



Fareast Finance & Investment Limited
Balance Sheet
as at 31 December 2011

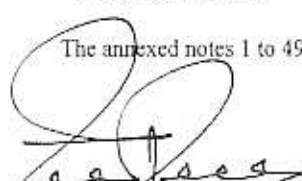
Particulars	Note	Amounts in Taka	
		2011	2010 Restated*
PROPERTY AND ASSETS			
Cash	4	35,539,776	18,563,655
In hand (including foreign currencies)		12,540	46,000
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		35,527,236	18,517,655
Balance with other banks and financial institutions	5	216,579,703	129,091,294
In Bangladesh		216,579,703	129,091,294
Outside Bangladesh		0	0
Money at call and short notice	6	0	250,000,000
Investments	7	192,708,218	144,929,265
Government		0	0
Others		192,708,218	144,929,265
Loans, advances and leases		4,944,245,906	3,868,415,282
Loans, cash credits, overdrafts, leases, etc.	8	4,944,245,906	3,868,415,282
Bills purchased and discounted	9	0	0
Fixed assets including premises, furniture and fixtures	10	24,135,641	11,876,707
Other assets	11	1,101,190,798	868,547,853
Non-business assets	12	0	0
Total assets		6,514,400,042	5,291,424,056
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	13	1,888,107,716	2,032,427,567
Deposits and other accounts	14	2,322,858,796	1,171,199,591
Current deposits		0	0
Bills payable		0	0
Savings deposits		0	0
Term deposits		2,322,858,796	1,171,199,591
Bearer certificate of deposit		0	0
Other deposits		0	0
Other liabilities	15	570,590,497	463,551,717
Total liabilities		4,781,557,009	3,667,178,875

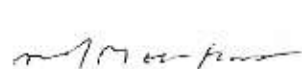


Particulars	Note	Amounts in Taka	
		2011	2010
			Restated*
Capital/Shareholders' equity		1,732,843,033	1,624,245,181
Paid up capital	16	1,046,016,240	871,680,200
Statutory reserve	17	114,643,818	92,924,248
Revaluation reserve	11.3.1	463,643,750	463,643,750
Retained earnings	18	108,539,225	195,996,983
Total liabilities and Shareholders' equity		6,514,400,042	5,291,424,056
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	19.1	750,000,000	750,850,000
Acceptances and endorsements		0	0
Letter of guarantee		750,000,000	750,850,000
Irrevocable letter of credit		0	0
Bills for collection		0	0
Other contingent liabilities		0	0
Other commitments	19.2	0	0
Documentary credits and short term trade related transactions		0	0
Forward assets purchased and forward deposits placed		0	0
Undrawn note issuance and revolving underwriting facilities		0	0
Spot and foreign exchange rate contract		0	0
Undrawn formal standby facilities, credit lines and other commitments		0	0
Total off-balance sheet items including contingent liabilities		750,000,000	750,850,000
Net asset value per share (Tk.)		16.57	15.53

* Please see note-2.2.

The annexed notes 1 to 49 form an integral part of these financial statements.


M. A. Khaleque
Chairman


Md. Monir Hossain
Vice Chairman


Santanu Saha
Managing Director


Sheikh Khaled Zahir
Company Secretary

As per our annexed report of same date.

Dhaka, 22 February 2012


Ahmed Zaker & Co.
Chartered Accountants



Fareast Finance & Investment Limited
Profit and Loss Account
for the year ended 31 December 2011

Particulars	Note	Amounts in Taka	
		2011	2010
Interest income on loans, advances and leases	21	678,445,423	435,045,891
Interest expenses on borrowings, deposits, etc.	22	(505,662,959)	(370,047,641)
Net interest income		172,782,464	64,998,250
Investment income	23	(16,783,268)	234,703,102
Commission, exchange and brokerage	24	3,827,000	4,958,257
Other operating income	25	71,756,463	133,043,817
Total operating income		231,582,659	437,703,426
Salary and allowances	26	25,681,580	23,725,263
Rent, taxes, insurance, electricity, etc.	27	7,152,912	10,648,559
Legal expenses	28	1,801,805	2,094,628
Postage, stamp, telecommunication, etc.	29	713,299	269,232
Stationery, printing, advertisements, etc.	30	3,576,354	3,264,659
Managing Director's salary and allowances	31	4,794,430	4,020,000
Directors' fees	32	830,000	866,000
Auditors' fees	33	130,625	230,000
Charges on losses regarding loans, advances and leases		0	0
Depreciation and repairs of company's assets	34	6,506,529	4,223,884
Other operating expenses	35	7,803,753	12,756,713
Total operating expenses		58,991,287	62,098,938
Profit before provisions		172,591,372	375,604,488
Provisions for loans, advances and leases:	36	24,129,861	107,868,915
Provision for the diminution in the value of investments	37	20,702,180	4,157,279
Other provisions		0	0
Total provisions		44,832,041	112,026,194
Total profit before income tax		127,759,331	263,578,294
Provision for income tax	38	19,161,479	35,500,000
Net profit after income tax		108,597,852	228,078,294
Retained earnings brought forward from previous years		195,996,983	130,984,348
Profit available for appropriations		304,594,835	359,062,642





Particulars	Note	Amounts in Taka	
		2011	2010
Appropriations			
Statutory reserve	17	21,719,570	45,615,659
Dividend (Bonus shares)		174,336,040	117,450,000
		<u>196,055,610</u>	<u>163,065,659</u>
Retained earnings carried to the balance sheet	18	<u>108,539,225</u>	<u>195,996,983</u>
Earnings per share (restated 2010)	39	<u>1.04</u>	<u>2.18</u>
Diluted earnings per share	39	<u>1.04</u>	<u>2.18</u>
Weighted average number of outstanding shares		<u>104,601,624</u>	<u>104,601,624</u>
Total number of ordinary shares		<u>104,601,624</u>	<u>104,601,624</u>

The annexed notes 1 to 49 form an integral part of these financial statements.

M. A. Khaleque
Chairman

Md. Monir Hossain
Vice Chairman

Santanu Saha
Managing Director

Sheikh Khaled Zahir
Company Secretary

As per our annexed report of same date.

Dhaka, 22 February 2012

Ahmed Zaker & Co.
Chartered Accountants



Fareast Finance & Investment Limited
Cash Flow Statement
for the year ended 31 December 2011

Particulars	Amounts in Taka	
	2011	2010
Cash flows from operating activities		
Interest receipt in cash	558,944,887	314,990,606
Interest payments	(404,364,249)	(272,930,791)
Dividend receipts	1,272,645	904,242
Fees and commission received in cash	77,000	4,958,257
Recoveries of loan previously written-off	18,000,000	0
Income taxes paid	(9,947,084)	0
Receipts from other operating activities	53,700,550	367,746,919
Payments for other operating activities	(53,873,643)	(57,468,846)
Cash generated from operating activities before changes in operating assets and liabilities	163,810,106	358,200,387
Increase/decrease in operating assets and liabilities		
Statutory deposit	0	0
Trading securities	0	0
Loans, advances and leases	(1,075,830,624)	(1,903,851,499)
Other assets	(2,833,844)	113,558,720
Deposit and other accounts	1,151,659,205	299,194,878
Other liabilities on account of customers	(61,705,116)	69,388,451
Trading liabilities	0	0
Other liabilities	68,171,460	14,173,886
	79,461,081	(1,407,535,564)
Net cash from operating activities	243,271,187	(1,049,335,177)
Cash flows from investing activities		
(Increase)/decrease in purchase and sale of securities	(47,778,953)	2,240,490
(Increase)/decrease of fixed assets	(12,258,934)	(335,613)
(Increase)/decrease regarding purchase and sale of subsidiary	(184,448,919)	(213,398,616)
Net cash used in investing activities	(244,486,806)	(211,493,739)
Cash flows from financing activities		
Receipt of borrowings from other banks, financial institutions and agents	390,416,938	1,756,494,020
Repayment of borrowings from other banks, financial institutions and agents	(534,736,789)	(694,933,283)
Receipt against issue of share capital	0	558,480,100
Dividend paid in cash	0	0
Net cash from financing activities	(144,319,851)	1,620,040,837



Particulars	Amounts in Taka	
	2011	2010
Net increase/(Decrease) in cash and cash equivalents	(145,535,470)	359,211,921
Effects of exchange rate changes on cash and equivalents	0	0
Cash and cash equivalents at beginning of the year	397,654,949	38,443,028
Cash and cash equivalents at the end of the year	252,119,479	397,654,949
Cash and cash equivalents at the end of the year		
Cash in hand (including foreign currencies)	12,540	46,000
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	35,527,236	18,517,655
Balance with other banks and financial institutions	216,579,703	129,091,294
Money at call and short notice	0	250,000,000
	252,119,479	397,654,949


 M. A. Khaleque
 Chairman


 Md. Monir Hossain
 Vice Chairman


 Santanu Saha
 Managing Director


 Sheikh Khaled Zahir
 Company Secretary

As per our annexed report of same date.

Dhaka, 22 February 2012


 Ahmed Zaker & Co.
 Chartered Accountants

Foreast Finance & Investment Limited
Statement of Changes in Equity
for the year ended 31 December 2011

Particulars	Paid up capital	Statutory reserve	Revaluation reserve*	Retained earnings	Total
	Taka	Taka	Taka	Taka	Taka
Balance at 01 January 2010	195,750,100	47,308,589	0	130,984,348	374,043,037
Changes in accounting policy(s)	0	0	0	0	0
Restated balance	195,750,100	47,308,589	0	130,984,348	374,043,037
Surplus/deficit on account of revaluation of properties	0	0	0	0	0
Surplus/deficit on account of revaluation of investments	0	0	0	0	0
Currency translation differences	0	0	0	0	0
Net gains and losses not recognized in the profit and loss account	0	0	0	0	0
Net profit for the year	0	0	0	228,078,294	228,078,294
Dividend (Bonus shares)	117,450,000	0	0	(117,450,000)	0
Cash dividend	0	0	0	0	0
Issue of share capital	558,480,100	0	0	0	558,480,100
Appropriations during the year	0	45,615,659	0	(45,615,659)	0
Revaluation of Foreast Stocks & Bonds Ltd. (note-11.3.1)	0	0	463,643,750	0	463,643,750
Balance as at 31 December 2010	871,680,200	92,924,248	463,643,750	195,996,983	1,624,245,181
Balance at 01 January 2011	871,680,200	92,924,248	463,643,750	195,996,983	1,624,245,181
Changes in accounting policy(s)	0	0	0	0	0
Restated balance	871,680,200	92,924,248	463,643,750	195,996,983	1,624,245,181
Surplus/deficit on account of revaluation of properties	0	0	0	0	0
Surplus/deficit on account of revaluation of investments	0	0	0	0	0
Currency translation differences	0	0	0	0	0
Net gains and losses not recognized in the profit and loss account	0	0	0	0	0
Net profit for the year	0	0	0	108,597,852	108,597,852
Dividend (Bonus shares)	174,336,040	0	0	(174,336,040)	0
Cash dividend	0	0	0	0	0
Issue of share capital	0	0	0	0	0
Appropriations during the year	0	21,719,570	0	(21,719,570)	0
Revaluation of Foreast Stocks & Bonds Ltd. (note-11.3.1)	0	0	0	0	0
Balance as at 31 December 2011	1,046,016,240	114,643,818	463,643,750	108,539,225	1,732,843,033

* Please see note-2.2.



M. A. Khaleque
Chairman



Md. Monir Hossain
Vice Chairman



Santanu Saha
Managing Director



Sheikh Khaled Zahir
Company Secretary

As per our annexed report of same date.

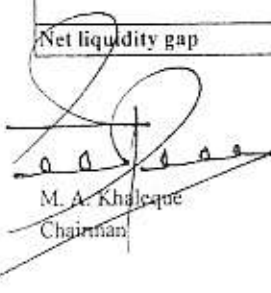


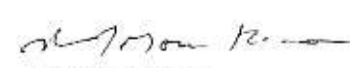
Ahmed Zaker & Co.
Chartered Accountants


Dhaka, 22 February 2012


Farcast Finance & Investment Limited
Liquidity Statement
 (Analysis of maturity of assets and liabilities)
 As at 31 December 2011

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Assets						
Cash in hand	35,539,776	0	0	0	0	35,539,776
Balance with other banks and financial institutions	112,279,514	100,000,000	4,300,189	0	0	216,579,703
Money at call and short notice	0	0	0	0	0	0
Investments	192,708,218	0	0	0	0	192,708,218
Loans, advances and leases	337,966,437	111,658,179	2,657,540,161	1,818,457,236	18,623,893	4,944,245,906
Fixed assets including premises, furniture and fixtures	5,003,135	2,994	529,486	18,115,026	485,000	24,135,641
Other assets	210,928,968	6,469,093	18,869,368	3,432,084	861,491,285	1,101,190,798
Non-business assets	0	0	0	0	0	0
Total assets	894,426,048	218,130,266	2,681,239,204	1,840,004,346	880,600,178	6,514,400,042
Liabilities						
Borrowings from other banks, financial institutions and agents	37,376,483	131,513,883	655,012,516	1,064,204,834	0	1,888,107,716
Deposits and other accounts	251,645,000	356,400,000	433,773,250	1,244,806,546	36,234,000	2,322,858,796
Provision and other liabilities	85,249,856	80,267,918	189,849,467	210,480,324	4,742,932	570,590,497
Total liabilities	374,271,339	568,181,801	1,278,635,233	2,519,491,704	40,976,932	4,781,557,009
Net liquidity gap	520,154,709	(350,051,535)	1,402,603,971	(679,487,358)	839,623,246	1,732,843,033


 M. A. Khalique
 Chairman

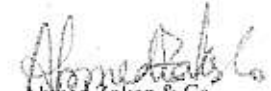

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As per our annexed report of same date.

Dhaka, 22 February 2012


 Ahmed Zaker & Co.
 Chartered Accountants

Fareast Finance & Investment Limited
Notes to the Financial Statements and significant accounting policies
for the year ended 31 December 2011
(forming an integral part of the financial statements)

1. Legal status and nature of the company

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

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

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

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

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

1.3 Principal activities of the company

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

1.4 Nature of operation of the company

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

1.5 Information regarding associate company

The company has 1-(one) associate company namely Fareast Stocks & Bonds Limited (fifty percent shareholding), was incorporated on 03 September 2009 as a private limited company under The Companies Act, 1994 with authorized share capital of Tk.500,000,000. The company had started its operation from 27 April 2010. The main business of the company is to carry on the business as a stock broker, stock dealer in stocks and dealing in securities, commercial papers, bonds, debenture stocks, foreign currencies, treasury bills/bonds and/or any financial instruments.

1.6 *Number of employees of the company*

The number of employees of the company was forty both at the end of the year 2011 and 2010.

2. **Basis of preparation and significant accounting policies**

As per the requirements of BAS 1: "Presentation of Financial Statements" and DFIM circular # 11 dated 23 December 2009 issued by Bangladesh Bank, financial statements comprise a statement of financial position as 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 at 31 December 2011 with a comparative amounts as at 31 December 2010 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 23 December 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 23 December 2009, the comparative amounts have been restated. The figures in the financial statements have been rounded off to the nearest taka.

2.2 *Prior period error*

As per paragraph 49 of BAS 8: "Accounting Policies, Changes in Accounting Estimate and Errors" the company inadvertently did not consider 50% of revaluation reserve of its associate company namely Fareast Stocks & Bonds Limited in the year 2010. Due to such prior year error, investment in associate and revaluation reserve has been reduced by Tk.463,643,750 as such, the balances of investment in associate and revaluation reserve has been restated.

2.3 *Cash flow statement*

Cash flow statement is prepared in accordance with BAS 7: "Cash Flow Statement", DFIM circular # 11 dated 23 December 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.

2.4 *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 23 December 2009.

2.5 *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 23 December 2009 as per following bases:

- a) Balance with other banks and financial institutions are on the basis of their maturity term.
- b) Investments are on the basis of their residual maturity term.
- c) Loans, advances and leases are on the basis of their repayment/maturity schedule.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their adjustment terms.
- f) Borrowings from other banks, financial institutions and agents as per their maturity/repayment terms.
- g) Deposits and other accounts are on the basis of their maturity term and behavioral past trends.
- h) Other liabilities are on the basis of their settlement terms.

2.6 *Contingent liabilities and contingent assets*

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

2.7 *Proposed dividend*

Proposed dividend has not been recognized as a liability in the balance sheet in accordance with BAS 10: "Events after the Reporting Period".



2.8 *Events after the Reporting Period*

All material events occurring after the reporting period has been considered and where necessary, adjusted for or disclosed in note-47.

2.9 *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 period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit and loss account.

2.10 *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 comprise 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

2.11 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.

2.12 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.

2.13 Accounting for term finances

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.

2.14 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.

2.15 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.



2.16 *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.

2.17 *Recognition of investment in associate*

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.

2.18 *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.



2.19 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 of depreciable assets owned, and the depreciation recognized is calculated on the basis set out in BAS 16: "Property, Plant and Equipment".

2.20 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 are recognized as current investment and shown in the Balance Sheet under the current assets and investments head.

Investment in shares has been shown at fair value considering the Bangladesh Bank guidelines and SEC notifications in this regard.

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.

2.21 Borrowings from other banks, 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 23 December 2009 issued by Bangladesh Bank, borrowings from other banks, 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.

2.22 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 23 December 2009 issued by Bangladesh Bank.

2.23 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 balances credited to interest suspense account is recognized as income on cash basis.

2.24 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 unrealized 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 for on cash basis.

e) Other operating income

Income classified as fee has been accounted for 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".

2.25 *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. The fund is operated by a separate Board of Trustees. 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".

2.26 *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".

2.27 *Borrowing costs*

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

2.28 *Related party transactions*

The managements duly identified the party/parties related to the company and disclose the transactions of the related party in note # 42 as per BAS 24: "Related Party Disclosures".

2.29 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 # 39.

Basic earnings per share

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

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 are required to be calculated for the year, as there was no scope for dilution during the year under review.

2.30 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.

2.31 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.

2.32 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 (FFIL) as a financial institution are as follows:

a) 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.

b) 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.

c) 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.

d) 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.

e) 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, routing 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.



3. Additional information on financial statements

3.1 Responsibility for preparation and presentation of financial statements

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

3.2 Components of the financial statements

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

- a) a statement of financial position (Balance Sheet) as at 31 December 2011
- b) a statement of comprehensive income (Profit and Loss Account) for the year ended 31 December 2011
- c) Cash Flow Statement for the year ended 31 December 2011
- d) Statement of Changes in Equity for the year ended 31 December 2011
- e) Liquidity Statement as at 31 December 2011
- f) Notes to the Financial Statements and significant accounting policies.

3.3 Uncertainties for use of estimates in preparation of financial statements

The preparation of financial statements in conformity with the Bangladesh Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of other information at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used for accounting of certain items such as depreciation on fixed assets, accrued expenses and income taxes in respect of note numbers 10, 15.1 and 15.4 respectively.

3.4 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

3.5 Comparatives

As per paragraph 38 of BAS 1: "Presentation of Financial Statements" the company has disclosed comparative information in respect of the previous period for all amounts reported in the current period's financial statements.



3.6 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	Not applicable
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 Reporting Period	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 31	Interests in Joint Ventures	Not applicable
28	BAS 32	Financial Instruments: Presentation	Complied
29	BAS 33	Earnings Per Share	Complied
30	BAS 34	Interim Financial Reporting	Complied
31	BAS 36	Impairment of Assets	Complied
32	BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Complied
33	BAS 38	Intangible Assets	Complied
34	BAS 39	Financial Instruments: Recognition and Measurement	Complied
35	BAS 40	Investment Property	Not applicable
36	BAS 41	Agriculture	Not applicable

3.7 Reporting period

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

		Amounts in Taka	
		2011	2010
4. Cash			
4.1 Cash in hand			
In local currency		12,540	46,000
In foreign currency		0	0
		<u>12,540</u>	<u>46,000</u>
4.2 Balance with Bangladesh Bank and its agent Bank(s)			
In local currency		35,527,236	18,517,655
In foreign currency		0	0
		<u>35,527,236</u>	<u>18,517,655</u>
4.3 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 10 November 2004 and 31 May 2001 respectively. Details calculation are as follows:			
a) Cash Reserve Requirement			
Required reserve		29,182,231	10,836,069
Actual reserve maintained		33,836,516	18,517,655
Surplus/(deficit)		<u>4,654,285</u>	<u>7,681,586</u>
b) Statutory Liquidity Ratio			
Required reserve (including CRR)		74,622,266	34,121,094
Actual reserve maintained (including CRR) (note-4.3.1)		250,585,592	142,019,665
Surplus/(deficit)		<u>175,963,326</u>	<u>107,898,571</u>
4.3.1 Actual reserve maintained (including CRR)			
Cash in hand		12,540	46,000
Balance with Bangladesh Bank and its agent Bank(s) as per bank statement		33,836,516	18,517,655
Balance with other banks and financial institutions as per bank statement		216,736,536	123,456,010
		<u>250,585,592</u>	<u>142,019,665</u>
5. Balance with other banks and financial institutions			
In Bangladesh			
Current accounts (note-5.1)		163,628	171,197
Short term deposit accounts (note-5.2)		11,529,847	21,625,319
Savings accounts (note-5.3)		0	0
Fixed deposit accounts (note-5.4)		204,886,228	107,294,778
		<u>216,579,703</u>	<u>129,091,294</u>
Outside Bangladesh		0	0
		<u>0</u>	<u>0</u>

The company does not maintain any account outside Bangladesh.



		Amounts in Taka	
		2011	2010
5.1 Current accounts			
BRAC Bank Limited	Gulshan Branch	94,911	96,182
Jamuna Bank Limited	Moulovi Bazar Branch	40,855	42,355
Janata Bank Limited	Topkhana Road Corporate Branch	2,603	3,753
National Bank Limited	Gulshan Branch	16,242	17,700
Rupali Bank Limited	Local Office	2,985	4,025
Uttara Bank Limited	Local Office	6,032	7,182
		<u>163,628</u>	<u>171,197</u>
5.2 Short term deposit accounts			
Bank Alfalah Limited	Main Branch	3,077,762	4,713,731
Bangladesh Commerce Bank Limited	Dilkusha Branch	38,695	38,574
BASIC Bank Limited	Dilkusha Branch	452,939	431,752
Bank Asia Limited	Principal Office Branch	1	1
Export Import Bank of Bangladesh Ltd	Motijheel Branch	6,586	6,042
Islami Bank Bangladesh Limited	Foreign Exchange Branch	31,021	30,346
Dhaka Bank Limited	Adamjee Court Branch	777	1,956
Dutch-Bangla Bank Limited	Bashundhara Branch	487,094	6,799
Mercantile Bank Limited	Main Branch	46,987	48,787
Mutual Trust Bank Limited	Dilkusha Branch	287,201	1,206,538
One Bank Limited	Principal Branch	2,333	3,246
Prime Bank Limited	IBB Dilkusha Branch	748,816	730,469
Shahjalal Islami Bank Limited	Dhaka Main Branch	57,411	67,978
Social Islami Bank Limited	Babu Bazar Branch	10,164	2,779
Southeast Bank Limited	Corporate Branch	5,824,578	13,896,414
Standard Bank Limited	Principal Branch	1,800	5,000
The City Bank Limited	Principal Office	455,682	434,907
		<u>11,529,847</u>	<u>21,625,319</u>
5.3 Savings accounts			
		0	0
		<u>0</u>	<u>0</u>
The company does not maintain any savings account.			
5.4 Fixed deposit accounts			
Bangladesh Industrial Finance Co. Ltd	Head Office	0	2,769,000
Reliance Finance Limited	Head Office	200,000,000	100,000,000
Shahjalal Islami Bank Limited	Dhaka Main Branch	4,300,189	3,994,563
Standard Bank Limited	Dhanmondi Branch	586,039	531,215
		<u>204,886,228</u>	<u>107,294,778</u>
5.5 Maturity grouping of balance with other banks and financial institutions			
Up to 1 month		112,279,514	21,796,516
Over 1 month but not more than 3 months		100,000,000	531,215
Over 3 months but not more than 1 year		4,300,189	106,763,563
Over 1 year but not more than 5 years		0	0
Over 5 years		0	0
		<u>216,579,703</u>	<u>129,091,294</u>





		Amounts in Taka	
		2011	2010
6.	Money at call and short notice		
	Bangladesh Industrial Finance Company Limited	0	50,000,000
	Prime Finance & Investment Limited	0	100,000,000
	Pubali Bank Limited	0	50,000,000
	Reliance Finance Limited	0	50,000,000
		<u>0</u>	<u>250,000,000</u>
7.	Investments		
7.1	<i>Investment classified as per nature</i>		
	Government securities (note-7.1.1)	0	0
	Others investments (note-7.1.2)	192,708,218	144,929,265
		<u>192,708,218</u>	<u>144,929,265</u>
7.1.1	<i>Government securities</i>		
	Treasury bills	0	0
	National investment bonds	0	0
	Bangladesh Bank bills	0	0
	Government notes/bonds	0	0
	Prize bonds	0	0
	Others	0	0
		<u>0</u>	<u>0</u>
7.1.2	<i>Others investments</i>		
	Investment in shares (Annexure-A)	192,708,218	144,929,265
	Debenture and bonds	0	0
	Other investment	0	0
	Gold, bullion etc.	0	0
		<u>192,708,218</u>	<u>144,929,265</u>
7.2	<i>Residual maturity grouping of investments</i>		
	Repayable on demand	192,708,218	98,678,447
	Up to 1 month	0	0
	Over 1 month but not more than 3 months	0	0
	Over 3 months but not more than 1 year	0	46,250,818
	Over 1 year but not more than 5 years	0	0
	Over 5 years	0	0
		<u>192,708,218</u>	<u>144,929,265</u>
8.	Loans, advances and leases		
8.1	<i>a) Inside Bangladesh</i>		
	Investment in leases (note-8.1.1)	653,246,474	703,331,160
	Term finances (note-8.1.2)	4,290,999,432	3,165,084,122
		<u>4,944,245,906</u>	<u>3,868,415,282</u>
	<i>b) Outside Bangladesh</i>	0	0
	Total	<u>4,944,245,906</u>	<u>3,868,415,282</u>





	Amounts in Taka	
	2011	2010
8.1.1 Investment in leases		
Principal outstanding	510,749,198	579,746,210
Accounts receivable	122,497,276	95,784,950
Advance against lease finance	20,000,000	27,800,000
Total	653,246,474	703,331,160
8.1.2 Term finances		
Principal outstanding	4,127,660,005	3,047,630,258
Accounts receivable	163,339,427	117,453,864
Total	4,290,999,432	3,165,084,122
8.2 Sector wise loans, advances and leases		
Public sector	0	0
Co-operative sector	55,995,168	55,106,933
Private sector	4,888,250,738	3,813,308,349
	4,944,245,906	3,868,415,282
8.3 Residual maturity grouping of loans, advances and leases		
Repayable on demand	0	0
Not more than 3 months	449,624,616	401,157,863
Over 3 months but not more than 1 year	2,657,540,161	486,649,002
Over 1 year but not more than 5 years	1,818,457,236	2,954,137,528
Over 5 years	18,623,893	26,470,889
	4,944,245,906	3,868,415,282
8.4 Loans, advances and leases on the basis of significant concentration		
a) Loans, advances and leases to Directors and organizations related to Directors	1,837,340,125	1,417,340,125
b) Loans, advances and leases to Chief Executive Officer and other senior executives	0	0
c) Loans, advances and leases to customer groups:		
i) Loans	2,453,659,307	1,747,743,997
ii) Leases	653,246,474	703,331,160
	4,944,245,906	3,868,415,282
d) Loans, advances and leases on sector basis:		
1. Trade and Commerce	166,999,031	167,080,395
2. Industry:		
i) Garments and Knitwear	354,753,170	332,652,043
ii) Textile	248,647,497	300,719,683
iii) Jute and Jute-Products	41,473,680	21,003,154
iv) Food Production and Processing Industry	221,103,604	316,415,944
v) Plastic Industry	122,960,989	16,183,539
vi) Leather and Leather-Goods	0	0
vii) Iron, Steel and Engineering	81,055,202	49,676,452
viii) Pharmaceuticals and Chemicals	186,717,729	206,141,099
ix) Cement and Allied Industry	18,099,751	26,002,077
x) Telecommunication and Information Technology	3,443,304	6,449,872
xi) Paper, Printing and Packaging	114,195,233	18,128,048
xii) Glass, Glassware and Ceramic Industry	51,115,836	60,828,652
xiii) Ship Manufacturing Industry	263,535,947	98,886,348
xiv) Electronics and Electrical Products	12,363,944	13,498,493
xv) Power, Gas, Water and Sanitary Service	60,655,699	61,692,974
xvi) Transport and Aviation	364,303,604	517,627,218





	Amounts in Taka	
	2011	2010
3. Agriculture	12,207,817	37,808,222
4. Housing	93,579,965	89,985,029
5. Others:		
i) Merchant Banking	0	0
ii) Margin Loan	0	0
iii) Others	2,527,033,904	1,527,636,040
	<u>4,944,245,906</u>	<u>3,868,415,282</u>

8.5 *Loans, advances and leases on geographical basis*

Inside Bangladesh

Urban

Dhaka Division	3,676,597,974	2,865,394,601
Chittagong Division	1,079,134,173	809,135,014
Khulna Division	178,345,940	180,104,116
Rajshahi Division	10,167,819	13,781,551
Barisal Division	0	0
Sylhet Division	0	0
	<u>4,944,245,906</u>	<u>3,868,415,282</u>

Rural

Dhaka Division	0	0
Chittagong Division	0	0
Khulna Division	0	0
Rajshahi Division	0	0
Barisal Division	0	0
Sylhet Division	0	0
	<u>0</u>	<u>0</u>
	<u>4,944,245,906</u>	<u>3,868,415,282</u>

Outside Bangladesh

Total

	<u>4,944,245,906</u>	<u>3,868,415,282</u>
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8.6 *Loans, advances and leases on security basis*

Collateral of moveable and immovable assets	1,582,870,511	1,671,912,050
Fixed deposit receipts	633,747,180	117,005,163
Shares of listed public limited companies	119,712,347	258,334,949
Corporate guarantee	216,171,109	293,181,820
Personal guarantee	54,816,089	74,167,734
Other securities	2,336,928,670	1,453,813,566
	<u>4,944,245,906</u>	<u>3,868,415,282</u>

8.7 *Classification of loans, advances and leases*

Unclassified

Standard	4,475,388,746	3,340,653,426
Special mention account	93,453,670	214,300,277
	<u>4,568,842,416</u>	<u>3,554,953,703</u>

Classified

Sub-standard	45,210,261	17,399,544
Doubtful	72,567,798	90,977,298
Bad/Loss	257,625,431	205,084,737
	<u>375,403,490</u>	<u>313,461,579</u>
Total	<u>4,944,245,906</u>	<u>3,868,415,282</u>

			Amounts in Taka	
			2011	2010
8.8 Provision for loans, advances and leases				
Status	Base for provision	Rate (%)		
Provision for unclassified loans, advances and leases-General provision				
Standard	4,475,388,746	1	44,753,887	33,406,534
Special mention account	86,183,952	5	4,309,197	9,742,893
			<u>49,063,084</u>	<u>43,149,427</u>
Provision for classified loans, advances and leases-Specific provision				
Sub-standard	21,279,533	20	4,255,907	1,627,138
Doubtful	37,537,844	50	18,768,922	23,536,129
Bad/Loss	68,597,125	100	68,597,125	50,522,450
			<u>91,621,954</u>	<u>75,685,717</u>
Required provision for loans, advances and leases			<u>140,685,038</u>	<u>118,835,144</u>
Total provision maintained (note-15.2)			<u>140,685,038</u>	<u>118,835,144</u>
Excess/(short) provision as at 31 December			<u>0</u>	<u>0</u>
8.9 Net loans, advances and leases				
Total loans, advances and leases (note-8.0)			<u>4,944,245,906</u>	<u>3,868,415,282</u>
Less:				
Non-performing loans, advances and leases (note-8.7)			375,403,490	313,461,579
Interest suspense (note-15.5)			84,988,359	82,864,412
Provision for loans, advances and leases (note-15.2)			<u>140,685,038</u>	<u>118,835,144</u>
			<u>601,076,887</u>	<u>515,161,135</u>
			<u>4,343,169,019</u>	<u>3,353,254,147</u>
8.10 Particulars of loans, advances and leases				
a)	Loans, advances and leases considered good in respect of which the financial institution is fully secured		4,673,258,708	3,501,065,728
b)	Loans, advances and leases considered good against which the financial institution holds no security other than the debtors personal guarantee		54,816,089	74,167,734
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		216,171,109	293,181,820
			<u>4,944,245,906</u>	<u>3,868,415,282</u>
d)	Loans, advances and leases adversely classified: provision not maintained there		0	0
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		0	0
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		1,837,340,125	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		0	0

	Amounts in Taka	
	2011	2010
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	0	0
i) Due from banks and other financial institutions	0	0
j) Classified loans, advances and leases:		
i) Classified loans, advances and leases on which no interest has been charged	375,403,490	313,461,579
ii) Provision on classified loans, advances and leases	91,621,954	75,685,717
iii) Provision kept against loans, advances and leases classified as bad debts	68,597,125	50,522,450
iv) Interest credited to interest suspense account (note-15.5)	84,988,359	82,864,412
k) Cumulative amount of written-off of loans, advances and leases		
Opening balance	119,906,493	78,763,251
Add: Amount written-off during the year	3,130,198	41,143,242
Less: Adjustment against realised written-off amount	24,018,754	0
	99,017,937	119,906,493
Amount realized against loans, advances and leases previously written-off	18,000,000	0
Amount relating to written-off/classified loans, advances and leases for which law suites has been filed excluding late payment interest and other charges	324,732,561	190,527,291

8.11 Suites filed by the company

As at 31 December 2011, Fareast Finance & Investment Limited filed 21 suits against 21 clients under Artha Rin Adalat Ain 2003. Total suit amount was Tk.392,074,117 only.

9. Bills purchased and discounted

Payable in Bangladesh	0	0
Payable outside Bangladesh	0	0
	0	0

As at 31 December 2011, Fareast Finance & Investment Limited was not involved in any transactions relating to bills purchase and or discount.

10. Fixed assets including premises, furniture and fixtures

Cost

Balance as at 01 January	25,620,787	23,136,175
Add: Addition during the period	18,102,852	4,242,877
Less: Disposal during the period	0	1,758,265
Balance as at 31 December	43,723,639	25,620,787

Accumulated depreciation

Balance as at 01 January	13,744,080	11,595,081
Add: Addition during the period	5,843,918	3,436,897
Less: Disposal during the period	0	1,287,898
Balance as at 31 December	19,587,998	13,744,080
Written down value of the asset as at 31 December (Annexure-B)	24,135,641	11,876,707



	Amounts in Taka	
	2011	2010
11. Other assets		
Advances, Deposits and Prepayments (note-11.1)	21,908,619	151,557,906
Interest and Commission Receivable (note-11.2)	70,486,593	35,073,495
Investment in associate (note-11.3)	861,491,285	677,042,366
Amount receivable against shares sold	145,951,111	4,621,440
Deferred tax assets (note-11.4)	838,521	0
Miscellaneous	514,669	252,646
	<u>1,101,190,798</u>	<u>868,547,853</u>

11.1 Advances, Deposits and Prepayments

Advance to employees	86,500	559,000
Advance against car loan facility	0	666,656
Advance corporate income tax	18,114,646	8,167,562
Advance office rent	3,129,423	2,700,000
Advance to Fareast Capital Management Limited	567,450	0
Advance to Fareast Stocks & Bonds Limited	0	133,400,000
Advance to vendors for new office premises	0	6,054,088
Miscellaneous	10,600	10,600
	<u>21,908,619</u>	<u>151,557,906</u>

11.2 Interest and Commission Receivable

Guarantee commission receivable	3,750,000	0
Interest accrued on fixed deposit receipts	12,000,936	2,373,436
Interest accrued on call loan	0	951,389
Interest accrued on loans, advances and leases	54,735,657	31,748,670
	<u>70,486,593</u>	<u>35,073,495</u>

11.3 Investment in associate

Considering the paragraph 11 of 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 the cost of the investment in an associate are recognised 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 recognised directly in the equity of the associate, the company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Fareast Finance & Investment Limited has one associate namely Fareast Stocks & Bonds Limited (50% shareholding) on the date of reporting. Movement of investment in associate is as follows:

Balance at 01 January	677,042,366	95,000,000
Investment/(Adjustment)	133,250,000	712,500
Revaluation reserve*	0	463,643,750
Share of profit for the year	51,198,919	117,686,116
Cash dividend	0	0
Balance at 31 December	<u>861,491,285</u>	<u>677,042,366</u>

* Please see note-2.2.

11.3.1 Revaluation reserve

Revaluation reserve includes proportionate revaluation reserve of Fareast Stocks & Bonds Limited. In the year 2010, Fareast Stocks & Bonds Limited revalued its membership of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) based on the prevailing market price.





Amounts in Taka	
2011	2010

11.4 *Deferred tax asset*

Deferred tax has been calculated based on deductible taxable temporary difference arising due to difference in the carrying amount of the assets and its tax base in accordance with the provision of BAS 12: "Income Taxes". Deferred tax asset is arrived at as follows:

Particulars	Carrying amount at balance sheet	Tax base	(Taxable)/deductible temporary difference
Assets			
Fixed assets net of depreciation	24,135,641	26,108,631	1,972,990
Liabilities	0	0	0
Total	<u>24,135,641</u>	<u>26,108,631</u>	<u>1,972,990</u>
Applicable tax rate			42.50%
Deferred tax asset as on 31 December 2011			<u>838,521</u>

11.5 *Divisions of other assets*

Income generating other assets	931,977,878	712,115,861
Non income generating other assets	169,212,920	156,431,992
	<u>1,101,190,798</u>	<u>868,547,853</u>

12. **Non-business assets**

	0	0
	<u>0</u>	<u>0</u>

As at 31 December 2011, Fareast Finance & Investment Limited does not have any non-business assets.

13. **Borrowings from other banks, financial institutions and agents**

In Bangladesh (note-13.1)	1,888,107,716	2,032,427,567
Outside Bangladesh (note-13.2)	0	0
	<u>1,888,107,716</u>	<u>2,032,427,567</u>

13.1 *In Bangladesh*

Bangladesh Commerce Bank Limited	85,613,666	9,362,601
Bank Alfalah Limited	26,542,340	36,098,186
BASIC Bank Limited	180,406,286	228,162,415
Dutch-Bangla Bank Limited	140,904,875	200,000,000
Dhaka Bank Limited	75,927,355	92,445,211
International Leasing And Financial Services Limited	9,933,944	1,110,339
Mercantile Bank Limited	68,333,327	88,333,331
Mutual Trust Bank Limited	275,617,305	443,351,960
National Bank Limited	77,890,481	109,149,272
One Bank Limited	14,352,238	31,467,073
Pubali Bank Limited	113,549,089	170,236,844
Rupali Bank Limited	164,860,007	45,613,397
Shahjalal Islami Bank Limited	242,366,923	0
Social Islami Bank Limited	117,012,955	184,024,701
Sonali Bank Limited	57,888,000	78,944,000
Southeast Bank Limited	101,227,067	85,788,731
Standard Bank Limited	35,868,759	44,314,214
Trust Bank Limited	(89,247)	691,954
Uttara Bank Limited	99,902,346	183,333,338
	<u>1,888,107,716</u>	<u>2,032,427,567</u>



	Amounts in Taka	
	2011	2010
13.2 <i>Outside Bangladesh</i>	0	0
	<u>0</u>	<u>0</u>

As at 31 December 2011, the company does not have any borrowing from outside Bangladesh.

13.3 <i>Security against borrowings from other banks, financial institutions and agents</i>		
Secured	1,888,107,716	2,032,427,567
Unsecured	0	0
	<u>1,888,107,716</u>	<u>2,032,427,567</u>

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

13.4 <i>Maturity grouping of borrowings from other banks, financial institutions and agents</i>		
Payable on demand	0	0
Up to 1 month	37,376,483	126,960,680
Over 1 month but not more than 3 months	131,513,883	124,598,148
Over 3 month but not more than 1 year	655,012,516	424,479,340
Over 1 year but not more than 5 years	1,064,204,834	1,356,389,399
Over 5 years	0	0
	<u>1,888,107,716</u>	<u>2,032,427,567</u>

14. Deposits and other accounts		
Current deposits (note-14.1)	0	0
Bills payable (note-14.2)	0	0
Savings deposits (note-14.3)	0	0
Term deposits (note-14.4)	2,322,858,796	1,171,199,591
Bearer certificate of deposit (note-14.5)	0	0
Other deposits (note-14.6)	0	0
	<u>2,322,858,796</u>	<u>1,171,199,591</u>

14.1 <i>Current deposits</i>	0	0
	<u>0</u>	<u>0</u>

To conform the Bangladesh Bank's guidelines regarding deposits, the company does not operate any current deposit account.

14.2 <i>Bills payable</i>	0	0
	<u>0</u>	<u>0</u>

As at 31 December 2011, the company does not have any bills payable.

14.3 <i>Savings deposits</i>	0	0
	<u>0</u>	<u>0</u>

To conform the Bangladesh Bank's guidelines regarding deposits, the company does not operate any savings deposit account.

14.4 <i>Term deposits</i>		
Deposits from other banks and financial institutions (note-14.4.1)	1,150,000,000	740,000,000
Deposits from customers (note-14.4.2)	1,172,858,796	431,199,591
	<u>2,322,858,796</u>	<u>1,171,199,591</u>



	Amounts in Taka	
	2011	2010
<i>14.4.1 Deposits from other banks and financial institutions</i>		
Agrani Bank Limited	0	150,000,000
Bangladesh Commerce Bank Limited	50,000,000	150,000,000
BRAC Bank Limited	100,000,000	60,000,000
Dutch-Bangla Bank Limited	0	100,000,000
Eastern Bank Limited	100,000,000	20,000,000
Investment Corporation of Bangladesh	350,000,000	0
Janata Bank Limited	0	50,000,000
Social Islami Bank Limited	150,000,000	100,000,000
Sonali Bank Limited	300,000,000	0
The City Bank Limited	0	110,000,000
United Commercial Bank Limited	100,000,000	0
	<u>1,150,000,000</u>	<u>740,000,000</u>
<i>14.4.2 Deposits from customers</i>		
Deposits from general public	410,572,793	257,515,267
Deposits from companies	762,286,003	173,684,324
	<u>1,172,858,796</u>	<u>431,199,591</u>
<i>14.4.3 Rate of interest</i>		
Rate of interest on term deposit receipts ranges from 10% to 16.5%.		
<i>14.5 Bearer certificate of deposit</i>	0	0
	<u>0</u>	<u>0</u>
To conform the Bangladesh Bank's guidelines regarding deposits, the company does not have any bearer certificate of deposit.		
<i>14.6 Other deposits</i>	0	0
	<u>0</u>	<u>0</u>
As at 31 December 2011, the company does not have any other deposit account.		
<i>14.7 Maturity grouping of deposits and other accounts</i>		
Payable on demand	0	0
Up to 1 month	251,645,000	329,572,045
Over 1 month but not more than 6 months	668,275,750	443,677,539
Over 6 month but not more than 1 year	121,897,500	297,145,567
Over 1 year but not more than 5 years	1,244,806,546	96,536,458
Over 5 years but not more than 10 years	36,234,000	4,267,982
Over 10 years	0	0
	<u>2,322,858,796</u>	<u>1,171,199,591</u>
15. Other liabilities		
Expenditure and other payables (note-15.1)	194,677,613	93,543,742
Provision for bonus	2,283,640	2,845,075
Provision for loans, advances and leases (note-15.2)	140,685,038	118,835,144
Provision for the diminution in the value of investments (note-15.3)	25,310,659	4,608,479
Provision for income tax (note-15.4)	87,595,137	67,595,137
Interest suspense account (note-15.5)	84,988,359	82,864,412
Advance rental/installment against loans, advances and leases	19,486,826	19,488,197
Received from clients against partial rental/installment	11,725,024	73,428,769
Margin loan from Prime Finance Capital Management Limited	357,745	0
Leave fare assistance payable	3,737	3,737
Income Tax, VAT and Excise Duty deducted at source	3,476,719	339,025
	<u>570,590,497</u>	<u>463,551,717</u>



	Amounts in Taka	
	2011	2010
15.1 Expenditure and other payables		
Accrual of leave encashment	738,687	948,727
Accrued interest on borrowings from other banks, financial institutions and agents	47,236,424	23,229,125
Accrued interest on deposits and other accounts	145,821,011	68,529,600
Auditors' fee	130,625	144,015
Office rent	623,616	572,125
Office utilities	64,000	68,000
Office security	15,000	13,500
Office plantation	3,000	0
Telephone and mobile bill	45,250	38,650
	<u>194,677,613</u>	<u>93,543,742</u>
15.2 Provision for loans, advances and leases		
This represents the amount arrived at after calculation as per circulars issued by the Bangladesh Bank in this context in order to cover all the required provisions of the company as at 31 December 2011. Total provision is made up as follows:		
General provision on unclassified loans, advances and leases	49,063,085	43,149,427
Specific provision on classified loans, advances and leases	91,621,953	75,685,717
Balance at 31 December	<u>140,685,038</u>	<u>118,835,144</u>
Movements in general provision on unclassified loans, advances and leases		
Balance at 01 January	43,149,427	26,496,384
Add: Provision made during the year	5,913,658	16,653,043
Balance at 31 December	<u>49,063,085</u>	<u>43,149,427</u>
Movements in specific provision on classified loans, advances and leases		
Balance at 01 January	75,685,717	19,102,959
Less: Fully provided debts written-off during the year	2,279,967	34,633,114
Add: Recoveries of amount previously written-off	0	0
Add: Provision made during the year	18,216,203	91,215,872
Less: Provision no longer required	0	0
Add: Net charge to profit and loss account	18,216,203	91,215,872
Balance at 31 December	<u>91,621,953</u>	<u>75,685,717</u>
Total	<u>140,685,038</u>	<u>118,835,144</u>
15.3 Provision for the diminution in the value of investments		
Balance at 01 January	4,608,479	451,200
Add: Provision made during the year	20,702,180	4,157,279
Balance at 31 December (Annexure-A for detail)	<u>25,310,659</u>	<u>4,608,479</u>
15.4 Provision for income tax		
The company calculated its tax liability considering the BAS 12: "Income Taxes". Details calculation of tax liability as at 31 December 2011 is as follows:		
Balance at 01 January	67,595,137	32,095,137
Add: Provision made during the year (note-38)	19,161,479	35,500,000
Add: Deferred tax asset (note-11.4)	838,521	0
Balance at 31 December	<u>87,595,137</u>	<u>67,595,137</u>
Current tax liability	87,595,137	51,223,729
Deferred tax liability	0	16,371,408
Total	<u>87,595,137</u>	<u>67,595,137</u>

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



Amounts in Takca	
2011	2010

15.5 *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 at 01 January	82,864,412	49,557,641
Add: Amount transferred to interest suspense account during the year	2,974,178	39,816,899
Less: Amount recovered from interest suspense account during the year	0	0
Less: Amount written-off during the year	850,231	6,510,128
Balance at 31 December	84,988,359	82,864,412

15.5.1 *Details of interest suspense account*

Interest suspense for unclassified loans, advances and leases

Standard	0	0
Special mention account	7,269,718	19,442,410
	<u>7,269,718</u>	<u>19,442,410</u>

Interest suspense for classified loans, advances and leases

Sub-standard	4,657,827	2,260,984
Doubtful	15,007,484	19,830,401
Bad/Loss	58,053,330	41,330,617
	<u>77,718,641</u>	<u>63,422,002</u>
Total	84,988,359	82,864,412

16. **Share capital**

16.1 *Authorized capital*

200,000,000 ordinary shares of Tk.10 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>
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16.2 *Issued, subscribed and fully paid up capital*

104,601,624 ordinary shares of Tk.10 each	<u>1,046,016,240</u>	<u>871,680,200</u>
	<u>1,046,016,240</u>	<u>871,680,200</u>

The company did not issue any share other than cash on the basis of any agreement.

16.3 *Raising of share capital*

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

Year	Type of issue of paid up capital	# 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
2011	Bonus share	17,433,604	10	174,336,040	1,046,016,240
Total		<u>104,601,624</u>		<u>1,046,016,240</u>	

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 20 October 2010.



16.4 *Composition of shareholders by shareholding as at 31 December 2011*

	Amounts in Taka	
	2011	2010
Holding of shares	# of holders	Holding (%)
Less than 500 shares	0	0
500 to 5,000 shares	0	0
5,001 to 10,000 shares	0	0
10,001 to 20,000 shares	0	0
20,001 to 30,000 shares	0	0
30,001 to 40,000 shares	0	0
40,001 to 50,000 shares	0	0
50,001 to 100,000 shares	0	0
100,001 to 1,000,000 shares	1	0.47
Over 1,000,000 shares	29	99.53
Total	30	100.00

16.5 *Capital adequacy requirement*

As per Clause-4 (Gha) of The Financial Institutions Regulations, 1994 and Bangladesh Bank's DFIM Circular # 5 dated 24 July 2011, company's capital adequacy is as under:

Required capital	Paid up capital	Excess/(deficit)
1,000,000,000	1,046,016,240	46,016,240

17. **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 at 01 January	92,924,248	47,308,589
Add: Transferred during the year	21,719,570	45,615,659
Balance at 31 December	114,643,818	92,924,248

18. **Retained earnings**

Balance at 01 January	195,996,983	130,984,348
Less: Issue of bonus shares	174,336,040	117,450,000
Add: Net profit for the year	108,597,852	228,078,294
Less: Transfer to statutory reserve	21,719,570	45,615,659
Balance at 31 December	108,539,225	195,996,983

19. **Contingent liabilities and commitments**

19.1 *Contingent liabilities*

Acceptances and endorsements	0	0
Letter of guarantee (note-19.1.1)	750,000,000	750,850,000
Irrevocable letter of credit	0	0
Bills for collection	0	0
Other contingent liabilities	0	0
	750,000,000	750,850,000

19.1.1 *Letters of guarantee*

Claims lodged with the company which is not recognized as loan	0	0
Money for which the company is contingently liable in respect of the following:		
Directors	0	0
Government	0	0
Banks and other financial institutions	0	0
Others	750,000,000	750,850,000
	750,000,000	750,850,000

19.2 *Other commitments*

Documentary credits and short term trade related transactions	0	0
Forward assets purchased and forward deposits placed	0	0
Undrawn note issuance and revolving underwriting facilities	0	0
Spot and foreign exchange rate contract	0	0
Undrawn formal standby facilities, credit lines and other commitments	0	0
	0	0





	Amounts in Taka	
	2011	2010
20. Income statement		
Income		
Interest, discount and similar income (note-20.1)	660,389,510	668,844,751
Dividend income (note-23)	1,272,645	904,242
Commission, exchange and brokerage (note-24)	3,827,000	4,958,257
Gains less losses arising from dealing in securities	0	0
Gains less losses arising from investment in securities	0	0
Gains less losses arising from dealing in foreign currencies	0	0
Income from non-business assets	0	0
Other operating income (note-25)	71,756,463	133,043,817
Profit less losses on interest rate changes	0	0
	<u>737,245,618</u>	<u>807,751,067</u>
Expenses		
Interest expenses on deposits, borrowings, etc. (note-22)	505,662,959	370,047,641
Charges on losses regarding loans, advances and leases	0	0
Administrative expenses (note-20.2)	45,343,616	45,905,328
Other operating expenses (note-35)	7,803,753	12,756,713
Depreciation on company's fixed assets (note-34)	5,843,918	3,436,897
	<u>564,654,246</u>	<u>432,146,579</u>
	<u>172,591,372</u>	<u>375,604,488</u>
20.1 Interest, discount and similar income		
Interest income on loans, advances and leases (note-21)	678,445,423	435,045,891
Capital gain on sale of shares (note-23)	(18,055,913)	233,798,860
	<u>660,389,510</u>	<u>668,844,751</u>
20.2 Administrative expenses		
Salary and allowances (note-26)	25,681,580	23,725,263
Rent, taxes, insurance, electricity, etc. (note-27)	7,152,912	10,648,559
Legal expenses (note-28)	1,801,805	2,094,628
Postage, stamp, telecommunication, etc. (note-29)	713,299	269,232
Stationery, printing, advertisement, etc. (note-30)	3,576,354	3,264,659
Managing Director's salary and allowances (note-31)	4,794,430	4,020,000
Directors' fees (note-32)	830,000	866,000
Auditors' fees (note-33)	130,625	230,000
Repairs of company's fixed assets (note-34)	662,611	786,987
	<u>45,343,616</u>	<u>45,905,328</u>
21. Interest income on loans, advances and leases		
Interest on term finances	566,710,856	332,302,402
Lease income	79,225,286	82,898,546
Interest during grace period	10,380,034	10,404,360
Interest on call loans	4,187,500	5,358,125
Total interest income on loans, advances and leases	<u>660,503,676</u>	<u>430,963,433</u>
Interest on balance with banks and other financial institutions	17,941,747	4,082,458
	<u>678,445,423</u>	<u>435,045,891</u>



		Amounts in Taka	
		2011	2010
22.	Interest expenses on borrowings, deposits, etc.		
a)	Interest expenses on borrowings		
	Interest on term loans	271,265,379	218,098,128
	Interest on call loans	2,888,820	11,379,539
	Interest on secured overdrafts	22,261,789	7,120,046
	Interest on margin accounts	19,983	3,663,134
	Bank charges	439,635	476,116
		<u>296,875,606</u>	<u>240,736,963</u>
b)	Interest expenses on deposits	<u>208,787,353</u>	<u>129,310,678</u>
	Total	<u>505,662,959</u>	<u>370,047,641</u>
23.	Investment income		
	Capital gain on sale of shares	(18,055,913)	233,798,860
	Dividend income	1,272,645	904,242
		<u>(16,783,268)</u>	<u>234,703,102</u>
24.	Commission, exchange and brokerage		
	Guarantee commission	3,827,000	4,953,733
	Realization of L/C commission	0	4,524
		<u>3,827,000</u>	<u>4,958,257</u>
25.	Other operating income		
	Income from associate	51,198,919	117,686,116
	Documentation fees	752,837	1,169,545
	Realization of late payment interest	19,214,800	13,086,789
	Profit/(loss) on disposal of leased assets	357,014	1,008,518
	Profit/(loss) on disposal of fixed assets	0	(221,067)
	Miscellaneous earnings	232,893	313,916
		<u>71,756,463</u>	<u>133,043,817</u>
26.	Salary and allowances		
	Basic pay and allowances	18,315,330	16,090,638
	Bonus (note-26.1)	3,719,104	4,272,775
	Company's contribution to provident fund	975,512	795,687
	Retirement benefit and gratuity	1,560,283	1,630,162
	Annual leave encashment	1,111,351	936,001
		<u>25,681,580</u>	<u>23,725,263</u>
26.1	Bonus		
	Festival	1,350,680	1,277,068
	Performance	2,368,424	2,995,707
		<u>3,719,104</u>	<u>4,272,775</u>
27.	Rent, taxes, insurance, electricity, etc.		
	Rent, rate and taxes	6,588,641	10,350,375
	Insurance	98,208	0
	Power and electricity	466,063	298,184
		<u>7,152,912</u>	<u>10,648,559</u>
28.	Legal expenses		
	Legal expenses	1,285,921	1,614,187
	Professional charges	515,884	480,441
		<u>1,801,805</u>	<u>2,094,628</u>





	Amounts in Taka	
	2011	2010
29. Postage, stamp, telecommunication, etc.		
Postage	25,087	17,372
Telegram, telex, fax, and e-mail	4,000	3,000
Data communication	120,360	80,735
Telephone-office	555,039	162,833
Telephone-residence	8,813	5,292
	<u>713,299</u>	<u>269,232</u>
30. Stationery, printing, advertisement, etc.		
Office stationery	216,910	354,462
Computer consumable stationery	112,108	140,570
Publicity and advertisement	3,247,336	2,769,627
	<u>3,576,354</u>	<u>3,264,659</u>
31. Managing Director's salary and allowances		
Basic pay	1,614,202	1,440,000
Bonus	844,430	720,000
House rent allowance	836,956	720,000
House maintenance allowance	321,965	200,004
Medical allowance	371,965	320,004
Entertainment allowance	203,976	180,000
Utility allowance	321,960	199,992
Leave fare assistance	278,976	240,000
	<u>4,794,430</u>	<u>4,020,000</u>
Besides, total perquisites of Tk.213,927 in the year 2011 (Tk.499,895 in the year 2010) was paid in relation to the Managing Director of the company which includes the financial expenses incurred for the vehicle taken on lease.		
32. Directors' fees		
Fees		
Board of Directors	500,000	536,000
Board Audit Committee	90,000	85,000
Executive Committee	240,000	245,000
	<u>830,000</u>	<u>866,000</u>
Other benefits	<u>0</u>	<u>0</u>
	<u>830,000</u>	<u>866,000</u>

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

- a) In the year 2011 the following meetings were held:

Name of meetings	Number of meetings	
Board of Directors	11	13
Board Audit Committee	5	6
Executive Committee	9	10

- b) Directors did not take 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 special services rendered.
- d) Tk.4,000 (up to February 2010) and Tk.5,000 (from March 2010) per person per meeting was paid to the Directors of the company as attendance fee.





		Amounts in Taka	
		2011	2010
33. Auditors' fees			
Auditors' fees including VAT @ 4.5%		130,625	230,000
Auditors' certificate fees		0	0
		<u>130,625</u>	<u>230,000</u>
34. Depreciation and repairs of company's assets			
Depreciation on company's fixed assets (Annexure-B)		5,843,918	3,436,897
Repairs of company's fixed assets		662,611	786,987
		<u>6,506,529</u>	<u>4,223,884</u>
35. Other operating expenses			
Office maintenance		3,846,833	4,608,011
Travel and conveyance		139,139	303,300
Motor vehicle expenses		1,673,203	1,490,597
Meeting expenses		311,255	398,058
Training expenses		137,500	217,500
Books and periodicals		11,420	15,720
Share business expense		798,361	4,975,717
Subscription		200,000	200,000
Entertainment and public relation		555,862	421,930
Annual General Meeting		15,180	10,880
Miscellaneous		115,000	115,000
		<u>7,803,753</u>	<u>12,756,713</u>
Tk.883,254 was spent for the year 2011 (Tk.730,725 for the year 2010) for the vehicle used by the Chairman following of Bangladesh Bank's guidelines.			
36. Provision for loans, advances and leases			
General provision on unclassified loans, advances and leases		5,913,658	16,653,043
Specific provision on classified loans, advances and leases		18,216,203	91,215,872
		<u>24,129,861</u>	<u>107,868,915</u>
37. Provision for investment in shares			
Balance at 01 January		4,608,479	451,200
Add: Provision made during the year		20,702,180	4,157,279
Balance at 30 June (Annexure-A for detail)		<u>25,310,659</u>	<u>4,608,479</u>
38. Provision for income tax			
Current tax		36,371,408	27,751,468
Deferred tax		(17,209,929)	7,748,532
Total		<u>19,161,479</u>	<u>35,500,000</u>
39. Earning per share (EPS)			
Net profit after tax for the year		108,597,852	228,078,294
Weighted average number of ordinary shares at 31 December (Note-39.1)		104,601,624	33,108,043
Restated weighted average number of ordinary shares		104,601,624	104,601,624
Total number of ordinary shares		104,601,624	104,601,624
Earnings per share (Basic)		1.04	6.89
Earnings per share (restated 2010)		1.04	2.18
Diluted earnings per share		1.04	2.18



39.1 *Weighted average number of ordinary shares at 31 December 2011*

	Number of shares	Date	Days	Weighted average
Balance at 01 January 2011	87,168,020	1-Jan-11	365	87,168,020
Bonus shares issued	17,433,604	29-Mar-11	365	17,433,604
Balance at 31 December 2011	104,601,624			104,601,624

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

40. **Number of employees**

At the end of the year the number of employees drawing Tk.3,000 or above per month was forty (forty in 2010).

41. **Assets pledged as security for liabilities**

As at 31 December 2011, all the fixed and floating assets of the company were pledged as security under pari-passu security sharing agreement with lenders.

42. **Related party disclosures**

42.1 *Name of directors and their interest in different organizations*

According to the Bangladesh Accounting Standard-24 "Related Party Disclosures" and DFIM circular # 11 dated 23 December 2009, directors' name and their interest in different organizations are presented in Annexure-C.

42.2 *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 FSB
Mr. M. A. Khaleque	2	7
Mr. Md. Anwer Hossian Khan	8	10
Mr. M. A. Wahhab	5	10

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

Till 31 December 2011, no shares were issued to the directors and executives of the company without having any consideration or at a discount.

42.4 *Related party transactions*

As per Bangladesh Accounting Standard-24 "Related Party Disclosures" and DFIM circular # 11 dated 23 December 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 given	4,300,189
		Term loan taken	242,366,923
		STD account	57,411
			238,009,323
Prime Islami Life Insurance Limited	Mr. M. A. Wahhab	Deposit taken	150,256,928
Fareast Islami Life Insurance Co. Limited	Mr. M. A. Khaleque	Deposit taken	474,460,000
Prime Bank Limited	Mr. M. A. Khaleque	STD account	748,816
Fareast Stocks & Bonds Limited	Mr. M. A. Khaleque Mr. Md. Anwer Hossian Khan Mr. M. A. Wahhab	Investments	861,491,285
		Term loan given	1,837,340,125
			2,698,831,410

42.5 *Status of transactions done with related parties*

As at 31 December 2011, there is no balance outstanding to the related parties other than disclosed in note-42.4.

42.6 *Business with related parties*

As at 31 December 2011, the company does not have any business with related parties under section 18(2) of the Bank Companies Act 1991.

42.7 *Transactions with the securities of related parties*

As at 31 December 2011, the company holds the shares of the following related parties:

Name of related party	Related directors	Number of shares
Shahjalal Islami Bank Limited	Mr. Md. Anwer Hossian Khan	<u>36,000</u>
Prime Islami Life Insurance Limited	Mr. M. A. Wahhab	<u>15,000</u>
Prime Bank Limited	Mr. M. A. Khaleque Mr. M. A. Wahhab	<u>66,253</u>
Fareast Islami Life Insurance Co. Limited	Mr. M. A. Khaleque	<u>294,036</u>
Fareast Stocks & Bonds Limited	Mr. M. A. Khaleque Mr. Md. Anwer Hossian Khan Mr. M. A. Wahhab	<u>29,712,500</u>

42.8 *Transaction with key management personnel*

As per paragraph 16 and 17 of BAS: 24 "Related Party Disclosures", the compensation of key management personnel are given below:

42.8.1 *Compensation of key management personnel*

a) Short-term employee benefits

Basic pay and allowances	10,523,439	10,282,933
Bonus	2,600,588	1,713,416
Annual leave encashment	849,451	146,232
Motor vehicle expenses	702,930	585,526
Telephone and mobile allowances	73,321	20,738
	<u>14,749,729</u>	<u>12,748,845</u>

b) Post-employment benefits

Company's contribution to provident fund	455,915	448,955
Retirement benefit and gratuity	1,489,800	663,522
	<u>1,945,715</u>	<u>1,112,477</u>

c) Other long-term benefits

d) Termination benefits

e) Share-based payments

Total

	0	0
	0	0
	0	0
	<u>16,695,444</u>	<u>13,861,322</u>

42.8.2 *Other transactions with key management personnel*

There is no transaction other than compensation with key management personnel.



43. Disclosure on Board Audit Committee

43.1 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	Educational qualification
Mr. Md. Anwer Hossain Khan	Director	Chairman	M. Com.
Mr. Delwar Hossain Rana	Director	Member	B. Com. (Management)
Mrs. Umme Fatima Khaledee Jahan	Director	Member	Advanced Diploma in Business
Mr. Md. Azmat Rahman	Director	Member	B. Sc. (Engineering)
Mr. Md. Ershad Ullah	Director	Member	BBA (Management)

43.2 Meetings held by the committee during the year

In the year 2011 the Committee met five times.

43.3 Activities of the audit committee during the year

In the year 2011 the Board Audit Committee carried out the following activities:

- 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.
- Monitoring and review of the compliance regarding the security documentation as approved by the Board of Directors.
- Regular monitoring of the company's portfolio.
- Review of the company's overdue position with the objective of reduction in amount and quality.
- Review and recommendation to the Board regarding the delinquent portfolio against which litigation started by the company.
- Review and recommendation to the Board regarding reschedule of facilities.
- Monitoring the internal control system of the company and its compliance.
- Discussion on the reports issued by Bangladesh Bank and statutory auditors and actions taken by the management.

43.4 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:

- 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.
- Company's assets are reasonably safeguarded and the financial position of the company is sound enough.
- Overdue and litigation position of the company as stated by the management presents a true and fair view.

44. 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 2011 the committee met nine times.

45. Disclosure regarding branch

As at 31 December 2011, the company has no branch in or outside Bangladesh. For having a branch at Chittagong the consent of Bangladesh Bank is under process.





46. Highlights

Highlights of the company for the year 2011 and 2010 is presented below:

Sl. #	Particulars	Amounts in Taka	
		2011	2010
1	Paid up capital	1,046,016,240	871,680,200
2	Total capital	1,781,906,118	1,667,394,608
3	Capital surplus/(deficit)	46,016,240	567,677,183
4	Total assets	6,514,400,042	5,291,424,056
5	Total deposits	2,322,858,796	1,171,199,591
6	Total loans, advances and leases	4,944,245,906	3,868,415,282
7	Total contingent liabilities and commitments	750,000,000	750,850,000
8	Credit deposit ratio	212.85	330.30
9	% of classified loans, advances and leases against total loans, advances and leases	7.59	8.10
10	Profit after provisions and income tax	108,597,852	228,078,294
11	Loans, advances and leases classified during the year	375,403,490	313,461,579
12	Provision kept against classified loans, advances and leases	91,621,953	75,685,717
13	Provision surplus/(deficit)	0	0
14	Cost of fund (%)	14.76	12.18
15	Interest earning assets	6,285,511,705	5,104,551,702
16	Non-interest earning assets	228,888,337	186,872,354
17	Return on investments (ROI) (%)	13.48	19.71
18	Return on assets (ROA) (%)	1.84	6.28
19	Income from investments	(16,783,268)	234,703,102
20	Earnings per share (restated)	1.04	2.18
21	Net income per share	1.04	2.18
22	Price earnings ratio (times)-based on face value	9.63	4.59

47. Subsequent events-disclosure under BAS-10 "Events after the Reporting Period"

47.1 Dividend for the year 2011

As per paragraph 13 of BAS: 10 "Events after the Reporting Period" and paragraph 137 of BAS: 1 "Presentation of Financial Statements", the Board of Directors at the 128th board meeting held on 22 February 2012, recommended to the shareholders a stock dividend @ 10% i.e. one bonus share for every ten fully paid shares of Tk.10 each (amounting to Tk.104,601,624). This will be considered for approval by the shareholders at the 11th Annual General Meeting (AGM) to be held on 8 March 2012.

47.2 Issue of shares through IPO

The company is in the process for listing its securities with Stock Exchanges through issuance of new shares to raise the capital for the expansion of business in the year 2012.

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

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





49. General

49.1 Business

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

Description	2011		2010	
	Contracted Taka	Disbursed Taka	Contracted Taka	Disbursed Taka
Term finances	1,808,900,000	1,696,500,000	2,752,990,125	2,489,690,125
Leases	94,202,773	89,102,123	165,844,400	157,898,500
Total	1,903,102,773	1,785,602,123	2,918,834,525	2,647,588,625


49.2 Office space

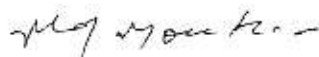
The company is using 7,500 sft at its registered address @ Tk.60 per sft. The property is owned by Eunoos Trade Centre Limited. The lease agreement signed with the company was effective from 01 December 2009 to 30 November 2021. The rate of rent shall be valid for a period of 2 years commencing from 01 December 2009 up to 30 November 2011 and thereafter the rent shall increase @ 15% after expiry of every 2 years on the then existing rate.

The company entered into an agreement with Mr. Mohammed Ayub, Proprietor of Ayub Trade Center at Agrabad, Chittagong on 23 November 2011 for renting 1,374 sft area on the 2nd floor of the building for a period of 5 years starting from 01 January 2012 to 31 December 2016 @ Tk.65 per sft to open a branch office.

49.3 Declarations

The Board of Directors of Fareast Finance & Investment Limited adopted the Financial Statements of the company for the year ended 31 December 2011 in their 128th meeting held on 22 February 2012 and recommended to the shareholders for approval.


M. A. Khaleque
Chairman


Md. Monir Hossain
Vice Chairman


Santanu Saha
Managing Director


Sheikh Khaled Zahir
Company Secretary

