

Fareast Finance & Investment Limited
Balance Sheet
 As at December 31, 2010

PARTICULARS	Notes	Amount in Taka	
		31.12.2010	31.12.2009
PROPERTY AND ASSETS			
Cash	5	18,563,655	13,812,132
In hand (including foreign currencies)		46,000	2,837,705
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		18,517,655	10,974,427
Balance with banks and other financial institutions	6	129,091,294	24,630,896
In Bangladesh		129,091,294	24,630,896
Outside Bangladesh		-	-
Money at call and short notice	7	250,000,000	-
Investments	8	144,929,265	147,169,755
Government		-	-
Others		144,929,265	147,169,755
Loans, advances and leases		3,868,415,282	1,964,563,784
Loans, cash credits, overdrafts, leases, etc.	9	3,868,415,282	1,964,563,784
Bills purchased and discounted	10	-	-
Fixed assets including premises, furniture and fixtures	11	11,876,707	11,541,094
Other assets	12	404,904,103	269,990,710
Non-business assets	13	-	-
Total assets		4,827,780,306	2,431,708,371
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from banks, other financial institutions and agents	14	2,032,427,567	970,866,827
Deposits and other accounts	15	1,171,199,591	872,004,713
Current deposits		-	-
Bills payable		-	-
Savings deposits		-	-
Term deposits		1,171,199,591	872,004,713
Bearer certificate of deposit		-	-
Other deposits		-	-
Other liabilities	16	463,551,717	214,793,794
Total liabilities		3,667,178,875	2,057,665,334




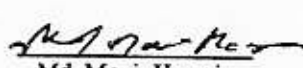
PARTICULARS

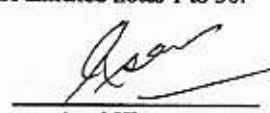
Notes	Amount in Taka	
	31.12.2010	31.12.2009
	1,160,601,431	374,043,037
17	871,680,200	195,750,100
18	92,924,248	47,308,589
19	195,996,983	130,984,348
	4,827,780,306	2,431,708,371
OFF-BALANCE SHEET ITEMS		
Contingent liabilities		
20.1		
Acceptances and endorsements	-	-
Letter of guarantee	750,850,000	70,000,000
Irrevocable letter of credit	-	9,100,000
Bills for collection	-	-
Other contingent liabilities	-	-
	750,850,000	79,100,000
20.2		
Commitments		
Documentary credits and short term trade related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Spot and foreign exchange rate contract	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-
Others	-	-
	750,850,000	79,100,000


Total off-balance sheet items including contingent liabilities

These financial statements should be read in conjunction with the annexed notes 1 to 50.


M. A. Khalique
Chairman


Md. Monir Hossain
Vice Chairman


Asad Khan
Managing Director


Santanu Saha
Company Secretary

See annexed auditors' report to the shareholders of the date

Date: Dhaka
January 20, 2011


Ahmed Zaker & Co.
Chartered Accountants



Fareast Finance & Investment Limited

Profit and Loss Account

For the year ended December 31, 2010

PARTICULARS	Notes	Amount in Taka	
		31.12.2010	31.12.2009
Interest income on loans, advances and leases	22	429,687,766	272,443,427
Interest expenses on borrowings, deposits, etc.	23	(364,689,516)	(208,253,198)
Net interest income		64,998,250	64,190,229
Investment income	24	234,703,102	42,041,674
Commission, exchange and brokerage	25	4,958,257	380,371
Other operating income	26	133,043,817	17,914,947
Total operating income		437,703,426	124,527,221
Salary and allowances	27	23,725,263	16,099,790
Rent, taxes, insurance, electricity, etc.	28	10,648,559	2,758,921
Legal expenses	29	2,094,628	1,527,668
Postage, stamp, telecommunication, etc.	30	269,232	197,560
Stationery, printing, advertisements, etc.	31	3,264,659	2,920,600
Managing Director's salary and allowances	32	4,020,000	3,440,000
Directors' fees	33	866,000	564,000
Auditors' fees	34	230,000	130,625
Charges on losses regarding loans, advances and leases		-	-
Depreciation and repairs of company's assets	35	4,223,884	3,663,203
Other operating expenses	36	12,756,713	5,264,554
Total operating expenses		62,098,938	36,566,921
Profit before provisions		375,604,488	87,960,300
Provisions			
Provision for loans, advances and leases	37	107,868,915	24,484,228
Provision for the diminution in the value of investments	38	4,157,279	(5,701,281)
Other provisions		-	-
Total provisions		112,026,194	18,782,947
Total profit before income tax		263,578,294	69,177,353
Provision for income tax	39	35,500,000	8,500,000
Current tax		27,751,468	(122,876)
Deferred tax		7,748,532	8,622,876
Net profit after income tax		228,078,294	60,677,353
Retained earnings brought forward from previous years		130,984,348	82,442,466
Profit available for appropriations		359,062,642	143,119,819






PARTICULARS	Notes	Amount in Taka	
		31.12.2010	31.12.2009
Appropriations			
Statutory reserve	18	45,615,659	12,135,471
Dividend (Bonus Shares)		117,450,000	-
		<u>163,065,659</u>	<u>12,135,471</u>
Retained earnings carried to the balance sheet	19	<u>195,996,983</u>	<u>130,984,348</u>
Earnings per share (EPS)	40	<u>6.89</u>	<u>1.83</u>
Weighted average number of outstanding shares		<u>33,108,043</u>	<u>33,108,043</u>


These financial statements should be read in conjunction with the annexed notes 1 to 50.



M. A. Khaleque
Chairman



Md. Monir Hossain
Vice Chairman



Asad Khan
Managing Director



Santanu Saha
Company Secretary

See annexed auditors' report to the shareholders of the date



Ahmed Zaker & Co.
Chartered Accountants

Date: Dhaka
January 20, 2011



Fareast Finance & Investment Limited
Cash Flow Statement
For the year ended December 31, 2010

PARTICULARS	Amount in Taka	
	31.12.2010	31.12.2009
Cash flows from operating activities		
Interest receipt in cash	317,210,958	233,335,092
Interest payments	(272,930,791)	(147,495,161)
Dividend receipts	904,242	308,276
Fees and commission received in cash	4,958,257	380,371
Recoveries of loan previously written-off	-	2,203,791
Income taxes paid	(2,220,352)	(3,956,442)
Receipts from other operating activities	367,746,919	59,956,621
Payments for other operating activities	(57,468,846)	(34,219,608)
Cash generated from operating activities before changes in operating assets and liabilities	358,200,387	110,512,940
Increase/decrease in operating assets and liabilities		
Statutory deposit	-	-
Trading securities	-	-
Loans, advances and leases	(1,903,851,499)	(169,233,475)
Other assets	113,558,720	(202,952,499)
Deposit and other accounts	299,194,878	434,409,958
Other liabilities on account of customers	69,388,451	(15,368,850)
Trading liabilities	-	-
Other liabilities	14,173,886	(47,888,333)
	(1,407,535,564)	(1,033,199)
Net cash used in/provided by operating activities	(1,049,335,177)	109,479,741
Cash flows from investing activities		
(Increase)/decrease in purchase and sale of securities	2,240,490	(45,416,611)
(Increase)/decrease of fixed assets	(335,613)	(4,235,724)
(Increase)/decrease regarding purchase and sale of subsidiary	(213,398,616)	-
Net cash used in/provided by investing activities	(211,493,739)	(49,652,335)
Cash flows from financing activities		
Receipt of borrowings from banks, other financial institutions and agents	1,756,494,020	450,000,000
Repayment of borrowings from banks, other financial institutions and agents	(694,933,283)	(492,556,074)
Receipt against issue of share capital	558,480,100	-
Dividend paid in cash	-	-
Net cash provided by/used in financing activities	1,620,040,837	(42,556,074)

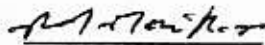





PARTICULARS	Amount in Taka	
	31.12.2010	31.12.2009
Net inflow in cash and cash equivalents	359,211,921	17,271,332
Effects of exchange rate changes on cash and equivalents	-	-
Cash and cash equivalents at beginning of the year	38,443,028	21,171,696
Cash and cash equivalents at the end of the year	397,654,949	38,443,028
Cash and cash equivalents at the end of the year		
Cash in hand (including foreign currencies)	46,000	2,837,705
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	18,517,655	10,974,427
Balance with banks and other financial institutions	129,091,294	24,630,896
Money at call and short notice	250,000,000	-
	397,654,949	38,443,028



M. A. Khaleque
Chairman



Md. Monir Hossain
Vice Chairman



Asad Khan
Managing Director



Santanu Saha
Company Secretary

See annexed auditors' report to the shareholders of the date

Date: Dhaka
January 20, 2011

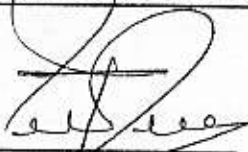


Ahmed Zaker & Co.
Chartered Accountants

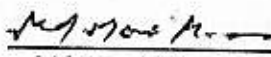
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Statement of Changes in Equity
For the year ended December 31, 2010

PARTICULARS	Paid up capital	Statutory reserve	Other reserve	Amount in Taka	
				Retained earnings	Total
Balance at January 01, 2010	195,750,100	47,308,589	-	130,984,348	374,043,037
Changes in accounting policy(s)	-	-	-	-	-
Restated balance	195,750,100	47,308,589	-	130,984,348	374,043,037
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 profit and loss account	-	-	-	-	-
Net profit for the year	-	-	-	-	-
Dividend (Bonus shares)	117,450,000	-	-	228,078,294	228,078,294
Cash dividend	-	-	-	(117,450,000)	-
Issue of share capital	558,480,100	-	-	-	558,480,100
Appropriations during the year	-	45,615,659	-	(45,615,659)	-
Balance as at December 31, 2010	871,680,200	92,924,248	-	195,996,983	1,160,601,431
Balance as at December 31, 2009	195,750,100	47,308,589	-	130,984,348	374,043,037

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M. A. Khafique
Chairman



Md. Monir Hossain
Vice Chairman



Asad Khan
Managing Director



Santanu Saha
Company Secretary



AHMED ZAKER & CO.
CHARTERED ACCOUNTANTS

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Ahmed Zaker & Co.

Chartered Accountants

Date: Dhaka
January 20, 2011



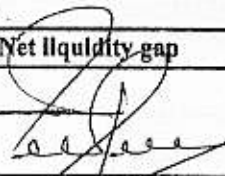
Fareast Finance & Investment Limited

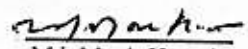
Liquidity Statement

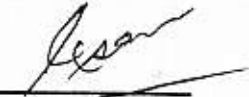
(Analysis of maturity of assets and liabilities)


As at December 31, 2010

	Amount in Taka					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	
Assets						
Cash in hand	18,563,655	-	-	-	-	18,563,655
Balance with banks and other financial institutions	21,796,516	531,215	106,763,563	-	-	129,091,294
Money at call and short notice	250,000,000	-	-	-	-	250,000,000
Investments	98,678,447	-	46,250,818	-	-	144,929,265
Loans, advances and leases	281,691,976	119,465,887	486,649,002	2,954,137,528	26,470,889	3,868,415,282
Fixed assets including premises, furniture and fixtures	60	650	37,218	11,838,779	-	11,876,707
Other assets	171,327,412	6,737,459	12,973,964	466,652	213,398,616	404,904,103
Non-business assets	-	-	-	-	-	-
Total assets	842,058,066	126,735,211	652,674,565	2,966,442,959	239,869,505	4,827,780,306
Liabilities						
Borrowings from banks, other financial institutions and agents	126,960,680	124,598,148	424,479,340	1,356,389,399	-	2,032,427,567
Deposits and other accounts	329,572,045	69,282,908	671,540,198	96,536,458	4,267,982	1,171,199,591
Provision and other liabilities	109,345,989	23,492,237	117,984,673	192,172,181	20,556,637	463,551,717
Total liabilities	565,878,714	217,373,293	1,214,004,211	1,645,098,038	24,824,619	3,667,178,875
Net liquidity gap	276,179,352	(90,638,082)	(561,329,646)	1,321,344,921	215,044,886	1,160,601,431


M. A. Khatique
Chairman



Md. Monir Hossain
Vice Chairman


Asad Khan
Managing Director


Santanu Saha
Company Secretary

See annexed auditors' report to the shareholders of the date

Date: Dhaka
January 20, 2011


Ahmed Zaker & Co.
Chartered Accountants

AHMED ZAKER & CO.
CHARTERED ACCOUNTANTS



Fareast Finance & Investment Limited

Notes to the Financial Statements and significant accounting policies

For the year ended December 31, 2010

(Forming an integral part of these financial statements)

1. Legal status and nature of the company

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 June 21, 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 effective from July 03, 2001.

Address of registered office and place of business of the company

The registered office of the company is situated at Eunoos Trade Centre (8th level), 52-53 Dilkhusa Commercial Area, Dhaka-1000, Bangladesh. Company's principal office is also located at the same address and the company has no branch office in Bangladesh or abroad presently.

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.

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.

Number of employees of the company

At the end of December 2010 and at the end of December 2009, number of employees was forty and thirty four respectively.

2. Significant accounting policies

As per the requirements of BAS 1: "Presentation of Financial Statements" and DFIM circular # 11 dated December 23, 2009 issued by Bangladesh Bank, financial statements comprise a statement of financial position at the end of the period (Balance sheet), a statement of comprehensive income for the period (Profit and Loss Account), a statement of changes in equity for the period, a statement of cash flows for the period, liquidity statement, and relevant notes and disclosures.



Financial statements are made as of December 31, 2010 with the comparative amounts as at December 31, 2009 and are prepared under the historical cost convention on generally accepted accounting principles on going concern basis. Financial statements have been prepared in accordance with the measurements and recognition requirements of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB).

Adopted International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), the Companies Act 1994 and DFIM circular # 11 dated December 23, 2009, have been used as a model for the presentation and disclosure framework to provide additional information and analysis of the key items in the financial statements except as the company considers disclosures inappropriate.

Specific accounting policies selected and applied for significant transactions and events are depicted below:

2.1 Basis of preparation

The financial statements are prepared using the accrual basis of accounting except for the cash flow information where the material class of similar item has been presented separately. As per the requirements of BAS 1: "Presentation of Financial Statements" and DFIM circular # 11 dated December 23, 2009, the comparative amounts have been restated. The figures in the financial statements have been rounded off to the nearest taka.

2.2 Cash flow statement

Cash flow statement is prepared in accordance with BAS 7: "Cash Flow Statement", DFIM circular # 11 dated December 23, 2009 and as recommended by the Securities and Exchange Rules 1987. The cash flow statement shows the structure of and changes in cash and cash equivalents during the financial year. Cash and cash equivalents include notes and coins on hand, unrestricted balance held with the Bangladesh Bank and its agent bank including balances with other commercial banks. It is broken down into operating activities, investing activities and financing activities. The direct method is used to show the operating activities.

According to BAS 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. Considering the provisions of BAS 7 and BAS 1, cash in hand, fixed deposits and bank balances have been considered as cash and cash equivalents.

2.3 Statement of changes in equity

The statement of changes in equity is prepared in accordance with BAS 1: "Presentation of Financial Statements" and DFIM Circular # 11 dated December 23, 2009.

2.4 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared in accordance with the guidelines issued by Bangladesh Bank through DFIM circular # 11 dated December 23, 2009.

2.5 Events after Reporting Period

a) As per BAS 10: "Events After Reporting Period" 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.



b) Dividends are not recognized as liability as per the requirements of BAS 10: "Events After Reporting Period".

c) The company is in the process for listing with stock exchanges through issuance of new shares using Book Building method to raising the capital for the expansion of business in the year 2011.

2.6 *Provision for income tax*

BAS 12: "Income Taxes" and Income Tax ordinance 1984 have been used for the calculation of deferred tax and current tax expense respectively. Provision for income tax represents the sum of the current tax expense and deferred tax expense.

a) Current tax expense

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in succeeding years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

b) Deferred tax expense

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilized.

Deferred tax is calculated at the tax rates, which are expected to apply in the year when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit and loss account.

2.7 *Fixed assets*

All fixed assets are stated at cost less accumulated depreciation as per BAS 16: "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

The company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the items can be measured reliably. Normal expenditure incurred after the assets have been put into operation such as repairs and maintenance other than major replacements, renewals and or betterment of the assets are charged off as revenue expenditure in the period in which it is incurred.

Depreciation on fixed assets 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.



Depreciation on fixed assets 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 class of assets are as follows:

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

2.8 *Impairment of Assets*

In each year the management assess whether there is any indication that the assets may be impaired in accordance with BAS 36: "Impairment of Assets" considering the current economic situations. Management concludes that there is no such indication exists.

2.9 *Accounting for investment in leases*

As per BAS 17: "Leases", the company 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 the company, 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.

2.10 *Accounting for term finance*

As per IFRS 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.

2.11 *Accounting for Investment in Associates*

An associate is an entity in which the company has significant influence and which is neither a subsidiary nor a joint venture. The company's investment in associate is accounted for in the financial statements using the equity method in accordance with BAS 28 "Accounting for Investment in Associates". Such investments are classified as other assets in the balance sheet and the share of profit/loss of such investment is classified under other operating income in the Profit and Loss Account.

2.12 *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.



2.13 *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.

2.14 *Recognition of Investment in Associates*

Recognition of income on the basis of distributions received from associate may not be an adequate measure of the income earned by the Company on an investment in an associate because the distributions received may bear little relation to the performance of the associate. Because of the company has significant influence over the associate, the company has an interest in the associate's performance and, as a result the return of investment. The company's accounts for this interest by extending the scope of its financial statements to include its share of profit/loss of such an associate. As a result application of the equity methods provides more informative reporting of the net asset and profit or loss of the investor.

2.15 *Provision for loans, advances and leases*

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefit will be required to settle the obligations.

No provision is recognized for any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the company, or any present obligation that arises from past events and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a reliable estimates of the amount of obligation can not made.

The company evaluates its loans, advances and leases portfolio on regular intervals and maintains its provision requirement at a level adequately considering the identifiable and unforeseen losses in the portfolio and also the quality of the portfolio commensurate with changes in the economic conditions.

The following three principles are followed to estimate the company's provision:

- Bangladesh Bank guidelines relating to classification and provisioning of loans, advances and leases.
- BAS 37: "Provisions, Contingent Liabilities and Contingent Assets".
- Management consideration regarding the quality of portfolio.

Provision has been recognized as on the date of the Balance Sheet and charged to the Profit and Loss Accounts on incremental basis.

2.16 *Depreciation of assets under finance lease*

As per BAS 17: "Leases", the company recognizes its assets, taken on lease as its assets under fixed assets 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 BAS 16: "Property, Plant and Equipment".



2.17 Investment in shares

Investment in shares are treated as financial asset as per BAS 32: "Financial Instruments: Presentation", classified as financial asset at fair value through profit and loss as per BAS 39: "Financial Instruments: Recognition and Measurement" and recognized as current investment and shown in the Balance Sheet under the current assets and investments head.

Investment in shares has been shown at fair value (lower of cost and net market value) considering the Bangladesh Bank guidelines in this regard and the carrying amount has been determined on an individual investment basis.

Provision has been made for reduction in market price of shares as on the date of the Balance Sheet and charged to the Profit and Loss Accounts on incremental basis.

2.18 Borrowings from banks, other financial institutions and agents

In conformation to BAS 30: "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and DFIM circular # 11 dated December 23, 2009 issued by Bangladesh Bank, borrowings from banks, other financial institutions and agents are placed into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date.

2.19 Deposits and other accounts

The company takes term deposits from banks, financial institutions and general public at various rates against issuance of fixed deposits receipts within the parameters set by Bangladesh Bank through different circulars.

The company places the deposits and other accounts into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date considering the BAS 30: "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and DFIM circular # 11 dated December 23, 2009 issued by Bangladesh Bank.

2.20 Interest suspense account

According to Bangladesh Bank's guidelines relating to classification and provisioning of loans, advances and leases, interest included in the overdue having status other than standard are not recognized as income rather transferred to interest suspense account. Recovery of overdue credited to interest suspense account is recognized as income on cash basis.

2.21 Revenue recognition

The revenue is recognized after satisfying all the conditions for revenue recognition as provided BAS 18: "Revenue". Detailed income wise policy for revenue recognition is as under:

a) Interest income on loans, advances and leases

Interest on loans is recognized as income at the time of its becoming receivable from the client.

As per BAS 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.

Interest included in the installments against the loans, advances and leases, which are in standard status as per Bangladesh Bank's guidelines relating to classification and provisioning of loans, advances and leases are recognized as income irrespective of received or not.





Incase of loans, advances and leases, which are in status other than standard mentioned above, interest included in the overdue installments are not recognized as income.

Interest accrued on loans, advances and leases for the period from the due date in December to the Balance Sheet date is recognized as income (on time proportion basis).

b) Capital gain

Capital gain on sale of shares listed in the stock exchanges is recognized on cash basis. Company does not recognize the un realized capital gain in the Profit and Loss Account.

c) Dividend income

Dividend income has been accounted for when the right to receive the dividend is established.

d) Commission income

Commission income has been accounted on cash basis.

e) Other operating income

Income classified as fee has been accounted on cash basis.

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 as per BAS 17: "Leases".

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 as per BAS 16: "Property, Plant and Equipment".

Income from associate has been accounted for using the equity method under BAS-28 "Accounting for Investment in Associates"

2.22 Post employment benefits to the employees

The retirement benefits accrued for the employees of the company as on the reporting date have been accounted for in accordance with the provisions of BAS 19: "Employee Benefit" Bases of enumerating the retirement benefits schemes operated by the company are outlined below:

a) Provident fund

There is a provident fund scheme under the defined contribution plan. A separate Board of Trustees operates the fund. All eligible employees contribute 10% of their basic pay to the fund. The company also contributes equal of employee's contribution to the fund. Benefits from the fund are given to eligible employees at the time of retirement/resignation as per approved rules of the fund. The financial statements are duly prepared for the provident fund as per the requirements of BAS 26: "Accounting and Reporting by Retirement Benefit Plans".

b) Staff gratuity

The company has a separate Board of Trustees for operating the staff gratuity fund. Employees of the company, who served the company for five years or above is entitled to get gratuity benefit at rates determined by the approved rules of the fund. The financial statements are duly prepared for the gratuity fund as per the requirements of BAS 26: "Accounting and Reporting by Retirement Benefit Plans".





2.23 Foreign currency transaction

a) Functional and presentational currency

Financial statements of the company are presented in Taka, which is the company's functional and presentational currency.

b) Foreign currency translation

Foreign currency transactions are converted into equivalent Taka currency at the ruling exchange rates on the respective date of such transaction as per BAS 21: "The Effects of Changes in Foreign Exchange Rates".

2.24 Borrowing costs

Interest on borrowings of fund from different sources is recognized as financial expenses according to BAS 23: "Borrowing Costs". Interest represents amount paid and accrued up to the end of the year.

2.25 Related party transactions

The managements duly identified the party related to the company and discloses the transactions of the related party in note # 41 as per BAS 24: "Related Party Disclosures"

2.26 Earnings per share (EPS)

The company calculates earnings per share (EPS) in accordance with BAS 33: "Earnings Per Share" shown on the face of the profit and loss account while, the computation of EPS is stated in note # 40.

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.

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.



2.27 *Provision for liabilities*

According to BAS 37: "Provision, Contingent Liabilities and Contingent Assets" the company recognizes the provision in the balance sheet when the company has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefit will be required to settle the obligations.

2.28 *Derivatives*

According to IFRS 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.

3. **Core Risk management**

Most of the times only credit risk is considered as risk to be evaluated at the time of lending decision. But except credit risk there is also some more kind of risk that is also aligning in financial business sector. The major risks that are faced by Fareast Finance & Investment Limited as a financial institution are as follows:

3.1 *Credit risk*

Credit risk refers to the probability that a counter party will not repay its financial obligations in due time. As a lending institution credit risk cannot be eliminated but reduced at a minimum level and managed. The recent global financial meltdown underscored the importance of a proper credit risk management system.

FFIL Management has established an Independent credit risk management unit who will supervise, review and undertakes multi-tier term/lease approval process, in depth analysis of the borrower in view of financial strength, managerial capacity, industry prospect and macroeconomic scenario, Credit Administration ensures that all documentations are properly completed and monitor the repayment performance on regular basis, disbursement is made upon independent recommendation by the compliance department, the credit committee regularly meets to review new credit proposals as well as performance of existing portfolios.

3.2 *Liquidity risk*

Liquidity risk management involves the ability to manage and maintain adequate financial liquidity at all times. Good liquidity risk management results FFIL's position to meet all its obligations to fulfillment of commitments in due time. Sometimes critical importance is the need to avoid having to liquidate assets or to raise funds at unfavorable terms resulting in financial loss. Prudent liquidity management is of paramount importance as the ultimate cost of a lack of liquidity is being out of business.

Liquidity risk management of FFIL is well managed by the Treasury Department by assessing the availability of fund to meet its investment requirement as well as to discharge short term and long-term financial obligations. The purpose of managing liquidity risk is to ensure that all upcoming funding commitments and deposit encashment that can be met within due time. In addition to that the Asset Liability Management Committee (ALCO) meets frequently to review the mismatches in liquidity if any and recommends encountering and mitigating the risk.

3.3 *Market risk*

Market risk is the risk that may affect FFIL's earnings and capital due to changes in the market level of interest rates, securities, equities as well as the volatilities of those prices. Volatility of money market, which ultimately imposes upward pressure on interest rate structure, may erode the Company's profitability. Devaluation of local currency against major international currencies affects business performance of import based companies or companies borrowed in foreign currency adversely. The Company is operating in a highly competitive industry. Inability to hold on to a proactive and competitive posture due to lack of market access and inability of offering competitive products will hinder the Company's growth potential.

The Company is less dependent on short-term borrowings rather depends on term deposit and line of credit facilities from commercial banks for funding its business activities. The renewal rate of its maturing deposits mitigates the interest rate risk. As far as interest on term loan is concerned, rise in interest rate of borrowing results in increase of lending rate to clients. Fareast Finance & Investment Limited does not have any foreign currency loan. Moreover since it is a leasing company it imports equipment, plant & machinery etc. to lease out to the prospective clients. In case of currency fluctuation it is the prospective client who ultimately takes the risk. The treasury department reviews and prepares a report on the trend of market interest rate movement and carry out asset liability gap analysis. To manage the market risk FFIL has managed to arrange the funding facilities with competitive interest rate to match with maturity. It also maintains a new spread investment plans and practical provisioning policy. FFIL with its strong earning capacity, favorable credit rating and market goodwill can access money market with a competitive rate.

3.4 *Compliance risk*

Internal control and compliance contains self-monitoring mechanisms, and actions taken to correct deficiencies as they are identified. Since financial service activities are conducted within a framework of obligations imposed by regulators, complying with such requirements is not optional but mandatory for financial institutions. The consequences of non compliance include fines, public reprimands and enforced supervision of operation or withdrawal of authorization to operate, any of which can lead to loss of reputation particularly through adverse publicity in national media.

The company has been practicing internal control system based on the guidelines framed by Bangladesh Bank. Internal control and compliance department of FFIL covers all areas of company's operational activities where risk of operational losses may arise as well as to ensure that everyone understands their roles and responsibilities in this process. All employees are expected to observe the professional and institutional code of conduct.

3.5 *Operational risk*

Operational risk addresses the risk associated with fraud, forgery, unauthorized activities, error, omission, system failure and external events among others. Some more operational events are including operational errors, non-compliance with internal regulations, non-compliance of legal requirements, launching new products without adequate operational support, rouging traders etc.

In order to monitor and manage the risk arising from all organizational activities, an appropriate organizational structure is second to none. FFIL Management manages to place proper organizational structure with proper segregation of duties and delegation of authorities. FFIL has independent Credit Risk Management (CRM) department, independent Treasury Department, independent Compliance department, independent Finance & Administration department and independent Information technology department for technical services to operate the organization smoothly as per Bangladesh Bank's directives.





4. Additional information on financial statements

4.1 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.

4.2 Components of the financial statements

Following the BAS 1: "Presentation of Financial Statements", the company's complete set of financial statements includes the following components:

- a) Statement of Financial Position (Balance Sheet) as at December 31, 2010
- b) Statement of Comprehensive Income (Profit and Loss Account) for the year ended December 31, 2010
- c) Statement of Cash Flows for the year ended December 31, 2010
- d) Statement of Changes in Equity for the year ended December 31, 2010
- e) Liquidity Statement as at December 31, 2010
- f) Notes to the Financial Statements and significant accounting policies.

4.3 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, 16.1 and 16.4 respectively.

4.4 Compliance with local Laws and Rules

The financial statements have been prepared in compliance with the requirements of the following laws and regulations:

- a) The Financial Institutions Act, 1993
- b) The Companies Act, 1994
- c) The Income Tax Ordinance, 1984
- d) The Value Added Tax Act, 1991
- e) The Artha Rin Adalat Ain, 2003
- f) The Negotiable Instrument Act, 1881
- g) The Stamp Act, 1899
- h) Rules, regulations and circulars issued by the Bangladesh Bank
- i) Securities and Exchange Rules, 1987

4.5 Comparatives

Previous year's figure has been restated and rearrange whenever necessary due to fair presentation in the Financial Statements as per BAS 8 "Accounting Policies, Changes in Accounting Estimate and Errors"



4.6 Compliance with BFRS and BAS

The financial statements have been prepared in compliance with the requirements of the following BFRS and BAS:

Sl #	BFRS & BAS #	Name of BFRS and BAS	Status
1	BFRS 1	First time Adoption of International Financial Reporting Standards	Not applicable
2	BFRS 2	Share-based Payment	Not applicable
3	BFRS 3	Business Combinations	Complied
4	BFRS 4	Insurance Contracts	Not applicable
5	BFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Not applicable
6	BFRS 6	Exploration for and Evaluation of Mineral Resources	Not applicable
7	BFRS 7	Financial Instruments: Disclosures	Complied
8	BFRS 8	Operating Segments	Not applicable
9	BAS 1	Presentation of Financial Statements.	Complied
10	BAS 2	Inventories	Complied
11	BAS 7	Cash Flow Statements	Complied
12	BAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Complied
13	BAS 10	Events After the Balance Sheet Date	Complied
14	BAS 11	Construction Contracts	Not applicable
15	BAS 12	Income Taxes	Complied
16	BAS 16	Property, Plant and Equipment	Complied
17	BAS 17	Leases	Complied
18	BAS 18	Revenue	Complied
19	BAS 19	Employee Benefits	Complied
20	BAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not applicable
21	BAS 21	The Effects of Changes in Foreign Exchange Rates	Complied
22	BAS 23	Borrowing Costs	Complied
23	BAS 24	Related Party Disclosures	Complied
24	BAS 26	Accounting and Reporting by Retirement Benefit Plans	Complied
25	BAS 27	Consolidated Financial Statements	Not applicable
26	BAS 28	Investments in Associates	Complied
27	BAS 29	Financial Reporting in Hyperinflationary Economies	Not applicable
28	BAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	Complied
29	BAS 31	Interests in Joint Ventures	Not applicable
30	BAS 32	Financial Instruments: Presentation	Complied
31	BAS 33	Earnings Per Share	Complied
32	BAS 34	Interim Financial Reporting	Complied
33	BAS 36	Impairment of Assets	Complied
34	BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Complied
35	BAS 38	Intangible Assets	Complied
36	BAS 39	Financial Instruments: Recognition and Measurement	Complied
37	BAS 40	Investment Property	Not applicable
38	BAS 41	Agriculture	Not applicable

4.7 Reporting period .

Financial statements of the company cover from January 01, 2010 to December 31, 2010



Amount in Taka	
31.12.2010	31.12.2009

5. Cash

Cash in hand

In local currency
In foreign currency

46,000	2,837,705
-	-
46,000	2,837,705

Balance with Bangladesh Bank and its agent Bank(s)

In local currency
In foreign currency

18,517,655	10,974,427
-	-
18,517,655	10,974,427

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

Cash Reserve Requirement @ 2.5% and Statutory Liquid Ratio @ 5% have been calculated and maintained in accordance with FID Circular # 02 and 06 dated November 10, 2004 and May 31, 2001 respectively. Details calculation are as follows:

a) Cash Reserve Requirement

Required reserve
Actual reserve maintained
Surplus/(deficit)

10,836,069	10,186,982
18,517,655	10,974,427
7,681,586	787,445

b) Statutory Liquidity Ratio

Required reserve (including CRR)
Actual reserve maintained (including CRR)
Surplus/(deficit)

34,121,094	26,790,456
142,019,665	33,505,564
107,898,571	6,715,108

Balance with banks and other financial institutions

In Bangladesh

Current accounts (note-6.1)
Short term deposit accounts (note-6.2)
Savings accounts (note-6.3)
Fixed deposit accounts (note-6.4)

164,015	106,139
21,632,501	11,898,595
-	-
107,294,778	12,626,162
129,091,294	24,630,896

Outside Bangladesh

Total

-	-
-	-
129,091,294	24,630,896

The company does not maintain any account outside Bangladesh.

Current accounts

BRAC Bank Limited
Jamuna Bank Limited
Janata Bank Limited
National Bank Limited
Rupali Bank Limited

96,182	53,787
42,355	43,625
3,753	4,903
17,700	3,824
4,025	-
164,015	106,139



6.2 Short term deposit accounts

- Bank Alfalah Limited
- Bangladesh Commerce Bank Limited
- BASIC Bank Limited
- Bank Asia Limited
- Export Import Bank of Bangladesh Limited
- Islami Bank Bangladesh Limited
- Dhaka Bank Ltd
- Dutch-Bangla Bank Ltd
- Mercantile Bank Limited
- Mutual Trust Bank Limited
- One Bank Limited
- Prime Bank Limited
- Shahjalal Islami Bank Limited
- Social Islami Bank Limited
- Southeast Bank Limited
- The City Bank Limited
- Standard Bank Limited
- Uttara Bank Limited

Amount in Taka	
31.12.2010	31.12.2009

4,713,731	3,985,710
38,574	37,988
431,752	415,031
1	55
6,042	55,212
30,346	29,910
1,956	
6,799	
48,787	6,754
1,206,538	6,465,373
3,246	3,821
730,469	595,52
67,978	68,270
2,779	53,249
13,896,414	95,909
434,907	73,000
5,000	
7,182	8,332
21,632,501	11,898,595

6.3 Savings accounts

The company does not maintain any savings account.

6.4 Fixed deposit accounts

- Bangladesh Industrial Finance Co. Limited
- International Leasing And Financial Services Limited
- Prime Finance & Investment Limited
- Shahjalal Islami Bank Limited
- Standard Bank Limited

2,769,000	8,444,355
-	-
100,000,000	-
3,994,563	3,681,807
531,215	500,000
107,294,778	12,626,162

7. Money at call and short notice

- Bangladesh Industrial Finance Company Ltd.
- Prime Finance & Investment Ltd.
- Pubali Bank Ltd.
- Reliance Finance Ltd.

50,000,000	-
100,000,000	-
50,000,000	-
50,000,000	-
250,000,000	-

Investments

a Investment classified as per BAS 39: "Financial Instruments: Recognition and Measurement"

Financial assets at fair value through profit or loss	144,929,265	147,169,755
Held to maturity	-	-
Loans and receivables	-	-
Available for sale	-	-
	144,929,265	147,169,755

b Investment classified as per nature

Government (note-8.b.1)	-	-
Others (note-8.b.2)	144,929,265	147,169,755
	144,929,265	147,169,755





Amount in Taka	
31.12.2010	31.12.2009
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

144,929,265	147,169,755
-	-
-	-
-	-
144,929,265	147,169,755

98,678,447	132,615,759
-	-
-	-
46,250,818	14,553,996
-	-
-	-
144,929,265	147,169,755

3,165,084,122	1,152,383,606
-	-
-	-
703,331,160	812,180,178
3,868,415,282	1,964,563,784
-	-
3,868,415,282	1,964,563,784

-	-
55,106,933	18,171,405
3,813,308,349	1,946,392,379
3,868,415,282	1,964,563,784

213,238,815	135,928,933
68,453,161	33,021,079
119,465,887	75,753,169
486,649,002	532,126,721
2,954,137,528	1,055,738,910
26,470,889	131,994,972
3,868,415,282	1,964,563,784



Government

Treasury bills
National investment bonds
Bangladesh Bank bills
Government notes/bonds
Prize bonds
Others

Others

Investment in shares (Annexure-A)
Debenture and bonds
Other investment
Gold, bullion etc.

Residual maturity grouping of investments

Repayable on demand
Up to 1 month
Over 1 month but not more than 3 months
Over 3 months but not more than 1 year
Over 1 year but not more than 5 years
Over 5 years

Loans, advances and leases

a) Inside Bangladesh

Loans
Cash credits
Overdrafts
Leases

b) Outside Bangladesh

Total

Sector wise loans, advances and leases

Public sector
Co-operative sector
Private sector

Residual maturity grouping of loans, advances and leases

Repayable on demand
Up to 1 month
Over 1 month but not more than 3 months
Over 3 months but not more than 1 year
Over 1 year but not more than 5 years
Over 5 years



9.4 **Loans, advances and leases on the basis of significant concentration**

- a) Loans, advances and leases to Directors and organizations related to Directors
b) Loans, advances and leases to Chief Executive Officer and other senior executives
c) Loans, advances and leases to customer groups:
i) Loans
ii) Leases
d) Loans, advances and leases on sector basis:
1. Trade and Commerce
2. Industry:
i) Garments and Knitwear
ii) Textile
iii) Jute and Jute-Products
iv) Food Production and Processing Industry
v) Plastic Industry
vi) Leather and Leather-Goods
vii) Iron, Steel and Engineering
viii) Pharmaceuticals and Chemicals
ix) Cement and Allied Industry
x) Telecommunication and Information Technology
xi) Paper, Printing and Packaging
xii) Glass, Glassware and Ceramic Industry
xiii) Ship Manufacturing Industry
xiv) Electronics and Electrical Products
xv) Power, Gas, Water and Sanitary Service
xvi) Transport and Aviation
3. Agriculture
4. Housing
5. Others:
i) Merchant Banking
ii) Margin Loan
iii) Others

Amount in Taka	
31.12.2010	31.12.2009
1,417,340,125	
-	
1,747,743,997	1,152,383,606
703,331,160	812,180,778
3,868,415,282	1,964,563,784
167,080,395	24,307,500
332,652,043	90,544,156
300,719,683	528,100,001
21,003,154	24,248,882
316,415,944	172,945,099
16,183,539	25,490,000
-	-
49,676,452	43,171,600
206,141,099	179,399,807
26,002,077	11,112,992
6,449,872	8,195,400
18,128,048	25,987,357
60,828,652	65,574,109
98,886,348	-
13,498,493	13,936,761
61,692,974	57,291,308
517,627,218	443,107,700
37,808,222	51,014,281
89,985,029	102,119,600
-	-
-	-
1,527,636,040	98,016,480
3,868,415,282	1,964,563,784

9.5 **Loans, advances and leases on geographical basis**

Inside Bangladesh

Urban

- Dhaka Division
Chittagong Division
Khulna Division
Rajshahi Division
Barisal Division
Sylhet Division

Sub total

Rural

- Dhaka Division
Chittagong Division
Khulna Division
Rajshahi Division
Barisal Division
Sylhet Division

Sub total

Total

Outside Bangladesh

Grand total

2,865,394,601	1,462,418,069
809,135,014	342,726,370
180,104,116	146,943,970
13,781,551	12,475,369
-	-
-	-
3,868,415,282	1,964,563,784
-	-
-	-
-	-
-	-
-	-
-	-
-	-
3,868,415,282	1,964,563,784
-	-
3,868,415,282	1,964,563,784





Loans, advances and leases on security basis

Collateral of moveable and immovable assets
Fixed deposit receipts
Shares of listed public limited companies
Corporate guarantee
Personal guarantee
Other securities

Amount in Taka	
31.12.2010	31.12.2009
1,671,912,050	1,117,169,833
117,005,163	245,869,305
258,334,949	22,495,133
293,181,820	432,255,868
74,167,734	146,544,416
1,453,813,566	229,229
3,868,415,282	1,964,563,784

Classification of loans, advances and leases

Unclassified

Standard
Special mention account
Sub total

3,340,653,426	1,492,238,184
214,300,277	247,278,821
3,554,953,703	1,739,517,005

Classified

Sub-standard
Doubtful
Bad/Loss
Sub total
Total

17,399,544	139,865,864
90,977,298	16,529,970
205,084,737	68,650,945
313,461,579	225,046,779
3,868,415,282	1,964,563,784

Provision for loans, advances and leases

Status	Base for provision	Rate (%)
--------	--------------------	----------

Provision for unclassified loans, advances and leases

Standard	3,340,653,426	1	33,406,534	14,922,382
Special mention account	194,857,867	5	9,742,893	11,574,002
			43,149,427	26,496,384

Provision for classified loans, advances and leases

Sub-standard	8,135,691	20	1,627,138	12,030,553
Doubtful	47,072,258	50	23,536,129	3,735,450
Bad/Loss	50,522,450	100	50,522,450	3,336,956
			75,685,717	19,102,959

Required provision for loans, advances and leases

Total provision maintained (note-16.03)

Excess/(short) provision as at December 31, 2010

118,835,144	45,599,343
118,835,144	45,599,343
-	-

Net loans, advances and leases

Total loans, advances and leases (note-9.1)

Less:

Non-performing loans, advances and leases (note-9.7)

Interest suspense (note-16.6)

Provision for loans, advances and leases (note-16.3)

3,868,415,282	1,964,563,784
313,461,579	225,046,779
82,864,412	49,557,641
118,835,144	45,599,343
515,161,135	320,203,763
3,353,254,147	1,644,360,021



9.10 Particulars of loans, advances and leases

	Amount in Taka	
	31.12.2010	31.12.2009
a) Loans, advances and leases considered good in respect of which the financial institution is fully secured	3,501,065,728	1,385,763,500
b) Loans, advances and leases considered good against which the financial institution holds no security other than the debtors personal guarantee	74,167,734	146,544,416
c) Loans, advances and leases considered good secured by personal undertaking of one or more parties in addition to the personal guarantee of the debtors	293,181,820	432,255,878
	3,868,415,282	1,964,563,784
d) Loans, advances and leases adversely classified: provision not maintained there against	-	-
e) Loans, advances and leases due by directors or officers of the financial institution or any of them either separately or jointly with any other person	-	-
f) Loans, advances and leases due from companies or firms in which the directors of the financial institution have interest as directors, partners, managing agents or in case of the private companies, as members	1,417,340,125	-
g) Maximum total amount of loans, advances and leases, including temporary advances made at any time during the year to the directors or managing directors or officers of the financial institution or any of them either separately or jointly with any other person	-	-
h) Maximum total amount of loans, advances and leases, including temporary advances granted during the year to companies or firms in which the directors of the financial institution have interest as directors, partners, managing agents or in case of the private companies, as members	-	-
i) Due from banks and other financial institutions	-	-
j) Classified loans, advances and leases:		
i) Classified loans, advances and leases on which no interest has been charged	313,461,579	225,046,779
ii) Provision on classified loans, advances and leases	75,685,717	19,102,950
iii) Provision kept against loans, advances and leases classified as bad debts	50,522,450	3,336,950
iv) Interest credited to interest suspense account (note-16.6)	82,864,412	49,557,647
k) Cumulative amount of written-off of loans, advances and leases		
Opening balance	78,763,251	39,605,589
Amount written-off during the year	41,143,242	39,157,660
	119,906,493	78,763,251
Amount realized against loans, advances and leases previously written-off	-	2,203,791
The amount of written-off/classified loans, advances and leases for which law suites has been filed	190,527,291	102,712,912

9.11 Suites filed by the company

As at December 31, 2010 Fareast Finance & Investment Limited filed 19 legal suits against 19 default clients under Artha Rin Adalat Ain 2003. Total suit amount was Tk.226,220,428 only.





Amount in Taka	
31.12.2010	31.12.2009
-	-
-	-
-	-

10. Bills purchased and discounted

Payable in Bangladesh
Payable outside Bangladesh

As at December 31, 2010 Fareast Finance & Investment Limited was not involved in any transactions relating to bills purchase and or discount.

11. Fixed assets including premises, furniture and fixtures

Cost

Balance as at January 01, 2010
Add: Addition during the year
Less: Disposal during the year
Balance as at December 31, 2010

23,136,175	18,406,555
4,242,877	7,029,620
1,758,265	2,300,000
25,620,787	23,136,175

Accumulated depreciation

Balance as at January 01, 2010
Add: Addition during the year
Less: Disposal during the year
Balance as at December 31, 2010
Written down value of the asset as at December 31, 2010 (Annexure-B)

11,595,081	11,101,185
3,436,897	2,793,895
1,287,898	2,299,999
13,744,080	11,595,081
11,876,707	11,541,094

2. Other assets

Advances, Deposits and Prepayments (Note-12.1)
Interest and Commission Receivable (Note-12.2)
Investment in Associates (Note-12.3)
Amount receivable against shares sold
Miscellaneous

151,557,906	129,585,388
35,073,495	21,119,370
213,398,616	95,000,000
4,621,440	23,691,198
252,646	594,754
404,904,103	269,990,710

Advances, Deposits and Prepayments

Advance to employees
Advance against car loan facility
Advance corporate income tax
Advance office rent
Advance advertisement expense
Advance to Fareast Stocks & Bonds Limited
Advance to vendors for new office premises
Miscellaneous

559,000	159,500
666,656	866,660
8,167,562	5,947,210
2,700,000	5,400,000
-	32,500
133,400,000	117,168,918
6,054,088	-
10,600	10,600
151,557,906	129,585,388

Interest and Commission Receivable

Interest accrued on fixed deposit receipts
Accrued guarantee commission
Interest accrued on loans, advances and leases

2,373,436	337,480
951,389	-
31,748,670	20,781,890
35,073,495	21,119,370

12.3 Investment in Associate
Investment in the Equity of Associate

Changes in the equity of Associate at the beginning
 Investment (Adjustment)
 Revaluation Reserve
 Share of profit from Associate during the year

Less: Cash Dividend

Changes in the equity of Associate at the closing

Total investment in Associate

Amount in Taka	
31.12.2010	31.12.2009
95,000,000	95,000,000
-	-
712,500	-
-	-
117,686,116	-
118,398,616	-
-	-
118,398,616	-
213,398,616	95,000,000

Considering the BAS-28: "Investment in associates", investment in associate is recorded under the equity method. As per the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the company's share of net assets of the associate. Losses in excess of cost of the investment in an associate are recognized when the company has incurred obligations on its behalf. Profit and loss account reflects the company's share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Fareast Finance & Investment has one associate namely Fareast Stocks & Bonds Limited (50% shareholding) on the date of reporting.

13. Non-business assets

As at December 31, 2010 Fareast Finance & Investment Limited does not have any non-business assets.

14. Borrowings from banks, other financial institutions and agents

In Bangladesh (note-14.1)

Outside Bangladesh (note-14.2)

2,032,427,567	970,866,827
-	-
2,032,427,567	970,866,827

14.1 In Bangladesh

Bangladesh Commerce Bank Limited

Bank Alfalah Limited

BASIC Bank Limited

BRAC Bank Limited

Dutch-Bangla Bank Limited

Dhaka Bank Limited

EXIM Bank Limited

International Leasing And Financial Services Limited

Mercantile Bank Limited

Mutual Trust Bank Limited

National Bank Limited

One Bank Limited

Premier Bank Limited

Prime Finance & Investment Limited

Pubali Bank Limited

Rupali Bank Limited

Social Investment Bank Limited

Sonali Bank Limited

Southeast Bank Limited

Standard Bank Limited

The City Bank Limited

Trust Bank Limited

Uttara Bank Limited

9,362,601	50,000,000
36,098,186	44,506,478
228,162,415	85,228,400
-	1,875,000
200,000,000	-
92,445,211	-
-	30,785,500
1,110,339	2,772,100
88,333,331	93,666,616
443,351,960	160,091,624
109,149,272	18,867,700
31,467,073	46,526,640
-	-
-	162,930
170,236,844	123,157,850
45,613,397	-
184,024,701	40,115,742
78,944,000	97,368,000
85,788,731	-
44,314,214	-
-	16,330,140
691,954	109,411,730
183,333,338	50,000,000
2,032,427,567	970,866,827



Amount in Taka	
31.12.2010	31.12.2009
-	-
-	-

Outside Bangladesh

As at December 31, 2010 the company does not have any borrowing from outside Bangladesh.

Security against borrowings from banks, other financial institutions and agents

Secured	2,032,427,567	970,866,827
Unsecured	-	-
	<u>2,032,427,567</u>	<u>970,866,827</u>

Borrowings from banks, other financial institutions and agents are secured by floating charges on all movable and immovable assets of the company ranking Pari-Passu amongst the lenders.

Maturity grouping of borrowings from banks, other financial institutions and agents

Payable on demand	-	-
Up to 1 month	126,960,680	13,445,643
Over 1 month but not more than 3 months	124,598,148	74,172,375
Over 3 month but not more than 1 year	424,479,340	248,314,963
Over 1 year but not more than 5 years	1,356,389,399	634,933,846
Over 5 years	-	-
	<u>2,032,427,567</u>	<u>970,866,827</u>

Deposits and other accounts

Current deposits (note-14.1)	-	-
Bills payable (note-14.2)	-	-
Savings deposits (note-14.3)	-	-
Term deposits (note-14.4)	1,171,199,591	872,004,713
Bearer certificate of deposit (note-14.5)	-	-
Other deposits (note-14.6)	-	-
	<u>1,171,199,591</u>	<u>872,004,713</u>

Current deposits

-	-
-	-

In conformity with the Bangladesh Bank's guidelines the company does not operate any current deposit account.

Bills payable

-	-
-	-

The company does not have any bills payable amount as at December 31, 2010.

Savings deposits

-	-
-	-

In conformity with the Bangladesh Bank's guidelines in respect of deposits, the company does not operate any savings deposit

Term deposits

Deposits from banks and other financial institutions (note-15.4.1)	740,000,000	450,000,000
Deposits from customers (note-15.4.2)	431,199,591	422,004,713
	<u>1,171,199,591</u>	<u>872,004,713</u>



15.4.1 Deposits from banks and other financial institutions

Agrani Bank Limited
Bangladesh Commerce Bank Limited
BRAC Bank Limited
Dutch-Bangla Bank Limited
Eastern Bank Limited
Janata Bank Limited
Shahjalal Islami Bank Limited
Social Islami Bank Limited
Southeast Bank Limited
The City Bank Limited
Trust Bank Limited

Amount in Taka	
31.12.2010	31.12.2009
150,000,000	30,000,000
150,000,000	30,000,000
60,000,000	80,000,000
100,000,000	100,000,000
20,000,000	50,000,000
50,000,000	
-	50,000,000
100,000,000	
-	50,000,000
110,000,000	30,000,000
-	30,000,000
740,000,000	450,000,000

15.4.2 Deposits from customers

Deposits from general public
Deposits from companies

257,515,267	228,279,491
173,684,324	193,725,232
431,199,591	422,004,723

15.5 Bearer certificate of deposit

The company do not have any bearer certificate of deposit.

15.6 Other deposits

The company does not have any other deposit account.

15.7 Maturity grouping of deposits and other accounts

Payable on demand
Up to 1 month
Over 1 month but not more than 6 months
Over 6 month but not more than 1 year
Over 1 year but not more than 5 years
Over 5 years but not more than 10 years
Over 10 years

-	-
329,572,045	60,747,769
443,677,539	519,291,700
297,145,567	234,201,122
96,536,458	53,964,143
4,267,982	3,800,000
-	-
1,171,199,591	872,004,712

16. Other liabilities

Expenditure and other payables (note-16.1)
Provision for bonus
Provision for loans, advances and leases (note-16.3)
Provision for investment in share (note-16.4)
Provision for income tax (note-16.5)
Interest suspense account (note-16.6)
Advance rental/installment against loans, advances and leases
Received from clients against partial rental/installment
Leave fare assistance payable
Income Tax and VAT deducted at source

93,543,742	61,821,000
2,845,075	1,284,260
118,835,144	45,599,343
4,608,479	451,200
67,595,137	32,095,130
82,864,412	49,557,641
19,488,197	19,564,068
73,428,769	3,964,450
3,737	
339,025	456,605
463,551,717	214,793,794





	Amount in Taka	
	31.12.2010	31.12.2009
Accrual of leave encashment	948,727	341,842
Accrued interest on borrowings from banks, other financial institutions and agents	23,229,125	9,764,065
Accrued interest on deposits and other accounts	68,529,600	50,993,972
Auditor's fee	144,015	130,890
VAT on directors' meeting attendance fee	-	9,000
Office rent	572,125	529,000
Office utilities	68,000	29,000
Office security	13,500	4,500
Telephone and mobile bill	38,650	18,815
	93,543,742	61,821,084

16.1 Expenditure and other payable

Accrual of leave encashment	948,727	341,842
Accrued interest on borrowings from banks, other financial institutions and agents	23,229,125	9,764,065
Accrued interest on deposits and other accounts	68,529,600	50,993,972
Auditor's fee	144,015	130,890
VAT on directors' meeting attendance fee	-	9,000
Office rent	572,125	529,000
Office utilities	68,000	29,000
Office security	13,500	4,500
Telephone and mobile bill	38,650	18,815
	93,543,742	61,821,084

16.2 Provision for loans, advances and leases

This represents the amount calculated as per circulars issued by the Bangladesh Bank in this respect to cover all the required provisions of the company as at December 31, 2010. Total provision is made up as follows:

Movements in provision on classified loans, advances and leases

Balance as at January 01, 2010	19,102,959	27,401,145
Less: Fully provided debts written-off during the year	34,633,114	31,274,633
Add: Recoveries of amount previously written-off	-	2,203,791
Add: Provision made during the year	91,215,872	20,772,656
Less: Provision no longer required	-	-
Add: Net charge to profit and loss account	91,215,872	20,772,656
Balance as at December 31, 2010	75,685,717	19,102,959

Movements in provision on unclassified loans, advances and leases

Balance as at January 01, 2010	26,496,384	22,784,812
Add: Provision made during the year	16,653,043	3,711,572
Balance as at December 31, 2010	43,149,427	26,496,384
Total	118,835,144	45,599,343

Provision for investment in shares

Balance as at January 01, 2010	451,200	6,152,481
Add: Provision made during the year	4,157,279	(5,701,281)
Balance as at December 31, 2010 (Annexure-A for detail)	4,608,479	451,200

Provision for income tax

The company calculated its tax liability considering the BAS 12: "Income Taxes". Details calculation of tax liability as at December 31, 2010 is as follows:

Balance as at January 01	32,095,137	23,595,137
Add: Provision made during the year	35,500,000	8,500,000
Balance as at December 31, 2010	67,595,137	32,095,137

Current tax liability	51,223,729	23,472,261
Deferred tax liability	16,371,408	8,622,876
Total	67,595,137	32,095,137

Current tax liability represents tax calculated @ 42.5% on profit before tax less advance tax paid.





Amount in Taka	
31.12.2010	31.12.2009

16.5 Interest suspense account

This represents interest on loans and lease income not recognized as income according to Bangladesh Bank's FID circular # 03 of 2006. Details are as follows:

Balance as at January 01
Add: Amount transferred to interest suspense account during the year
Less: Amount recovered from interest suspense account during the year
Less: Amount written-off during the year
Balance as at December 31, 2010

49,557,641	26,516,825
39,816,899	30,923,834
-	-
6,510,128	7,883,000
82,864,412	49,557,641

16.5.1 Details of interest suspense account

Interest suspense for unclassified loans, advances and leases

Standard

Special mention account

Sub total

-	-
19,442,410	15,798,788
19,442,410	15,798,788

Interest suspense for classified loans, advances and leases

Sub-standard

Doubtful

Bad/Loss

Sub total

Total

2,260,984	25,074,400
19,830,401	2,552,674
41,330,617	6,131,771
63,422,002	33,758,845
82,864,412	49,557,641

17. Share capital

17.1 Authorized capital

200,000,000 ordinary shares of Tk. 10 each

2,000,000,000	500,000,000
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17.2 Issued, subscribed and fully paid up capital

87,168,020 ordinary shares of Tk. 10 each

871,680,200	195,750,100
--------------------	--------------------

The company do not issue any share other than cash pertaining to any agreement.

7.3 Raising of share capital

Fareast Finance & Investment Limited raised its share capital as follows:

Year	Type of issue of paid up capital	Number of share	Face Value per share	Value of share	Cumulative paid up capital
2001	Opening capital	500,000	100	50,000,000	50,000,000
2004	Bonus share	75,000	100	7,500,000	57,500,000
2004	Right share	875,001	100	87,500,100	145,000,100
2006	Bonus share	290,000	100	29,000,000	174,000,100
2007	Bonus share	217,500	100	21,750,000	195,750,100
2010	Bonus share	1,174,500	100	117,450,000	313,200,100
2010	Right share	5,000,000	10	50,000,000	363,200,100
2010	Right share	50,848,010	10	508,480,100	871,680,200
Total		87,168,020		871,680,200	

Face value of the share has been denominated to Tk.10 from Tk.100 per share by the shareholders in their third Extra Ordinary General Meeting held on October 20, 2010.





17.4 **Composition of shareholders by shareholding as at December 31, 2010.**

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

Amount in Taka	
31.12.2010	31.12.2009
Number of holders	Total holding (%)
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0
30	100
30	100

Capital adequacy requirement

As per Clause-4 (Gha) of The Financial Institutions Regulations 1994, and Bangladesh Bank's circulars in respect of capital adequacy requirements the present position of the company's capital adequacy requirement (CAR) is hereunder:

Total liabilities	6% of total liabilities	Required capital	Paid up capital	Retained earnings	Paid up capital and retained earnings	Excess/(deficit) capital
Taka	Taka	Taka	Taka	Taka	Taka	Taka
3,667,178,875	220,030,733	500,000,000	871,680,200	195,996,983	1,067,677,183	567,677,183

DFIM Circular # 09 dated 04 November 2009 relating to paid up capital of Tk.500,000,000 complied within December 31, 2010.

18. **Statutory reserve**

According to the Rule 6 of The Financial Institutions Regulation, 1994, the company transfers 20% of its net profit for the respective year to statutory reserve. Detailed movement of the reserve is as follows:

Balance as at January 01, 2010	47,308,589	35,173,118
Add: Transferred during the year	45,615,659	12,135,471
Balance as at December 31, 2010	92,924,248	47,308,589

Retained earnings

Balance as at January 01, 2010	130,984,348	82,442,466
Less: Issue of bonus shares	117,450,000	-
Add: Net profit for the year	228,078,294	60,677,353
Less: Transfer to statutory reserve	45,615,659	12,135,471
Balance as at December 31, 2010	195,996,983	130,984,348





Amount in Taka	
31.12.2010	31.12.2009

20. Contingent liabilities and commitments

20.1 Contingent liabilities

- Acceptances and endorsements
- Letter of guarantee (note-20.1.1)
- Irrevocable letter of credit
- Bills for collection
- Other contingent liabilities

-	-
750,850,000	70,000,000
-	9,100,000
-	-
750,850,000	79,100,000

20.1.1 Letters of guarantee

Claims lodged with the company which is not recognized as loan
Money for which the company is contingently liable in respect of the following:

- Directors
- Government
- Banks and other financial institutions
- Others

-	-
-	-
-	-
750,850,000	79,100,000
750,850,000	79,100,000

20.2 Commitments

- Documentary credits and short term trade related transactions
- Forward assets purchased and forward deposits placed
- Undrawn note issuance and revolving underwriting facilities
- Spot and foreign exchange rate contract
- Undrawn formal standby facilities, credit lines and other commitments
- Others

-	-
-	-
-	-
-	-
-	-
-	-

As at December 31, 2010 the company does not have any liabilities, which was not shown in the accounts.

21. Income statement

Income

- Interest, discount and similar income (note-21.1)
- Dividend income (note-24)
- Commission, exchange and brokerage (note-25)
- Gains less losses arising from dealing in securities
- Gains less losses arising from investment in securities
- Gains less losses arising from dealing in foreign currencies
- Income from non-business assets
- Other operating income (note-26)
- Profit less losses on interest rate changes

663,486,626	314,176,825
904,242	308,200
4,958,257	380,377
-	-
-	-
-	-
-	-
133,043,817	17,914,947
-	-

Total Income

Expenses

- Interest expenses on deposits, borrowings, etc. (note-23)
- Charges on losses regarding loans, advances and leases
- Administrative expenses (note-21.2)
- Other operating expenses (note-36)
- Depreciation on company's fixed assets (note-35)

364,689,516	208,253,198
-	-
45,905,328	28,508,470
12,756,713	5,264,554
3,436,897	2,793,895
426,788,454	244,820,117

Total Expenses

Net Income before Provision and Tax

375,604,488	87,960,300
-------------	------------





Amount in Taka	
31.12.2010	31.12.2009

21.1 Interest, discount and similar income

Interest income on loans, advances and leases (note-22)
Capital gain on sale of shares (note-24)

429,687,766	272,443,427
233,798,860	41,733,398
663,486,626	314,176,825

21.2 Administrative expenses

Salary and allowances (note-27)
Rent, taxes, insurance, electricity, etc. (note-28)
Legal expenses (note-29)
Postage, stamp, telecommunication, etc. (note-30)
Stationery, printing, advertisement, etc. (note-31)
Managing Director's salary and allowances (note-32)
Directors' fees (note-33)
Auditors' fees (note-34)
Depreciation and Repairs of company's fixed assets (note-35)

23,725,263	16,099,790
10,648,559	2,758,921
2,094,628	1,527,668
269,232	197,560
3,264,659	2,920,600
4,020,000	3,440,000
866,000	564,000
230,000	130,625
786,987	869,308
45,905,328	28,508,472

22 Interest income on loans, advances and leases

Interest on loans
Lease income
Interest during grace year
Total interest income on loans, advances and leases
Interest on balance with banks and other financial institutions

332,302,402	137,088,820
82,898,546	111,932,220
10,404,360	22,389,161
425,605,308	271,410,201
4,082,458	1,033,226
429,687,766	272,443,427

23 Interest expenses on borrowings, deposits, etc.

a) Interest expenses on borrowings

Interest on term loans
Interest on call loans (Note-23.1)
Interest on secured overdrafts
Interest on margin accounts
Bank charges

218,098,128	118,343,561
6,021,414	7,511,944
7,120,046	2,354,666
3,663,134	1,953,296
476,116	152,000
235,378,838	130,315,467

b) Interest expenses on deposits

Total

129,310,678	77,937,731
364,689,516	208,253,198

Interest on call loans

Interest expenses
Interest income

11,379,539	7,511,944
5,358,125	-
6,021,414	7,511,944

Investment income

Capital gain on sale of shares
Dividend income

233,798,860	41,733,398
904,242	308,276
234,703,102	42,041,674





	Amount in Taka	
	31.12.2010	31.12.2009
5. Commission, exchange and brokerage		
Guarantee commission	4,953,733	350,000
Realization of L/C commission	4,524	30,371
	<u>4,958,257</u>	<u>380,371</u>
6. Other operating income		
Income from association	117,686,116	-
Documentation fees	1,169,545	923,700
Realization of late payment interest	13,086,789	15,299,481
Profit/(loss) on disposal of leased assets	1,008,518	341,994
Profit/(loss) on disposal of fixed assets	(221,067)	979,999
Miscellaneous earnings	313,916	369,773
	<u>133,043,817</u>	<u>17,914,947</u>
7. Salary and allowances		
Basic pay and allowances	16,090,638	9,774,456
Bonus (note-27.1)	4,272,775	2,061,294
Company's contribution to provident fund	795,687	233,167
Retirement benefit and gratuity	1,630,162	2,751,941
Annual leave encashment	936,001	1,278,932
	<u>23,725,263</u>	<u>16,099,790</u>
Bonus		
Festival	1,277,068	808,709
Performance	2,995,707	1,252,585
	<u>4,272,775</u>	<u>2,061,294</u>
Rent, taxes, insurance, electricity, etc.		
Rent, rate and taxes	10,350,375	2,625,250
Insurance	-	-
Power and electricity	298,184	133,671
	<u>10,648,559</u>	<u>2,758,921</u>
Legal expenses		
Legal expenses	1,614,187	1,229,975
Professional charges	480,441	297,693
	<u>2,094,628</u>	<u>1,527,668</u>
Postage, stamp, telecommunication, etc.		
Postage	17,372	17,702
Telegram, telex, fax, and e-mail	3,000	4,000
Data communication	80,735	34,028
Telephone-office	162,833	126,366
Telephone-residence	5,292	15,464
	<u>269,232</u>	<u>197,560</u>





31. Stationery, printing, advertisement, etc.

Office stationery
Computer consumable stationery
Publicity and advertisement

Amount in Taka	
31.12.2010	31.12.2009
354,462	470,164
140,570	103,810
2,769,627	2,346,620
3,264,659	2,920,600

32. Managing Director's salary and allowances

Basic pay
Bonus
House rent allowance
House maintenance allowance
Medical allowance
Entertainment allowance
Utility allowance
Leave fare assistance

1,440,000	1,380,000
720,000	240,000
720,000	690,000
200,004	206,670
320,004	306,670
180,000	180,000
199,992	206,600
240,000	230,000
4,020,000	3,440,000

Total Perquisites totaling to Tk.499,895 for the year 2010 (Tk.522,909 for the year 2009) was paid to the Managing Director of the company which includes the financial expenses incurred for the vehicle taken on lease.

33. Directors' fees

Fees

Board of Directors
Board Audit Committee
Executive Committee
Other Committees

536,000	352,000
85,000	48,000
245,000	164,000
-	-
866,000	564,000
-	-
866,000	564,000

Other benefits

Other disclosures regarding the Board and Committee meetings are as follows:

- a) The following meetings were held during the year ended December 31, 2010

<u>Name of meetings</u>	<u>Number of meetings</u>	
Board of Directors	13	11
Board Audit Committee	6	
Executive Committee	10	

- b) Directors have not taken any honorarium from the company during the year.
- c) No amount of money was expended by the company for compensating any member of the Board for rendering special services.
- d) Tk.4,000 (up to February 2010) and Tk.5,000 (from March 2010) was paid to each Board member of the company as attendance fee of every Board meeting.





Amount in Taka	
31.12.2010	31.12.2009

Auditors' fees

Auditors' fees including VAT @ 15%
Auditors' certificate fees

230,000	130,625
-	-
<u>230,000</u>	<u>130,625</u>

Depreciation and repairs of company's assets

Depreciation on company's fixed assets (Annexure-B)
Repairs of company's fixed assets

3,436,897	2,793,895
786,987	869,308
<u>4,223,884</u>	<u>3,663,203</u>

Other operating expenses

Office maintenance
Travel and conveyance
Motor vehicle expenses
Meeting expenses
Training expenses
Books and yearicals
Share business expense
Subscription
Entertainment and public relation
Annual General Meeting
Miscellaneous

4,608,011	2,024,932
303,300	119,702
1,490,597	1,843,141
398,058	224,298
217,500	71,200
15,720	15,501
4,975,717	784,504
200,000	50,000
421,930	128,956
10,880	2,320
115,000	-
<u>12,756,713</u>	<u>5,264,554</u>

On account of Motor Vehicle expenses a sum of Taka 730,725 for the year 2010 (Taka. 1,086,390 for the year 2009) was expensed for the vehicle used by the Chairman which is in accordance with Bangladesh Bank's guidelines.

Provision for loans, advances and leases

Provision for classified loans, advances and leases
Provision for unclassified loans, advances and leases

91,215,733	20,772,656
16,653,182	3,711,572
<u>107,868,915</u>	<u>24,484,228</u>

Provision for investment in shares

Balance at January 01, 2010
Add: Provision made during the year
Balance at December 31, 2010 (Annexure-A for detail)

451,200	6,152,481
4,157,279	(5,701,281)
<u>4,608,479</u>	<u>451,200</u>

Provision for income tax

Current tax
Deferred tax
Total

27,751,468	(122,876)
7,748,532	8,622,876
<u>35,500,000</u>	<u>8,500,000</u>





Amount in Taka	
31.12.2010	31.12.2009

40. Earning per share (EPS)

Net profit after tax for the year	228,078,294	60,677,350
Weighted average number of ordinary shares at December 31, 2010 (Note-40.1)	33,108,043	1,957,500
Restated weighted average number of ordinary shares	33,108,043	33,108,043
Earnings per share	6.89	31.00
Earnings per share (restated)	6.89	1.00

40.1 Weighted average number of ordinary shares at December 31, 2010

	Number of shares	Date	Days	Weighted average
Balance at 01 January 2010	19,575,010	1-Jan-10	365	19,575,010
Bonus shares issued	11,745,000	21-Sep-10	365	11,745,000
Right shares issued	5,000,000	23-Nov-10	39	534,220
Right shares issued	50,848,010	23-Dec-10	9	1,253,787
Balance at 31 December 2010	87,168,020			33,108,043

Earnings per share has been calculated in accordance with BAS-33: "Earnings Per Share (EPS)".

41. Number of employees

At the end of the year the number of employees drawing Tk. 3,000 or above per month was forty (thirty four in 2009)

42. Assets pledged as security for liabilities

As at December 31, 2010 all the fixed and floating assets of the company were pledged as security under pari-passu security sharing agreement.

43. Related party disclosures

43.1 Name of directors and their interest in different organizations

According to the Bangladesh Accounting Standard-24 "Related Party Disclosures" and DFIM circular # 11 dated December 2, 2009, directors' name and their interest in different organizations are presented in Annexure-C.

43.2 Significant contracts where company is a party and wherein directors have interest

Fareast Finance & Investment Limited holds 50% of ordinary share capital of Fareast Stocks & Bonds Limited. The following shareholders of Fareast Finance & Investment Limited are also the sponsor shareholders of Fareast Stocks & Bonds Limited.

Name of directors	Shareholding % in the company	Shareholding % in FS
Mr. M. A. Khaleque	2	5
Mr. Md. Anwer Hossian Khan	8	10
Mr. M. A. Wahhab	5	10

43.3 Shares issued to directors and executives without consideration or at a discount

Till December 31, 2010 no shares were issued to the directors and executives of the company without consideration or at a discount.



4.3 Related party transactions

As per Bangladesh Accounting Standard-24 "Related Party Disclosures" and DFIM circular # 11 dated December 23, 2009, no transaction was made with the related parties and on balance sheet date there is no balance outstanding excluding the following transactions in the ordinary course of business at normal commercial interest rate:

Name of related party	Related directors	Nature of transactions	Taka
Shahjalal Islami Bank Limited	Mr. Md. Anwer Hossian Khan	Deposit taken	-
		Deposit given	3,994,563
		STD account	67,978
		Total	4,062,541
Prime Islami Life Insurance Co. Limited	Mr. M. A. Wahhab	Deposit taken	47,780,300
Fareast Stocks & Bonds Limited	Mr. M. A. Khaleque Mr. Md. Anwer Hossian Khan Mr. M. A. Wahhab	Investments	133,400,000
		Loans	1,417,340,125
		Total	1,550,740,125

4.4 Status of transactions done with related parties

As at 31 December 2010, there is no balance outstanding to the related parties other than Shahjalal Islami Bank Limited, which is disclosed in note-43.4.

3.6 Business with related parties

As at 31 December 2010, the company does not have any business with related parties under section 18(2) of the Bank Companies Act 1991.

4.5 Transactions with the securities of related parties

As at 31 December 2010, the company holds 210,026 shares of Fareast Islami Life Insurance Co. Limited and is a member of the Board of Directors.

4.6 Disclosure on Board Audit Committee

Particulars of Board Audit Committee

According to the guidelines of Bangladesh Bank, the Board of Directors of Fareast Finance & Investment Limited (FFIL) constituted the Board Audit Committee of the company. Details of the Committee members are as follows:

Name of committee members	Status with FFIL	Status with committee
Mr. Md. Anwer Hossian Khan	Director	Chairman
Mr. Delwar Hossain Rana	Director	Member
Mrs. Umme Fatima Khaledce Jahan	Director	Member
Mr. Md. Azmat Rahman	Director	Member
Mr. Md. Ershad Ullah	Director	Member

44.2 Meetings held by the committee during the year

In the year 2010 the Committee met six times.

44.3 Activities of the audit committee during the year

In the year ended 2010 the Board Audit Committee carried out the following activities:

- a) The committee reviewed the financial reporting system in place to ensure reliability of information provided to the stakeholders and strict adherence and compliance to the accounting policies and requirement of Bangladesh Accounting Standards and Bangladesh Bank.
- b) Monitoring and review of the compliance regarding the security documentation as approved by the Board of Directors.
- c) Regular monitoring of the company's portfolio.
- d) Review of the company's overdue position with the objective of reduction in amount and quality.
- e) Review and recommendation to the Board regarding the delinquent portfolio against which litigation started by the company.
- f) Review and recommendation to the Board regarding reschedule of facilities.
- g) Monitoring the internal control system of the company and its compliance.
- h) Discussion on the reports issued by Bangladesh Bank and statutory auditors and actions taken by the management.

44.4 Effective internal control and security documentation of the company

Having assessed the internal financial controls, information system and reporting models, the committee is in the opinion that:

- a) Procedures followed by the management for internal control of the company's activities under the manual set by the management in line with Bangladesh Bank's guidelines are satisfactory.
- b) Company's assets are reasonably safeguarded and the financial position of the company is appears to be sound enough.
- c) Overdue and litigation position of the company as stated by the management presents a true and fair view.

5. Disclosure on Executive Committee

To conform the Bangladesh Bank guidelines, The Board of Directors of Fareast Finance & Investment Limited (FFIL) constituted the Executive Committee of the company comprising members from the Board and Management of the company. In the year 2010 the committee met ten times.

6. Disclosure regarding branch

The company has no branch in or outside Bangladesh at the year ended December 31, 2010.





47. **Highlights**

Highlights of the company for the year as at December 31, 2010 and 2009 is presented below:

Sl. #	Particulars	Amount in Taka	
		31.12.2010	31.12.2009
1	Paid up capital	871,680,200	195,750,100
2	Total capital	1,203,750,997	400,539,421
3	Capital surplus/(deficit)	567,677,183	(173,265,552)
4	Total assets	4,827,780,306	2,431,708,371
5	Total deposits	1,171,199,591	872,004,713
6	Total loans, advances and leases	3,868,415,282	1,964,563,784
7	Total contingent liabilities and commitments	750,850,000	79,100,000
8	Credit deposit ratio	330.30	225.29
9	% of classified loans, advances and leases against total loans, advances and leases	8.10	11.46
10	Profit after provisions and income tax	228,078,294	60,677,353
11	Loans, advances and leases classified during the year	313,461,579	225,046,779
12	Provision kept against classified loans, advances and leases	75,685,578	19,102,959
13	Provision surplus/(deficit)	-	-
14	Cost of fund (%)	12.18	12.64
15	Interest earning assets	4,392,435,841	2,136,364,435
16	Non-interest earning assets	435,344,465	295,343,936
17	Return on investments (ROI) (%)	19.71	13.84
18	Return on assets (ROA) (%)	6.28	2.77
19	Income from investments	234,703,102	42,041,674
20	Earnings per share	6.89	1.83
21	Net income per share	6.89	1.83
22	Price earnings ratio (times)	1.45	5.46

Subsequent events-disclosure under BAS-10 "Events After Reporting year"

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.

Risk factors-disclosure under IFRS-7 "Financial Instruments: Disclosures"

- The Management of the Company believes that the fair value of all the assets and liabilities are covered at their carrying value.
- As of Balance Sheet date, the company has no borrowing in foreign currency and therefore there is no rate fluctuation risk.
- Although the company has made its investment in a wide range of portfolios but the management believes that concentration of investment risk is negligible.



50. General
50.1 Business

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

Description	31.12.2010		31.12.2009	
	Contracted Taka	Disbursed Taka	Contracted Taka	Disbursed Taka
Loans	2,752,990,125	2,489,690,125	510,380,000	463,080,000
Leases	165,844,400	157,898,500	132,257,000	104,793,000
Total	2,918,834,525	2,647,588,625	642,637,000	567,873,000

50.2 Office space

The company is using 7,500 sft at its registered address @ Tk. 60 per sft. The property is owned by Eunoos Trade Centre Limited and located at 52-53, Dilkhusha C/A, Dhaka-1000. The lease agreement executed between the company and Eunoos Trade Centre is for a period of 2 years commencing from December 01, 2009 valid up to November 30, 2011. The rate of rent shall be valid for first 2 years and thereafter the rent shall be increased @ 15% after expiry of every 2 years on the then existing rate.

50.3 Declarations

The Board of Director of Fareast Finance & Investment Limited adopted the Financial Statements of the company for the year ended December 31, 2010 in their 117th meeting held on January 20, 2011 and recommended to the shareholders for approval.

