585,312	5,645,015
EXIM Bank Limited	5,600	1,818,748	1,811,600
Fareast Islami Life Insurance Co. Ltd.	2,670	7,820,382	7,042,125
ICB Islamic Bank Limited	2,750	4,369,362	3,352,938
Lafarge Surma Cement Ltd.	24,800	14,061,104	12,722,400
National Bank Limited	10,440	10,625,569	10,588,770
Prime Bank Limited	25,985	14,370,003	14,025,404
Prime Finance & Investment Limited	4,700	5,359,566	5,195,850
Prime Islami Life Insurance Co. Ltd.	6,010	11,196,710	12,108,647
Pubali Bank limited	13,095	7,022,607	7,110,585
The City Bank Limited	5,000	2,189,714	2,257,500
Titas Gas Transmission	3,000	1,462,849	1,497,750
United Leasing Co. Ltd.	12,160	9,535,664	9,192,960
	127,710	99,253,144	94,381,784
Add: Applied for placement of shares of Prime Finance First Mutual Fund	250,000	2,500,000	
Total	377,710	101,753,144	
Less: Estimated commission on sale of shares		235,954	
Less: Provision for fall in the market price of shares		5,916,527	
Carrying amount at 31 December 2008		95,600,663	

Market value of the investment in shares at the end of 31 December 2007 was Tk.92,468,239 against cost of Tk.93,311,314.

25. Cash and cash equivalents

This is made up as follows:

	2008 Taka	2007 Taka
Cash in hand	2,729,850	538,300
Cash at bank		
<i>Current deposit</i>		
Bangladesh Bank	3,644,641	5,811,015
BRAC Bank Limited	59,547	40,403
Jamuna Bank Limited	45,045	46,200
Janata Bank Limited	4,942	5,000
National Bank Limited	4,684	0
	3,758,859	5,902,618



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	2008	2007
	Taka	Taka
<i>Short term deposit</i>		
Bank Alfalah Limited	3,652,388	2,253,571
Bangladesh Commerce Bank Limited	36,979	35,580
BASIC Bank Limited	396,720	381,397
Bank Asia Limited	1,372	2,260
Export Import Bank of Bangladesh Limited	42,842	10,733
Islami Bank Bangladesh Limited	29,156	28,209
Mercantile Bank Limited	9,324	11,484
Mutual Trust Bank Limited	251,704	46,773
Prime Bank Limited	377,220	264,634
Pubali Bank Limited	7	1,257
Shahjalal Islami Bank Limited	67,571	65,254
Social Investment Bank Limited	49,118	0
Southeast Bank Limited	94,409	92,730
The City Bank Limited	3,300,992	1,221,924
Uttara Bank Limited	9,252	0
	8,319,054	4,415,806
<i>Fixed deposit</i>		
International Leasing And Financial Services Limited	2,792,500	2,500,000
Prime Finance & Investment Limited	248,533	223,400
Shahjalal Islami Bank Limited	3,322,900	3,000,000
	6,363,933	5,723,400
Total	21,171,696	16,580,124

26. Property, plant and equipment

Property, plant and equipment under own use of the company are summarized below:

Description	Furniture and fixture	Office equipment	Office software	Crockeries	Motor vehicle	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Cost						
Balance at 01 January 2008	4,047,545	3,621,976	1,554,000	56,640	6,320,000	15,600,161
Acquisition during the year	31,852	854,542	0	0	1,920,000	2,806,394
Disposal during the year	0	0	0	0	0	0
Balance at 31 December 08	4,079,397	4,476,518	1,554,000	56,640	8,240,000	18,406,555
Accumulated depreciation						
Balance at 01 January 2008	3,717,339	2,665,707	81,515	39,750	2,030,991	8,535,302
Charged for the year	233,687	428,676	309,996	9,528	1,583,996	2,565,883
Disposal during the year	0	0	0	0	0	0
Balance at 31 December 08	3,951,026	3,094,383	391,511	49,278	3,614,987	11,101,185
WDV at 31 December 2008	128,371	1,382,135	1,162,489	7,362	4,625,013	7,305,370
WDV at 31 December 2007	330,206	956,269	1,472,485	16,890	4,289,009	7,064,859

Carrying amount of motor vehicle represents the value of four motor cars (cost Tk.8,240,000) leased from International Leasing And Financial Services Limited.



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27. Lease income

This represents amount recognized as lease income during the year out of installments and interest accrued for the year as per circulars issued by Bangladesh Bank in this regard.

28. Interest on term finances

This represents amount recognized as income earned during the year out of installments and interest accrued for the year as per circulars issued by Bangladesh Bank in this regard.

29. Capital gain on sale of shares including dividend

The details are as follows:

	2008 Taka	2007 Taka
Capital gain on sale of shares	30,037,493	67,093,396
Dividend income	410,134	955,012
	<u>30,447,627</u>	<u>68,048,408</u>

30. Other operational income

This comprises of the following:

Documentation fees	1,153,500	814,500
Interest during construction period	22,991,825	22,192,824
Realization of late payment interest	26,973,834	7,977,355
Profit/(loss) on disposal of leased assets	166,687	(57,430)
Realization of L/C commission	48,555	64,602
Others	244,885	194,270
Total	<u>51,579,286</u>	<u>31,186,121</u>

31. Financial expenses

Interest on term loans from banks and financial institutions and term deposits has been accounted for on accrual basis. The amount comprises of the following:

Interest on term loans	133,148,101	105,885,427
Interest on term deposits	49,887,397	45,670,058
Interest on call loan	12,385,834	7,036,437
Bank charges	105,755	100,412
Total	<u>195,527,087</u>	<u>158,692,334</u>

32. Directors' fees

i) In the year 2008 the following meetings were held:

Name of meetings

Board of Directors
Board Audit Committee
Credit Committee
Other Committees

Number of meetings

	2008	2007
Board of Directors	11	12
Board Audit Committee	9	9
Credit Committee	8	11
Other Committees	2	1





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CHARTERED ACCOUNTANTS

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- ii) Directors did not take any honorarium from the company during the year.
- iii) No amount of money was expended by the company for compensating any member of the Board for special services rendered.
- iv) Tk 4,000 per person per meeting was paid to the Directors of the company as attendance fee.
- v) 15% value added tax on the attendance fee was paid by the company.

33. Remuneration and perquisites to officers

33.1 Salary and allowances

	2008 Taka	2007 Taka
Managerial remuneration	8,521,701	7,314,256
Other officers' remuneration	3,664,330	2,279,849
Bonus	1,797,647	1,708,084
Total	13,983,678	11,302,189

33.2 Perquisites in addition to managerial remuneration

Transport facility	2,227,104	2,001,607
Other benefits	27,849	39,297
Total	2,254,953	2,040,904

The Chairman is entitled to avail transport and phone facility amounting Tk.1,008,829 in the year 2008 (Tk.901,161 in the year 2007), which includes the financial expenses incurred for the vehicle taken on lease. Besides, total perquisites of Tk.511,702 in the year 2008 (Tk.541,024 in the year 2007) was paid in relation to the Managing Director of the company which includes the financial expenses incurred for the vehicle taken on lease.

34. Other administrative expenses

This is made up as follows:

Meeting expenses	284,569	322,932
Professional fees	1,471,700	261,512
Office maintenance	3,912,983	4,925,591
Travel and conveyance	91,314	109,649
Motor vehicle expenses	2,457,819	1,747,463
Training expenses	54,640	18,400
Printing and stationery	356,686	256,098
Postage and courier	13,078	9,121
Books and periodicals	15,271	12,215
Communication	228,410	184,785
Share business expense	2,034,906	1,075,071
Subscription	50,000	54,850
Advertisement and publicity	2,339,037	895,429
Entertainment and public relation	121,508	103,584
Annual General Meeting	0	175,352
Depreciation on property, plant and equipment	2,565,883	2,220,685
Total	15,997,804	12,372,737



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35. Interest on deposits

This represents interest received and accrued on short-term deposits and fixed deposits with different banks.

36. Subsequent events-disclosure under Bangladesh Accounting Standard-10 "Events After the Balance Sheet Date"

There was no adjustable post Balance Sheet event of such importance, non-disclosure of which may affect the ability of the users of the financial statements to make proper evaluations and decisions.

37. Related party transactions-disclosure under Bangladesh Accounting Standard-24 "Related Party Disclosures"

As per Bangladesh Accounting Standard-24 "Related Party Disclosures", no transaction was made with the related parties and on balance sheet date there is no balance outstanding excluding Shahjalal Islami Bank Limited. Details of transactions made with Shahjalal Islami Bank Limited in the ordinary course of business at normal commercial interest rate are as follows:

Name of related party	Related Directors	Nature of transactions	Amount Taka
Shahjalal Islami Bank Limited	Mr. Md. Anwer Hossain Khan	Long term loan taken	(2,013,913)
	Al-Haj Tofazzal Hossain	Term deposit taken	(60,000,000)
		Term deposit given	3,322,900
		Short term deposit account	67,571
			<u>(58,623,442)</u>

According to the Bangladesh Accounting Standard-24 "Related Party Disclosures" directors' interest in different organizations are presented in Annexure-A.

38. Write-off loans/leases

Bangladesh Bank issued FID Circular # 03 dated 15 March 2007 on write-off loans/leases. As per the circular, a financial institution should write-off its loans/leases to clean-up its financial statements subject to fulfillment of the following criteria:

- Loans/leases classified as Bad and Losses against which 100% provision has been made;
- Approval from the Board of Directors is required;
- Best endeavors shall be made to recover the written-off loans/leases. Legal process should be initiated if not started before.

As per Bangladesh Bank guidelines, Fareast Finance & Investment Limited has written-off its loans/leases as under:

	2008 Taka	2007 Taka
Balance at 01 January	0	0
Outstanding amount of loans/leases written-off during the year	39,605,589	0
Number of agreements written-off	14	0
Number of clients written-off	8	0
Provision kept against written-off loans/leases	(39,605,589)	0
Recovery against write-off loans/leases	0	0
Balance of loans/leases written-off at 31 December	<u>39,605,589</u>	<u>0</u>





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39. Earning per share-disclosure under Bangladesh Accounting Standard-33 "Earnings Per Share"

The computation of earnings per share is given below:

	2008 Taka	2007 Taka
Net profit after income tax	50,252,972	52,443,973
Number of ordinary shares outstanding	1,957,501	1,957,501
Earning per share	25.67	26.79

40. Capital adequacy requirement

As per Clause-4 (Gha) of The Financial Institutions Regulations 1994, and Bangladesh Bank's circulars in this regard, status of the company's capital adequacy is as under:

Total liabilities Taka	6% of total liabilities Taka	Required capital Taka	Total capital and reserve Taka	Excess/ (deficit) capital Taka
1,634,422,479	98,065,349	250,000,000	313,365,684	63,365,684

Bangladesh Bank through its letter # DFIM(C)1054/12/2007-1632 dated 17 September 2007 advised the company to go for initial public offering on the basis of the financial statements as of 31 December 2007.

41.

Risk factors-disclosure under International Financial Reporting Standard-7 "Financial Instruments: Disclosures"

- Management believes that the fair value of all the assets and liabilities approximate their carrying value.
- As on Balance Sheet date, the company has no borrowing in foreign currency and hence there is no rate fluctuation risk.
- The company made its investment in a wide range of portfolios and the management believes that concentration of investment risk is negligible.
- Outstanding Letters of Credit (L/C) as at 31 December 2008 was US\$ 95,000 (There was no outstanding Letters of Credit (L/C) as at 31 December 2007). Foreign exchange fluctuation risk was covered by the clients.

42. General

42.1 Business

The detail of businesses done by the company are as follows:

Description	2008		2007	
	Contracted Taka	Disbursed Taka	Contracted Taka	Disbursed Taka
Lease finances	183,183,836	170,727,233	268,354,560	236,973,488
Term finances	482,400,000	459,569,290	288,279,591	268,920,000
Total	665,583,836	630,296,523	556,634,151	505,893,488





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42.2 Declarations

- i) At the end of the year to 31 December 2008, there was no contingent liability.
- ii) The company has no claim, which has not been acknowledged as debt at the Balance Sheet date.
- iii) Figures of the previous year have been rearranged in note numbers 1.6, 22.1 and 42.6 to conform and to ensure comparability with the current year.
- iv) The company has no receivables from its Directors or from its associated undertakings.
- v) The Board of Directors of Fareast Finance & Investment Limited adopted the Financial Statements of the company for the year ended 31 December 2008 in their ninety third meeting held on 12 March 2009 and recommended to the shareholders for approval.

42.3 Comparative information

Comparative information have been disclosed in respect of the year 2007 for all numerical information in the financial statements and also the narrative and descriptive information where it is considered relevant for understanding of the current year's financial statements.

42.4 Office space

The company is using 6,500 sft at its registered address @ Tk.25 per sft. The property is owned by National Bank Limited. The rent agreement signed with the bank was effective from 1 January 2002 to 31 December 2006. However, the company is looking for change of its registered address in near future. During the tenure of the agreement the rates of rent was as follows:

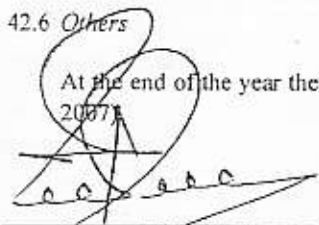
Description	Taka
For the first and second years, per sft.	20
For the third and fourth years, per sft.	22
For the fifth year, per sft.	25

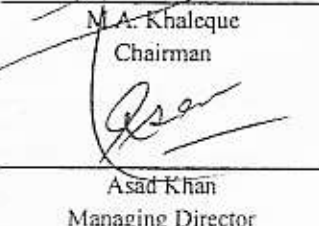
42.5 Capital expenditure commitment

At the end of the year 31 December 2008, there was no commitment regarding capital expenditure.

42.6 Others

At the end of the year the number of employees drawing Tk.3,000 or above per month was twenty nine (twenty five in 2007)


 M.A. Khaleque
 Chairman


 Asad Khan
 Managing Director


 Md. Monir Hossain
 Vice Chairman


 Santanu Saha
 Company Secretary

Dhaka, 15 March 2009

