

# Annual Report 2018



**FAREAST FINANCE  
& INVESTMENT LIMITED**

service with smile



**Aiming HIGH**

# Aiming HIGH

Fareast Finance & Investment Limited is always  
Aiming High and promises to keep going ahead.





## Aiming HIGH

The secret to success is to always Aim High and set big goals. We, at Fareast Finance & Investment Limited (FFIL), have started in a small-scale, but we have served our clients with dedication and improved our performance with diligence - the end result was BRIGHT and POSITIVE. Setting big goals inspired us to take action and helped us in making an impact in the financial arena. To achieve greatness, we started small, with the goal of achieving long term growth. These small steps were enormously helpful for us in growing bigger and earning a positive image amongst our competitors.

FFIL always believes that our activities, commitment and innovations will provide complete satisfaction to our clients, customers, shareholders and the relevant business partners. 2018 has been a Year of Progress and a turning point for FFIL. These factors, along with the remarkable economic expansion of the country, helped the company to record a positive growth of 114.14 percent net profit over the previous year.

FFIL is moving in the right track, and with its skilled, dedicated and efficient employees, will climb further up. Let's not forget the ample support we have received from our valued clients, shareholders, customers and most importantly our concerned business partners,

FFIL is always Aiming High and promises to keep going ahead. We are sure that within a very short time we will be one of the leading financial institutions of the country.



## Walking collectively

The vision of Fareast Finance & Investment Limited is to become the market leader in the financial sector. In following that the company started its journey and always tried to develop its products with unique features and placed before the door of the clients. The company also provides prompt and exceptional services to the customers as and when required. By dint of this, company creates its brand image and reliability to the customers as well as the other stakeholders.

In spite of looking to the short term success; Fareast Finance management crossed its fingers for attaining the long term growth. That helped the company to continue the achievement in short term as well as long term. The strength of company's financials together with the opportunities for future growth, led the company to a range of successful initiatives. The diversity of products and services of the company worked as a key to its strength.

Over the years Fareast Finance established itself in such a way that accomplished its position by being clear and easily understandable to the customers. Fareast Finance always helped the stakeholders by making good credit facility to the clients, by delivering customized solutions whenever needed to its customer, by standing beside them in their sluggish period and finally, providing good return to the shareholders.

Despite having various financial challenges including acute liquidity crisis in the financial sector of the economy in the year 2018, Fareast Finance is in action to meet these challenges successfully. In the current year 2019, with our all stakeholders Fareast Finance will move forward accompanying the community as a whole by walking collectively to win the hurdles in achieving the goals of the company.



## Focus and strength

Flexibility and diversity in business is Fareast Finance's focus; Creative ideas and innovative financial solutions is Fareast Finance's strength. Service with smile is Fareast Finance's Belief; Fareast's motto is dedication; and Fareast's mission is to serve with values and ethics.

Focus of Fareast Finance is a strategy by which the company concentrates its resources on expanding the business. Management usually employs its focus strategy in the known segments and has products to competitively satisfy the customers' need. However, owing to the changing nature of business the focus area may often shift or change. Besides, Fareast Finance's strength is its capacity to resist outdoor force or pressure through its capital, knowledge, skill and other advantages that is acquired over the years.

Fareast Finance believes that each of its activities must provide satisfaction to its customers and progress to their wealth. Fareast Finance management feels for what its clients feel to make their life style more comfortable, convenient and peaceful. Fareast Finance does not believe to restrict the customers' ideas and new thinking. Fareast Finance believes that in this competitive market, what worked yesterday may not fit for today. Keeping this in view Fareast always welcome shaping of new ideas and new thinking.



## Letter of transmittal

All Shareholders  
Bangladesh Bank  
Bangladesh Securities and Exchange Commission  
Registrar of Joint Stock Companies & Firms  
Dhaka Stock Exchange Limited  
Chittagong Stock Exchange Limited

Dear Sir(s),

### **Annual report for the year ended 31 December 2018**

We are pleased to enclose a copy of the Annual Report of Fareast Finance & Investment Limited together with the Audited Financial Statements including Balance Sheet as at 31 December 2018, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity for the year ended 31 December 2018 along with Notes thereon for your kind information and record.

Thank you.

Sincerely yours,



**Nazmun Nahar ACS**  
Assistant Vice President and  
Assistant Company Secretary

20 August 2019



## Managing Director's Message

All esteemed Shareholders

Dear Sir(s),

It is an honor and satisfaction for me to address you again and tell you about what Fareast Finance & Investment Limited has achieved in 2018. I will share with you the actions and initiatives we have embarked upon so far and will request you to consider the company's prospects and future plans. 2018 was a period of recovery for the company and we have come out of the downturn stronger with a restructured organization. For the year 2018, the company's net profit/(loss) after income tax stood at Tk. 132.53 million which was Tk.(937.72) million for the period ended on 31st December 2017 and the earnings per share for 2018 was Tk.0.81 recording a positive growth of 114.14 percent over the previous year. At the end of the year 2018, the return on asset was 1.04 percent which was a negative figure of 6.78 percent at the end of the year 2017. These above mentioned figures indicate that your company has been able to navigate through the difficult challenges of the recent past more effectively. This has largely been due to the strong fundamentals of your company and foresight of your Board and management in putting into place a business strategy based on its core competencies.

2018 was a good year for Fareast Finance & Investment Limited (FFIL). As we look back on last year, it is remarkable how well our company has performed. There was high activity to collect from non performing loans in the last year. As on 31 December 2018, company's total classified loans, advances and leases was Tk.1,525.52 million as compared to Tk.1,844.39 million of the same period of 2017. Full

provision was made against those classified portfolio as per Bangladesh Bank guidelines. During the year 2018, FFIL faced an uncomfortable liquidity position and disbursed total Tk.105.91 million, whereas in the year 2017 the contract amount was Tk.5.6 million. Total deposits stood at Tk.5,577.93 million as on 31st December 2018 against Tk.6,908.50 million as on 31st December 2017. In view of present economic development effort in Bangladesh the Small and Medium Enterprise (SME) sector plays an important role, because here the economy is much more labour concerned. The outstanding SME loans as on 31st December 2018 stood at Tk.898.23 million which was 8.99 percent of total loans & advances of the company. The cost of borrowing of FFIL has pick up to 11.63 percent in 2018 against 9.51 percent in 2017. Continuous efforts were given for reducing the borrowing cost by utilizing the low cost funds and decreasing the bank dependency as much as possible.

It gives me more pleasure that, we are working with a long term horizon instead of just quick, short term results. Our strategy is to become a simpler, better financial institution that delivers balanced and sustainable outcomes for our customers, community, our people, and shareholders. Fareast Finance & Investment Limited has been engaged in promoting corporate social responsibilities throughout the year. The company paid total Tk.0.44 million for disaster management, arts and culture, education, health and other under

privileged sectors of the country. FFIL has always maintained extremely high standards of corporate governance and we follow a culture that is built on our core values of ethical business conduct. During the year 2018, 26 employees were trained locally in 16 training courses for 21 days.

I am in confident that we are in the right path in terms of business strategy and growth projections and with the present dedication and directions of the staff, directors, shareholders and clients. I warmly acknowledge and thank each employee for their contributions to FFIL. In the next few months we will keep improving our liquidity position. All of our depositors should be able to rely on FFIL as their safe custodian of money. So at the same time we all keep working to make sure that our company is reliable and equipped with everything they need to manage depositor's money. Our long term success requires balancing a best in standard financial performance for shareholders with the right, forward-looking investments in our business. We are confident in our ability to meet this challenge because we manage the company both for today and future. Our branch managers are responsible for coordinating and overseeing all branch operations. They come up with appropriate strategies to increase productivity and performance levels in order to achieve the branch's financial targets.

Despite an overall satisfactory performance, the long term credit rating of the company was impacted adversely and downgraded from "A-" to "BBB+" and short term credit rating was ST-3. The credit rating was calculated based on audited financial statements up to 2017 and unaudited financial statements up to September 30, 2018 and other available quantitative and qualitative information up to the date of rating declaration. This rating indicates an adequate capacity of the company to repay principal and interest. EMERGING Credit Rating Ltd. also placed Fareast Finance & Investment Limited under 'Stable Outlook' which indicates that a rating is likely to remain unchanged considering that the company might be able to maintain the above fundamentals during the rating validity period.

I am satisfied of our achievements in 2018, we have successfully reversed the adverse trends and we have laid strong foundations for profitable growth. However, there is still a lot to do. There are major challenges ahead, including additional sacrifices. I encourage shareholders to review the relevant

materials which are available on our website.

I would like to convey my sincere thanks and gratitude to the Government Agencies, Bangladesh Bank, Bangladesh Securities and Exchange Commission, Registrar of Joint Stock Companies and Firms, Dhaka and Chittagong Stock Exchanges Limited for their cooperation and support for the development of the Company. I convey my gratitude to the Board of Directors of Fareast Finance & Investment Limited for their prudent guidance, support and cooperation in achieving company's esteemed goals. I am grateful to our customers and shareholders for their continued trust and unwavering support extended to the company all these years.

Lastly a special thanks to our team members for their dedication and commitment. I have thoroughly enjoyed my seventeen years long association with Fareast Finance & Investment Limited. I am looking forward to work with you in the years to come. I am very confident that FFIL's best days lie ahead.



Santanu Saha

M. Com., FCA, FCMA, FCS, FMAAT  
Managing Director

22 July 2019



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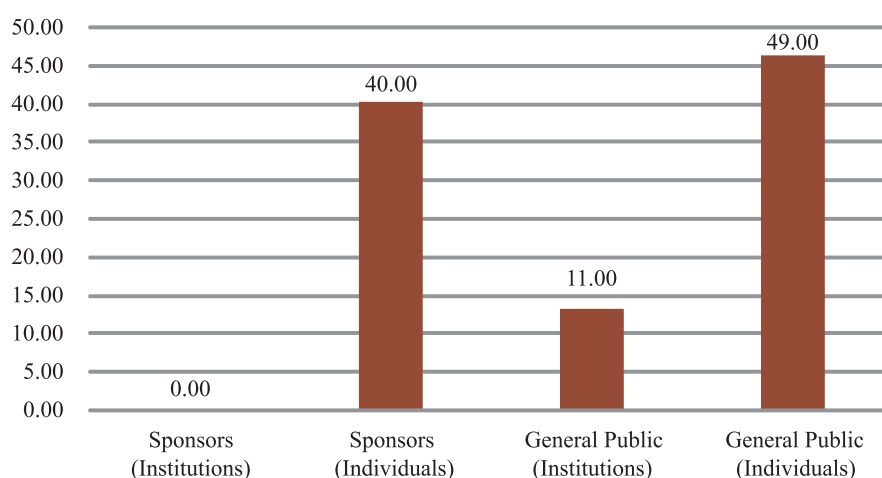
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## Commitment

Being an active participant in the financial sector of Bangladesh, Fareast Finance & Investment Limited has committed to contribute to the sustainable economic development of the country. The company always tries to establish its brand image in the field of financial market by competing with its competitors. A high standard quality of service exists in the company with accuracy. Continuing to maintain this image and also to enrich its goodwill, the company always committed to develop its products and services with such unique features that make the clients more comfortable with the company. Besides, the management of the company always focuses on transparency, quality and timely service to its clients, prudent risk management and good governance in the company as well as to its customers. Members of the Fareast Finance are very much committed:

- To contribute to the economy in a positive way to the growth of the GDP of the country;
- To develop its products for providing highest level of satisfaction to the clients;
- To provide services through transparency, quality and in timely manner;
- To establish good governance in the company;
- To be well known to its lenders, depositors and customers as a trusted financial institution;
- To its high ethical values guided by integrity and accountability;
- To operate the organization in a professional manner;
- To be always respectful to its customers, environment, acts, rules and regulations of the country;
- To develop its qualitative improvement in activities of the team members towards the quality documentation;
- To develop quality management system and belongingness to the company through participation in every phase of decision-making and services; and finally;
- To provide services to its customers with Smile.

**Shareholding composition as on 31 December 2018 in %**





## Strategic focus

Strategic focus is a business imperative. Thinking strategically requires identifying a desired end state, considering all of the impacts that might affect the achievement of that end-state and coming up with strategies to achieve results. Strategic focus shifts overtime and is affected by measures of success.

## Strategic focus

To lead the business of financial sector with competitive advantages in long run, Fareast Finance & Investment Limited outlined its vision, mission, focus and commitment as under:

### Vision

Company's vision is to become the market leader in capital investment with motivated work team, innovative ideas, quality and continuous strong revenue based product portfolio along with diversified risk and customers' satisfaction.

### Mission

Company's mission is to maximize the utility derived by its customers through their association with the company, in a manner that reflects high ethical standards and accountability, and adds value to the wealth of the nation. Management is aiming to grow with a healthy and diversified portfolio and believes that each of company's activities must provide satisfaction to the customers, as also to the employees and add to shareholders' value.

### Focus

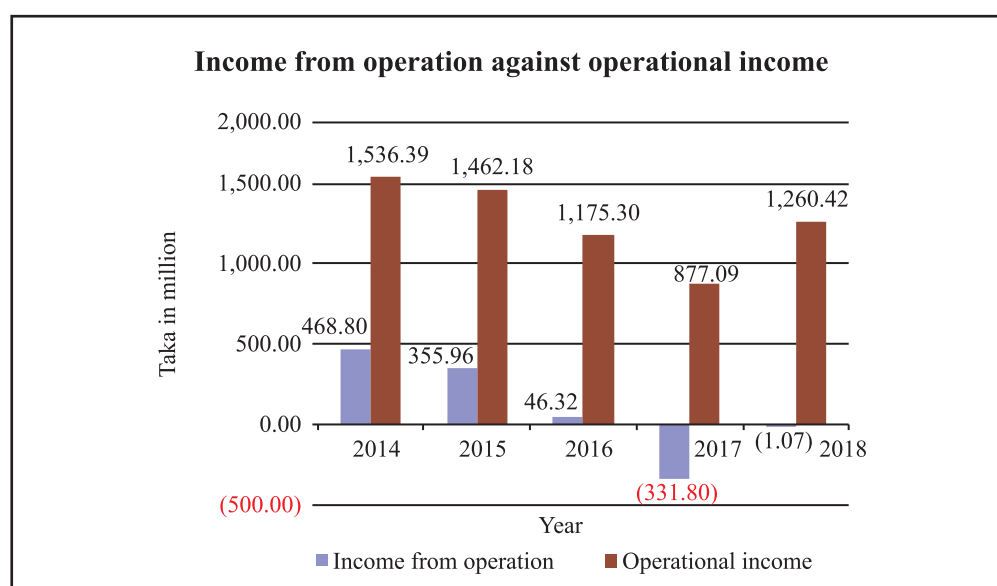
Company's focus is on making relationships with good clients, financiers and to make plan for long-term perspective and designing the policy for clarity, responsibility and accountability.

### Commitment

Fareast Finance management is committed to develop sense of belongingness of all members of the team towards the institution and full participation in quality improvement activities. Management will ensure all activities through documented quality management system in every phase of decision-making and services.

Simultaneously, Fareast Finance management is also committed to satisfy customers' need through quality and prompt service by a trained and motivated team of professionals and obviously with smile.

Fareast Finance management also undertakes to make appropriate review, evaluation and performance measurement of its operation to ensure compliance with quality and prompt service.



## Strategic objectives

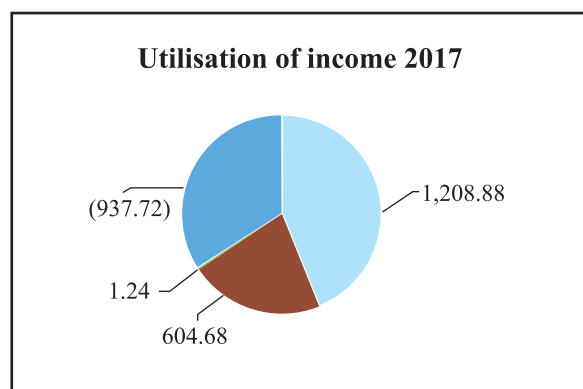
Now a day without moving strategically it is very hard for company to make progress in its business. Objectives are prioritized by an organization through a thorough analysis of business practices by analyzing SWOT. Though prioritization of strategic objectives is unique to each business, Fareast Finance has some strategic objectives. These are also the part of the planning process which describes company expectations and it's accomplishment throughout the year. Besides, it is the part of mission statement that provides guidance on how the company can fulfil or move towards its “predetermined goals”. Keeping these in view, company's strategic objectives are aimed at broad-based exposure with emphasis on the following:

- To provide capital finance for various small and medium enterprises aiming at poverty alleviation and creating employment opportunities. In case of large finance, company's policy is to provide finance through syndication with other financial institutions.
- To provide lease finance for various agricultural equipment namely tractors, power tillers, power pumps to promote mechanization of agriculture in the country.
- To provide lease finance for commercial vehicles particularly buses for urban transportation and inter district communication.
- To provide medical equipments, apparatus etc. to enterprising doctors to enable them render improved services to patients.
- To assist professionals in research work to obtain various research instruments on easy installment basis.
- To promote industrialization of the country by way of participation especially in the BMRE of the existing projects.
- To provide lease finance to the fixed income group in-order to enable them to improve their standards of living by using various household durables.
- To provide term finance to the clients, in-order to enable them to meet their working capital and or other needs.
- To invest in the secondary capital market.
- To encourage the woman entrepreneurs to take part in the economic development of the country.

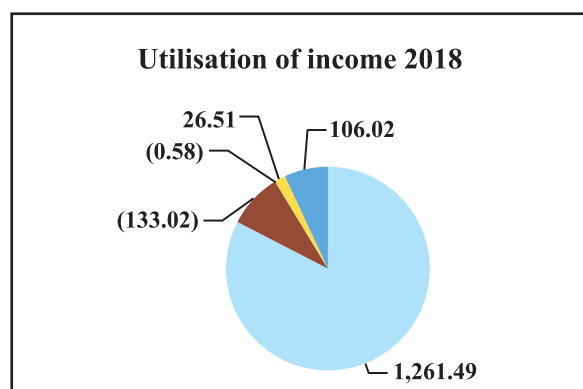
## Values

Values are an organization's philosophical ideals. Every organization has a set of values, which guides the perspective of the organization as well as its actions. Values of Fareast Finance & Investment Limited are excellence, integrity and respect that support its vision, shape the culture and reflect its goodwill in the country. Values of a company decide its perspective towards the stakeholders, society and as a whole the country. They are the essence of the company's identity – the principles, beliefs or philosophy of the company. It also increases the loyalty and reputation of the company in the society. Value also refers all forms of value that determines the health and well-being of the company in the long run. It also relates to the economic value, employee value, customer value, shareholder value and the social value as a whole. Through values, an organization can be best viewed by its relationship both internal and external. So, setting and implementation of the values for achieving the long-term goals in a financial institution are very much essential. In light of that Fareast Finance Board set the following values for the Board itself and its employees:

- Priority to the country's development with importance to growth and transparency.
- Proper training to the employees for grooming future leaders.
- Promote creativity and innovative financial solutions for clients.
- Maintain code of conducts and ethical practices approved by the Board.
- Prompt personalized service to the clients geared towards maximizing their satisfaction in a focused way.
- Working together with the clients on mutual respect basis.
- Maintain long-term relationship with the clients through integrity and accountability.
- Service to the clients with Smile.



Utilisation of income-2017	Taka in million
Operational expenses	1,208.88
Provision for investments	604.68
Provision for tax	1.24
Statutory reserve	0.00
Dividend	0.00
Retained earnings	(937.72)
<b>Total</b>	<b>877.09</b>



Utilisation of income-2018	Taka in million
Operational expenses	1,261.49
Provision for investments	(133.02)
Provision for tax	(0.58)
Statutory reserve	26.51
Dividend	0.00
Retained earnings	106.02
<b>Total</b>	<b>1,260.42</b>

## Code of conduct and ethical practices

All the stakeholders of the company are to follow its code of conduct for the smooth operation of businesses with integrity and transparency. Without a set of codes of conduct a company cannot uphold its positive image to the stakeholders. Basically they are formed on basis of a company's values and standards. The principal objective of this set of code of conduct is to protect the interests of customers, owners and employees, stakeholders of all types of Fareast Finance as well as the counterparties, in addition to the wider interests of the society as a whole. This document is also vesting the responsibility of compliance of the codes set herein along with abidance of legislation, regulation and industry/employer codes and standards on all concerned in the Fareast Finance in all of their day to day activities.

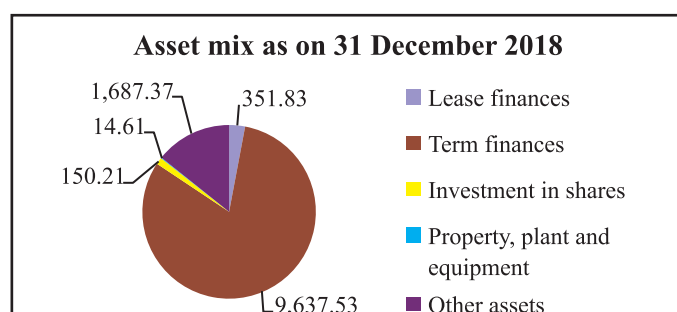
In line with the circular # 4 dated 12 December, 2017 issued by Department of Financial Institutions and Markets of Bangladesh Bank and service rule of Fareast Finance & Investment Limited, the company prepared a "Code of Conduct" and the Board of Directors approved it. Some of the major points of code of conduct and ethical practices in Fareast Finance are as follows:

### Code of conduct

- Conduct in such a manner that will enrich the image, dignity and reputation of the company.
- Shall discharge his duties honestly, faithfully, diligently and to the best of his abilities, devotion and efficiency.
- Shall attend his duty punctually and regularly.
- Shall not conduct him in such a manner as is likely to bring his private interest to conflict with his official duties.
- Shall not commit insubordination or non-compliance with any legitimate, lawful or reasonable order or instruction of a superior.
- Shall maintain secrecy regarding the affairs of the company and also of its clients.
- Shall not accept directly or indirectly any gift, gratuity or reward or any offer of a gift on his behalf or on behalf of any other person from any one, which is likely to have a negative effect in the interest of the company.

### Ethical practices

- Must give proper attention to the clients and make utmost efforts to render improved customer service at the quickest possible time.
- To act and encourage others to behave in a professional way and ethical manner.
- Shall not bring or attempt to bring any form of outside influence or pressure.
- Shall not take up additional job or employment with another organization or involve in any trade or business without the prior written approval of the management.
- Shall not associate in any activities, which may be prejudicial to the interest of the company and subversive to the state.
- Entrusted with the duty of cash transaction shall not leave office until and unless the day's accounts agree in all respects.
- Use reasonable care and perform independent professional judgment.
- Shall comply with all applicable laws, rules and regulations, company policies and professional standards.



Type of asset	Taka in million
Lease finances	351.83
Term finances	9,637.53
Investment in shares	150.21
Property, plant and equipment	14.61
Other assets	1,687.37
<b>Total</b>	<b>11,841.55</b>



## Milestones

A milestone is a significant event in one's life. Often a milestone marks the start of a new chapter. Some major events of past should be cherished to reinforce the present for the betterment of the future that can be summarized as milestones. Milestones also refer to the significant achievement, progress, or development happened in its total business period that reflects the total growth of the company on periodic time frame. These are the points that can be used to mark specific events that receive special attention. They focused on major progress points that were achieved as success. Milestones signify an important decision or the derivation of a critical piece of information, which outlines or affects the future of a company through its business. Fareast Finance's milestones from the inception are as follows:

Incorporation of the company	June 21, 2001
Commencement of business	June 21, 2001
License from Bangladesh Bank	July 03, 2001
Signing of first term finance agreement	October 17, 2001
Formal commercial operation	January 01, 2002
Signing of first lease agreement	January 21, 2002
First participation in syndicated lease agreement	May 21, 2002
Membership with Dhaka Chamber of Commerce and Industry (DCCI)	June 22, 2002
First participation in syndicated short-term finance agreement	October 14, 2004
First arrangement of syndicated lease agreement	October 31, 2004
First investment in associate company	April 25, 2010
Listing with Dhaka Stock Exchange Limited	September 17, 2013
Listing with Chittagong Stock Exchange Limited	September 17, 2013
Membership with Canada Bangladesh Chamber of Commerce and Industry (CanCham)	December 22, 2013
Membership with The Institute of Bankers, Bangladesh (IBB)	December 29, 2014
Opening of branch at Agrabad, Chittagong	January 12, 2016
Opening of branch at Banani, Dhaka	January 14, 2016



## Company information

Identity of a company indicates its basic information that also represents a clear view of its all surrounding within the scope of its functional areas. Details of some useful information of Fareast Finance & Investment Limited are presented below:

### Legal status

Fareast Finance & Investment Limited is one of the progressive financial institutions 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 on 3 July 2001 to operate as a leasing and financing company as provided under the relevant law.

The company obtained permission from Bangladesh Bank on 20 January 2015 for opening its Chittagong and Banani branch.

### Nature of operation

Fareast Finance offers a wide range of credit facilities comprising lease, loan, deposit and different services to its clients for all types of machinery, equipment, household durables including vehicle for the purpose of industrial, commercial and personal use in Bangladesh within the purview of the law.

The company also invests in the secondary capital market with prudence and care.

### Activity areas

Fareast Finance feels for what a client feel to make his life style more comfortable, convenient and peaceful. To come closer to client's feeling, Fareast Finance does not believe to restrict new ideas and new thinking.

The company concentrates its activities in extending finance facilities in the form of leasing, term financing, import financing, working capital financing, work order financing, lease syndications and sale and lease back financing for business expansions.

The company eventually will seek to broaden its leasing and financing services by entering into vendor programs with asset suppliers, underwriters, brokers, leveraged leases 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.

### Associate

Fareast Finance & Investment Limited holds 50% shares of Fareast Stocks & Bonds Limited a brokerage house having membership of both the exchanges in Bangladesh.

### Listing

Fareast Finance & Investment Limited listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on 17 September 2013 respectively.

## Products and services

Products and services of Fareast Finance has unique features included continuous development, adding new ideas and thoughts and more customarily to the clients. Customers are the king but products and services are the main thing of a company that brings the customer to it and also helps to flourish financial statements that ultimately contributes to the expansion of the company throughout the economy. Innovative financing is one of the major concepts of Fareast Finance products. Service with smile is the slogan of Fareast Finance and it always reflected in every path of the business. For faster growth and wealth maximization, customers can get assistance from the company through the following fund and fee based debt products and services:

- Corporate finance
- SME finance
- Consumer finance
- Agriculture finance
- Syndication finance
- Housing/real estate finance
- Equity finance
- Others

Through categorizing the products and services by the aforesaid broad generic names, Fareast Finance offers different products and services under the following broad heads:

### Corporate finance

1. Lease finance
2. Term loan
3. Project finance
4. Working capital finance and
5. Short-term revolving finance

### SME finance

1. Lease finance
2. Term loan
3. Working capital
4. Woman entrepreneur loan
5. SME tailored loan
6. JICA-SME loan
7. Work order financing

### Consumer finance

1. Auto/car loan
2. Lease financing for vehicle
3. Personal loan
4. Loan against TDR    Equity finance

### Agriculture finance

1. Lease finance
2. Term loan
3. Working capital finance
4. Agriculture trade finance
5. SME agriculture loan

### Syndication finance

1. Lease finance
2. Term loan
3. Working capital finance

### Housing finance

1. Real estate (individual consumer)
2. Project/Commercial housing loan

### Equity finance

1. Investment in preference share
2. Common stock

### Others

1. Factoring
2. Loans against deposit (other than consumer finance)
3. Work order finance (other than SME finance)
4. Institutional loan
5. Bridge finance
6. Import guarantee
7. Performance guarantee
8. Letter of comfort
9. Green financing to Corporate and SME clients
10. Advisory services
11. Arranger

In all cases management shall follow the key features of the above products as mentioned by Bangladesh Bank in their “Products and Services Guidelines”.

## Deposit schemes

Good and safe investment can be made by holding deposit schemes of Fareast Finance & Investment Limited. The customers of the organization can include individuals, corporations, financial institutions, government bodies, autonomous bodies and NGOs etc. The company offers different deposit schemes with a very competitive rate that customers' can deposit their hard-earned savings and can get the maximum benefit. For securing bright and prosperous future, Fareast's deposit scheme will be the right selection aimed at meeting exact requirement with full satisfaction. Variety of company's depository services are as follows:

### **FFIL Sanirbhorota - You are in safe hands**

Deposit for specific period with flexible tenor and amount; starting from 1 year and Tk.50,000 respectively, loan facility up to 80% of accumulated deposit\*.

### **FFIL Pension Plan - Live freely**

Deposit with certain monthly income, flexible deposit amount starting from Tk.100,000, loan facility up to 80% of accumulated deposit\*.

### **FFIL Shomriddhi - Bringing your prosperity**

Deposit with income on quarterly basis with flexible deposit starting from Tk.100,000, loan facility up to 80% of accumulated deposit\*.

### **FFIL Subidha- Smile twice in a year**

Deposit with income on half yearly basis with flexible deposit starting from Tk.50,000, loan facility up to 80% of accumulated deposit\*.

### **Double Money Benefit Scheme – Double your dream**

Secures the future by doubling the deposit within the shortest tenure with flexible deposit starting from Tk.50,000, loan facility up to 80% of accumulated deposit\*.

### **Triple Money Benefit Scheme - When money does matter**

Makes the future comfortable by making triple of the deposit within the shortest tenure with flexible deposit starting from Tk.50,000 loan facility up to 80% of accumulated deposit\*.

### **FFIL Lakhpati Scheme - Be a millionaire**

Meets dream for becoming millionaire within 4 years with flexible deposit scheme according to earnings and loan facility up to 80% of accumulated deposit\*.

### **FFIL Kotipati Scheme - Fortune favors the depositors**

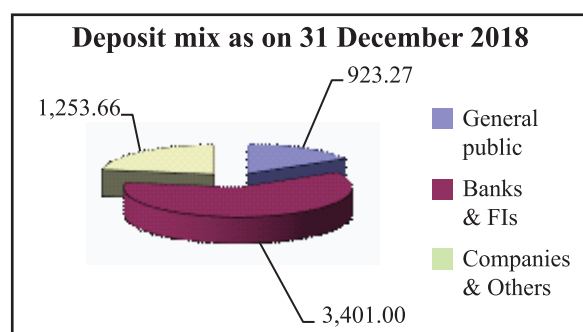
Dreams of being cotipati within 8 years can be successful with flexible deposit scheme according to earnings and loan facility up to 80% of accumulated deposit\*.

### **FFIL Monthly Savings Scheme – Go with dream**

Make the future brighter with monthly deposit along with loan facility up to 80% of accumulated deposit\*.

\*Conditions applicable

Share your idea with us; we are ready to offer deposit scheme(s) commensurate with your required cash flow.





## Company directory

Fareast Finance directory includes overall information of the whole business aspects under a categorical list. It mainly shows the information of legal status of the company, key personnel, under whose leadership and guidance company performs, tax consultants, auditors etc. Details of Fareast Finance's directory are presented below:

### License/registration/identification #

Company registration #	C-43400(2759)/2001
Bangladesh Bank license #	FID(L)/26
Company e-TIN	791836709180
Company VAT registration #	9021092710
Company IRC #	BA125072

### Managing Director

Santanu Saha  
M. Com., FCA, FCMA, FCS, FMAAT

### Chief Financial Officer

Mohammed Hafizour Rahman  
M. Com., FCA, ACS

### Assistant Company Secretary

Nazmun Nahar  
MBA, ACS

### Head Office and Principal Branch

Eunoos Centre (8th level)  
52-53 Dilkusha Commercial Area, Dhaka-1000, Bangladesh  
Phone and fax: 88-02-9554174, 9559621, 9563253, 9572169  
Cell phone: 01819245908, 01977334539, E-mail: ffil@bdcom.net

### Chittagong Branch

Ayub Trade Centre (level-2)  
1269/B Sheikh Mujib Road, Agrabad Commercial Area, Chittagong-4100  
Phone: 88-031-2526976-7, Fax: 88-031-2526978  
Cell Phone: 01912132051

### Banani Branch

Concord Colosseum (6th floor)  
156 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh  
Phone: 88-02-9859612, 9859507, 9859715, Fax: 88-02-9859987  
Cell Phone: 01993313050

### Web site

<http://www.ffilbd.com>

### Business hours

10.00 a.m. to 6.00 p.m. (Sunday to Thursday)

### Auditors

#### Statutory auditor

Ahmed Zaker & Co.  
Chartered Accountants  
Green City Edge (Level-10), 89 Kakrail  
Dhaka-1000, Bangladesh

#### Auditor relating to Corporate

#### Governance Code

M M Yasin & Co.  
Chartered Accountants  
House # 22, Road # 12, Block # F  
Niketon, Gulshan-1  
Dhaka-1212, Bangladesh

### Tax consultant

A. Hossain & Co.  
Chartered Accountants  
Paramount Heights (Level-5)  
65/2/1 Box Culvert Road  
Purana Paltan, Dhaka, Bangladesh

The background of the entire page is a photograph of a bright blue sky filled with soft, white clouds. Three paper airplanes are flying across the sky: a blue one in the upper right, an orange one in the middle left, and a yellow one in the middle right. In the bottom foreground, the dark silhouettes of trees and foliage are visible against the sky.

## Performance at a glance

Analysis of financial statements depicts the scenario of the performance of the company. This term is also used as a general measure of a company's overall financial health over a given period of time, and can be used to compare with other similar company in the industry. It is also a part of total business performance management that has three main activities. They are (a) selection of goals (b) consolidation (c) interventions in light of performance analysis. To achieve the goals, Fareast Finance management is continuously trying its best.

## Performance at a glance

Company's performance over the last five years are presented below to know the company in a nutshell:

Taka in million

Description	2014	2015	2016	2017	2018	Growth in 2018
	Taka	Taka	Taka	Taka	Taka	%
<b>1. Business performances</b>						
Contracted						
Lease finance	402.85	20.83	193.76	130.99	0.00	(100.00)
Term loan	3,204.31	3,331.76	4,323.61	3,620.62	5.56	(99.85)
<b>Total</b>	<b>3,607.16</b>	<b>3,352.59</b>	<b>4,517.37</b>	<b>3,751.61</b>	<b>5.56</b>	<b>(199.85)</b>
Disbursed						
Lease finance	180.22	349.99	142.06	126.91	3.00	(97.64)
Term loan	3,277.27	3,653.48	4,166.38	4,004.10	102.91	(97.43)
<b>Total</b>	<b>3,457.49</b>	<b>4,003.47</b>	<b>4,308.44</b>	<b>4,131.01</b>	<b>105.91</b>	<b>(195.07)</b>
<b>2. Financial performances</b>						
Operational income	1,536.39	1,462.18	1,175.30	877.09	1,260.42	43.70
Operational expenses	1,067.59	1,106.22	1,128.98	1,208.88	1,261.49	4.35
Income from operation	468.80	355.96	46.32	(331.80)	(1.07)	(99.68)
Net profit after tax	308.45	204.98	102.98	(937.72)	132.53	114.14
Investment in leases	788.59	918.38	441.92	449.26	351.83	(21.69)
Term finances	9,229.18	10,403.99	10,540.68	11,148.00	9,637.53	(13.55)
Investment in shares	312.94	378.22	278.74	158.82	150.21	(5.42)
Total outstanding portfolio	10,330.71	11,700.59	11,261.34	11,756.08	10,139.56	(13.75)
Cumulative total assets	11,486.55	13,496.85	14,017.90	13,629.57	11,841.55	(13.12)
Paid up capital	1,600.62	1,640.63	1,640.63	1,640.63	1,640.63	0.00
Shareholders' equity	2,080.88	2,125.79	2,064.71	1,044.95	1,184.86	13.39
<b>3. Financial ratios</b>						
Financial expenses coverage ratio	1.56	1.33	1.17	(0.43)	1.19	(376.74)
Debt equity ratio (x)	3.88	4.75	5.20	10.16	7.35	(27.66)
Return on asset (%)	2.91	1.64	0.75	(6.78)	1.04	115.34
Return on average equity (%)	16.01	9.75	4.91	(60.31)	11.89	119.71
Earnings per share (%)	19.27	12.49	6.28	(57.16)	8.08	114.14
Dividend per share (%)	12.50	10.00	5.00	0.00	0.00	0.00
<b>4. Employee performance</b>						
Operational income per employee	36.58	29.84	18.08	11.69	16.81	43.80
Value added per employee	11.38	5.59	1.62	(11.50)	2.76	124.00

## Value added statement

Earning profit is the prime count for the company to add something for its betterment. Value added statement is the quantifying form showing how the value (wealth) created by the company and how it is distributed among various stakeholders like employees, shareholders, government, creditors etc. in the business. It is a simplified financial statement that shows how much wealth has been created by the company. For a financial institution value addition refers to the profit that is earned over the year. As well as distribution of the added value refers to dividend to shareholders, payment to Government, employees and retention of profit within the company in different forms. For the year 2018, company's value addition to different sectors was as follows:

Description	2018	2017
	Taka	Taka
<b>Value added</b>		
Operational income	1,260,418,326	877,085,294
Financial expenses	(1,144,702,610)	(1,092,066,735)
Provision for investments	133,023,612	(604,683,987)
Operational expenses excluding salary and depreciation	(41,575,441)	(42,642,188)
<b>Total</b>	<b>207,163,887</b>	<b>(862,307,616)</b>
<b>Distribution of value addition</b>		
Shareholders as dividend	0	0
Employees as salary and allowances	67,936,119	67,535,892
Government as taxes	(581,699)	1,237,987
<b>Total</b>	<b>67,354,420</b>	<b>68,773,879</b>
<b>Retained in business</b>		
As statutory reserve	26,506,160	0
As retained earnings	106,024,640	(937,721,240)
As depreciation	7,278,667	6,639,745
<b>Total</b>	<b>139,809,467</b>	<b>(931,081,495)</b>
<b>Total</b>	<b>207,163,887</b>	<b>(862,307,616)</b>
<b>Employee statistics</b>		
Number of employees at the year end	75	75
Operational income per employee	16,805,578	11,694,471
Value added per employee	2,762,185	(11,497,435)

## Market value added statement

The difference between the market value of outstanding shares and the equity describes the contribution to the investor's value. Market value added (MVA) statement is a reflection of the market through company's share's market price. It is a tool that is used to measure the management's performance. Positive MVA is a sign that the company has added value to its investors and the negative one indicates that the company has destroyed the investors' value. MVA of Fareast Finance & Investment Limited for the last two years is presented below:

Description	2018	2017
	Taka	Taka
Number of shares outstanding at the end of year	164,063,330	164,063,330
Market value per share	5.30	11.20
Market value of shares outstanding at the end of year	869,535,649	1,837,509,296
Capital contributed by the shareholders at the end of year	1,184,855,468	1,044,952,666
<b>Market value added</b>	<b>(315,319,819)</b>	<b>792,556,630</b>

## Economic value added statement

Economic Value Added (EVA) Statement is an estimation of company's economic profit; being the value created in excess of the required return of the company's investors. EVA is an internal management performance measurement mechanism which compares net operating profit to total cost of capital. EVA is an important tool because it is used as an indicator of how profitable company's investment is and it therefore serves as a reflection of management performance. The formula used to calculate company's EVA is net operating profit after tax minus capital charge, wherein capital charge represents capital employed multiplied by expected return of the investors. Details calculation of EVA is presented below:

Description	2018	2017
	Taka	Taka
Operating profit before provision	(1,074,511)	(331,799,266)
Less: Provision for tax	(581,699)	1,237,987
<b>Net operating profit after tax (A)</b>	<b>(492,812)</b>	<b>(333,037,253)</b>
Shareholder's equity	1,184,855,468	1,044,952,666
Add: Provision for loans, advances and leases	897,548,715	1,039,160,474
Add: Provision for investment in share	35,293,237	26,705,090
Capital employed	2,117,697,420	2,110,818,230
Average capital employed	2,114,257,825	2,328,817,861
Expected return of the investors	10.00%	10.00%
<b>Capital charge (B)</b>	<b>211,425,783</b>	<b>232,881,786</b>
<b>Economic value added (C=A-B)</b>	<b>(211,918,595)</b>	<b>(565,919,039)</b>

Expected return of the investors is calculated considering the opportunity cost i.e. the expected risk free return on investments plus risk premium. For calculation of the expected risk free return on investments, interest rate given by Bangladesh Government Sanchaya Patra for one year was considered. Besides, according to the Dhaka Stock Exchange rules, 10% dividend is required to be declared by the company to be qualified in "A" category trading.

## Shareholding statement

Shareholding composition of the company as on 31 December 2018 was as follows:

Sl. #	Shareholders	# of shares	Taka	%
<b>Holding by sponsors and directors</b>				
1	Sponsor directors	12,359,723	123,597,230	7.53%
2	Shareholder directors	6,836,691	68,366,910	4.17%
3	Sponsors	53,539,441	535,394,410	32.63%
	<b>Sub total</b>	<b>72,735,855</b>	<b>727,358,550</b>	<b>44.33%</b>
<b>Holding by other shareholders</b>				
1	Company	18,533,340	185,333,400	11.30%
2	General public	72,710,217	727,102,170	44.32%
3	Non-Resident Bangladeshi	83,918	839,180	0.05%
	<b>Sub total</b>	<b>91,327,475</b>	<b>913,274,750</b>	<b>55.67%</b>
	<b>Grand total</b>	<b>164,063,330</b>	<b>1,640,633,300</b>	<b>100.00%</b>

## Associate Company

As an integral part of corporate strategy the business diversification is for expansion of any business that enriches the company's profit and improves its growth. In line with that in the year 2010, Fareast Finance & Investment Limited acquired 50% ordinary shares of Fareast Stocks & Bonds Limited (FSBL). FSBL was incorporated as a private limited by shares on 3 September 2009 under the Companies Act, 1994 and converted to public limited on 10 October 2012.

Fareast Stocks & Bonds Limited has been set up to cater to the needs of the institutional and individual clients of the capital market. The company offers full-fledged international standard brokerage service for retail and institutional clients as well as foreign clients. Having seats in both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited, it becomes the trusted broker to the institutional and high net worth investors in Bangladesh.

FSBL provides a high level of professional and personalized services to its domestic and international clients. It has proven reputation in serving customers by maintaining strong compliance practices and highest ethical standard.

Range of services of FSBL are as follows:

### **Brokerage services**

Executing Online Trade for all types of clients in Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

### **CDBL services**

Services like Beneficiary Owners (BO) account opening and maintenance, Dematerialization and Re-materialization of securities, Transfer and Transmission of securities, Pledging, Un-pledging and confiscation of securities etc.

### **Margin loan facilities**

Margin loan facilities to clients through margin trading.

### **Value added services**

Company has established a technological system enabling clients to receive maximum technological advantage in managing their investment accounts. Some unique features of value added services offered to their clients are as follows:

### **Phone trading services**

All clients are able to trade with the use of Phone Trading Services during stock trading hour prescribed by BSEC, DSE and CSE. Besides, account holder can access to his/her account enabling him/her to know details of his/her investment like stock position, purchase power, value of investments etc.

### **SMS service**

SMS message confirming execution of trade with stock, quantity and rates, Alert message for additional margin deposit, Alert message about execution of Trigger Sale.

### **E-mail service**

Daily e-mail (end of day) to each BO account holder's address containing summarized Trade Confirmation and Portfolio Statement.

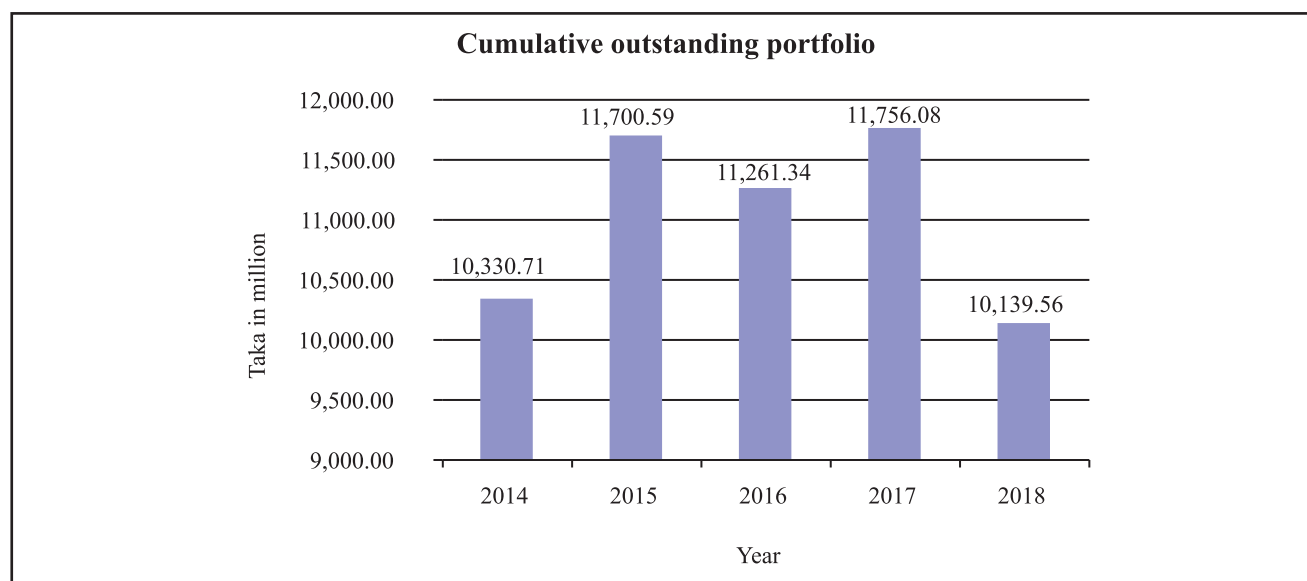
### **Fax**

Fax message (end of day) to each BO account holders' number containing summarized Trade Confirmation and Portfolio Statement.

## Financial calendar

Important compliance and regulatory dates which are required to shareholders for investing decision are represented in the financial calendar of Fareast Finance & Investment Limited. Company's financial calendar for the shareholders relating to the year 2018 and 2017 was as follows:

Events	2018	2017
Approval of annual financial statements by the Board	22 July 2019	17 April 2018
Record date	19 August 2019	15 May 2018
Date of notice for AGM	20 August 2019	17 May 2018
Holding of AGM	4 September 2019	5 June 2018



## Board of Directors

The Board of Directors is a body of elected or appointed members to act on behalf of the shareholders to supervise the overall business activities. The board of directors are directly accountable to the shareholders and its key purpose is to ensure the company's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. Each year the company will hold an annual general meeting at which the directors must provide a report to shareholders on the performance of the company, what its future plans and strategies are and also submit themselves for re-election to the board.



## Board of Directors



**Md. Shamsul Islam Varosha**  
Chairman



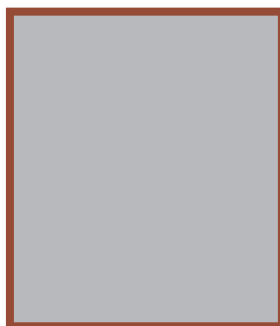
**Md. Ershad Ullah**  
Vice Chairman



**Dr. Khadiza Waheeda Jahan**  
Director



**Md. Ashaduzzaman**  
Director



**Asharaf Abdullah Yussuf**  
Independent Director



**Md. Rafiqul Islam**  
Independent Director



**Khandoker Motaher Uddin Ahmed**  
Independent Director



**Muhammad Muhibbullahil Baqi**  
Independent Director



**Santanu Saha**  
Managing Director

### Chairman

Md. Shamsul Islam Varosha

### Vice Chairman

Md. Ershad Ullah

### Directors

Dr. Khadiza Waheeda Jahan

Rimsha BD Limited  
(Represented by Mr. Md. Ashaduzzaman)

Asharaf Abdullah Yussuf  
(Independent Director)

Md. Rafiqul Islam  
(Independent Director)

Khandoker Motaher Uddin Ahmed  
(Independent Director)

Muhammad Muhibbullahil Baqi  
(Independent Director)

Santanu Saha  
Ex Officio Member

## Brief profile of the Directors

Mr. Md. Shamsul Islam Varosha is the Chairman of the Company. Mr. Varosha is a Master in Management, joined his father's renowned tobacco business in the year 1987 and continued up to 8 years. Subsequently, he joined his father's match factory in the year 1996 as Managing Director and with his skill, proficiency and courage he made a turnaround of the company from a losing concern to a profit generating company. Besides, from the very beginning of his business career, he was engaged in trading business of chemicals and vehicles. Later on Mr. Varosha diversified his interest in the financial sector and joined in Fareast Finance & Investment Limited as Sponsor Director in the year 2001.



**Md. Shamsul Islam Varosha**  
Chairman

Mr. Md. Ershad Ullah completed his graduation in Management from Southeast Asian Union American College, Singapore in the year 1995. He is hailing from a family engaged in transport business and has given commendable support to his father in running a renowned transport organization "Diganta Paribahan" from the same year. After joining of Mr. Md. Ershad Ullah the business flourished and made impressive gains. Subsequently, in the year 1996 he started a new transport business line in the name of Ershad Enterprise. In the year 2001 he diversified his operational area from transport to financial institution sector and became a Sponsor Director of Fareast Finance & Investment Limited. In the year 2003 he again diversified his operational area in the cargo business in domestic line. Currently, he is the Vice Chairman of Fareast Finance & Investment Limited.



**Md. Ershad Ullah**  
Vice Chairman

Dr. Khadiza Waheeda Jahan is a Director of Fareast Finance & Investment Limited. She is a PhD from Canada and completed her post-graduate and undergraduate studies from the University of Dhaka. Ms. Jahan is currently residing in Canada. She is the elder daughter of Mr. M. A. Wahhab and Ms. Muslima Shirin. Mr. Wahhab is the former chairman of Fareast Finance & Investment Limited.



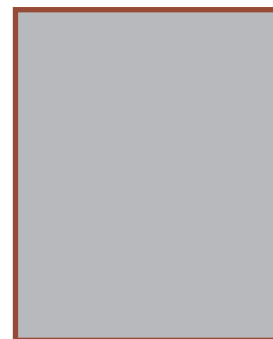
**Dr. Khadiza Waheeda Jahan**  
Director

Mr. Md. Ashaduzzaman is a Director of Fareast Finance & Investment Limited. He is representing Rimsha BD Limited in the Board of Directors of Fareast Finance & Investment Limited. He has completed postgraduate degree in Master in Commerce. Currently, he is playing the role of Executive Director in Rimsha BD Limited. He is also working in various prestigious positions in Ramisha Group.



**Md. Ashaduzzaman**  
Director

Mr. Ashraf Abdullah Yussuf is an Independent Director of Fareast Finance & Investment Limited. He did his post-graduation in International Studies from King's College, University of London and in Political Science from National University of Bangladesh. He was the Executive Chairman of Bangladesh Export Processing Zone Authority (BEPZA) and served many important roles during his glorious professional career.



**Ashraf Abdullah Yussuf**  
Independent Director

Mr. Md. Rafiqul Islam is an Independent Director of Fareast Finance & Investment Limited. He completed his graduation and post graduation from University of Rajshahi and University of Dhaka respectively. Mr. Islam was Managing Director of South Bangladesh Agriculture & Commerce Bank Limited. He also discharged many important roles in several banks including Al-Arafah Islami Bank Limited, Jamuna Bank Limited, Prime Bank Limited, National Bank Limited and Pubali Bank Limited. He attended various trainings and seminars on banking in home and abroad.



**Md. Rafiqul Islam**  
Independent Director

Mr. Khandoker Motaher Uddin Ahmed is an Independent Director of Fareast Finance & Investment Limited. He completed his graduation from University of Dhaka and attained his professional degree from Institute of Bankers, Bangladesh. In his professional career he started with Agrani Bank Limited and discharged there a variety of significant roles and after that he joined Mutual Trust Bank Limited. Mr. Ahmed attended many training programs in home and abroad.



**Khandoker Motaher Uddin Ahmed**  
Independent Director

Mr. Muhammad Muhibbullahil Baqi is an Independent Director of Fareast Finance & Investment Limited. He is son of Prof. Dr. Muhammad Abdul Bari and Mrs. Lutfunnesa Khanam. His father was former Vice Chancellor of Rajshahi University and former Founder & Vice Chancellor of National University as well as former Chairman of Bangladesh University Grants Commission. Mr. Baqi completed his graduation and post graduation from University of Rajshahi and University of Dhaka respectively. He was a banker and served in different vital positions in United Commercial Bank Limited, Prime Bank Limited and Dutch Bangla Bank Limited from 1985 to 2017. He has a strong sense of leadership, responsibility, efficiency, strategic and organizational capabilities that help to achieve the organizational goals and capitalize on emerging business opportunities.



**Muhammad Muhibbullahil Baqi**  
Independent Director

Mr. Santanu Saha is a fellow member of The Institute of Chartered Accountants of Bangladesh, The Institute of Cost and Management Accountants of Bangladesh, The Institute of Chartered Secretaries of Bangladesh and The Association of Accounting Technicians. Besides, he is also the member of the Institute of Certified Financial Consultants of Canada. At the beginning of his career, Mr. Saha joined IDLC Finance Limited the pioneer leasing company in Bangladesh in the year 1993. Then he joined Delta Life Insurance Company Limited in February 1995 and worked only for six months. In September 1995, he joined Uttara Finance and Investments Limited as Vice President and Company Secretary. There he worked as second man of the company and left in January 2002. Thereafter he joined Fareast Finance & Investment Limited as Executive Vice President and Company Secretary in January 2002. In September 2004, he was promoted to the post of Deputy Managing Director. Lastly, he joined in the position of Managing Director of the company on June 1, 2011. Besides, he attended various training on different subjects mainly on financial management provided by ICAB, ICMAB, ICSB and Small Enterprise Development Facilities etc.



**Santanu Saha**  
Managing Director

## Board committees

In compliance with the DFIM Circular Letter # 18 dated 26 October 2011 the Board of Directors of Fareast Finance & Investment Limited constituted two committees namely Executive Committee and Board Audit Committee to assist the Board and to smoothen the pivotal functions in the interest of the stakeholders. Members of the committees are as follows:

### Executive Committee

#### Chairman

Mr. Md. Ershad Ullah

#### Members

Mr. Md. Shamsul Islam Varosha

Mr. Md. Ashaduzzaman

Mr. Md. Rafiqul Islam

Mr. Khandoker Motaher Uddin Ahmed

### Board Audit Committee

#### Chairman

Mr. Ashraf Abdullah Yussuf

#### Members

Mr. Md. Ershad Ullah

Mr. Md. Ashaduzzaman

Mr. Md. Rafiqul Islam

Mr. Khandoker Motaher Uddin Ahmed



## Charter of Board and its committees

Development of a shared understanding of the board's role throughout the organization laid in Charter of Board and its committees that clarify the respective roles, responsibilities and authorities of the board of directors and its committees in setting the direction, the management and the control of the company's overall business. Board charters have become an accepted part of the governance landscape. Many major inquiries, reports and leading practice recommendations refer to the need for board charters in delivering effective governance. The purpose of the charter is to clearly outline the structure of the Board and its committees to define the role of the Board and the committees as a whole through the identification of a schedule of powers reserved solely for the Directors and committee members.

The charter further defines the specific responsibilities of the Board of Directors and committees, in order to enhance coordination and communication between the Chief Executive and the Board and committee members more specifically, to clarify accountability of all parties for the benefit of the institution.

The charter of the Board of Directors and its committees set out in line with Bangladesh Bank guidelines are as follows:

### Board of Directors

#### Work-planning and strategic management

1. Setting Vision/Mission, formulating strategic policy, directions, plans and implementation of company's goal.
2. Analytical review of success/failure in achieving the target and key performance indicators for the executives.

#### Formation of sub-committee

To form sub committees for facilitating company's operation.

#### Financial management

Approve budget, review of financial statements and others, setting procurement policy and operation of company's bank account.

#### Loan/Lease/Investment management

Approve and implement Core Risk Management Guidelines, delegate power to the management and non interference in decision regarding loan processing.

#### Risk Management

Approve syndicate loan/lease/ investment and large loan/lease/investment.

#### Internal Control and Compliance

1. Effective implementation of an integrated internal control system through Audit Committee.
2. Review of Internal Control & Compliance Department's report by the Board Audit Committee.

#### Human Resources Management

Approve and implementation of human resource policies.

#### Appointment of Managing Director and increase of salaries and allowances

To appoint Managing Director and increase in his salary and allowances subject to approval of the Bangladesh Bank.

### **Executive Committee**

To run the business smoothly and to have proper focus in financing, the Board of Directors formulated the following charters for the Executive Committee:

1. The committee will be responsible for proper scrutiny and evaluation of the proposals for facilities to be considered by Fareast Finance & Investment Limited through an in-depth focusing in terms of financial viability of the credit proposals.
2. The committee will recommend the proposals to the Board. If the committee thinks proper, they may take any other decision regarding the proposal.
3. If the committee does not recommend any proposal amounting more than five crore to the Board, the proposal will be treated as cancelled.
4. The report of the committee should be attached with the proposal memo to be placed before the Board.

### **Board Audit Committee**

To ensure the participation of Directors in company affairs through policy framing, proper directive to the management, to operate the different functions of company properly and in line with the Bangladesh Bank Circular # 13 dated 26 October 2011 the Board of Directors formulated the following duties and responsibilities for the Board Audit Committee:

#### **Internal control**

1. Board Audit Committee will examine the existence of culture for internal control and risk management; executive's responsibilities and functions and controlling of their jobs.
2. Board Audit Committee will examine management initiative regarding Computerization and MIS management of the Company.
3. Board Audit Committee will examine the management consideration on various recommendation provided by the Internal/External Auditor for developing internal control procedure/structure.
4. Board Audit Committee will examine the Risk Management procedure for implementation of work and control.
5. Board Audit Committee will examine the forgery, weakness of internal control etc. found by internal or external auditor or regulatory authority along with their recommendation to get rid of them and accordingly inform the Board regularly.

#### **Publication of the financial statements**

1. Board Audit Committee will verify that all the information is correctly and properly disclosed in the annual financial statements of the company and the financial statements are prepared on the basis of guidelines issued by Bangladesh Bank and other guidelines relating to the preparation of the financial statements.
2. Board Audit Committee will discuss with the management and the external auditor before finalization of the financial statements of the company.
3. The Chairman of the Board Audit Committee will present before the shareholders in the annual general meeting for answering the questions regarding the financial statements and audit of the financial statements.

#### **Internal audit**

1. Board Audit Committee will observe the functions of internal audit department and its structure and confirm that no barrier/ hindrance exist against the work of the internal audit department.
2. Board Audit Committee will examine the capabilities and effectiveness of internal audit department.
3. Board Audit Committee will observe the management's function regarding the implementation/elimination of the recommendations/errors/irregularities etc. found by the internal audit department.
4. Board Audit Committee will submit their recommendation to the Board of Directors regarding the change of any accounting principle if they think necessary.

### External audit

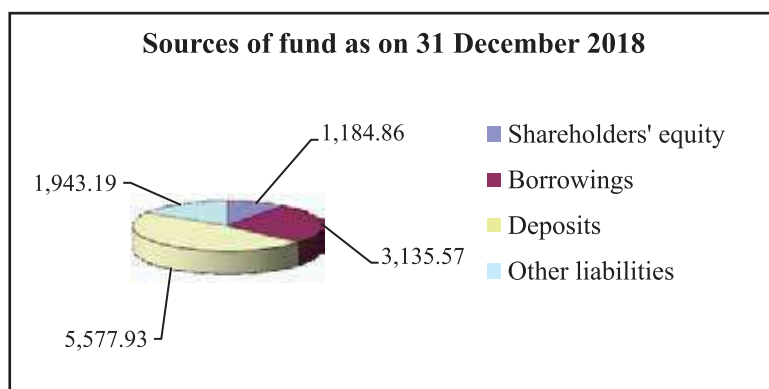
1. Board Audit Committee will examine the audit report and audit procedure of the External Auditor of the company.
2. Board Audit Committee will examine the implementation/elimination of the recommendation/observation/irregularities as provided by the external auditor in their report by the management properly.
3. Board Audit Committee will submit their recommendation to the Board of Directors regarding appointment of external auditor of the company.

### Implementation/existence of practice of acts, rules and regulations

Board Audit Committee will examine the implementation/existence of practice of the acts, rules and regulation enforced by the Regulatory Authority like Bangladesh Bank and other organizations and also adopted by the Board of Directors of the company on regular basis.

### Miscellaneous

1. Board Audit Committee will submit a report to the Board on quarterly basis regarding the implementation/elimination of errors/forgery/irregularities etc. in the company found by the Internal Auditor, External Auditor and or Bangladesh Bank inspection team.
2. Board Audit Committee will perform other duties as and when vested by the Board and judge their own performance appraisal on regular basis.
3. Internal Auditor may submit their report directly to the Board Audit Committee along with to the Managing Director.
4. The Committee will be perpetual. However, in case of exigency, the Board of Directors will have the right to reconstruct the committee at any time as they think proper.



Sources of fund	Taka in million	%
Shareholders' equity	1,184.86	10.01
Borrowings	3,135.57	26.48
Deposits	5,577.93	47.10
Other liabilities	1,943.19	16.41
<b>Total</b>	<b>11,841.55</b>	<b>100.00</b>

# The Management

## **Managing Director**

Mr. Santanu Saha  
M. Com., FCA, FCMA, FCS, FMAAT

## **Deputy Managing Director and Chief Financial Officer**

Mr. Mohammed Hafizour Rahman  
M. Com., FCA, ACS

## **Vice President**

Mr. Md. Anwar Hussain, MBA

## **Senior Assistant Vice President**

Mr. Mohammad Rofiqul Alam, MBA

## **Assistant Vice President**

Ms. Nazmun Nahar, MBA, ACS  
Mr. Biplob Saha, M. Com., C.A. (PL)  
Mr. Mohammad Abdullah Al Mamun, MBA

## **Senior Managers**

Mr. Mutiul Aziz Khan, MBA  
Ms. Shirina Akhter, M. Sc., MBA  
Ms. Rokshana Islam, MBA  
Mr. Md. Rezaul Karim, MSS, MBA  
Mr. Md. Iqbal Haque Choudhury, MBA  
Mr. Manoranjan Chakraborty, M. Com.

## **Branch Managers**

Mr. Md. Rafiqul Islam, Senior Manager, Chittagong Branch  
Mr. Sk. Tabibur Rahman, Manager, Banani Branch





## Organizational Committees

The most important form of a formal group appointed by the management to perform certain functions or tasks is an organizational committee. Some committees are formed to solve short-term problems or issues, while standing committees meet on an ongoing basis to manage a recurring or regular issue. Committees have become more and more necessary and important, as the organization grows larger and more complex.

## Organizational Committee

The committees of an organization are to facilitate any activity under the supervision of management is vital to achieve its mission and vision. As a financial institution licensed under Bangladesh Bank we are to form some committees followed by their instructions and guidelines. In a financial institution, problems are multifaceted and require breadth of decision. Group deliberations and combined judgment of different peoples can be brought to bear on important problems. There can be a more realistic and objective appraisal of the problem from all angles; if the problem is discussed in a committee. This helps to improve the quality of decisions. To have proper control and good governance in the company's daily activities, company management has formulated the following committees. Brief description of the activities and members of the committees are described below:



**Santanu Saha**  
Managing Director



**Mohammed Hafizour Rahman**  
DMD and CFO



**Md. Anwar Hussain**  
VP and Head of Finance & HR



**Mohammad Rofiqul Alam**  
SAVP and Head of Credit



**Mohammad Abdullah Al Mamun**  
AVP and Head of Deposit Mobilization



**Md. Iqbal Haque Choudhury**  
Senior Manager and Treasury In charge



**Nazmun Nahar**  
AVP and Assistant Company Secretary

### Management Committee (MANCOM)

Management committee is empowered to take all kind of decisions relating to the day-to-day operation of the company excluding investment proposal exceeding limit set by the Board of Directors. Management committee also looks after the overall operational activities of the organization. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Santanu Saha	Managing Director	Chairman
Mohammed Hafizour Rahman	DMD and CFO	Member
Md. Anwar Hussain	VP and Head of Finance & HR	Member
Mohammad Rofiqul Alam	SAVP and Head of Credit	Member
Nazmun Nahar	AVP and Assistant Company Secretary	Member Secretary
Mohammad Abdullah Al Mamun	AVP and Head of Deposit Mobilization	Member
Md. Iqbal Haque Choudhury	Senior Manager and Treasury In charge	Member

### Management Recruitment Committee (MRC)

Management recruitment committee scrutinizes the applications and assesses the credential of the applicant. Thereafter the committee interviews the candidates and recommends to the management committee for appointment. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Santanu Saha	Managing Director	Chairman
Mohammed Hafizour Rahman	DMD and CFO	Member
Md. Anwar Hussain	VP and Head of Finance & HR	Member
Nazmun Nahar	AVP and Assistant Company Secretary	Member Secretary

### Risk Management Forum (RMF)

The prime objective of Risk management forum is to examine and evaluate whether the company's frame work of risk management, control, and governance processes, is adequate and functioning properly. In addition, the objectives of Risk management include advising and recommending to the management for improvements in internal control and risk management systems. Members of the forum are as follows:

Name of the members	Status in the company	Status in the forum
Santanu Saha	Managing Director	Chairman
Mohammed Hafizour Rahman	DMD and CFO	CRO
Md. Anwar Hussain	VP and Head of Finance & HR	Member
Mohammad Rofiquel Alam	SAVP and Head of Credit	Member
Nazmun Nahar	AVP and Assistant Company Secretary	Member Secretary
Md. Iqbal Haque Choudhury	Treasury and ALCO-(CC)	Member

### Asset Liability Management Committee (ALCO)

Asset liability management committee is responsible for better and efficient management of asset and liability of the company. The committee keeps tracking the matching of the assets and liabilities of the company and advises the management regarding the future business opportunities and problems. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Santanu Saha	Managing Director	Chairman
Mohammed Hafizour Rahman	DMD and CFO	Member
Md. Anwar Hussain	VP and Head of Finance & HR	Member
Mohammad Rofiquel Alam	SAVP and Head of Credit	Member
Nazmun Nahar	AVP and Assistant Company Secretary	Member
Mohammad Abdullah Al Mamun	AVP and Head of Deposit Mobilization	Member
Md. Iqbal Haque Choudhury	Senior Manager and Treasury In charge	Member Secretary

### Risk Analysis Unit (RAU)

Risk analysis unit (RAU) will be responsible solely to identify and analyze all sorts of risks appropriately and timely. It will act as the secretariat of risk management forum. However, it must also be independent from all other units/divisions of the financial institution, e.g. no member of this unit will be involved in any sort of ratings of transactions, or setting/working to achieve any target imposed by the financial institution. Members of the unit are as follows:

Name of the members	Status in the company	Status in the committee
Md. Nazmus Sadat	MTO, Credit	Member
Md. Shohaq Khalifa	MTO, ICC	Member

### ICT committee

The committee is responsible for overall IT operations of the company under the Guideline on ICT Security for Banks and Non-Bank Financial Institutions, May 2015, Version 3.0. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Santanu Saha	Managing Director	Chairman
Mohammed Hafizour Rahman	DMD and CFO	Member
Md. Anwar Hussain	VP and Head of Finance & HR	Member
Mohammad Rofiqul Alam	SAVP and Head of Credit	Member
Nazmun Nahar	AVP and Assistant Company Secretary	Member Secretary

### Central Compliance Unit (CCU)

Central compliance unit is formed to prepare and issue instructions to be followed by the branches; on the basis of combination of issues in monitoring of transactions, internal control, policies and procedures from the point of view of preventing money laundering and terrorist financing. Central compliance unit shall be dedicated solely to the organization's related responsibilities and perform the compliance functions. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Md. Anwar Hussain	VP and Head of Finance & HR	Chairman & CAMLCO
Mohammad Rofiqul Alam	SAVP and Head of Credit	Member
Nazmun Nahar	AVP and Assistant Company Secretary	Member Secretary
Mohammad Abdullah Al Mamun	AVP and Head of Deposit Mobilization	Member
Md. Iqbal Haque Choudhury	Senior Manager and Treasury-in-Charge	Member & DCAMLCO

### Ethical Committee

Ethical committee is formed having the prime objective of protecting the integrity and reputation of the company, to promote ethical standards of behavior and to strengthen the company's accountability and transparency. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Santanu Saha	Managing Director	Chairman
Mohammed Hafizour Rahman	DMD and CFO	Member
Md. Anwar Hussain	VP and Head of Finance & HR	Member Secretary and Focal Point
Mohammad Rofiqul Alam	SAVP and Head of Credit	Member
Nazmun Nahar	AVP and Assistant Company Secretary	Member
Mohammad Abdullah Al Mamun	AVP and Head of Deposit Mobilization	Member
Md. Iqbal Haque Choudhury	Senior Manager and Treasury-in-Charge	Member

### Sustainable Finance Committee

Sustainable Finance Committee is formed with representation from different departments in the company. The Sustainable Finance Committee shall be responsible for the design, implementation and evaluation of relevant green banking issues across the organization within the stipulated timeline, as well as for periodic reporting to the FSD Department of Bangladesh Bank. Members of the committee are as follows:

Name of member	Status in company	Status in committee
Santanu Saha	Managing Director	President
Mohammed Hafizour Rahman	DMD and CFO	Member
Md. Anwar Hussain	VP and Head of Finance & HR	Member
Mohammad Rofiqul Alam	SAVP and Head of Credit	Member
Nazmun Nahar	AVP and Assistant Company Secretary	Member
Mohammad Abdullah Al Mamun	AVP and Head of Deposit Mobilization	Member
Md. Iqbal Haque Choudhury	Senior Manager and Treasury-in-Charge	Member
Biplob Saha	AVP, Finance & HR	Member

### Sustainable Finance Unit

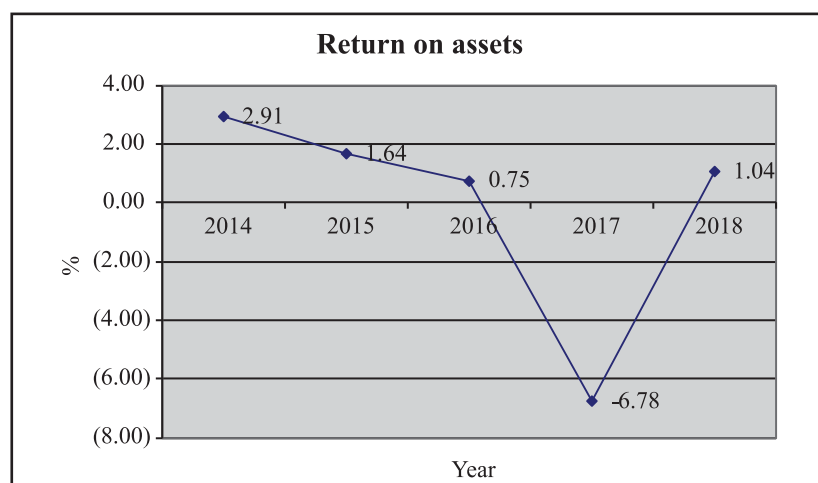
As per Bangladesh Bank FSD Circular # 2 issued on 01 December 2016 regarding formation of Sustainable Finance Unit at head office and the following members consist the unit:

Name of members	Status in company	Status in committee
Mohammed Hafizour Rahman	DMD & CFO	Chairman
Biplob Saha	AVP, Finance & HR	Focal Point Official
Shirina Akter	Senior Manager	Fallback Person
Rokshana Islam	Senior Manager	Member
Md. Rezaul Karim	Senior Manager	Member
Md. Mehedi Hasan Khan	Assistant Manager	Member

### Central Customer Service and Complaints Management Cell (CCS & CMC)

Central Customer Service and Complaints Management Cell (CCS & CMC) committee is formed having the prime objective of attaining and retaining customers' satisfaction and interest protection, company's goodwill, reputation and above all financial stability. Members of the committee are as follows:

Name of members	Status in company	Status in committee
Md. Anwar Hussain	VP and Head of Finance & HR	Chairman
Mohammad Rofiqul Alam	SAVP and Head of Credit	Member
Nazmun Nahar	AVP and Assistant Company Secretary	Member
Md. Iqbal Haque Choudhury	Senior Manager and Treasury-in-Charge	Member
Md. Shohaq Khalifa	MTO, ICC	Member



## Human Capital

Human Capital is a measure of the skills, education, capacity and attributes of employees which influence their productive capacity and earning potential. Human capital is important because it is perceived to increase productivity, and therefore, profitability. If the employees are dedicated towards work then human capital can be viewed as an asset. Human Capital cannot be measured easily because of complicated grading possibilities but properly guiding human capital can help the organization to achieve huge profits for the organization. Fareast Finance & Investment Limited believes that, an organization is often said to only be as good as its people. Directors, employees and leaders who make up an organization's human capital are critical to its success.

In Fareast Finance & Investment Limited, human capital is typically managed by the Finance & HR department of the company. In human resources arena, this department oversees workforce planning and strategy, recruitment, employee training and development etc. Fareast Finance's performance driven culture, quality of working relationships, healthy work life balance and best practices attracts sharp peoples and retains the top talents. The company encourages open communication, feedback and discussions about any matter of importance to employees; so that they are well informed and can contribute to the change happening across the organization. Fareast Finance's main strength is the right employee at right place. The principal strength of the company is the eminence and devotion of its employees and their shared sense of being part of a team.

Fareast Finance intends to improve the quality of human capital by investing in employees—the education, experience, and abilities of employees all have economic value for employers and for the economy as a whole. The company is in continuous process of developing and implementing human resources management policies and practices that are aimed at growing and developing employees and ensuring their contribution towards the achievement of corporate goals. The company always concentrates on equitable distribution of human resources development opportunities and benefits to its employees.

### Human capital strategy

Fareast Finance & Investment Limited follows the following strategies for human capital development:

- Efficient and effective manpower planning;
- Try to attract qualified personnel by fashioning a motivated workplace;
- Try to retain proficient employees by forming superior workplace;
- Take initiatives to provide new employees with appropriate training inside and outside of the company;
- Persuade employees to uphold professional skills and furnish them the opportunity to develop and grow;
- Performance management system. Written and operational promotion policy;
- Ensure maximum employees accomplishment-empower the individual, endow with an opportunity to prove initiative and
- command independent initiative;
- Maintain a spirit of ambition, efficient decision making, flexibility and quick responses to changes;
- Create a strong management team;
- Sustain an environment that supports a balance between work and life;
- Ensure equal opportunities, with regard to employment, work facilities, assignments, training, job development and salaries;
- Align the interests of employees with the interests of the organization;
- Fareast Finance continues to maintain a very satisfactory position in terms of people productivity;
- Employee benefits such as advances, medical, insurance, home loan, retirement etc.

### Group life insurance scheme and Hospitalization assurance Plan

Fareast Finance provides a group life insurance scheme and hospitalization assurance plan for its permanent employees where employees are covered under group insurance along with hospitalization plan. This insurance not only covers the employee's life/partial disability but also boost up employees' belongingness to the company. It also works as the motivational force for the employee for better performance.

### Employees' training and development

The company provides need based in-house and local training to its employees. This is done with a view to enhance human resources capacity by continuously upgrading their skill, abilities and knowledge and also to meet organizational needs to face future challenges in the ever changing financial services industry.

As part of company's human resource development program, a large number of employees were sent to different training programs, which included both managerial development and technical modules. During 2018, 26 employees were trained locally in 16 training courses for 21 days, while in 2017, 25 employees were trained locally in 20 training courses for 46 days.

For development of the employees company takes different initiative based on the need of the individual employee. Company provides the following knowledge and learning resources to its employees.

Step-1. Establish primary network of personal learning resources.

- by having relationship with the people
- by providing different material like books, video, CBT, etc.
- by meeting with experiences personal & others.

Step-2. Identify areas of deficiency

- by asking question.
- by giving problem on specific area.

Step-3. Prepare Personal learning plan.

Step-4. Extend learning network to 2nd level that focuses on components in the Personal Learning Plan.

Step-5. Discover process via implementing the personal learning plan.

Step-6. Application of the new knowledge

Step-7. Document knowledge for others by adding to the collective knowledge base

- storage and retrieval mechanism
- willingness to help others

### Respect

For betterment of the company respect is one of the key factors that have to be followed. For this company follows the following:

- i. We always think and act as a team;
- ii. We try to maximize the value of our global community;
- iii. We deliver results and celebrate success.

### Ethical standards

Ethic is a key to business success. Fareast Finance & Investment Limited adheres to the highest ethical standards and believes. The company prioritizes statutory compliance and has a set of code of ethics for employees, who are required to read and understand those documents, as a sign of reiteration and commitment to the principles enshrined in it.

### Compensation and reward

It is a cornerstone of our ethos that Fareast Finance is a meritocracy, where all employees are recognized and rewarded on the basis of their performance, efforts, contribution and achievements. The company's performance management and personal development processes are being rolled out through the extended group. They are based on the following principles:

- i. That employees have a clear understanding of how they contribute to the business;
- ii. Have clear personal objectives, aligned to the business strategy;
- iii. Career pathways that identify key capabilities and behaviors at different Competency levels across core career paths;
- iv. Personal development training and succession planning to support personal growth;
- v. An annual review of performance that drives decisions about pay and career progression.

Fareast Finance & Investment Limited provides its employees with a competitive compensation package. The Company has implemented a strict performance based reward system and evaluates staff performance evaluation yearly. The Company is a performance driven organization and career development opportunities are based on merit.

### Integrity prize for employees

Fareast Finance & Investment Limited considers its employees as the power house of the company and motivate them by providing rewards, promotion, awards etc. To inspire practice of integrity in employees, Fareast Finance & Investment Limited has formulated “Integrity Prize Policy for FFIL Employees” for giving integrity prize to its selected employee(s) each year since 2018 following the guidelines. This policy is made for selecting employee(s) of the year for integrity prize by picking outstanding employee(s) for his/her best performance and boost confidence within him/her and other employees to perform well in future. The prize shall be given on February 01 of each year considering his performance in the previous calendar year.

The company shall finalize maximum two employees in each calendar year for the integrity prize. One from the employees having position from the Managing Director to Vice President and the other from the employees having position from the Senior Assistant Vice President to Cleaner as mentioned in the latest pay scale approved by the Board of Directors of the company. On the basis of indicators delineated in the policy and following the given procedures employee will be selected for prize.

### Work environment and culture at the company

As a leading company Fareast Finance & Investment Limited cuddles diversity and admire for different cultures and local requirements. Employees of both genders from different regions, ethnic groups, generations and backgrounds contribute their skills and different perspectives to improving our solutions and delivering to our clients. Employees work in a positive, friendly and respectful environment and are able to maintain a good work life. Company aims to maintain healthy workplace and environmental conditions which permit employees to work to maximum effectiveness and to their full potential. Fareast Finance employees enjoy one of the best office premises and environments within the country.

### Non-discriminatory policy and equal opportunity

Fareast Finance & Investment Limited is an equal opportunity employer. It always values employee’s right and dignity. We always practice equal treatment to all existing and potential employees irrespective of their race, religion, age and gender. It is our company’s policy to ensure equal opportunity in recruitment, selection, promotion, development, training and rewards.

### Communication and employee satisfaction

Fareast Finance & Investment Limited recognizes that, in the current rapid changing knowledge-based business, communication is a critical ingredient for success. Within the company emphasis is given on both formal and informal communication. The relationship managers have a key role to play communication. The relationship managers are accessible, encourage collaboration and the development of ideas that contribute to business performance and continuous improvement. The company has an active program to ensure communication from executive team through a variety of media and encourage employee feedback and comment through methods including group discussions, employee surveys and email dialogue.



## Employee's issues

Employee's performance is very critical for the overall success of any company. Poor employee performance can decrease a company's competitive advantage in the business environment. Diligence and hard work are some of the factors that make up a strong work ethic of an employee. Employee whose values and work ethic match those of the organization performs best. There are some essential employee strengths that are sought after by all the company regardless of industry. An employee with a strong work ethic knows he is there to perform a job to the best of his ability. Keeping that in mind, Fareast Finance management are attracting them by providing competitive and attractive remuneration package and good working environment. Details of employee issues regarding cadre level, age, emoluments, turnover and training for the year 2018 corresponding with the year 2017 are presented below:

Description	2018 Number	2017 Number
<b>Cadre wise employee</b>		
Management cadre	60	60
Non-management cadre	15	15
<b>Total</b>	<b>75</b>	<b>75</b>
Male	57	60
Female	18	15
<b>Total</b>	<b>75</b>	<b>75</b>
<b>Average age of employees</b>		<b>Year</b>
Management cadre	34.92	32.40
Non-management cadre	36.80	35.74
<b>Employee emoluments</b>		<b>Taka in million</b>
Salary and allowances to employees other than Managing Director	59.45	59.65
Managing Director's salary and allowances	8.5	7.89
<b>Total</b>	<b>67.95</b>	<b>67.54</b>
<b>Employee turnover</b>		<b>Number</b>
Employee at the beginning	75	65
Recruitment during the year	44	27
Departures through resignation	44	17
<b>Employee at the end</b>	<b>75</b>	<b>75</b>
<b>Net change during the year</b>	<b>0</b>	<b>10</b>
<b>Training</b>		
Number of training programs participated by employees	16	20
Number of employees who participated in at least one training program	26	25
Percentage of employees who participated in at least one training program	34.67	33.33
Days participated for training program	21	46
Average number of days spent in training per employee	0.28	0.61

## Social responsibilities

Responsibilities towards the stakeholders of the society surrounding a business organization are tremendously influential for the betterment of that society. Social responsibility is the idea that businesses should balance profit-making activities with activities that benefit society; it involves developing businesses with a positive relationship to the society in which they operate. It is concerned with the relationship between the company and the society in which it operates its business. Corporate social responsibility also refers to the continuing commitment to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large. The ‘social contract’ between the company and the community is of critical importance for Fareast Finance. Thus Fareast Finance has adopted corporate social responsibility practices in a formal, structured manner in line with company’s vision to help the disadvantaged population of the country by taking socially responsible initiatives. Fareast Finance actively regards corporate social responsibility not a charity, but an investment in society and in its own future. Fareast Finance & Investment Limited is and always has been established on solid long-term relationships with all of its stakeholders.

In line with Bangladesh Bank rule and regulations, the company has taken different measures to comply with all of the requirements. Fareast Finance is proud to be actively involved in various fields of corporate social responsibilities. Fareast Finance designed its products and services in such a way that its business activities always pursue its commitments to sustainable development and transparent corporate conduct in social and ethical manner.

### **Ethical conduct**

As a leading organization, Fareast Finance & Investment Limited does have a responsibility to act as a good corporate citizen all around the country. Because of ethical and public interest dimensions, Fareast Finance recognizes and performs the obligations that are towards the people, investors, customers, suppliers, competitors and the community as a whole.

Fareast Finance believes in standing together along with trust and confidence beside those with whom it deals. In order to keep the reputation and trust, Fareast Finance demands and maintains the highest ethical standards in carrying out its business activities. Its employees are encouraged to promptly report any potentially illegal, improper and/or unethical conduct that they become aware of at their workplace or in connection with their work.

### **Useful service**

Fareast Finance & Investment Limited constantly endeavors to make certain that its employees are close to clients and available at all the time. It also ensures quick and efficient response to client’s requests and quality follow-through. The company management meets at least once in every month for making continuous improvements aiming to achieve operational excellence and change internal business process through employees. This program provides rational way for bringing about significant improvements in the quality of the service delivered, while empowering employees to make necessary changes.

### **The employees**

Fareast Finance & Investment Limited is widely considered for ensuring equal opportunities for all its employees, both during the recruitment and appraisal process irrespective of age, gender, race or religion. Care is taken to the inner qualities of the employees to assist their development, and maintain a working environment to ensure work-life balance of the employees. Fareast Finance & Investment Limited inculcates a deeper sense of responsibility and stronger ethical standards among all the staff, laboring the point that Fareast Finance & Investment Limited has a significant role to play as a leading corporate citizen of the country.

Fareast Finance actively supports the development of its staff in a number of ways including dignified employee development discussions and structured programs for personal and professional development. It is linked to the transfer, exchange and creation of knowledge to the strategic corporate objectives and thus be the power behind ongoing innovation of company’s products, services.

### Commitments to employees

Fareast Finance & Investment Limited ensures to provide a workplace in which employees are respected. Besides, by practicing fair employment and taking initiatives for enhancement of employees' morale, the company provides encouragement to a management style that empowers and develops the employees.

### Business partners and suppliers

Fareast Finance & Investment Limited is committed to building its business and serving its clients, while at the same time improving the communities in which it does business. This is a great opportunity that people entrust Fareast Finance & Investment Limited with their funds, and therefore, with their aspirations for their families and businesses. The company in turn endeavors to listen to and learn from its stakeholders and to take the appropriate measures where it applies, since responsible behavior towards its clients, shareholders and employees is an essential element of company's daily business.

### Concerned to the helpless people

Fareast Finance & Investment Limited always extends its helping hands to the helpless people. Based on the need of the helpless people, Fareast Finance & Investment Limited always comes forward to provide them comfort in such a way that satisfies them.

### Economic development

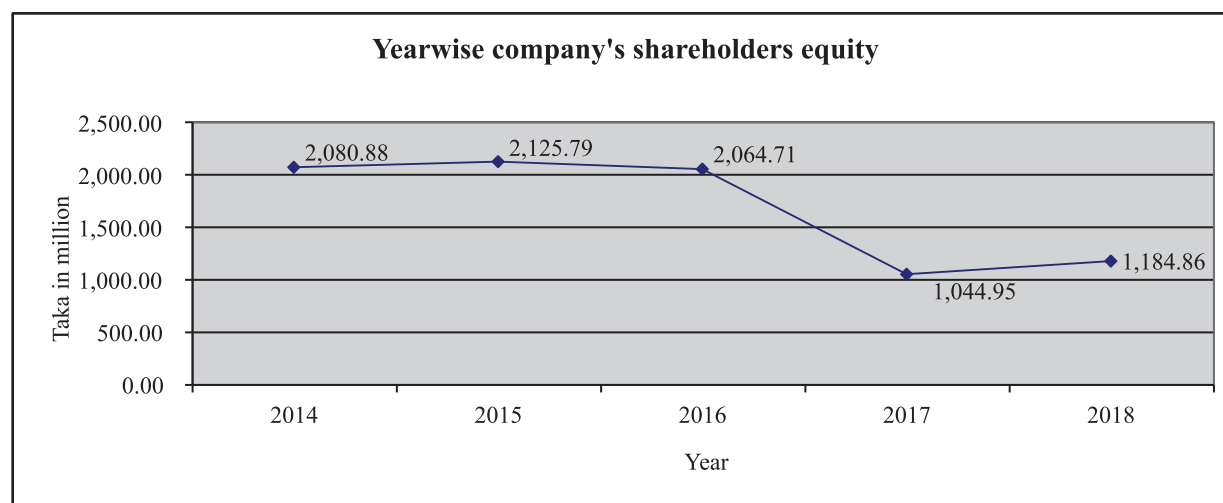
Fareast Finance & Investment Limited plays its role as an active partner of the economic development of the country. The company has extended its financial services to the wider community through SME financing, biomass processing plants (e.g. biogas plants), solar panels in rural households, for waste recycling plants in locations populated by urban poor, and for Effluent Treatment Plants (ETPs) in manufacturing establishments. At the same time for the industrialization of the country, Fareast Finance & Investment Limited provides industrial loan and related other services. Fareast Finance has always come to the aid of victims following natural calamities such as cyclone, flood and rigorous cold. In the year 2018, our total expenditure in CSR arena was Tk.437,304.

### Ideas for future CSR

Fareast Finance & Investment Limited is open to ideas and suggestions about possible further support and assistance options in increasing the corporate social responsibility activities, which can do benefit to the people of the country.

### Shareholders information

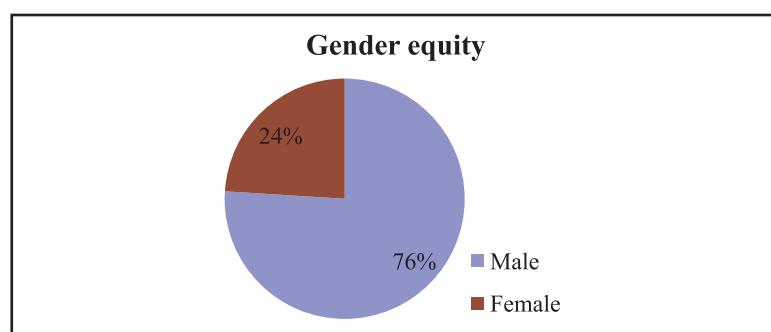
The goal of the Fareast Finance & Investment Limited is to deliver clear, complete and reliable information that meets the needs of all shareholders, regardless of their level of expertise as investors. Fareast Finance & Investment Limited ranks among the few listed companies that provide the most detailed possible information on business strategy, performance.



## Gender equity issues

In Fareast Finance & Investment Limited a mentionable number of female employees are working side by side of male employees and the number is growing day by day. The company is conscious to ensure professional development opportunity and empower women in the workplace, its importance for economic prosperity and social well-being. In line with the Bangladesh Bank DOS Circular # 01 dated 1 June 2008 and subsequent guidelines, Gender Equality Issues of Fareast finance & Investment Limited as on 31 December 2018 is presented below:

Sl. no.	Issue	Yes/No (where applicable)	Data	
1.	Gender diversity among members of the Board of Directors of the FI		7 male members 1 female member	
2.	Gender diversity among permanent employees		i. entry level	28 male employees
				6 female employee
			ii. mid level	12 male employees
				2 female employees
3.	Gender breakdown by age group for permanent employees		iii. senior management	6 male employees
				2 female employees
			i. < 30 years	11 male employees
				2 female employees
			ii. 30-50 years	33 male employees
		8 female employees		
	iii. > 50 years	2 male employees		
		0 female employee		
4.	Is there any maternity leave policy	Yes		
5.	Is there any day-care centre in head office/branch (es)	No		
6.	Does the FI provide transportation facility for female employees working beyond usual office hours	Yes		
7.	Is there any separate toilet for female employees in head office/branch	Yes		
8.	Employee turnover by gender	Yes		





## Environmental issues

The whole world is now thriving to attain the sustainability in every sphere of business arena. The companies are very conscious in doing business while keeping in mind the environmental issues like saving the ecosystem of the surrounding without contamination of natural resources.

## Environmental issues

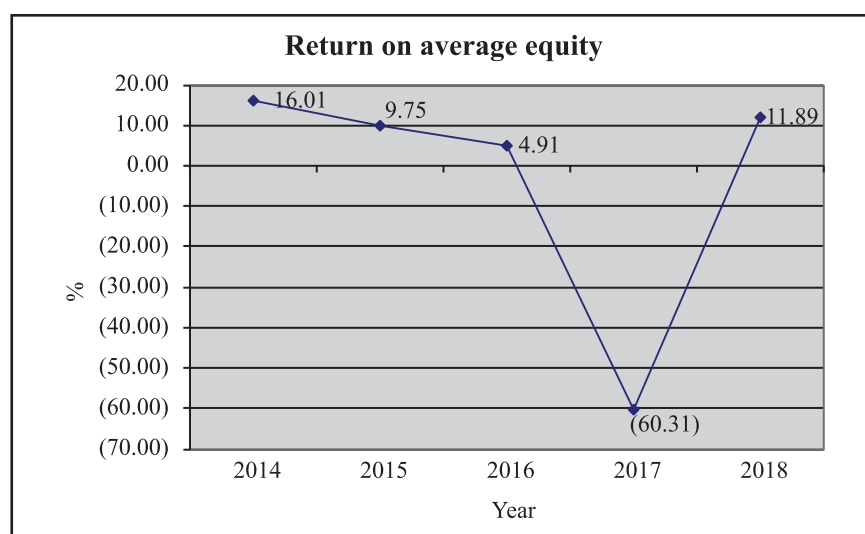
Climate change is a burning issue for the whole world especially for the countries like us. To cope up with and to avoid the adverse effect of this climate change to our business and to our society as a whole we are to address the environmental issues very seriously. That is why every sort of business activities should be in line with the betterment of the environment during making any profit. Fareast Finance believes that each small step to “Go Green” will take Bangladesh to a long way in building a better future. Based on the guideline issued by the Bangladesh Bank through DOS Circular # 01 dated 1 June 2008 Fareast Finance & Investment Limited designed its products and service in such a way that:

- Ensure that it does not have any negative impact on the economic, social and environmental issues;
- Ensure that it mitigates the negative impacts and bolster the benevolent impacts;
- Ensure that its action programs and community investments reduces social exclusion and inequality and addresses the keys to sustainable development challenges;
- Select borrowers in scrutiny of the environmental and social impacts of their proposed undertakings.

Re-use and recycle where possible and disposing-off non-recyclable items responsibly are emphasized, which minimizes the impact on the environment. It is expected that by adopting straightforward, environment friendly initiatives, the company will raise awareness amongst stakeholders and the wider community.

The company regularly reviews its environmental policy to ensure that it reflects changes in regulations and best practices. In line with the growing global environmental consciousness, Fareast Finance & Investment Limited has always been keen on portraying a brand image that promotes environmental sustainability. Detailed due diligence is performed by company’s relationship managers and credit risk analysts to identify environmental impacts of projects with possible critical environmental implications.

Client compliance with Environmental Conservation Act, 1995 and Environmental Conservation Rules, 1997 is thoroughly investigated during the project appraisal process. Besides, a report on environmental checklist prepared by the company’s Internal Control and Compliance department is regularly presented before the company’s risk management forum’s meeting.



## Contribution to national economy

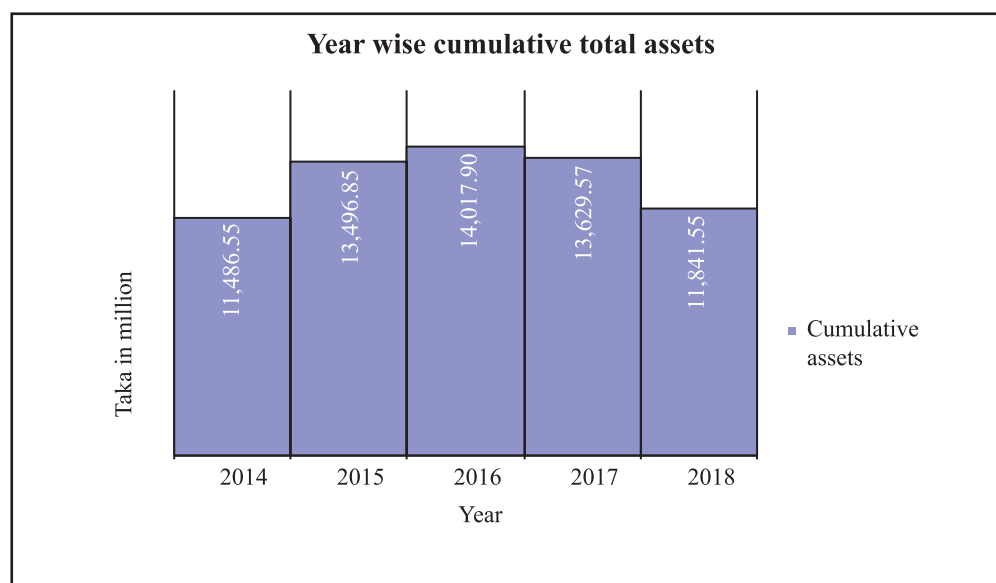
The contribution of Fareast Finance & Investment Limited to the national economy is very vital for the employment and over all socioeconomic development. Bangladesh is on the way of development and financial sector plays a significant role in the development process of the country. In the FY 2018, Bangladesh's economy has achieved a record growth of 7.86 percent, whereas, agriculture sector contributed 14.2 percent, industry sector added 33.7 percent and service sector contributed 52.10 percent of total GDP of the country. Fareast Finance & Investment Limited believes that making contribution to country's economy is the company's primary responsibility. Keeping that in view, the company contributes to the economy in various ways like financing for industrial development, adding extra value through financial services to clients, shareholders, employees and the community.

As on 31 December 2018 company's credit exposure stood at Tk.9,989.36 million. The facilities were extended mostly for term loan, working capital, agriculture and SME loan purpose. Besides, in the year 2018, Fareast Finance contributed Tk.7.90 million to the economy by paying income tax to the Government against Tk.22.69 million in the year 2017. On the other hand, during the year 2018, the company deducted income tax and VAT at sources amounting Tk.67.62 million and deposited the same to the authority. Other than above, the company is continuously making positive economic impact by creating employment. As on 31 December 2018 the company along with its associate company employed 104 employees against 103 employees as on 31 December 2017. During the year 2018 company's contribution to the economy through employees were as follows:

- Tk.0.09 million was spent for training and human capital development.
- Paid a total amount of Tk.67.94 million as salaries and allowances to its employees.
- Tk.4.00 million was paid by the employees as taxes.

Fareast Finance also plays a vital role in building charitable society through donation and sponsorship. Employees are also encouraged to participate in social and charitable programs. As a part of its social responsibility, the company contributes to various funds, flood affected people, hospitals and to the people who were affected by the natural calamities.

The company believes that sustainable economic growth and a healthy environment are inter-linked. Fareast Finance takes supportive role in terms of providing financial services by restricting and discouraging those projects that causes pollution for environment and health hazard.





## Corporate governance

Good corporate governance is must for a prosperous institution in the financial sector of Bangladesh. It is a health check on the business. It gives an investor the comfort that there are recognized practices taking places in the company. Fareast Finance is committed to abide by corporate governance code that is prerequisite for a sustainable growth. Good governance results in equitable balance among all the stakeholders of a company.



## Corporate governance

Corporate governance is not only a compliance issue but also something that adds value to a company. A standard level of corporate governance practices have to be maintained to establish a good atmosphere of corporate environment. Corporate governance is a mechanism through which board members are able to direct, monitor and supervise the conduct and operations of the company and its management in a manner that ensures appropriate levels of authority, accountability, stewardship, leadership, direction and control.

Corporate governance includes the processes through which company's objectives are set and pursued in the context of the social, regulatory and market environment. Governance mechanisms include monitoring the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders. Important part of the corporate governance is to disclosure of all information regarding the financial status of the company, its performance, ownership and governance status in a timely and accurate way. These disclosures help in improving the public understanding of the structure, activities and policies of the organization. Details of Fareast Finance's status of corporate governance are presented below:

### Compliance of corporate governance

Pursuant to BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80: dated 3 June 2018, the Board of Directors of Fareast Finance & Investment Limited is responsible to company's shareholders for the policies and their implementation, activities regarding the effective corporate governance practices in the company. Implementation and improvement in the corporate governance is a continuous process. Keeping that in mind the Board is marching ahead with the formulation and implementation of clear structure and accountabilities supported by well understandable policies in the company. These policies define the independent role of Board of Directors, Chairman, different Board Committees, Managing Director, Company Secretary, Chief Financial Officer and Head of Internal Control & Compliance etc.

### Ethics and compliance

Fareast Finance's corporate governance philosophy follows the ethical practices in the every aspect of the business mechanism involving from the Board of directors to the employees. High level of business ethics is practices in regulatory and legal requirement through effective supervision that enriches the value of the company. Complying with the Bangladesh Bank requirement, Ethical committee is formed having the prime objective of protecting the integrity and reputation of the company, to promote ethical standards of behavior and to strengthen the company's accountability and transparency. In line with that, Fareast Finance is performing ethically and efficiently to generate long-term value and wealth for all its stakeholders. The corporate governance principles of the company ensures that the Board remains informed, independent and involved in the company and there are ongoing efforts towards better corporate governance to mitigate "non business" risks. The Board periodically reviews the compliance of all applicable laws and gives appropriate directions, wherever necessary.

### Composition of the Board of Directors

Fareast Finance & Investment Limited has highly effective boards include a mix of members with the expertise and experience from different arena of the financial sector to fulfill their essential roles. They encompass a range of talents, skills and expertise required to provide sound and prudent guidance in respect to the operations and interests of the company. Discharging of their responsibilities as per requirement of Bangladesh Bank is within the set forth of best practices of corporate governances.

The brief profiles of the directors presented in this annual report demonstrate that the directors have a range of financial, operational and entrepreneurial experience, which ensures that the company follows the principles of different corners of the society properly. The Board also considers that its composition carries a suitable sense of equilibrium of experience and expertise in following the corporate governance in the company.

## Fareast Finance & Investment limited

The constructions of Board of Directors are as follows:

Name of Directors	Board status
Md. Shamsul Islam Varosha	Chairman
Md. Ershad Ullah	Vice Chairman
Dr. Khadiza Waheeda Jahan	Director
Md. Ashaduzzaman (Representative of Rimsha BD Limited)	Director
Ashraf Abdullah Yussuf	Independent Director
Md. Rafiqul Islam	Independent Director
Khandoker Motaher Uddin Ahmed	Independent Director
Muhammad Muhibbullahil Baqi	Independent Director
Santanu Saha	Ex Officio Member

The shareholders of the company appoint the directors in the annual general meeting. Casual vacancy in the Board if any is filled up by the Board of Directors as per The Companies Act, 1994 and the Articles of Association of the company. In addition, one third of the directors retire from the Board every year in the annual general meeting who are eligible for reappointment.

### Independence

Directors' Independence is an essential component of corporate governance that refers to the avoidance of being unduly influenced by a vested interest and to being free from any constraints that would prevent a correct course of action being taken. The Board of Directors of Fareast Finance & Investment Limited is committed to add value and bring independence to bear on the decision making process of the company, while meeting stakeholders' expectations of sound corporate governance practices. All the members of the Board of Directors are independent in nature, moral values, ethics and decision making.

### Board meetings

For discharging the duties and responsibilities imposed by The Companies Act, 1994, the meetings of the Board of Directors of Fareast Finance & Investment Limited are held at the registered office of the company. The meetings are held frequently. Meetings are scheduled with consent of the Chairman of the Board and the Company Secretary gives the notice of each Board meeting in writing to each Director.

After obtaining approval from the Chairman, the Company Secretary prepares the detailed agenda for the meeting and sends the detailed board papers comprising, agenda, explanatory notes, memo regarding agenda and proposed resolution to each directors well before the meeting time and date. The Board members have full access to the Company Secretary for updating any information or documents. They are also free to recommend any matter for inclusion in the agenda for discussion.

Company Secretary and the Chief Financial Officer always attend the Board meetings and incase of requirement senior management is invited to clarify the matters and also to input their thoughts.

In the year 2018, the Board met nine times. In all the meetings, Chairman of the Board of Directors presided and quorum was present.

### Board's responsibility

According to the Bangladesh Bank guidelines, the Board is responsible for company's overall governance, performance, administration and following of rules and regulation. The role, responsibilities and accountabilities of the Fareast Finance Board are outlined below:

- Determination of strategic mission/vision of the company.
- Fixation of business goal, growth and excellence on annual basis.
- Establish, observe and evaluate the policies, planning, management performance criteria.
- Discussion regarding change/extension/modification/up-to-date of policies.
- Regular review of the operational success and failure and point out the reason for failure.
- Determine the key performance indicator of the CFO, Senior Management of the company and regular evaluation of the same.
- The delegation of authority has been fully supervised through close supervision in different issues (such as loan/lease approval, collection, reschedule etc).
- Approval and monitor timely completion of all annual budget, capital expenditure and statutory reports of the company.
- Review on regular basis the financial statements, overdue situation, financial performance, provisioning, capital adequacy and legal steps against the default cases.
- Policy regarding purchase.
- Decision regarding purchase of land, building, vehicle.
- Policy for maintenance of bank accounts and to establish financial fairness.
- Evaluation of proposal which requires Board approval and/or suggestions.
- Appointment of CEO and increase of remuneration under approval of Bangladesh Bank.
- Ensuring the necessary skills and experience of the senior management team, to perform their responsibilities, functions effectively, in the best interest of the company.
- Appointment and promotion of only CEO, DMD and GM or equivalent position under human resource policy and service rule.
- Approval of syndicated and large loan/lease/investment proposal.
- Approval and updating of different plans, guidelines, policies etc. as per requirement of Bangladesh Bank and the corporate operations.
- Formation of different committees.
- Review of the reports of external auditor, Bangladesh Bank auditor and audit committee.
- Any other activities as required beneficial for the company.
- Ensure the adequacy of Internal Control System and regular monitoring.
- Ensure state of the art ICT system in the organization which is sufficient to operate the activities of organizations smoothly and effectively.
- Ensuring the proper decision making and accountability structure throughout the company so that the staff down the line is fully accountable to the management.

The members of the Board of Directors do not participate in the day-to-day activities of the company. Neither have they received any form of honorarium except fees for attending Board and committee meetings.

### Roles of Chairman

The Chairman of the Board of Directors is elected by the directors and he has no executive role and responsibility. The current chairman has been serving as Chairman from December 2018. The Board members elected him for the first time for the role of chairman of this organization.

### Executive Committee

The Executive Committee of Fareast Finance works with the policies and guidelines issued by Bangladesh Bank, Board and Regulatory authorities regarding operational and credit matters. The committee ensures properly and timely implementation of policies and guidelines through the management. The Committee recommends the lease/loan and other business proposals to the Board of Directors for approval. Management ensures due diligence, necessary professional advice, where necessary. The Committee consists of the following Directors:

Name of Directors	Status in Executive Committee
Md. Ershad Ullah	Chairman
Md. Shamsul Islam Varosha	Member
Md. Ashaduzzaman	Member
Md. Rafiqul Islam	Member
Khandoker Motaher Uddin Ahmed	Member

### Board Audit Committee

The Board Audit Committee comprises of five members of the Board as follows:

Name of Directors	Status in Board Audit Committee
Ashraf Abdullah Yussuf	Chairman
Md. Ershad Ullah	Member
Md. Ashaduzzaman	Member
Md. Rafiqul Islam	Member
Khandoker Motaher Uddin Ahmed	Member

During the year 2018, five meetings were held by the Board Audit Committee. Functions and responsibilities of the Committee are as under:

- Examine any matter relating to the financial and other connected to the company.
- Review all internal & external Audit and inspection program of Bangladesh Bank.
- Review the efficiency of internal control systems and procedures, in place.
- Review the quality of Accounting Policies to statutory and regulatory compliance.
- Ensure that a well managed sound financial reporting system is in place to provide timely reliable information to the Board of Directors, Regulatory Authorities, Management and all other stakeholders.
- Ensure Company's policies are firmly committed to the highest standards of good corporate governance practices and operations conform to the highest ethical standards and in the best interests of all stakeholders.

### Internal control

Internal control is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. It involves with everything that controls risks to an organization. It is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organization's resources, both physical and intangible.

The primary objective of internal control system is to help the organization to perform better through the use of its resources. Through internal control system management identifies its weaknesses and takes appropriate measures to overcome the same. The main objectives of internal control are as follows:

- Efficiency and effectiveness of activities (performance objectives).
- Reliability, completeness and timelines of financial and management information (information objectives)
- Compliance with applicable laws and regulations (compliance objectives)
- Accountability to the Board

Internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective.

Board considers that company's internal control system is so designed that the company's assets are satisfactorily safeguarded, investment proposals are properly evaluated and disbursements are made after completion of all documentation approved by the Board. The Board Audit Committee is also supervising the procedures at regular interval. The Board reviews the reports arising from the internal and external audits, Bangladesh Bank inspection and monitors the progress of the company by evaluating the results against the budget and industry performance.

According to the guidelines provided by the Bangladesh Bank, Fareast Finance Board had already approved the internal control manual and continuing to implement the same in the company.

### Budgetary control

In order to achieve the long term goal, the Fareast Finance management prepares an annual budget and subsequently approved it from Board. On the basis of budget, performance is monitored; evaluated and appropriate actions are taken throughout the year. In each Board meeting, business and financial performances are reported to the Board commensurate with the budget, so that Board is updated and can take up-to-date measures to reach the goal.

### Delegation of authority

Fareast Finance Board of Directors delegated financial and operational powers to the company management with set of guidelines and limits to ensure effective, prompt and growth oriented business. The management of Fareast Finance strongly believes that accurate delegation of authority helped a lot the organization which causes betterment of the company.

### External auditors

According to The Companies Act, 1994 and the Articles of Association of the company the external auditor of the company is appointed by the shareholders in the AGM along with the fee in quantum. The appointment of auditor is subject to the approval to be obtained from Bangladesh Bank each year and as per The Financial Institutions Act, 1993, an auditor cannot be appointed for more than three consecutive years.

### Financial reporting

According to The Companies Act, 1994, the Board is responsible to prepare the financial statements of the company following the applicable accounting standards, rules and regulations etc. The Board is also responsible to present the financial statements before the shareholders in the annual general meeting for getting approval.

Regarding the financial position, the Fareast Finance Board confirms the following:

- The company's financial statements has been prepared in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by ICAB, the requirements of The Companies Act, 1994, Securities and Exchange Commission Rules 1987 and The Financial Institutions Act 1993.
- The financial statements represent the fair view of the state of affairs of the company and will enable the shareholders and other users to form their independent opinion with reasonable accuracy of the financial position.

### Compliance with the requirement of Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited and Bangladesh Securities & Exchange Commission

In compliance with the requirement of Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE) and Bangladesh Securities & Exchange Commission (BSEC) Fareast Finance submitted all type of shareholdings' reports to the DSE, CSE and BSEC on monthly basis. Fareast Finance follows all other compliance of the notifications, orders, rules etc. of DSE, CSE and BSEC and especially the Listing Regulations of Dhaka and Chittagong Stock Exchange Limited, 2015 for approval of quarterly accounts and publication, declaration of financial performance, publication of price sensitive information, fixation of record date, Annual General Meeting, Extra Ordinary General Meeting etc. as a best practice of the corporate governance.

### Communication with shareholders

All the shareholders have the right to attend the annual general meeting and to express their views on the company's business and financial performances. If any shareholder is unable to attend the annual general meeting, he may appoint a proxy on his behalf. The shareholder can also exchange his ideas and thoughts regarding company's betterment in future. The Chairman and the Directors are always makes them available in the annual general meeting, so that they can also exchange their views.

Fareast Finance Board believes that the shareholders of the company should have access to all the information of the company in complete and accurate form on timely and expressed way. Keeping that in mind, all material information and activities of the company are disclosed in the annual report and financial statements of the company, which are sent to the shareholders before the annual general meeting. Besides, all the relevant announcements are published timely for information of the shareholders. Other than above, information regarding company's activities, products and services, financial positions in the company's web site, which are regularly updated.

## Compliance with guidelines on corporate governance

According to the DFIM circular # 7 dated 25 September 2007 the Board of Directors of Fareast Finance & Investment Limited has taken appropriate measures to comply with the guidelines as mentioned in the circular and implemented the same. Status report on compliance with those guidelines is as follows:

Sl. #	Particulars	Status
<b>1</b>	<b>Responsibilities and authorities of the Board of Directors</b>	
<b>A</b>	<b>Work-planning and strategic management</b>	
1	The Board shall determine the vision/mission of the Company. Board shall also determine the strategy and work-planning for enhancement of institutional efficiency and other policy matters on annual basis. Board shall make necessary amendments on the strategies on quarterly basis.	Complied
2	The Board shall have its analytical review to be incorporated in the Annual Report as regard to the success or failure in achieving the target as set out in the annual work plan and inform the same to the shareholders in the annual general meeting.	Complied
3	Board shall determine the Key Performance Indicators for the Chief Executive Officer and other high officials and assess the performance on half yearly basis	Complied
<b>B</b>	<b>Formation of sub-committee</b>	
	To facilitate the company's operation through making timely decisions sub committees can be formed from the board members and management. However alternative director shall not be included in those committees.	Complied
<b>C</b>	<b>Financial management</b>	
1	Annual budget and statutory financial reports shall be authorized by the Board of Directors	Complied
2	Board shall review company's statement of income and expense, statement of loan/lease, liquidity requirement, capital adequacy, adequacy of provision, action taken for legal cases and recovery of default loan	Complied
3	The Board shall approve the procurement policy and shall accordingly approve the delegation of power for making such expenditure. The maximum delegation of power shall rest on the CEO and top management. However, decision relating to purchase of land, building, and vehicle shall remain with the Board.	Complied
4	Bank account of the Company shall be operated by a group constituted from amongst the Management.	Complied
<b>D</b>	<b>Loan/Lease/Investment management</b>	
1	The policies, strategies, procedures etc. in respect of appraisal of loan/lease/investment proposal, sanction, disbursement, recovery, rescheduling, and write-off shall be made with the Board's approval under the purview of the existing laws, rules and regulations. The Board shall specifically delegate the power of sanction of loan/lease/investment and such delegate should desirably be made among the CEO and other top management of the company.	Complied
2	No director shall interfere directly or indirectly in the process of loan approval	Complied
3	Approval shall be taken from Board of Directors for syndicate loan/lease/ investment and large loan/lease/investment.	Complied
<b>E</b>	<b>Risk Management</b>	
	Core Risk Management Guidelines shall be approved by the Board of Directors of the Company	Complied

**F Internal Control & Compliance**

Audit Committee shall be formed for effective implementation of an integrated internal control system of the Company and for keeping loan/lease/investment quality at a desired level. Board Audit Committee shall review the report provided by the Internal Control & Compliance Department, the external auditor and the Bangladesh Bank shall make comments thereon.

Complied

**G Human Resources Management**

Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, HR development etc. and service rule shall be framed and approved by the Board. The Chairman or the Board shall no way involve themselves or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the service rules. No member of the Board shall be included in the selection committees for recruitment and promotion of different levels except the positions MD, DMD and GM or equivalent.

Complied

**H Appointment of Managing Director and increase of salaries & allowances**

Board of Directors shall appoint a competent Managing Director with approval of the Bangladesh Bank. Board shall approve any increment of salaries and allowance of the Managing Director.

Complied

**I Benefit to Chairman**

Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the company subject to the approval of the Board.

Complied

**2 Responsibilities and duties of Chairman**

**A** Chairman shall not personally possess the jurisdiction to apply policy making or executive or authority. He shall not participate in or interfere into the administrative or operational and routine affairs of the Company.

Complied

**B** The minutes of the Board meetings shall be signed by the Chairman

Complied

**C** Chairman shall sign-off the proposal for appointment of Managing Director and revision of his salaries and allowances.

Complied

**3 Responsibilities of Managing Director/CEO**

**A** Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management.

Complied

**B** Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities.

Complied

**C** All recruitment/promotion/training, except recruitment/ promotion/ training of DMD & GM (as equivalent to EVP) shall be vested upon the Managing Director. He shall act such in accordance with the approved HR Policy of the company.

Complied

**D** Managing Director may re-schedule job responsibilities of employees

Complied

**E** Managing Director may take disciplinary actions against the employees except DMD & GM (as equivalent to EVP).

Complied

**F** Managing Director shall sign all the letters/statements relating to compliance of policies and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no.2 dated 6 January 2009 if so authorized by Managing Director.

Complied

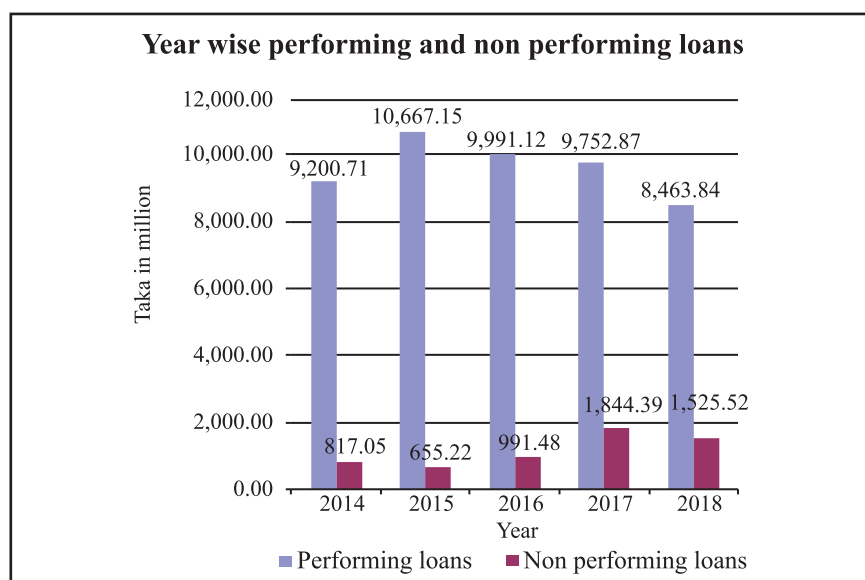
## Risk management

Risk management is important in an organization because without it, a firm cannot possibly define its objectives for the future. The whole goal of risk management is to make sure that the company only takes the risks that will help it achieve its primary objectives while keeping all other risks under control. Risk management is an ongoing process that continues through the life of a project. It includes processes for risk management planning, identification, analysis, monitoring and control. Essentially, risk management requirement occurs any time in a financial institution and the management takes attempts to quantify the potential for losses in an investment and then takes the appropriate action. For the overall control, Risk management is the process, whereby organizations methodically address the risks attaching to their activities with the goal of achieving sustained benefit. Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities. The prime responsibility of every financial institution is to manage its risk in a way that the return from business can be maximized. In a financial institution, taking risk lies at the core of its business activity and it earn return on investments through managing the risk. Therefore it is imperative that the management should understand the risk what they are going to take in order to carry out the business.

Fareast Finance & Investment Limited certainly believes that risk management is the core function that makes its business sustainable. Ability to generate profit consistently and sustainably is a function of enterprise wide risk management and the company is restlessly pursuing continuous improvement in this area. Fareast Finance's risk management strategy is based on a clear understanding of various risks, disciplined assessment, measurement and continuous monitoring of such risks.

Fareast Finance followed the risk management framework within the organization for managing company's different kind of risks. It has an effective risk management system in the right place to identify measure and manage these risks at a tolerable limit in order to ensure quality of its asset, business opportunities and our creative ventures. The mixture of the following elements builds the risk management structures successfully.

- Policies and procedures to managing the risks.
- Methodology for determining risk appetite.
- Models for measuring risk, i.e. credit risk.
- Tools for analyzing risks, i.e. spreading balance sheet.
- Take appropriate measure to deal with the risk.
- Processes for recording and approving credit requests.
- The means of delegating and monitoring the use of credit authority.
- The management of documentation and limit input.
- Tools and techniques for monitoring and reporting risk exposures.
- The structures for regularly reviewing risk exposures, e.g. risk committees.



## Risk factors and management perceptions

The probability that an actual return on an investment will be lower than the expected return goes with the risk factors that must be managed to minimize those uncertainties regarding the expected output from every efforts of the company. There is no way for an institution in the financial market to avoid the risk factors during running its regular activities. Mitigating the risk and to maintain it in a lower level is a difficult job. Risk minimization always increases the profit margin. For a financial institution risk is the vital part of its daily life. 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 other kind of risks that are also aligning in financial business sector. The major risks that are dealt by Fareast Finance & Investment Limited as a financial institution are as follows:

### Credit risk

Where the borrower may not be able to or willing to repay the debt owed to the financial institution, or to honor other contractual commitments. The default usually occurs because of inadequate income or business failure. But often it may be willful because the borrower is unwilling to meet its obligations despite having adequate income. Credit risk also denotes the volatility of losses on credit exposures in two forms- the loss in the credit asset's value and the loss in the current and future earnings from the investment.

### Management perceptions

Fareast Finance Management has taken the following steps to manage credit risk at a minimum level:

- Independent credit risk management unit.
- 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.

### Interest rate risk

Fluctuations in the interest rates cause this type of risk that also results in volatility in the income or expenses of interest. Management of interest rate risk is also called asset liability management (or ALM). It is concerned with borrowed funds of short term and long term maturity. Volatility in money market and increased demand for loan/investment raise the rate of interest. Increase in interest rate of borrowings could narrow or eliminate the spread, or result in a negative spread and could adversely affect the business and future financial performance resulting from high cost of fund of a company.

### Management perception

Investments are generally structured at fixed rates for a specified term and for long run in comparison to the tenure of borrowing funds. But, in case of unusual and abrupt increase in borrowing rate, the company has a scope to increase the lending rate which could mitigate that risk. Again company always tries to reduce the interest rate risk by diversifying the borrowing from different sources at different rates.

### Liquidity risk

Liquidity risk arises from funding of long-term assets by short-term liabilities, thereby making the liabilities subject to rollover or refinancing risk. Liquidity risk is usually of an individual nature, but in certain situations may compromise the liquidity of the financial system. From end of the last year financial institutions have been facing liquidity crisis because of the fund shortage in the market. This liquidity risk being one of the reasons for financial distress should not be ignored.

### Management perceptions

Liquidity risk management of Fareast Finance 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.

### Operational risk

Risk of losses evolves from poor or futile internal processes, people and systems or from external events. The components of operational risks are conflict of interest, excessive pay levels, breach of fiduciary duty, mismanagement, unjust enrichment of job responsibilities, waste of corporate resources, economic crimes etc. It includes legal risk, but excludes strategic and reputation risk. Operational risk occurs in all spheres of day to day activities. This risk arises in almost all the department of a financial institution like credit, investment, treasury, information technology etc. 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, rouge traders etc.

### Management perception

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

### Market risk

Market risk is the risk that arises from fluctuations in interest rates, exchange rates, and the price of instruments in the money and capital markets, which may affect the financial performance of the company. 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. Inability to offer on to a proactive and competitive posture due to lack of market access and inability to offer competitive products will hinder the Company's growth potential.

### Management perceptions

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 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 Fareast Finance 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. Fareast Finance with its strong earning capacity, favorable credit rating and market goodwill can access to money market with a competitive rate.

### Industry risk

Industry risk refers to the risk of increased competition from foreign and domestic sources leading to lower revenues, profit margins, market share etc. which could have an adverse impact on the business, financial condition and results of operation. Fareast Finance is operating in a highly competitive market. Some of the competitors have more resources, broader range of products, complementary lines of business etc. It is, therefore, very difficult to predict in advance the move of the competitors in the coming years.

### **Management perception**

Fareast Finance has a sound financial base. Besides, this company has strong capital base and a successful history of sustainable growth for more than a decade. Fareast Finance always strives to provide products according to customers' needs with a personalized service. Continuous efforts for mobilizing funds at competitive prices from different sources will make the company competitive in the market.

### **Technology risk**

Technology risk is any possibility for technology failures to disrupt business such as information security incidents or service outages. Technology risk also refers to failure of the information technology system, backup and restores problems, the hacking of the computer network by outsiders, and the programming errors that can take place any time and can cause loss to a financial institution. Technology always plays a vital role in any business concern that ensures better services to the customers and reduces the cost in various aspects. Any invention of new and more cost effective technology may cause technological obsolescence and negative operational efficiency. Besides, any severe defects in the software and hardware may have an adverse effect on productivity and profitability due to additional investment for replacement or maintenance.

### **Management perception**

Fareast Finance is worked inside the legitimate system winning in the nation which has little chance of presenting totally new innovation. However, management of the company is aware of recent development and implementation of appropriate technology and is committed to adopt new technology and keeps their employees up-to-date on those by providing necessary training.

### **Risk related to rules and regulations**

Company operates under The Companies Act, 1994, The Financial Institutions Act, 1993, The Financial Institutions Regulations, 1994, Income Tax Ordinance, 1984, Income Tax Rules, 1984, Value Added Tax Act, 1991, Value Added Tax Rules, 1991, Customs Act, 1969, Securities and Exchange Ordinance, 1969, Securities and Exchange Rules, 1987, Dhaka Stock Exchange (Listing) Regulations, 2015, Chittagong Stock Exchange (Listing) Regulations, 2015, Corporate Governance Code issued by Bangladesh Securities and Exchange Commission dated June 3, 2018 and other related regulations. Any abrupt change in the above acts or of the policies made by the regulatory authorities may have unfavorable effect on the business of the company.

### **Management perception**

Unless any existing act/rules/regulations is fully cancelled or changed it may not have much negative impact or materially affect the industry as a whole and hence the business of the company is expected not to be affected significantly. Financial sector in Bangladesh is a sector with considerable local demand for differentiated product lines. Therefore, it is highly unlikely that the Government/Central Bank will initiate any fiscal measure having adverse effect on the growth of the industry.

### **Risk related to changes in global policies**

Changes in the global policies can have either positive or negative impacts for the company. The performance of the company will be hindered due to unavoidable worldwide circumstances like political turmoil. Since the risk involved with the potential changes in global policies is a macro factor, it is beyond the control of the company.

### **Management perception**

The management of Fareast Finance & Investment Limited is always concerned about the prevailing and upcoming future changes in the global policies and shall response appropriately and timely to safeguard its interest. Due to maintaining a diversified portfolio in major sectors of industries in line with the country's growth scenario as well as industrial policy, the company will always endeavor to withstand the unexpected changes or any such potential threats. Nevertheless, political stability and a congenial business environment is definitely the best situation in which Fareast Finance will achieve its maximum potential.

### Exchange rate risk

Generally this type of risk arises from exchange rate fluctuations when any institution holds foreign currency fund or raises loan in foreign currencies or deals in foreign exchange currencies. But as investment company volatility in currency rate may indirectly affect the company's exposure due to have influence in the clients' business.

### Management perception

According to the act Fareast Finance is not authorized by Bangladesh Bank to deal in foreign exchange. Hence Fareast Finance does not borrow in foreign exchange nor it deal in foreign exchange directly excluding opening of letter of credit on behalf of its customers. In that case proper measures are taken to shift the risk to the customer's end. Therefore, such foreign exchange fluctuations will not have any adverse impact on the company directly.

### Compliance risk

Compliance refers to legal penalties, financial forfeiture and material loss an organization faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices. 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 media.

### Management perceptions

The company has been practicing internal control system based on the guidelines framed by Bangladesh Bank. Internal control and compliance department of Fareast Finance 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.

### Non operation of business

If the company becomes non operative for any reason, company's investment will not be returned and the shareholders will suffer huge loss.

### Management perception

Fareast Finance & Investment Limited does not have any history of non operation to date. The company has an independent body that is operated by its Memorandum & Articles of Association and other applicable laws implemented by the Government. Besides, the company's financial strength is satisfactory. The Company is staffed with expert management team and guided by experienced Directors to make the company more efficient and stronger in the financial sector. So, the chance of becoming non-operative for the company is very low.

Keeping in view with the divergence of skill levels and available resources, a modest beginning was focused with sensitivity and scenario analysis considering different types of risks. In light of the calculations, Fareast Finance & Investment Limited was able to maintain its capital adequacy ratio above the required level after considering highest level cumulative shock of all risks. At the same time the company was able to maintain its liquidity ratio at satisfactory level after considering highest level of liquidity shock which reflects that the company is able to keep strong position in the market for having better risk management policy.

### Maturity gap risk

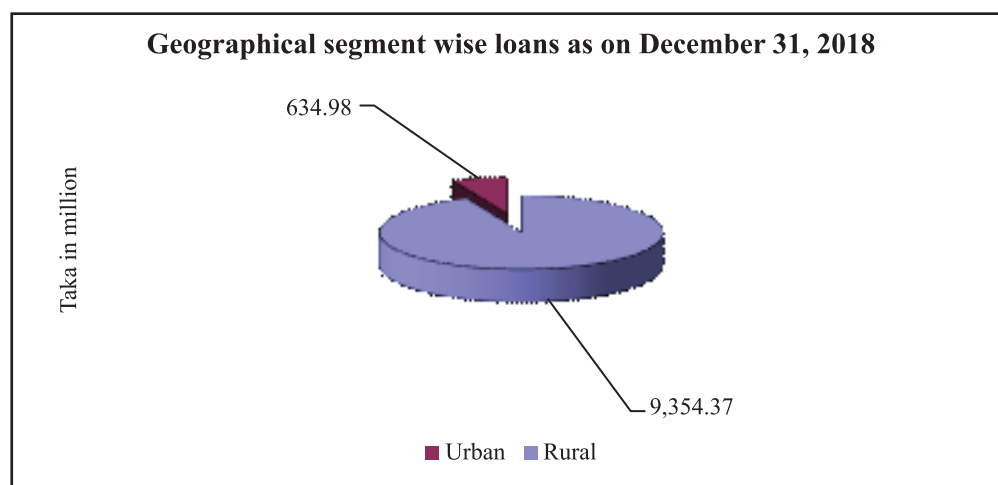
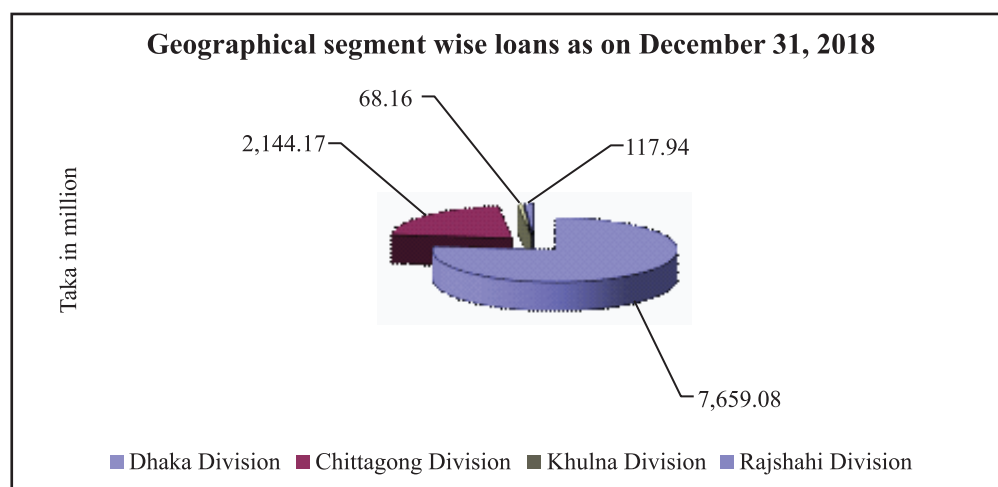
It is a measurement of interest rate risk for risk-sensitive assets and liabilities. The market values at each point of maturity for both assets and liabilities are assessed, then multiplied by the change in interest rate and summed to calculate the net interest income or expense. The duration of assets is larger than the duration of liabilities, the duration gap is positive. In this situation, if interest rates rise, assets will lose more value than liabilities, thus reducing the value of the firm's equity. If interest rates fall, assets will gain more value than liabilities, thus increasing the value of the firm's equity.

Conversely, when the duration of assets is less than the duration of liabilities, the duration gap is negative. If interest rates rise, liabilities will lose more value than assets, thus increasing the value of the firm's equity. If interest rates fall, liabilities will gain more value than assets, thus reducing the value of the firm's equity.

By duration matching, that is creating a zero duration gap, the firm becomes immunized against interest rate risk. Duration has a double-facet view. It can be beneficial or harmful depending on where interest rates are headed.

### Management perception

To mitigate such risk, management carefully analyzes the maturity gap on varieties of levels. To deal with those sorts of risk management concentrates on the various categories of risk and their impact on different levels of the organization. To minimize the risk at a tolerable level the gap between the cash out and inflows management is closely followed up and necessary measures are taken by the management.



## Internal control review

The nature of business and capital structure of a financial institution have made its activities complex and risk prone which warrant effective check and balance and corporate governance system to ensure sustainable and smooth operations of a financial institution. A broad concept, internal control involves everything that controls risks to a financial institution. It is a means by which a Financial Institution's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the company's resources, both physical like machinery, property etc. and intangible like reputation, goodwill etc.

In many organizations, internal control is defined as internal audit but the scope of internal control is not limited to audit work only. It is the built in check and balance system. Instilled in the processes and procedures affected by a company's Board of Directors and management designed to provide with reasonable assurance regarding the achievement of objectives and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations and internal policies.

### Control framework

Fareast Finance & Investment Limited has established a sophisticated organizational structure to establish and maintain strong control culture by implementing and strengthening policy guidelines of internal controls.

### Responsibility to internal control systems

To ensure the responsibility, the company has taken proper and sufficient care in installing a system of internal control, which is reviewed, evaluated and updated on an ongoing basis. The internal control and compliance department of the company conducts periodic audits to provide reasonable assurance that the established policies and procedures of the company were consistently followed.

### Opinion of the external auditors

The auditors of the company, Ahmed Zaker & Co., Chartered Accountants, have carried out annual audits to review on the system of internal controls, as they consider appropriate and necessary, for expressing their opinion on the financial statements. They have also examined the financial statements made available by the management together with all the financial records, related data, minutes of shareholders and Board meetings, relevant policies and expressed their opinion.

### Internal control procedure

Fareast Finance believes on the principle of decentralization of authority and responsibility. Consequently, responsibility for the implementation of appropriate internal control and compliance with legislation is delegated to the managers of each department of the company.

To ensure the consistency of company's procedures with each department, senior management, relies on the functional department to draw up the procedures necessary for the proper operation of the controls, issue instructions regarding their implementation and ensure compliance with the said instructions.

The key operations and the internal control procedures applicable to them are described below:

### Internal control procedures in respect of financial and accounting information

Financial and accounting information is prepared centrally on the basis of financial statement generated from the software application that is used by different departments and is in compliance with the IAS and IFRS as adopted by the ICAB.

Reports are produced monthly and prepared in the following month to which they relates where as full accounting consolidation are produced quarterly and prepared within the following month to which they relate. The preparation of the annual financial statements is the responsibility of the management under the control of the audit committee and companies auditor.

### Cash position and financing

Responsibility for cash management is delegated to the treasury department by means of well defined procedures and delegation. Any departure from general rules requires the prior authorization of ALCO.

Responsibility for borrowings and investment with a fixed term is delegated to the treasury departments, which are required to comply with specific procedures, position of the banks involved, risk free investment and monitoring of financial transactions. Borrowings and investment are monitored on monthly basis by means of report produced by the treasury and finance and accounts department and submitted to senior management.

### Control mechanism procedure

With the objective of producing high quality financial and accounting information, Fareast Finance has introduced procedures and instructions tailored to every section. These procedures are grouped by topic and deal mainly with accounting, treasury, regulatory and reporting issues. The internal control and compliance department is independent from management. It audits the activities and systems of different departments in accordance with an audit plan, particularly in order to assess and improve the accuracy and reliability of the accounting and financial information.

The internal control and compliance department coordinates relations with external auditors.

### Verification of documentation

Fareast Finance strongly maintains that without proper documentation no business or investment is made. Every Investment proposal passes through the Management Committee to the approving authority depending on the size of investment. The authorities are Executive Committee and the Board of Directors. The sanction limit for each level is defined and distinct. Before passing the proposal different risk points for the proposal and their mitigation are analyzed with proper documentation under the signature of the senior management.

### Relationship with client

Fareast Finance has developed a procedure for managing clients' risk, limit in respect of credit, delegation of authority, security, insurance and documentation. The legal department analyses the legal provisions applicable to financing agreements executed between Fareast Finance and clients. Fareast Finance has standard documents defining the conditions with which the agreements should comply in order to reduce the level of risk. These standard documents are regularly reviewed by the concerned department.

### Human capital

In this industry Fareast Finance has some finest employees through successful implementation of the policies in respect of human resources. Industry information regarding human resource position as well as the company status is regularly reported to the senior management. It also ensures that information for management reports is obtained and circulated.

### Information technology

The information technology department is responsible for integrating and ensuring the consistency of the hardware and software used. In Fareast Finance, most data processing is carried out by means of integrated software packages. Back up of the database is stored in a safe custody on daily basis at outside business premises.

## Credit rating information

A credit rating estimates the credit worthiness of a company. Credit rating of Fareast Finance & Investment Limited is calculated from financial history and the relevant financial data. It reflects the company's ability to pay back the debt by making timely interest payments and likelihood of default. Credit rating gives an idea to the investors about the credibility of the company, and the risk factor attached to a particular instrument. So the investors can decide whether to invest in such companies or not. Higher the rating, the more will be the willingness to invest in the instruments and vice-versa. EMERGING Credit Rating Ltd. (ECRL) completed the credit rating of Fareast Finance & Investment Limited based on the audited financial statements for the year ended on December 31, 2017 and unaudited financial statements up to September 30, 2018. The credit rating of Fareast Finance & Investment Limited assigned by Emerging Credit Rating Ltd. was as follows:

Description	Information
Entity rating	
Long Term	BBB+
Short Term	ST-3
Out Look	Stable
Date of Rating	December 18, 2018
Methodology	ECRL's financial institution rating methodology

The above ratings have been assigned after due consideration to its fundamentals such as good equity base, sound profile of Board of Directors, sound corporate structure, experienced management team etc. The above factors are however constrained to some extent by moderate asset quality, low profitability, moderate operating efficiency, performance of rescheduled assets is yet to arrive at satisfactory level, exposure to capital market risk, portfolio concentration on few clientele base, small operational network etc.

The long term rating BBB+ depicts that Fareast Finance & Investment Limited has an adequate capacity to repay principal and interest. More vulnerable to adverse developments, both internal and external, than obligations with higher ratings. The short term rating ST-3 indicates that while the obligation of the company is more susceptible to adverse developments, both internal and external, the capacity to service principal and interest on a timely basis is considered adequate.

EMERGING Credit Rating Ltd. also placed Fareast Finance & Investment Limited under 'Stable Outlook' which indicates that a rating is likely to remain unchanged considering that the company might be able to maintain the above fundamentals during the rating validity period.

## Going concern

The going concern assumption is a fundamental assumption in the preparation of financial statements of a company. Going concern implies for the business the basic declaration of intention to keep operating its activities at least for the next year, which is a basic assumption for preparing financial statements. The going concern concept or going concern assumption states that businesses should be treated as if they will continue to operate indefinitely or at least long enough to accomplish their objectives. Without the going concern assumption, companies wouldn't have the ability to prepay or accrue expenses.

The going concern qualification is of great concern to lenders, since it is a major indicator of the inability of a company to pay back its debts. The auditor has a responsibility to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being audited. The auditor is also required to disclose any negative trends in the company's business operations. In case of negative trends, the auditor should issue a "going concern opinion."

For ascertaining the going concern status, the following indicators were considered by the management of Fareast finance & Investment Limited:

### Performance of the company

In the year 2018, the company generated net profit/(loss) after income tax Tk.132.53 million and recommended no dividend on the ordinary shares of the Company's paid up capital. The company has good track record and reputation in settlement of its obligations with its lenders/depositors on or before the due dates. This helped the company to have easy access to the funding sources, which is considered to be continued in future.

### Maintenance of sufficient capital

As on 31 December 2018, Fareast Finance's paid up capital is Tk.1,640.63 million which is more than the required capital of Tk.1,000.00 million as set by the Bangladesh Bank as per the DFIM circular No. 05, dated 24 July 2011. Again, the company also complied with the capital requirement as mentioned in the BASEL II accord.

### Less reliance on short term borrowing

Total short term borrowing of the company at the end of 2018 was Tk.1,007.52 million representing only 11.56% of total borrowing. This indicates that the company is least reliance on short term borrowings.

### Fixed term debt with realistic renewal

At the end of the year 2018 company's total fixed term borrowing was Tk.7,705.98 million. Based on past experience it is opined by the management that major part of the above debt will be renewed further.

### Credibility in payment of obligations

Over the last decade company has strong credibility in terms of payment of its obligations to all its suppliers and creditors. This habit of payment positioned the company in a right track of getting services from its suppliers in right time.

### Average employee service length

At the end of the year 2018, average length of services of an employee in the company increased to 4.85 years from 4.37 years. This represents employees' long-term commitment and loyalty to the company. Report on human resources of the company has been given in this Annual Report separately.

### Maintenance of Capital Adequacy Ratio (CAR)

As per DFIM Circular Number 14, dated December 28, 2011 of the Bangladesh Bank Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions has come into force from January 01, 2012. As per the guidelines, Financial Institutions are required to maintain a CAR @ 10.00%.

At the end of the year 2018, Fareast Finance & Investment Limited had CAR @ 11.62%, which is above the minimum requirement of 10.00%.

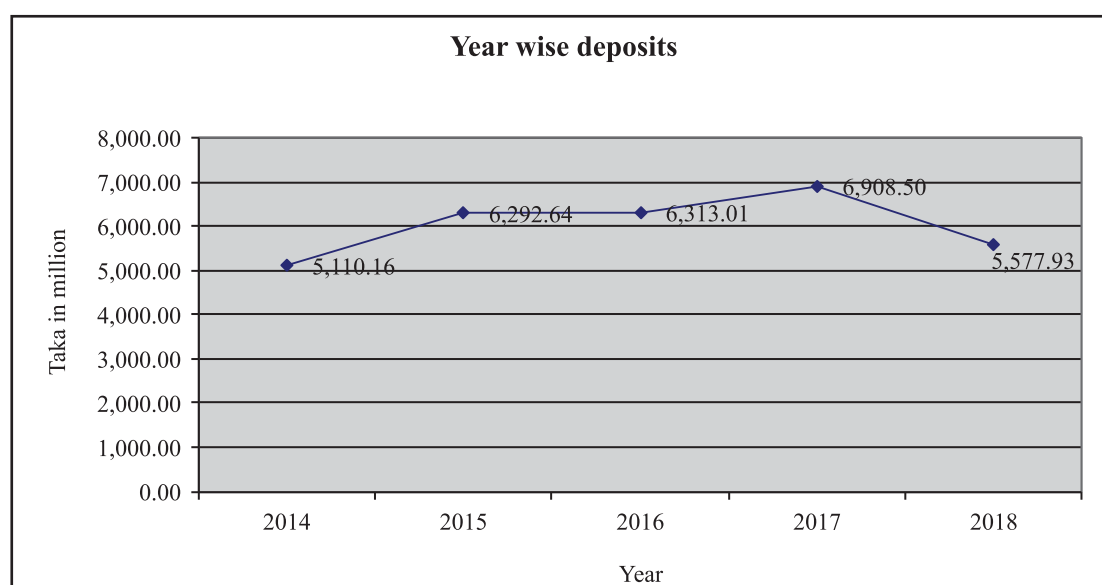
### Credit rating

EMERGING Credit Rating Ltd. rated the company of BBB+ for long term and ST-3 for short term on the audited financial statements for the year ended on December 31, 2017 and unaudited financial statements up to September 30, 2018 and other available quantitative and qualitative information up to the date of rating declaration. This rating has been assigned in consideration of its fundamentals like good equity base with considerable business growth, good liquidity, sound profile of Board of Directors, sound corporate structure, experienced management team etc.

### Changes in Government policy

Management of the company anticipates no significant material change in legislation or government policy, which may materially affect the business of the company.

On the basis of above indicators, the company has adopted the going concern concept for the year 2018 and all kinds of adequate disclosures have been made in the financial statements and different sections of the annual report.



## Capital adequacy in accordance with BASEL II

Basel accords are the international standards for creating regulations about how much capital is needed to put aside to guard against the types of financial and operational risks that Financial Institutions (FIs) face. According to Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline (CAMD) for Financial Institutions, Fareast Finance & Investment Limited discloses the framework of the company containing the key pieces of information on the assets, risk exposures, risk assessment processes, capital adequacy through qualitative as well as quantitative measures.

All the disclosures are made on the basis of the audited financial statements of Fareast Finance & Investment Limited as at and for the year ended 31 December, 2018 prepared under relevant accounting and financial reporting standards as adopted by the Institute of Chartered Accountants of Bangladesh and related circulars/instructions issued by Bangladesh Bank from time to time.

The disclosures are made to present relevant information on adequacy of capital in relation to overall risk exposures of the company; so that the market participants can assess the position and direction of the company in making economic decisions.

### A. Scope of Application

<b>Qualitative Disclosures</b>	a)	Fareast Finance & Investment Limited one of the progressive financial institutions 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 on 3 July 2001 to operate as a leasing and financing company as provided under the relevant law.
	b)	The company obtained permission from Bangladesh Bank on 20 January 2015 for opening its Chattogram and Banani branch. Fareast Finance & Investment Limited applies "Solo Basis" framework as there is no subsidiary of the company. Fareast Finance & Investment Limited has an associate company named Fareast Stocks and Bonds Limited which is a brokerage house having membership of both the exchanges in Bangladesh.
	c)	Fareast Finance and Investment Limited is following latest Bangladesh Bank circular in determining maximum amount of finance to all clients of the company.
<b>Quantitative Disclosures</b>	d)	Not Applicable.

### B. Capital Structure

Qualitative Disclosures	a)	As per “PRUDENTIAL GUIDELINES ON CAPITAL ADEQUACY AND MARKET DISCIPLINE FOR FINANCIAL INSTITUTIONS” introduced by Bangladesh Bank, Tier-1 AND Tier-2 capital consisted as follows:  <b>Tier 1 capital (Core):</b> i) Paid up capital, ii) Non-repayable share premium account, iii) Statutory reserve iv) General reserve, v) Retained earnings, vi) Minority interest in subsidiaries vii) Non-cumulative irredeemable preference shares, viii) Dividend equalization account.  <b>Tier 2 capital (Supplementary):</b> i) General provision up to a limit of 1.25%” of Risk Weighted Asset (RWA) for Credit Risk ii) 50% of revaluation reserves for fixed assets and 45% of revaluation reserves for securities, Revaluation reserve for equity instruments up to 10% eligible for Tier 2 capital, iii) All others preference shares.  Fareast Finance & Investment Limited complied with Bangladesh Bank’s directive as per guidelines, the amount of Tier 2 capital limited to 100% of the amount of Tier 1 capital. FFIL maintains capital to RWA Ratio (CAR) 11.62% where Minimum capital to RWA Ratio (CAR) required 10% as per guidelines.	
	b)	Fully paid up capital	164.06
		Statutory Reserve	26.90
		Non-repayable Share premium account	
General Reserve			
Retained Earnings		-80.42	
Minority interest in subsidiaries			
Non-Cumulative irredeemable Preferences shares			
Dividend Equalization account			
Other ( if any item approved by Bangladesh Bank)			
Tier 1 Capital		110.54	
c)	Tier 2 Capital	13.47	
d)	Other deductions from capital		
e)	Total Eligible Capital	124.01	

**C. Capital Adequacy**

Qualitative Disclosures	a)	<p>It is mentionable that for assessing Capital Adequacy, Fareast Finance &amp; Investment Limited (FFIL) has adopted standardized approach for credit risk measurement, standardized approach for market risk measurement and basic indicator approach for operational risk measurement. FFIL focused on strengthening risk management and control surroundings rather than increasing capital to cover up weak risk management and control practices.</p> <p>According to BASEL II accord, capital adequacy ratio (CAR) of Fareast Finance stood at 11.62% as well as Tier-1 (Core Capital) was 110.54 crore and Tier-2 (Supplementary Capital) was 13.47 crore. The capital adequacy ratio exhibits our capital strength in terms of maintaining adequate capital for minimum capital requirement.</p>								
Quantitative Disclosures	b)	Capital requirement for Credit Risk 114.35 crore								
	c)	Capital requirement for Market Risk 22.56 crore								
	d)	Capital requirement for Operational Risk 30.10 crore								
	d)	<p>Tier-1 (Core Capital) 110.54 crore Tier-2 (Supplementary Capital) 13.47 crore Total eligible Capital 124.01 crore Total Risk Weighted Assets (RWA): 1067.01 crore</p> <table><tr><th>Capital</th><th>Ratio</th></tr><tr><td>Capital Adequacy Ratio (CAR)</td><td>11.62%</td></tr><tr><td>Core Capital to RWA</td><td>10.36%</td></tr><tr><td>Supplementary Capital to RWA</td><td>1.26%</td></tr></table>	Capital	Ratio	Capital Adequacy Ratio (CAR)	11.62%	Core Capital to RWA	10.36%	Supplementary Capital to RWA	1.26%
	Capital	Ratio								
Capital Adequacy Ratio (CAR)	11.62%									
Core Capital to RWA	10.36%									
Supplementary Capital to RWA	1.26%									

### D. Credit Risk

<b>Qualitative Disclosures</b>	<p>a) Credit risk is the probability that counterparty fails to meet obligation in accordance with agreed terms. It includes both uncertainty involved in repayment of the dues and repayment of dues on time. The default usually occurs because of inadequate income or business failure. But often it may be willful because the borrower is unwilling to meet its obligations despite having adequate income. Credit risk also denotes the volatility of losses on credit exposures in two forms-the loss in the credit asset's value and the loss in the current and future earnings from the credit.</p> <p>Fareast Finance &amp; Investment Limited (FFIL) maintains classification and provisioning as per Bangladesh Bank circulars issued from time to time. In this regard, all the loans and advances/investments are grouped: Lease (Less than 5 years), Lease (More than 5 years), Term Loan (Less than 5 years), Term Loan (More than 5 years), Housing Loan, Others Loan, and Share Investment.</p> <p>The FI follows Bangladesh Bank circular and guidelines to define past due and impairment. It may be necessary to account for a loan that is considered to be impaired for risk mitigation.</p> <p>Specific provisions for classified loans and general provisions for unclassified loans are measured following BB prescribed provisioning rates as mentioned below:</p> <p><b>Rate of Provision:</b></p> <p>Unclassified standard loans and advances (except SME) 1.00%</p> <p>Unclassified standard loans to SME 0.25%</p> <p>Unclassified SMA loans and advances 5.00%</p> <p>Substandard loans and advances 20.00%</p> <p>Doubtful loans and advances 50.00%</p> <p>Bad &amp; loss loans and advances 100.00%</p> <p>Fareast Finance Management has taken the following steps to manage credit risk at a minimum level:</p> <ul style="list-style-type: none"> <li>● Independent credit risk management unit.</li> <li>● Multi-tier term/lease approval process.</li> <li>● In depth analysis of the borrower in view of financial strength, managerial capacity, industry prospect and macroeconomic scenario.</li> <li>● Credit department ensures that all documentations are properly completed and monitor the repayment performance on regular basis.</li> <li>● Disbursement is made upon independent recommendation by the compliance department.</li> <li>● The credit committee regularly meets to review new credit proposals as well as performance of existing portfolios.</li> </ul>
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<b>Quantitative Disclosures</b>	b)	Total gross credit risk exposures broken down by major types of credit exposure (Risk Weighted):	
		<b>Exposure Type</b>	<b>RWA Taka in crore</b>
		Cash & Cash Equivalents	0.00
		Claims on Bangladesh Govt. & Bangladesh Bank	0.00
		Claims on Banks and NBFIs	7.87
		Claims on Corporate	699.51
		Claims on Corporate Retail & SME	12.04
		Claims fully secured by residential & Commercial Property	3.65
		Consumer Finance	3.52
		Past Due Claims	182.63
		All other assets	105.14
		<b>Total:</b>	<b>1014.35</b>
	c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure:	
		<b>Name of Divisions</b>	<b>Total portfolio (without netting eligible collateral)</b>
			<b>Taka in crore</b>
		Dhaka	765.91
		Chattogram	214.42
		Khulna	6.82
		Rajshahi	11.79
		Barisal	0
		Sylhet	0
		Rangpur	0
		Mymensingh	0
		<b>Total</b>	<b>998.94</b>
	d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure:	
		<b>Particulars</b>	<b>Taka in Crore</b>
		Trade and Commerce	27.00
		Industry	
		a) Garments and Knitwear	66.08
		b) Textile	17.14
		c) Jute and Jute-Products	14.97
		d) Food Production and Processing Industry	51.73
		e) Plastic Industry	3.96
		f) Leather and Leather-Goods	0.00
		g) Iron, Steel and Engineering	82.02
		h) Pharmaceuticals and Chemicals	33.17
		i) Cement and Allied Industry	64.90
		j) Telecommunication and IT	20.92
		k) Paper, Printing and Packaging	13.04
		l) Glass, Glassware and Ceramic Industry	18.04
		m) Ship Manufacturing Industry	38.56

	n) Electronics and Electrical Products	29.48
	o) Power, Gas, Water and Sanitary Service	43.70
	p) Transport and Aviation	45.20
	Agriculture	20.21
	Housing	34.27
	Others	
	a) Merchant Banking	0.00
	b) Margin Loan	322.96
	c) Others	51.59
	<b>Total</b>	<b>998.94</b>
e)	Residual contractual maturity break down of the whole portfolios, broken down by major types of credit exposure of Fareast Finance and Investment Limited as follows:	
	<b>Particulars</b>	<b>Taka in Crore</b>
	Repayable on Demand	
	Not more than 3 months	130.38
	Over 3 month but not more than 1 year	74.42
	Over 1 year but not more than 5 years	409.28
	Over 5 years	384.86
	<b>Total</b>	<b>998.94</b>
f)	General provision 12.96 crore and Specific provision 76.79 as on December 31, 2018	
g)	<b>Movement of Non-Performing Assets (NPAs)</b>	
	<b>Particulars</b>	<b>Taka in Crore</b>
	Opening balance	184.44
	Addition during the year	27.81
	Reduction during the year	(59.70)
	Closing balance	152.55
	<b>Movement of specific provision for NPAs</b>	
	<b>Particulars</b>	<b>Taka in rore</b>
	Opening balance	78.69
	Provision made during the year	(1.90)
	Write-off	0
	Write-back of excess provisions	0
	Closing balance	76.79

**E. Equities: Banking Book Positions.**

Qualitative Disclosures	a)	Investment in equity securities are broadly categorized into two parts:  i) Quoted Securities (Common or Preference Shares & Mutual Fund) and ii) Unquoted securities include shares of Central Depository Bangladesh Limited (CDBL)  Fareast Finance & Investment Limited (FFIL) invests in these equity securities for the purpose of capital gain by selling them in future or held for dividend income. Dividends received from these equity securities are accounted for as and when received.  Both Quoted and Un-Quoted equity securities are valued at cost and necessary provisions are maintained as per Bangladesh Bank directives if the prices fall below the cost price.		
	b)	Amount in crore		
		Particulars	Cost price	Market price
		Total Equity Investment in Unquoted Share	22.90	62.77
		Total Investment in Quoted Share excluding Director Equity Shares	15.02	11.28
Total Equity Investment in Unquoted Share as Director Share		0.00	0.00	
Quantitative Disclosures	c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period: 0.48 crore.		
	d)	Total unrealized gains (losses): (3.53) crore Total latent revaluation gains (losses) : 00 Any amounts of the above included in Tier 2 capital : 00		
	e)	Capital Charges for Specific Risk (10% of market value of shares) 1.13 crore Capital Charge for General Market Risk (10% of market value of shares) 1.13 crore		

**F. Interest Rate Risk in the Banking Book Position**

Qualitative Disclosures	a)	<p>Interest rate risk is concerned with borrowed funds of short term and long term maturity. Volatility in money market and increased demand for loan/investment raise the rate of interest. Increase in interest rate of borrowings could narrow or eliminate the spread, or result in a negative spread and could adversely affect the business and future financial performance resulting from high cost of fund of a company.</p> <p>Company’s investments are generally structured at fixed rates for a specified term. But, in case of exigency like unusual and abrupt increase in borrowing rate, the company has a scope to increase the lending rate which mitigates the risk. Again company always tries to reduce the interest rate risk by diversifying the borrowing from different sources at different rates.</p>				
Quantitative Disclosures	b)	Amount in crore				
			Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Above 1 year
		Rate Sensitive Assets (RSA)	136.33	66.47	120.80	610.29
		Rate Sensitive Liabilities (RSL)	127.74	78.81	123.10	486.65
		Net gap [RSA-RSL]	8.59	(12.34)	2.30	123.64
		Cumulative gap	8.59	(3.75)	(6.05)	117.59
		1% interest rate increase	0.86	(1.23)	(0.23)	1.24
		1% interest rate decrease	0.86	(1.23)	(0.23)	1.24
		2% interest rate increase	1.72	(2.46)	(0.46)	2.48
		2% interest rate decrease	1.72	(2.46)	(0.46)	2.48

**G. Market Risk**

Qualitative Disclosures	a)	<p>Market risk is the risk that may hamper Fareast Finance’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. Inability to offer on to a proactive and competitive posture due to lack of market access and inability to offer competitive products will hinder the Company's growth potential.</p> <p>The Company is trying to be less dependent on short-term borrowings rather depends on term deposit and line of credit facilities from commercial banks or other sources 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 does not have any foreign currency loan. Moreover, since it is a leasing company it can import equipment, plant &amp; 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, Fareast Finance 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. Fareast Finance with its strong earning capacity, favorable credit rating and market goodwill can access to money market with a competitive rate.</p>			
Quantitative Disclosures	b)	Amount in crore			
			Capital Charges for Specific Risk (10% of market value of shares)	Capital Charge for General Market Risk (10% of market value of shares)	Total Capital Charge for Market Risk
		Details			
		1	2	3	4=(2+3)
		A. Interest Rate Related Instruments			
		B. Equities	1.13	1.13	2.26
		C. Foreign Exchange Position	0.00	0.00	0.00
		Total (A+B+C):			2.26

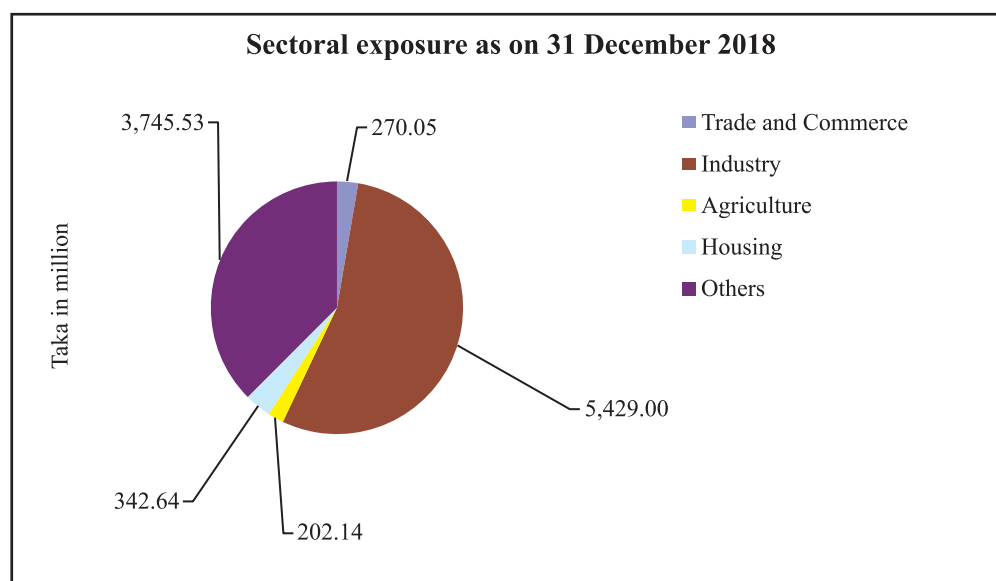
## H. Operational Risk

Qualitative Disclosures	<p>a)</p> <p>Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk, but excludes strategic and reputation risk. Operational risk occurs in all day to day company’s activities. This risk arises in almost all the department of a financial institution like credit, investment, treasury, information technology etc. 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, rouge traders etc.</p> <p>In order to monitor and manage the risk arising from all operational activities, an appropriate organizational structure is second to none. The Board of Directors (BoD) sets policies and delegates authority to the management for setting procedures, which together has structured the risk management framework in the FI. The Credit Policy Manual contains the core principles for identifying, measuring, approving, and managing credit risk in the FI. Fareast Finance’s Management manages to place proper organizational structure with proper segregation of duties and delegation of authorities. Fareast Finance has independent Credit Risk Management (CRM) Department, independent Treasury Department, independent Compliance Department, independent Finance &amp; Administration Department and independent Information technology Department for technical services to operate the organization smoothly as per Bangladesh Bank’s directives.</p> <p>Fareast Finance &amp; Investment Limited always believes that overcoming the challenges are not a hard works for the company rather depends on the move forward collectively. Existence of the correlation of the human capital of the company from top to bottom level is the strength of Fareast Finance &amp; Investment Limited which will produce quality business for the shareholders, increase the assets of the company.</p>															
Quantitative Disclosures	<p>b)</p> <table><tr><th colspan="4">Capital Charge on Operational Risk</th><th>Amount in crore</th></tr><tr><th>Operational Risk</th><th>2016</th><th>2017</th><th>2018</th><th>Capital Charge</th></tr><tr><td>Gross Income</td><td>35.65</td><td>16.37</td><td>8.18</td><td>3.01</td></tr></table> <p>Fareast Finance &amp; Investment Limited measures the capital charge for operational risk with a fixed percentage (denoted by alpha) of average positive annual gross income of the FI over the past three years under the Basic Indicator Approach (BIA). Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average. The capital charge may be expressed as follows:</p> <p><math display="block">K = [(GI_1 + GI_2 + GI_3) * \alpha] / n</math></p> <p>Where,</p> <p>K = capital charge under the Basic Indicator Approach</p> <p>GI = only positive annual gross income over the previous three years (i.e. negative or zero gross income if any shall be excluded)</p> <p><math>\alpha</math> = 15%, n = number of the previous three years for which gross income is positive.</p> <p><b>Gross income:</b> Gross Income (GI) is defined as “Net interest income” plus “net noninterest income”. It is intended that this measure should -</p> <ul style="list-style-type: none"><li>a) be gross of any provisions (includes interest suspense)</li><li>b) be gross of operating expenses, including fees paid to outsourcing service providers</li><li>c) exclude realized profits/losses from the sale of securities held to maturity in the banking book.</li><li>d) exclude extraordinary or irregular items as well as categorize</li><li>e) exclude income derived from insurance.</li></ul>	Capital Charge on Operational Risk				Amount in crore	Operational Risk	2016	2017	2018	Capital Charge	Gross Income	35.65	16.37	8.18	3.01
Capital Charge on Operational Risk				Amount in crore												
Operational Risk	2016	2017	2018	Capital Charge												
Gross Income	35.65	16.37	8.18	3.01												

## Impact of changes in business environment

An adage goes like that ‘the only thing that is constant is change’. It is perhaps applicable to an organization’s life as much as it is to human life. And the business environment is one of the intervening factors that forces organizations to adopt changes. Strategies and ideas for the days coming as stated in this annual report in different stages are based on some forward looking expectations and beliefs. Those strategies and ideas involve uncertainties that may result in difference in actual achievement from expectations due to changes in the business environment. Some of the factors behind those deviations are as follows:

- Volatility in money market especially in liquidity position;
- Adverse change in country’s general economic condition;
- Natural calamities;
- Political unsoundness;
- Increase in price level through inflation;
- Volatility in capital market;
- Reduction in foreign direct investment;
- Changes in corporate income tax rate and VAT;
- Increase in provisioning requirements;
- Increase in statutory liquidity reserves and cash reserve requirements by Bangladesh Bank;
- Changes in capital market regulations; etc.



## Directors' responsibility

Responsibility of the Board of Directors of a company starts with ensuring the functioning of the company in an efficient and effective manner. Directors must discharge his duties in such a way that the company can run smoothly and make profit for the shareholders at the end of the year. They also have responsibilities to the company's employees, its business partners and the state too. Directors have wide powers to promote the company. In addition to the oversight responsibilities, the Board of Directors has to ensure that the financial statements of the company has been prepared in accordance with International Financial Reporting Standards (including International Accounting Standards), The Companies Act, 1994 as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), Bangladesh Securities and Exchange Commission (BSEC) Rules 1987 and the listing regulations of the two stock exchanges.

Directors must act honestly, in what they believe to be the best interests of the company and with such care as may reasonably be expected of them in all the circumstances. They must not carry on the business in a manner likely to create a substantial risk of serious loss to the company's stakeholders.

In terms of The Companies Act, 1994, Directors are also required to prepare and place a report along with the statements/disclosure as per clause # 1(5) of notification # BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 issued by Bangladesh Securities and Exchange Commission before the shareholders in the annual general meeting, which would include the following:

- The financial statements present company's fair state of affairs, result of its operation, cash flow and changes in equity.
- The company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- Company's internal control system is sound, effectively implemented and monitored in regular interval.
- Directors are confident that in future company shall continue as a going concern. If there is any doubt, disclosure in detail.
- Significant deviations from last year's operating results are highlighted and explained.
- Key operating and financial data of the last three preceding years in summarized form.
- If dividend is not declared for that year, reasons in detail.
- The number of board meetings and attendance by each director.
- Pattern of shareholders in specific groups.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position of the company and enable them to ensure that its financial statements comply with The Companies Act, 1994. Under applicable laws and regulations, the Directors are also responsible for preparing a Director's report that complies with that laws and regulations.

The financial statements have been audited by chartered accountant firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the board as well as in the minutes of the annual general meeting. The Directors believe that all representations made to the independent external auditors during their audit were valid and appropriate.



## Chairman's report

A letter from the chairman of the Board to shareholders that gives information about the company's performance usually made part of the annual report. This report typically includes a summary of company's financial performance, activities of the board and personal perspective of the company's future.






Dear distinguished Shareholders,

This, being my first Annual General Meeting as the chairman of the company, I am very much privileged to be honored by the confidence which the Board and the shareholders have reposed in me. A very warm welcome to you all at the eighteenth Annual General Meeting of Fareast Finance & Investment Limited (FFIL). I thank you all for your loyalty to Fareast Finance and for your esteemed presence here today.

2018 has been a year of good progress and a turning point year in the history of Fareast Finance & Investment Limited. The company has nearly recovered from its financial loss in the year 2017. In the year 2018, company made net profit /(loss) of Tk.132.53 million only and the earnings per share of the company was Tk.0.81 recording a positive growth of 114.14 percent over the previous year. In 2018 FFIL went through huge fund crisis, this situation was not just for FFIL, but for the entire industry. Confidence in financial sector was almost totally missing and people rushing often daily to withdraw their deposited money. During the year 2018, the company was in huge financial crisis for new investment and disbursed total 105.91 million, whereas in the year 2017 the contract amount was Tk.5.6 million. Total deposits stood at Tk.5,577.93 million as on 31st December 2018 against Tk.6,908.50 million as on 31st December 2017. Small and Medium Enterprise (SME) plays an important role in the economy in terms of balanced and sustainable growth, employment generation and contribution to GDP. Fareast Finance & Investment Limited strongly believes that SME sector is one of the main driving forces of economic growth having huge potential of socioeconomic development. The outstanding SME loans as on 31st December 2018 stood at Tk.898.23 million which was 8.99 percent of total loans and advances of the company. Fareast Finance is also considering to increase the SME portfolio to a remarkable extent position within next two/three years. The management of nonperforming loan was from the outset our main priority. The trend of rising nonperforming loan has been stopped and reversed with intensive work, time and perseverance. As on 31st December 2018, classified loans, advances and leases of the company stood at Tk.1525.52 million, which was Tk.1,844.39 million at the end of the year 2017 is a good sign of improvement in operational efficiency. As on December 31, 2018 the amount of written off facilities of Fareast Finance & Investment Limited stood at Tk.396.33 million against principal finance of Tk.280.82 million. Till date, total amount collected and available security value against the written off facilities were Tk.11.86 million and Tk.78.54




million respectively. Regarding the financial result of FFIL, I feel great satisfaction of what has been accomplished. From my heart I want to say a big 'well done' to the management team and to our all staff for working tirelessly under very difficult conditions, to bring us where we are today.

In 2018 world GDP was US\$ 81,807.51 Billion, which represented expected growth rate of 3.8%. For the year 2018, global inflation was running at 3.13 %. The United States has the largest economy in the world at \$20.4 trillion, according to data from the International Monetary Fund (IMF), which shows the US economy increased from around \$19.4 trillion last year. China follows, with \$14 trillion, which is an increase of more than \$2 trillion in comparison to 2017. Japan is in third place with an economy of \$5.1 trillion, up from \$4.87 trillion a year previously. Driven by strong private consumption, public investment and remittance inflows, Bangladesh's economy expanded by a remarkable 7.86% to US\$ 275.8 billion in 2018, recording the highest growth rate in the country's history. 2018 marked a 5-year run of continuous increase in the country's GDP growth rate, a trend that is also forecasted to continue. The inflation edged down to 5.54% in December 2018 from 5.78% in June 2018. Global food and energy prices and favorable domestic production reduces inflation risks over the short to medium term. The FY 2018 current account dynamics was dominated by the strong import growth at over 25%, reflecting higher demand for investment goods and the flood-related food imports in 2017, which resulted in a sharp widening of the current account deficit to around 3.6% of GDP and created foreign exchange pressures. The market based economy of Bangladesh is one of the fastest growing economies in the world. The financial sector of Bangladesh is the second largest in the subcontinent. The economy faces challenges of infrastructure bottlenecks, insufficient power and gas supplies, natural calamities and a lack of skilled workers. Recently, Bangladesh graduated from least developed country (LDC) status to a lower middle income country and expected to become a developed country by 2041.

Throughout the year 2018, the FFIL's Board has focused on overall strategic development, planning for operational improvement and succession planning. In the year 2018 significant changes concerning to restructure the Board of FFIL took place for long term interest of the company. The Board has, in my view, an excellent balance of experience and skills required for strong governance and I would like to thank my colleagues for their hard work and support throughout the year. FFIL has always maintained extremely high standards of corporate governance and we follow a culture that is built on our core values of ethical business conduct. As I look back on last year, it is remarkable how well our company has performed in 2018. This has been a busy year for the Board, during the year 2018, four directors have retired from the Board and we welcomed four independent directors and two directors to our board. I am honoured to serve as Chairman of your Board and for the opportunity to work with Board and management colleagues during this difficult period, to guide the company at this vital time.

As a non banking financial institution our focus is providing service for our customers. The good performance for our customers and the company would not have been possible without all of our employees. Our experience shows that if we serve our clients well, our own success will follow. We have no room for those who put their personal interests ahead of the interest of the company and clients. Hiring new employees, training, mentoring, supervising, and disciplining administrative staff is in utmost importance of the company, in order to ensure the overall efficiency of daily operations. The commitment which our people showed to our customers and to the company's purpose, give me great confidence that the business will perform well with integrity and honesty. I would like to sincerely thank to our team members for their dedication and commitment. I am looking forward to work with you in the years to come.

Your company got credit rating of BBB+ for long term and ST-3 for short term on the audited financial statements for the year ended on December 31, 2017 and unaudited financial statements up to September 30, 2018 and other available quantitative and qualitative information up to the date of rating declaration. The outlook on the rating is stable. The rating represents the strengths of the company which is backed by top diversified loans and advances portfolio, good liquidity profile in short term, compliance with SLR, CRR and management's experience in different banks and non banking financial institutions. However, some weakness exists concerning nonperforming and rescheduled loans, low growth in loans and advances, high cost of borrowing etc. We remain committed to better financial reporting, compliance and risk management practices.



Fareast Finance & Investment Limited always extends its cooperation and generously comes forward whenever the nation faces any disastrous situation or natural calamity. Your company stays committed to its Corporate Social Responsibility (CSR) and intends to continually increase the impact of its CSR initiatives. During the year 2018, Fareast Finance spent an amount of Tk.0.44 million covering as CSR which covers a vast area of disaster management, arts and culture, education, health and other under privileged sectors for overall betterment of the nation.

I was convinced when I became Chairman, that Fareast Finance is a unique organisation with huge potential. This opinion is now more resolute than ever, having seen the company strengthen its foundations and position itself for stronger and more sustainable growth. I am fortunate to lead a company with such clarity of purpose. I frequently visit our company's offices, and interact with Fareast Finance's people at all levels. I am glad to notice a renewed sense of vigor and energy in the company and I would like to gratefully acknowledge their commitment and contribution. We have challenges ahead, liquidity crisis and management of nonperforming loan remains the key challenges for Fareast Finance & Investment Limited.

I would like to express my gratitude to the valued shareholders of the company for their continued support and confidence in Fareast Finance. I take this opportunity to express my deep sense of gratitude to the Government of Bangladesh, Bangladesh Bank, Bangladesh Securities and Exchange Commission and all other regulatory authorities for their strong support and guidance during the year. Finally, I would like to thank my colleagues in the Board, clients and all Fareast Finance's employees for their contribution to improving profitability in challenging circumstances. I solicit continued support from the valued shareholders such as yourself and all other stakeholders for our journey forward. I am very confident that Fareast Finance & Investment Limited's best days lie ahead and of course, I look forward to your continued support and best wishes.

Thank you,



Md. Shamsul Islam Varosha  
Chairman, Board of Directors

22 July 2019

## Board Audit Committee's report

The Audit Committee is a subcommittee of the Board of Directors of Fareast Finance & Investment Limited. The Committee is accountable to and assists the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and ensuring a good monitoring system within the business. The Company's management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting. The audit committee reviews significant accounting and reporting issues and recent professional and regulatory pronouncements to understand the potential impact on financial statements. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the quarterly un-audited and yearly audited financial statements with related issues including of the accounting principles; the reasonableness of significant accounting treatment; and the clarity of disclosures in the financial statements. The Committee is governed by a board approved terms of reference prepared in accordance with the Bangladesh Bank's circular.

In compliance with the notification # BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 issued by Bangladesh Securities and Exchange Commission a competent audit committee is required in a publicly listed company. As more fully set forth below, the purpose of the Audit Committee of Fareast Finance & Investment Limited is to assist the Board in its oversight of:

- a) The integrity of the financial reporting of the company, whether the financial statements reflect true and fair view of the state of affairs of the Company;
- b) Compliance with legal and regulatory requirements;
- c) The effectiveness of internal controls and procedures; and
- d) The qualifications, independence and performance of the Company's independent auditors and of the internal audit program;

### Reporting to the Shareholders and General Investors

As per clause no. 5(7) of BSEC Notification # BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018, this Board Audit Committees' report is placed before the Shareholders through the Annual Report 2018. The audit committee's report, signed by the chairman of the Audit Committee should at least contain the following information;

- (1) The Audit Committee's opinion regarding the accuracy, completeness and integrity of the company's financial statements.
- (2) The Audit Committee's opinion regarding adequacy of the company's internal controls.
- (3) The Audit Committee's opinion regarding compliance with applicable laws and regulations.
- (4) The Audit Committee's opinion regarding suitability of the company's external auditor.
- (5) The Audit Committee's opinion regarding transaction that may lead to conflict of interest.
- (6) The number of the meeting held during the year and number of each member's attendance.
- (7) Overall opinion on the discharge of Audit Committee's duties according to its charter.
- (8) Other information, within the scope of the roles and responsibilities of Audit Committee, which is deemed to be necessary for shareholders and general investors.

### Composition

The Board of Directors of Fareast Finance & Investment Limited formed the Board Audit Committee in accordance with the Bangladesh Bank's guideline on Internal Control and Compliance (ICC) framework vide their DFIM Circular No. 13, dated October 26, 2011 and Bangladesh Securities and Exchange Commission's Corporate Governance Guidelines dated June 3, 2018. The Audit Committee of Fareast Finance & Investment limited shall be composed of at least 5 (five) members. The Board appoint members of the Audit Committee from the non executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director. The Chairperson of the Board Audit Committee must be an independent director of the company.

Present composition of the Board Audit Committee is as follows :

Sl. #	Name of committee members	Status in the Board Audit Committee	Status in the Company
1	Mr. Ashraf Abdullah Yussuf	Chairman	Independent Director
2	Mr. Md. Ershad Ullah	Member	Vice Chairman
3	Mr. Md. Ashaduzzaman	Member	Representative Director
4	Mr. Md. Rafiqul Islam	Member	Independent Director
5	Mr. Khandoker Motaher Uddin Ahmed	Member	Independent Director

The Managing Director and the Chief Financial Officer attend the committee meetings on invitation basis and the company secretary functions as secretary to the committee.

### Meeting

The Committee convenes at least 4 times per annum, while additional meetings are likely to be convened if necessary. During 2018, the Committee convened 5 times. The quorum of the Audit Committee meeting shall be constitute in presence of either three members or two third members of the Audit Committee, whichever is higher, where presence of an independent director is a must. The Board Audit Committee reviews the financial reporting process, the system of internal control and management of financial and operational risks through the audit process. The committee reviewed all the three quarters' financial statements along with annual financial statements for the year 2018 and recommended to place before the Board for approval. Minutes of all meetings has been properly recorded and sent to Bangladesh Bank with in stipulated time. The chairman of the Committee's meeting shall be an independent director. Details of the committee meetings were held as under:

Meeting number	Meeting date	Total member	Attendee
79	15 April, 2018	4	3
80	21 May, 2018	4	2
81	30 July, 2018	5	4
82	10 September, 2018	4	3
83	28 October, 2018	5	5

### Terms of reference

The Board of Directors of Fareast Finance & Investment Limited in its 125th meeting held on 5 December 2011 adopted the terms of reference of the Board Audit Committee. The Terms of reference is prepared in compliance with the notification # BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 issued by Bangladesh Securities and Exchange Commission and Bangladesh Bank Circular # 13 dated 26 October 2011. The Committee will be perpetual in nature. However, in case of exigency, the Board of Directors will have the right to reconstruct the committee at any time as they think proper.

### Scope of work

According to the delegation of the Board of Directors, the committee shall seek any information or investigate in any manner to satisfy itself, by means of suitable steps and appropriate information that proper and satisfactory internal control systems are in place.

Specific areas of work of the committee are as follows:

1. Whether efficient and effective internal control do exist in the company's operation;
2. Whether adequacy of internal audit functions are existed;
3. Whether effective computerization and MIS system do exist in the company's operation;
4. Whether risk management procedure is working efficiently and effectively;
5. Whether information disclosed in the financial statements are proper, correct and adequate;
6. Reviewing the quarterly and half yearly financial statement before submission to the Board for approval;

7. To bring before the board of directors any matters reported by the regulators, external auditors, internal auditors that required Board's attention;
8. Monitor the choice of accounting policies and principles are in ordered;
9. Receives a periodic report on the results of the internal auditors' work;
10. Implementation of internal audit;
11. Independence and procedure of the work of external auditor;
12. Implementation practice of the acts, rules and regulations in the company; and
13. Safeguarding of the assets of the company.
14. To perform appropriate action upon being informed of suspicious circumstance by internal staff and/or external parties including whistleblowers.
15. To perform any other duties as delegated by the Board of Directors and agreed by the Audit Committee
16. To perform other duties as required by law.

### **Authority**

The committee is authorized for the following:

1. To review all activities adopted under the terms of reference of the committee;
2. To seek any information auditing in nature if it requires from any director or member of the management, and all employees are obliged to co-operate with any request made by the committee.
3. To obtain independent professional advice from any outside source regarding any legal matter; and
4. To secure the attendance of any outsider with relevant experience and expertise regarding any legal matter if deemed necessary.
5. To review the company's internal control and compliance department's report submitted to them directly.
6. To invite the Managing Director and Chief Financial Officer in meetings for discussion regarding the internal control and compliance department's report.
7. To meet with the Head of Internal Audit at least once a year without the presence of management.
8. To commence investigation without delay upon being informed by external auditor of suspicious circumstance and report to BSEC, external auditor and to the Board of Directors so that the Board can rectify the issues within the timeline specified by Audit Committee on the following findings or suspected transactions or actions:
  - a) Conflict of interest;
  - b) Fraud, possible fraud, or significant deficiency of internal control;
  - c) Breaching of the applicable laws and regulations.

In case where the Board of Directors or executive management fail to rectify the issues within the specified timeline, Audit Committee shall report to the Commission, upon reporting of such matter to the Board for three times or completion of a period of six months from the date of first reporting to the Board, whichever is earlier and ensure disclosure of such irregularities in the company's annual report.

### **Roles, responsibilities and functions**

The Audit Committee's role is one of oversight and monitoring, and in carrying out this responsibility, the committee may rely on management, the independent auditor and any advisers the committee might engage, provided its reliance is reasonable.

In line with the Board's decision, details roles, responsibilities and functions of the committee are presented below:

### **Internal control**

1. To examine the existence of culture for internal control and risk management; executive's responsibilities and functions and controlling of their jobs.
2. To examine management initiative regarding Computerization and MIS management of the Company.
3. To examine the management consideration on various recommendation provided by the Internal/External Auditor for developing internal control procedure/structure.
4. To examine the Risk Management procedure for implementation of work and control.

5. To examine the forgery, weakness of internal control etc. found by internal or external auditor or regulatory authority along with their recommendation to eliminate them and accordingly inform the Board regularly.
6. Inquire of management, and internal and independent auditors concerning any deficiencies in the company's policies and procedures that could adversely affect the adequacy of internal controls and the financial reporting process, and review any special audit steps adopted in light of any material control deficiencies, and the timeliness and reasonableness of proposed corrective actions;
7. Review significant issues between the Bank and regulatory agencies; and
8. Review, as appropriate, material litigation involving the Bank.

### **Publication of the financial statements**

1. To verify that all the information is correctly and properly disclosed in the annual financial statements of the company and the financial statements are prepared on the basis of guidelines issued by Bangladesh Bank and other guidelines relating to the preparation of the financial statements.
2. To discuss with the management and the external auditor before finalization of the financial statements of the company.
3. The Chairman of the Board Audit Committee will present before the shareholders in the annual general meeting for answering the questions regarding the financial statements and audit of the financial statements.

In absence of Chairperson of the Audit Committee, any other member from the Audit Committee shall be selected to be present in the Annual General Meeting (AGM) and reasons for absence of the Chairperson of the Audit Committee shall be recorded in the minutes of the AGM.

### **Internal audit**

1. To observe the functions of internal audit department and its structure and confirm that no barrier/limitation prepare hindrance against the work of the internal audit department.
2. To examine the capabilities and effectiveness of internal audit department.
3. To observe the management's function regarding the implementation/elimination of the recommendations/errors/irregularities etc. found by the internal audit department.
4. To submit their recommendation to the Board of Directors regarding the change of any accounting principle if they think necessary.

### **External audit**

1. To examine the audit report and audit procedure of the External Auditor of the company.
2. To examine the implementation/elimination of the recommendation/observation/irregularities as provided by the external auditor in their report by the management properly.
3. To submit their recommendation to the Board of Directors regarding appointment of external auditor of the company.

### **Implementation/existence of practice of acts, rules and regulations**

To examine the implementation/existence of practice of the acts, rules and regulation enforced by the Regulatory Authority like Bangladesh Bank and other organizations and also adopted by the Board of Directors of the company on regular basis.

### **Miscellaneous**

1. To submit a report to the Board on quarterly basis regarding the implementation/elimination of errors/forgery/irregularities etc. in the company found by the Internal Auditor, External Auditor and or Bangladesh Bank Inspection Team.
2. To perform other duties as and when vested by the Board and judge their own performance appraisal on regular basis.

### Internal control and risk management

Reviewing the quarterly operation report, the Board Audit Committee controlled the effective management of risks for the safeguard of sustainable shareholder value, protection of company's reputation and establishment of good corporate governance. The Committee has reviewed the ongoing effectiveness of the Company's risk management processes as part of its wider review of the effectiveness of internal controls.

### Reporting to the Authorities

If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Bangladesh Securities & Exchange Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.

### Activities

During the year 2018, the Board Audit Committee carried out the following activities:

1. Verify the disclosures and information provided in the financial statements and ensures that financial statements are understandable, transparent, and reliable.
2. Examination of audit procedure of the financial statements of the company;
3. Review the quarterly financial statements
4. Review the yearly draft financial statements
5. Review the financial data such as profit before tax and provision, profit after tax, earning per share (EPS), net operating cash flow per share (NOCFPS), net asset value (Taka) and Net asset value per share (Taka) for the shareholders
6. Appointment of external auditor of the Company;
7. Review Quarterly Operations Report;
8. Review the CAMELS rating of Fareast Finance & Investment Limited prepared by Bangladesh Bank
9. Review the functions of internal control and risk management of the company;
10. Examine the forgery and weakness of internal control;
11. Review of computerization and information database and reporting status within the company;
12. Review of existence of practice of the acts, rules and regulation in the company and the investigation of misconduct and fraud;
13. Monitor the internal control system of the company and its compliance;
14. Review of the delinquent portfolio against which litigation started by the company; and recommendation to the Board against delinquent clients for starting litigation;
15. Review of the company's overdue position with the objective of reduction in amount and quality.

### Appointment of the external auditor

The committee has recommended to the Board of Directors that Ahmed Zaker & Co., Chartered Accountants be appointed for the financial year ending 31 December 2019, subject to the prior approval of the Bangladesh Bank and approval of the shareholders at the next annual general meeting.

### Opinion

In view of the above activities, the committee is in the opinion of the following:

1. The accuracy, completeness and integrity of the company's financial statements are adequate.
2. 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;
3. Overdue and litigation position of the company as stated by the management presents a true and fair view;
4. Effective computerization and MIS system exists in the company's operation;
5. Risk for different investment is properly identified, measured, disclosed and mitigated;
6. Information in the financial statements is adequate and properly disclosed;
7. External auditor is independent and their work procedure is standard;

8. All the acts, rules and regulations are properly followed by the management;
9. Company's assets are safeguarded;
10. Any transaction that may lead to conflict of interest is absent.
11. The number of the meeting held during the year and number of each member's attendance is in line with the regulatory compliance

The Committee is in the opinion that, the internal audit and compliance department of the company needs to be more strengthen in future. Moreover, the committee is also in the opinion that in the year 2018 the company did not allow any credit facility to any of its Directors in their name or in the name of an Institution/Firm/Company/Organization where they have interest as a Director/Partner/Proprietor or guarantor as the case may be in individual capacity or jointly. For this purpose, Directors included wife, husband, father, mother, son, daughter, son-in-law, son's wife, father-in-law and mother-in-law of the Director.

### Acknowledgement

Based on the above review, the Board Audit Committee is of the opinion that the preparation and reporting of the financial statements with adequate disclosures for the year 2018 shows a true and fair view of the financial position of Fareast Finance & Investment Limited and also very helpful for the company's shareholders. Besides the existence of internal control and compliance procedures in the company are adequate enough that ensures the diligence in the area of corporate governance and accountability. In completing the work, the Audit Committee places considerable reliance on both internal and external audit and is able to conclude that Fareast Finance & Investment Limited's systems are generally sound. The Board Audit Committee also expresses its sincere gratitude to the members of the Board of Directors, management and the auditors for extending excellent support in carrying out the duties and responsibilities of the committee satisfactorily during the year 2018.

Sincerely yours,

On behalf of the committee,



**Ashraf Abdullah Yussuf**  
Chairman  
Board Audit Committee

18 July 2019

## Executive Committee's report

The Executive Committee of Fareast Finance & Investment Limited has the authority to make decisions about investments of the company within the powers granted to them by the Board of directors. Mainly, the committee makes sure that all applicable rules, procedures, restrictions, resolutions, requirements and guidelines issued by Bangladesh Bank regarding credit matters are properly followed. It was established by the Board within its defined scope of responsibilities that the Board has delegated to the Committee to act on behalf of the Board, thereby enabling the Board to conduct business within a limitation of financing amount. Notwithstanding this grant of authority, the Committee does not have the authority of the Board with respect to certain key actions and the Board does not delegate to the Committee any of its core oversight obligations. The Committee shall report its actions to the Board on regularly basis.

The committee was constituted in accordance with DFIM Circular Letter # 18 dated 26 October 2011 of Bangladesh Bank and comprises of five members nominated by the Board headed by Mr. Md. Ershad Ullah, Vice Chairman of the company.

Composition of the Executive Committee, as on report date were as follows:

Sl. #	Name of committee members	Status in the Board Audit Committee	Status in the Company
1	Mr. Md. Ershad Ullah	Chairman	Vice Chairman
2	Mr. Md. Shamsul Islam Varosha	Member	Chairman
3	Mr. Md. Ashaduzzaman	Member	Representative Director
4	Mr. Md. RafiqulIslam	Member	Independent Director
5	Mr. Khandoker Motaher Uddin Ahmed	Member	Independent Director

The Board of Directors shall appoint the members in the Executive Committee. The Board shall determine the number of directors to serve on the Executive Committee, which cannot be more than 5 (five) members.

### Meeting of the Executive Committee

A quorum of members of the committee shall be three. In the year 2018, the Executive Committee of Fareast Finance & Investment Limited does not hold any meeting. Due to shortage of fund, company was preferred to invest in SME sectors and less exposed to big investment.

### Functional areas of the committee

Committee's functional area is to scrutinize and evaluate the credit facility proposals to be considered by Fareast Finance & Investment Limited properly, through in-depth analysis in terms of financial viability. Committee is empowered not to recommend any proposals to the Board. In that case, the proposal will be treated as cancelled. Committee has been enjoying the sanctioning power up to Tk.50,000,000 of credit facilities subject to maintenance of all the rules and regulations of Bangladesh Bank and other regulatory authorities in that respect along with ensuring all due diligence of the management according to Board's decision adopted in the 154th meeting held on 08 December 2014.

### Authority

The Executive Committee of Fareast Finance & Investment Limited exercises the following authority:

- The Executive Committee acts as an advisor to the Board and reviews, assesses and makes recommendations to the Board of Directors on the business investment.
- The Executive Committee has the authority to take decisions as per the limits indicated in the delegation of authority by the Board. However, the Committee has the mandate to review and recommend to the Board on the matters that have been placed before them for approval.

- The Executive Committee may engage and pay vital role in business investment issue, if the Board required so.
- All recommendations to be made to the Board of Directors are to be taken by a simple majority.

### Opinion

Committee is in the opinion that over the year 2018 management pursued and observed the following:

- All the rules and regulations issued by Bangladesh Bank in respect of the credit facilities;
- The Financial Institutions Act, 1993 and all the clauses mentioned in the memorandum and articles of association of the company;
- The credit and investment related policies of the company;
- According to the management declaration, company's employees relating to the processing, preparation and supervision of the appraisal and also approval of the proposal have no family/financial/business relation with the client or any of his business in their individual capacity; and
- In the year 2018 the company did not allow any unsecured credit facility to any of its Directors in their name or in the name of an Institution/Firm/Company/Organization where they have interest as a Director/Partner/Proprietor or guarantor as the case may be in individual capacity or jointly. For this purpose, Directors included wife, husband, father, mother, son, daughter, son-in-law, son's wife, father-in-law and mother-in-law of the Director.

### Acknowledgement

The members of the Executive Committee express their gratitude and thanks to the members of the Board of Directors, Management and all the stakeholders of Fareast Finance & Investment Limited for their cooperation while performing the duties and responsibilities over the year 2018.

Sincerely yours,



**Md. Ershad Ullah**  
Chairman  
Executive Committee

22 July 2019

## Managing Director and Chief Financial Officer's report

The Board of Directors  
Fareast Finance & Investment Limited  
Eunoos Centre (Level-8)  
52-53 Dilkusha Commercial Area  
Dhaka-1000, Bangladesh

### Subject: Declaration on Financial Statements for the year ended on December 31, 2018

Dear Sirs,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 03, 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

- 1) The Financial Statements of Fareast Finance & Investment Limited for the year ended on December 31, 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
- 2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- 3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- 4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- 5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- 6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

- I. We have reviewed the financial statements for the year ended on December 31, 2018 and that to the best of our knowledge and belief:
  - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b. these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- II. There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,



**Mohammed Hafizour Rahman**  
M. Com., FCA, ACS  
Chief Financial Officer



**Santanu Saha**  
M. Com., FCA, FCMA, FCS, FMAAT  
Managing Director

## Directors' report to the Shareholders

**Dear Shareholders,**

**Assalamu Alaikum,**

The Board of Directors of Fareast Finance & Investment Limited take this opportunity to thankfully acknowledge the shareholders, customers, creditors, business partners/associates and regulators for their continued support and valuable partnership with the company. On behalf of the Board of Directors of Fareast Finance & Investment Limited, I deemed it as a privilege to welcome you all in the eighteenth Annual General Meeting of the Company and to present the eighteenth annual report inclusive of the audited financial statements of the company for the year ended on 31 December 2018 and the auditor's report thereon, for consideration and approval of the esteemed shareholders. Thank you all for your presence here today, and for your continued support and encouragement that is critical to the success of our company.

This report has been prepared in compliance with The Companies Act, 1994, BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Listing Regulations of Dhaka and Chittagong Stock Exchanges, 2015 and other applicable rules and regulations. Other than the requirements mentioned in above regulations, this report also contains some other information and disclosures as was deemed relevant and important by the Board of Directors as well as to ensure good governance and transparency to the stakeholders.

### **Global economy**

World economy growth was strong in 2018, likely growing at 3.8 per cent, similar to growth seen in 2017. Asia continued to be the main driver of global growth, though growth also picked up across all other regions. Among the majors, the United States was an outperformer, as growth improved on the back of fiscal stimulus. The United States has the largest economy in the world at \$20.4 trillion, according to data from the International Monetary Fund (IMF), which shows the US economy increased from around \$19.4 trillion last year. China follows, with \$14 trillion, which is an increase of more than \$2 trillion in comparison to 2017. Japan is in third place with an economy of \$5.1 trillion, up from \$4.87 trillion a year previously. The euro-area economy slowed in 2018, hurt by higher energy prices, trade disputes and vehicles emission testing that hit car production and sale. The Growth in the South Asia region has accelerated to 6.9 percent in 2018 from 6.5 percent in 2017. This was driven by strong consumption, exports and investment was on track to revive as a result of policy reforms and infrastructure upgrades. Setbacks to reform efforts, natural disasters, or an upswing in global financial volatility could slow growth in 2019. India is expected to pick up to a 7.3 percent rate in fiscal year 2018/19, from 6.7 percent in FY 2017/18.

### **Bangladesh economic scenario in 2018**

Bangladesh has become one of Asia's most remarkable and unexpected success stories in recent years. Bangladesh has been making progress and the country is so successful in many areas that it is a role model for South Asia. In 2018 the Bangladesh economy continued to grow rapidly and achieved a record growth of 7.86 percent in FY18, over-performing the Government's FY18 growth target of 7.4 percent. Agriculture sector contributed 14.23 percent of GDP, mainly supported by the growth of fishing, forest related services and animal farming sub-sector along with other sub-sectors. Industry sector contributed 33.66 percent of GDP, supported by strong growth of manufacturing and construction sub sectors. In FY18, service sector grew by 6.4 percent, down from 6.7 percent growth in FY17. Private sector credit grew by 17.0 percent in FY18, in line with the targeted growth of 16.8 percent for FY18 and higher than the actual growth of 15.7 percent in FY17. The inflation rate was 5.56 percent in FY18 slightly higher than the rate of 5.61 percent in FY17.

Public and private investments were important contributors to the high GDP growth rate in 2018. Real investments increased by 10.5 percent compared to FY 2017. Public investment to GDP ratio increased while private investment to GDP ratio decreased. However, Foreign Direct Investment (FDI) declined to USD 1.58 billion in

FY 2018 from 1.65 billion in FY 2017. The domestic credit recorded an increase of Taka 128,318.30 crore or 13.48 percent at the end of December 2018 against the increase of Taka 119,951.60 crore or 14.42 percent at the end of December 2017. Credit to the private sector and public sector recorded a growth of 13.33 percent and 14.70 percent respectively in December 2018 as compared to the same month of the previous year. Total tax revenue collection (NBR & non-NBR) in FY18 stood at Taka 213,448.32 crore which was higher by Taka 35,486.79 crore or 19.94 percent against the collection of Taka 177,961.53 crore in FY17. The overall budget deficit increased due to a fiscal deficit worth 4.5 percent of GDP in FY 2018. Reserve money recorded an increase of Taka 17,674.10 crore or 8.15 percent at the end of December 2018 against the increase of Taka 25,485.60 crore or 13.31 percent at the end of December 2017. Bangladesh has achieved global recognition for making exceptional progress in human development. The country has made excellent progress in expanding electricity supply, but further steps need to be taken to satisfy the demand for electricity which is rapidly increasing with the growing economy. According to a United Nations report, Bangladesh will be the third fastest growing economy in the world in terms of achieving high Gross Domestic Product (GDP) in 2019.

### Industry outlook

In Bangladesh, Non Banking Financial Institutions (NBFIs) are constituted under the Financial Institutions Act, 1993. Presently, out of 34 NBFIs, 3 are Government owned, 12 are joint venture and the rest 19 are locally private owned.

The financial sector of Bangladesh is presently in a deep crisis. The amount of default loan is increasing day by day. On the other hand, presently this sector is in acute liquidity crisis due to some reasons. Decrease in foreign remittance due to lessen illegal channel of mobile banking, money laundering and attractive rate of Government “Sanchaya patra” or Saving Certificate are the main causes of liquidity crisis. Political interventions in various levels, corruption & unethical practices, and unhealthy competition among banks are further intensifying the crisis. The spread between the weighted average interest rate on advances and deposits of banks increased to 4.23 percent while that of NBFIs decreased to 2.70 percent respectively at the end of December, 2018 as compared to November, 2018. The weighted average call money rate in the inter-bank money market was 4.09 percent in December 2018.

### Company’s overview

Your company was established in June 21, 2001 as a non banking financial institution. Now the company’s head office is situated at Eunoos Center (Level-8), 52-53 Dilkusha C/A, Dhaka-1000, Bangladesh and it has two branch offices at Chittagong and Banani.

### Fareast Finance & Investment Limited’s Business and Financial Performance Highlights-2018

Fareast Finance & Investment Limited’s performance for the year 2017 was, however, disappointing. 2018 was a period of recovery for the company and the Board is extremely pleased with the progress that has been achieved.

- For the year 2018, the company generated net profit/(loss) after income tax Tk.132.53 million which was Tk.(937.72) million at the end of 31st December 2017 is a good sign of improvement in financial performance.
- As on 31st December 2018 the earnings per share of the company was Tk.0.81 recording a positive growth of 114.14 percent over the previous year.
- As on 31st December 2018, total loans, advances and leases amounted at Tk.9,989.36 million which was Tk.11,597.26 million as on 31st December 2017. Throughout the year 2018, the company passed through huge financial crisis for new investment.
- During the year 2018, company disbursed total Tk.105.91 million, whereas in the year 2017 the contract amount was Tk.5.6 million.
- Total deposits stood at Tk.5,577.93 million as on 31st December 2018 against Tk.6,908.50 million as on 31st December 2017. 2018 was a very difficult year for financial sector, with public confidence and trust in the industry damaged by conduct and compliance issues.
- As on 31st December 2018, classified loans, advances and leases stood at Tk.1525.52 million, which was Tk.1,844.39 million at the end of the year 2017 is a good sign of improvement in operational efficiency

- As on 31st December 2018, provision kept against classified loans, advances and leases was Tk.767.94 million, the company has a provision surplus/deficit of Tk..24 million.
- Though the capital market scenario was vulnerable throughout the year 2018, the company made a profit of Tk.4.80 million from its own investment in capital market.
- Cost of borrowing fund was 11.63%, the company attempted to collect deposit mostly from general public and enterprises to reduce dependency on high cost bank borrowings.
- As on 31st December 2018, return on assets was 1.04%, which was a negative figure of 6.78% at the end of the year 2017, are a reflection of the strength of your company.

To summarize, 2018 has been a year of good progress for your company. Fareast Finance & Investment Limited has come out of the downturn stronger with a restructured organization that positions the company well to continue executing the perfect strategy over the coming years.

### Product wise performance

During the year 2018 company has entered into total contract of Tk.5.6 million as term finance representing a negative growth over the year 2017. In the year 2018 the contract against lease finance facility was nil. Besides, in the year 2018, total Tk. 105.91 million was disbursed against disbursed amount of Tk.4,131.01 million in the year 2017. As on 31st December, 2018, the sector wise outstanding position of total portfolios of the company were as following:

Sl. No.	Particulars	No. of Accounts	Amount (Fig in million BDT)	% of total
1	Trade and Commerce	41	270.05	2.70
2	Industry:	163	5,429.00	54.35
	A) Garments and Knitwear	22	660.76	6.61
	B) Textile	8	171.45	1.72
	C) Jute and Jute-Products	5	149.73	1.50
	D) Food Production and Processing Industry	13	517.27	5.18
	E) Plastic Industry	3	39.60	0.40
	F) Leather and Leather-Goods	0	0.00	0.00
	G) Iron, Steel and Engineering	12	820.15	8.21
	H) Pharmaceuticals and Chemicals	29	331.67	3.32
	I) Cement and Allied Industry	8	649.03	6.50
	J) Telecommunication and Information Technology	4	209.17	2.09
	K) Paper, Printing and Packaging	7	130.37	1.31
	L) Glass, Glassware and Ceramic Industry	2	180.37	1.81
	M) Ship Manufacturing Industry	3	385.57	3.86
	N) Electronics and Electrical Products	10	294.81	2.95
	O) Power, Gas, Water and Sanitary Service	3	437.02	4.37
	P) Transport and Aviation	34	452.02	4.52
3	Agriculture	12	202.14	2.02
4	Housing	21	342.64	3.43
5	Others	35	3,745.53	37.50
	A) Merchant Banking	0	0.00	0.00
	B) Margin Loan	6	3,229.59	32.33
	C) Others	29	515.94	5.16
	<b>Total</b>	<b>272</b>	<b>9,989.36</b>	<b>100.00</b>

### Risk management and internal control

Because of the diversification of risk in the financial market, the company is committed to identify the risk and monitor regularly for pre capturing the risk and always works to manage the risks associated with its business. To control the risk Fareast Finance designed its risk management program in a structured way that can easily identifying, measuring, monitoring and controlling the risk. To do so, Fareast Finance established the following must existed elements:

## Fareast Finance & Investment limited

- Active board and senior management oversight;
- Adoption of adequate policies, procedures and limits;
- Establishment of adequate risk measurement, monitoring and management information system; and
- Existence of comprehensive internal control steam.

Besides the business, Fareast Finance always overseeing the following areas for managing and minimize the risk:

- Credit risk management
- Market risk management
- Liquidity risk management
- Operational risk management
- Reputation risk management
- Strategic risk management
- Compliance risk management
- Money laundering risk management
- Environmental risk management
- Capital risk management and
- IT risks management.

Fareast finance has “Asset Liability Management Committee (ALCO) constituted by the senior officials of the Company for overseeing the increase/decrease risk in any area or product line, concentration in assets and liabilities status, deterioration in quantity of credit portfolio, decrease in earnings performance or projections, rapid asset growth funded by volatile large deposit, etc. .Besides, Company’s Internal Control and Compliance department is engaged for detection of operational risk and its management. This ensures the employees’ performances at optimum level with zero tolerance.

For each credit facilities, management calculates the credit risk grade in line with the model provided by Bangladesh Bank and places before the Board to facilitate the decision making. Besides, management analyses the market scenario related to that industry, which also helps to quantify the credit risk inherent to that particular business. For better sustainability and in line with Bangladesh Bank’s guidelines, four manuals regarding credit risk, asset liability management, IT risk and internal control were prepared and implemented in the Company. The Board periodically reviews those manuals and their effectiveness and makes revisions/amendments for betterment of the Company. Bangladesh Bank through their on sight supervision also inspects the manuals and their implementations in the Company and provides rating. According to the latest rating your Company obtained “Marginal”. Details of Company’s risks and management perception about those risks are discussed in the “Risk factors and management perception” on page 62.

To safeguard the Company’s assets the Board constituted an Audit Committee comprising five Directors who reviews/supervises the internal control process and procedures that are working within the Company at regular interval. At the end of each year the Committee reports regarding the existing internal control system and its effectiveness is at par with the satisfactory level or not. The details report is placed on page 88.

### **Cost of goods sold and profit margin**

Fareast Finance & Investment Limited is a financial institution and hence cost of goods sold and gross profit margin concept is not appropriate for the company. Rather total operating income and profit before provisions is the main concern for sustainability and growth of a financial institution. In the year 2018 company’s total operating income was Tk.1,260.42 million, which was Tk.877.09 million in the year 2017. Total operating income of Fareast Finance showed a positive growth of 43.71 percent for the year 2018 over the year 2017. Besides, in the year 2018 Fareast Finance was able to earn a net profit of Tk.132.53 million against the previous year’s net loss of Tk.937.72 million. The growth has been noteworthy. The business terrain was quite challenging, however, the above figures depicts that your company is well positioned to navigate through the critical period of adjustments and course corrections that lie ahead.

**Continuity of any extra-ordinary gain or loss**

In the year 2018 there was no extra ordinary activities and hence there was no continuation of extra ordinary gain or loss in the current year.

**Basis of related party transaction**

According to the Bangladesh Accounting Standard-24 “Related Party Disclosures” and DFIM circular # 11 dated 23 December 2009, related party disclosure was made in note # 45 of the financial statements. Besides, Directors’ name and their interest in different organizations are also disclosed in annexure-c attached to the financial statements.

**Utilization IPO proceeds**

In line with the Bangladesh Securities & Exchange Commission’s approval, Fareast Finance & Investment Limited completed its IPO and listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on 17 September 2013. Utilization of IPO proceeds were entirely completed and communicated to the Bangladesh Securities & Exchange Commission in the year 2014. So nothing is obligatory in the year 2018.

**Explanation for deterioration in financial results after IPO**

Continuing from the year 2014, the company post profitability for the year 2015 and 2016. In 2017, Fareast Finance & Investment Limited experienced huge financial challenges and the company made net profit/(loss) after income tax Tk.(937.72) million only with earnings per share of Tk.(5.72) indicating a negative growth for the Company. Net profit declined in 2017, mostly because of interest block on outstanding loan of Tk.2,895.22 million only allowed to the associate Company-Fareast Stocks & Bonds Limited and the turmoil situation in the capital market. 2018 has been a year of good progress for Fareast Finance & Investment Limited, where the company made net profit/(loss) after income tax Tk. 132.53 million and earnings per share of the company was Tk.0.81 recording a positive growth over the previous year.

**Appropriations of Retained earnings**

According to Rule 6 of The Financial Institutions Regulation 1994, the company required to keep 20% of the after tax profit as statutory reserve. In 2018, Fareast Finance & Investment Limited made net profit/(Loss) after income tax of Tk132.53 million. Consequently Tk.26.51 million was transferred to Statutory Reserve Fund of the company.

**Variance between quarterly and annual financial performance**

As stipulated by law, the company is required to publish the financial performance of its 1st, 2nd and 3rd quarters. Up to 30 September 2018 company’s net profit/(loss) after income tax was Tk.(213.23) million, which was at the end of the year 2018 stood at Tk132.53 million. Perfect business strategy, decreased overdue amount and consequently decreased amount of provision required for loans, advances and leases etc. were the main reasons for improving the profit situation. The financial health of Fareast Finance & Investment Limited is expected to be more strong in 2019.

**Significant deviations from the last year’s operating result**

The company earned profit/(loss) of Tk132.53 million and operating profit/(loss) was Tk.(1.07) million in the year 2018. In the year 2017, the company earned net loss of Tk.937.72 million and operating loss was Tk.331.80 million. The company earns profit in the year 2018, whereas the company was in loss in the year 2017. The significant deviation has arrived comparing with the last year’s operating profit. Net profit declined in 2017, mostly because of interest block on outstanding loan of Tk.2,895.22 million only allowed to the associate company-Fareast Stocks & Bonds Limited and the turmoil situation in the capital market.

**Remuneration to directors including independent directors**

According to Bangladesh Bank’s guidelines directors are not empowered to take any remuneration other than attendance fee. In line with that no remuneration except meeting attendance fee has been given to any director in the year 2018. Till date no remuneration was also given to any independent director except the attendance fee.

### **Corporate and financial reporting framework**

In conformity of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018; the directors confirm compliance with the financial reporting framework for the following:

- The financial statements prepared by the management of Fareast Finance & Investment Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies, including International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been consistently applied in preparation of the financial statements and any departure there from has been adequately disclosed.
- Accounting estimates are based on reasonable and prudent judgment.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- Minority shareholders have been duly protected as have effective means of redress.
- There are no significant doubts upon the company's ability to continue as a going concern.
- Comparative analysis of significant deviations have been highlighted and reasons have been explained in the sections.

### **Key operating and financial data**

Key operating and financial data of preceding five years is shown under the heading of Performance at a glance in the annual report on page 22.

### **CEO and CFO's declaration certificate**

The CEO and CFO's declaration to the Board is appended on page no. 96.

### **Management discussion and analysis**

Management discussion and analysis has been highlighted in the Managing Director's statement in page no. 6 of this annual report.

### **Senior management**

Disclosure of all senior management personnel have been accounted for in page no. 36.

### **Insider trading**

The members of the board of Fareast Finance & Investment Limited or its sub committees or its senior management and their family members did not involve in any insider trading and did not violate the provisions with regard to insider trading.

### **Environmental protection**

To the best knowledge of the Board, Fareast Finance has not engaged in any activity that is harmful or hazardous to the environment. The Directors also confirms that to the best of their knowledge and belief Fareast Finance has complied with the relevant environmental laws and regulations.

### **Credit Rating**

Fareast Finance & Investment Limited got credit rating of BBB+ for long term and ST-3 for short term on the audited financial statements for the year ended on December 31, 2017 and unaudited financial statements up to September 30, 2018 and other available quantitative and qualitative information up to the date of rating declaration. The outlook on the rating is stable.

### **Dividend**

**Proposed annual dividend-** For the year 2018, the Board of Directors recommended no dividend on the ordinary shares of the Company's paid up capital.

In the year 2018, Fareast Finance & Investment Limited earns profit of Tk. 132.53 million, but at the end of 31st December, 2018 the retained earnings of the company remains negative. Consequently, as per regulatory requirement the company cannot pay any stock dividend with its negative retained earnings. Moreover, the directors of the company has not recommended any cash dividend, as they believe that it's better to put the business's profits to work making the business itself more valuable.

**Interim dividend-** No cash or bonus share dividend was declared as interim dividend during 2018.

### **Director's meeting**

During the year 2018 nine board meetings were held. The attendance in the board meetings by each director is attached as annex-A.

### **Shareholding pattern**

According to the BSEC's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 shareholding pattern is attached as annex-B.

### **Directors resume and line of expertise**

A brief resume of the directors are appended under the heading of brief profile of Directors in the annual report on page 29.

- (a) Brief resume of the Directors;
- (b) Nature of the expertise of the Directors;
- (c) Name of the Directors and entities in which they have interest as Directors are disclosed in annex-C attached to the financial statements.

Besides, name of the Directors who are the members of the Committees is disclosed under the heading of Board Committees in the annual report on page 32. An analysis of the directors expertise and experience and its impact on the corporate governance of the company is included in the Corporate Governance Report in page no. 53.

### **Retirement and re-election**

As per Article 61 of the Articles of Association of the Company, subject to these presents, the Directors shall have power at any time and from time to time to fill up a casual vacancy either from the existing qualified members or legal heir nominee of the original directors having requisite qualification and duly registered as member of the company as an addition to the Board but the total number of Directors shall not at any time exceed the maximum number to be determined from time to time. Any Director so appointed shall hold office only until the next following ordinary general meeting of the company but shall be eligible for re-election. While making such appointment, the proportion of Directors appointed or nominated by the Company and categories of shareholders shall be maintained.

As per Article 67 of the Articles of Association of the Company, in every year other than first year, one-third of the Directors for the time being or if their number is not three or multiples of three then the number nearest to one-third are required to retire from office. Till date number of Directors in the Company's Board is eight and hence three Directors will retire on 4 September 2019 from their office.

In line with Article 67 of the Articles of Association of the Company, Directors, namely, Mr. Md. Shamsul Islam Varosha, Mr. Md. Ershad Ullah and Mr. Md. Ashaduzzaman will retire on 4 September 2019 from their office. According to Article 69 of the Articles of Association of the company, all of them are eligible for re-election.

The Board of Directors of Fareast Finance & Investment Limited appointed Mr. Kazi Mohammad Mortuza Ali, Mr. A. K. M. Rahmat Ullah, Dr. Parimal Chandra Datta, Mr. Ashraf Abdullah Yussuf, Mr. Md. Rafiqul Islam, Mr. Khandoker Motaher Uddin Ahmed and Mr. Muhammad Muhibbullahil Baqi as Independent Directors in the Board of the company. As per clause 1.2 (e) of BSEC notification # BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, the tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only. However, in the 193rd meeting of the Board of Directors of the company held on 04 February 2019 Mr. Kazi Mohammad Mortuza Ali, Mr. A. K. M. Rahmat Ullah and Dr. Parimal Chandra Datta resigned from their post of Independent Director of the company.

### **Board sub committees**

In compliance with the requirements of Bangladesh Bank notification no. DFIM-13, dated 26 October 2011 and Bangladesh Securities and Exchange Commission's notification no. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, the Board of Fareast Finance formed two sub committees named Executive Committee and Audit Committee.

### **Compliance status**

Compliance status of the clause 9.0 of the BSEC's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 is attached as annex-D.

### **Events after reporting period**

No material events occurred after the reporting date, non-disclosure of which could affect the ability of the users of this financial statement to make proper evaluation and decision.

### **Company's overall status other than above**

#### **A. Going concern**

The going concern is the assumption that an entity will remain in business for the foreseeable future. By making this assumption, the accountant is justified in deferring the recognition of certain expenses until a later period, when the entity will presumably still be in business and using its assets in the most effective manner possible. The going concern assumption is a fundamental assumption in the preparation of financial statements. The auditor evaluates an entity's ability to continue as a going concern for a period not less than one year following the date of the financial statements being audited (a longer period may be considered if the auditor believes such extended period to be relevant). The auditor considers such items as negative trends in operating results, loan defaults, denial of trade credit from supplier's uneconomical long-term commitments, and legal proceedings in deciding if there is a substantial doubt about an entity's ability to continue as a going concern. If so, the auditor must draw attention to the uncertainty regarding the entity's ability to continue as a going concern, in their auditor's report. Criteria for classification of assets and liabilities into current and non-current is whether they are realized/settled within normal course of business should be reflected in concept of going concern. A detailed disclosure regarding company's going concern status is disclosed under the name going concern in the annual report on page 70.

#### **B. Corporate governance**

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community etc. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure. Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and includes the rules and procedures for making decisions in corporate affairs. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company. In a listed company, corporate governance is the part of the legal system as corporate governance code applies to accounting year. A detailed corporate governance compliance report is disclosed under the name Corporate Governance in the annual report on page 53.

Besides, a certificate issued by M M Yasin & Co. a practicing Charter Accountants firm regarding compliance of corporate governance is attached as annex-C.

### C. Corporate social responsibility

Fareast Finance & Investment Limited always extends its hand to the underprivileged, poor and helpless people of the society as a part of corporate social responsibility. Likewise previous year, Fareast Finance & Investment Limited disbursed total Tk.437,304 only in the following sector:

#### Health:

Tk.5,000 only distributed for treatment of a professional football player suffering from leg injury.

#### Environment:

1,000 pieces blankets with a cost of Tk.408,154 (Taka four hundred eight thousand one hundred and fifty four) only among the cold-stricken poor people at Rangpur in Bangladesh.

#### Cultural Welfare:

Tk.24,150 only distributed for various cultural functions.

### D. Human resources

Human resource policies and practices of the company focuses on attracting, motivating and retaining qualified and skilled manpower. Underpinning Fareast Finance & Investment Limited's ambitious growth strategy is a clear focus on making sure we have the right people in the right positions at every level of the company and on giving them the knowledge and skills they need to deliver exceptional performance.

The most important long term competitive advantage of Fareast Finance & Investment Limited is its people. Commitment for attracting and retaining the most talented people in the company is of vital importance and the perennial foundation of its success. More broadly, employees continue to see the value of a long term career at Fareast Finance & Investment Limited. Board approved service rule is reviewed time to time, if required, fulfillment of the best practice of HR especially focusing on the employee benefits design, employee recruitment, training and development, performance appraisal and rewarding, managing pay and benefit systems etc. We also believe in equal employment opportunities regardless of age, gender, disability, religion, race, cast or any other factors. A detailed disclosure regarding company's human resource position is made under the name Human capital in the annual report on page 42.

### F. Treasury operation

2018 was so far a very challenging year considering the liquidity concern of the entire Banking/FI industry. Confidence in financial sector was almost totally missing and many were believed that the industry would not survive. People rushed often daily to withdraw their deposited money as fearing about future.

During the period under review the company meet its fund requirement through deposit mobilization, term loan and overdraft facilities from banks. Treasury department of Fareast Finance played a crucial role regarding understanding of the market, managing fund effectively and ensuring liquidity by prudent contingency and backup plan. The company received Tk.1,362.14 million from deposit mobilization department. Concentration was always made for diversifying the sources of fund. From the year 2014 company shifted its strategy for liability management through diminishing dependence on conventional sources of funding. In the year 2018 this activity will be continued.

### G. Information technology

Fareast Finance & Investment Limited has a fully functional ICT infrastructure based on Bangladesh Bank's latest ICT Security Guideline to serve the daily official purposes of the employees. The ICT infrastructure of Fareast Finance has several servers through which all access to any kind of information is being authenticated and served. Two branches of Fareast Finance have been connected to central data center 24x7 through WAN. All office premises of Fareast Finance are being monitored using surveillance cameras. Video conference facilities have been setup for audio visual communications between offices. Beside these, three online disaster recovery sites have been developed in three different geographical locations that are able to act as the data recovery servers in the event of any disaster. And last but not the least; Fareast Finance is opening internet and email facilities to all employees gradually to perform official activities in faster and effective ways.

### Auditors

The shareholders in their seventeenth Annual General Meeting appointed Ahmed Zaker & Co., Chartered Accountants as the Company's external auditor for the year 2018 with the annual remuneration of Tk.375,000 excluding VAT for the first time. They completed the audit satisfactorily and submitted their report. The Board in its 199th meeting recommended for reappointing Ahmed Zaker & Co., Chartered Accountants for the year 2019 with the annual remuneration of Tk.375,000 only excluding VAT for the second time. It may be noted here that according to section 24(1) of The Financial Institutions Act, 1993, appointment of auditors will be made subject to approval of Bangladesh Bank. In line with that a letter was sent to Bangladesh Bank on 23 July 2019 for seeking their permission. Bangladesh Bank through their letter # DFIM(C)1054/38/2019-1522 dated 30 July 2019 provided their permission to make reappointment of Ahmed Zaker & Co., Chartered Accountants as external auditor for the year 2019 for the second time. Besides, Ahmed Zaker & Co., Chartered Accountants is the approved audit firm of the panel of auditors of Bangladesh Securities & Exchange Commission. Now the appointment is placed before the eighteenth Annual General Meeting for shareholders approval. According to clause 9(1) of Bangladesh Securities and Exchange Commission's notification dated 03 June, 2018, the Board in its 199th meeting recommended for reappointing M M Yasin & Co., Chartered Accountants with the annual remuneration of Tk.20,000 only excluding VAT for the second time relating to compliance of Corporate Governance Code for the year 2019.

### Business plan for the year 2019

I am delighted that in the last several months, we have done so many things together to really position ourselves very well for what's next. The first we did was to get our strategy right. So, we now have deep strategic clarity already beginning to drive everything we do. Speaking for the Management and the Board, I assure you that we will spare no efforts to do all that it will take to realize our aspirations, with the generous support of all stakeholders, my colleagues on the Board, a highly capable management team. Predicting that in the year 2019, political situation of the country will be business friendly throughout the year and a stable money market, management of Fareast Finance focuses on the SME sector for financing. Fareast Finance would strengthen its deposit collection scheme and gradually will reduce the dependency on bank borrowing, intends to get foreign loan, initiatives will be taken for opening new branches, if Bangladesh bank approved, and enlarge the market segment in different areas of the country. Considering that, company's forecasted portfolio for the year 2019 will be around Tk.14,000 million.

### Acknowledgement

The Board of Directors of Fareast Finance & Investment Limited take this opportunity to convey appreciation and profound gratitude to the valued clients, depositors, lenders, bankers patrons and business partners for their continuous support and cooperation. The Board also expresses its heartfelt gratefulness and thanks to the Government of the People's Republic of Bangladesh, Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), Registrar of Joint Stock Companies & Firms, Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE) and Central Depository Bangladesh Limited (CDBL) for their cordial help and support, valuable guidance and advices extended to the Fareast Finance & Investment Limited from time to time, has helped the company to face challenging times. I offer my heartfelt gratitude to all our employees whom we recognize as our core assets for their enthusiasm, unstinted devotion, co-operation and commitment towards the quest for excellence. I convey my sincere thanks to my colleagues on the Board for their valuable guidance and continuous support. And finally, I thank you, our deeply valued shareholders, personally and on behalf of the Board, for your continuing confidence in Fareast Finance & Investment Limited.

Before I conclude, I would like to assure you again that your company has put appropriate plan, policies and strategies to achieve growth with quality, stability and profitability. Your support, encouragement and faith have instilled in us the confidence required to pursue excellence in our journey forward. Best wishes and support to the Board and Management in its endeavors to address Fareast Finance's urgent challenges.

Thank you.

On behalf of the Board of Directors,



**Md. Shamsul Islam Varosha**

Chairman

Board of Directors

22 July 2019

## Annex-A

Directors' attendance in board meetings in the year 2018

Name of Directors	Status	Relevant meetings	Attendance	
		Number	Number	%
Mr. Md. Shamsul Islam Varosha	Chairman	9	5	56%
Mr. Md. Ershad Ullah	Vice Chairman	9	9	100%
Dr. Khadiza Waheeda Jahan	Director	9	0	0%
Mr. Rubaiyat Khaled	Director	9	5	56%
Rimsha BD Limited (represented by Mr. Md. Ashaduzzaman)	Director	9	9	100%
Mr. Kazi Md. Mortuza Ali	Independent Director	9	5	56%
Mr. A K M Rahmat Ullah	Independent Director	9	5	56%
Dr. Parimal Chandra Datta	Independent Director	9	2	22%

Shareholding pattern of Fareast Finance & Investment Limited as on 31 December 2018 is presented below

Sl. #	Shares held by	No. of shareholding	Shareholding %
A.	Parent/Subsidiary/Associate Companies and other related parties	0	0
B.1	Directors		
	Mr. Md. Shamsul Islam Varosha along with spouse and minor children	3,285,839	2.00
	Mr. Md. Ershad Ullah along with spouse and minor children	6,349,564	3.87
	Dr. Khadiza Waheeda Jahan along with spouse and minor children	3,281,267	2.00
	Mr. Rubaiyat Khaled along with spouse and minor children	3,334,300	3.10
	Rimsha BD Limited (represented by Mr. Md. Ashaduzzaman)	3,502,391	2.13
	Mr. Kazi Md. Mortuza Ali along with spouse and minor children	0	0
	Mr. A K M Rahmat Ullah along with spouse and minor children	0	0
	Dr. Parimal Chandra Datta along with spouse and minor children	0	0
B.2	Executive officers		
	Mr. Santanu Saha, Managing Director, along with spouse and minor children	0	0
	Mr. Mohammed Hafizour Rahman, Chief Financial Officer, along with spouse and minor children	0	0
	Ms. Nazmun Nahar, Assistant Company Secretary, along with spouse and minor children	0	0
c.	Executives		
	Mr. Md. Anwar Hussain, Vice President, along with spouse and minor children	0	0
	Mr. Mohammad Rofiqul Alam, Senior Assistant Vice President, along with spouse and minor children	0	0
	Mr. Biplob Saha, Assistant Vice President, along with spouse and minor children	0	0
	Mr. Mohammad Abdullah Al Mamun, Assistant Vice President, along with spouse and minor children	0	0
	Mr. Mutiul Aziz Khan, Senior Manager, along with spouse and minor children	0	0
	Ms. Shirina Akter, Senior Manager, along with spouse and minor children	0	0
	Ms. Rokshana Islam, Senior Manager, along with spouse and minor children	0	0
	Mr. Md. Rezaul Karim, Senior Manager, along with spouse and minor children	0	0
	Mr. Md. Iqbal Haque Choudhury, Senior Manager, along with spouse and minor children	0	0
	Mr. Md. Rafiqul Islam, Senior Manager, along with spouse and minor children	0	0
	Mr. Sk Tabibur Rahman, Manager, along with spouse and minor children	0	0
D.	Shareholders holding 10% or more voting right	0	0

## Annex-C

### Certificate as per condition No. 1(5) (xxvii)

#### Report to the Shareholders of Fareast Finance & Investment Limited on Compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by Fareast Finance & Investment Limited for the year ended on 31st December 2018. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission.
- b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- c) Proper books and records have been kept by the company as required Under the Companies Act, 1994, the securities laws and other relevant laws; and
- d) The Governance of the company is satisfactory.

Place: Dhaka  
Dated: 25.07.2019



**Md. Yasin Miah FCA**  
Proprietor  
M M Yasin & Co.  
Chartered Accountants

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969 is as follows:

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
<b>1.</b>	<b>Board of Directors</b>			
<b>1(1)</b>	<b>Size of the Board of Directors:</b> (number of the Board members – minimum 5 and maximum 20)	√		
<b>1(2)</b>	<b>Independent Directors</b>			
1(2) (a)	At least one fifth (1/5th) of the total number of directors shall be Independent Directors	√		
<b>1(2)(b)</b>	<b>Independent director means :</b>			
1(2)(b)(i)	who does not hold any share or holds less than 1% shares of the total paid-up shares of the company	√		
1(2)(b)(ii)	who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company.	√		
1(2)(b)(iii)	who has not been an executive of the company in immediately preceding 2 (two) financial years;	√		
1(2)(b)(iv)	who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies;	√		
1(2)(b)(v)	who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	√		
1(2)(b)(vi)	who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	√		
1(2)(b)(vii)	who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	√		
1(2)(b)(viii)	who is not independent director in more than 5 (five) listed companies;	√		
1(2)(b)(ix)	who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBFI); and	√		
1(2)(b)(x)	who has not been convicted for a criminal offence involving moral turpitude;	√		
1(2)(c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM);	√		
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days; and	√		
1(2)(e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only;	√		
<b>1(3)</b>	<b>Qualification of Independent Director</b>			
1(3)(a)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirements and corporate laws and can make meaningful contribution to the business;	√		
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk.100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or			Not applicable
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up capital of Tk. 100.00 million or of a listed company; or	√		

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
1(3) (b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or Law; or	√		
1(3) (b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or			Not applicable
1(3) (b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;			Not applicable
1(3) (c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	√		
1(3) (d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.			No such deviation occurred
<b>1(4)</b>	<b>Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer</b>			
1(4)(a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	√		
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	√		
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	√		
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	√		Such option is permitted by the Articles of the Company
1(4)(e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
<b>1(5)</b>	<b>The Board of the company shall include the following additional statements or disclosures in the Directors' Report prepared under section 184 of the Companies Act, 1994 (Act No. XVIII of 1994):</b>			
1(5)(i)	Industry outlook and possible future developments in the industry;	√		
1(5)(ii)	Segment-wise or product-wise performance;	√		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		
1(5)(iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		FFIL being a financial institution such formation of P&L is not followed rather format prescribed by Bangladesh Bank is followed
1(5)(v)	A discussion on continuity of any extraordinary activities and their implications (gain or loss);			No such item exists
1(5)(vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments;	√		
1(5) (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			Not applicable
1(5)(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	√		
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		
1(5)(xi)	A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;	√		
1(5)(xii)	A statement that proper books of account of the issuer company have been maintained;	√		
1(5)(xiii)	A statement that appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;	√		
1(5)(xiv)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;	√		

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
1(5)(xv)	A statement that the system of internal control is sound indesign and has been effectively implemented and monitored;	√		
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√		
1(5)(xvii)	A statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, with the fact along reasons there of shall be disclosed;	√		
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;	√		
1(5)(xix)	A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized;	√		
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;	√		In the year 2018, Fareast Finance & Investment Limited earns profit of Tk. 132.53 million, but at the end of 31st December, 2018 the retained earnings of the company remains negative. Consequently, as per regulatory requirement the company cannot pay any stock dividend with its negative retained earnings. Moreover, the directors of the company has not recommended any cash dividend, as they believe that it's better to put the business's profits to work making the business itself more valuable.
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;	√		
1(5)(xxii)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1(5)(xxiii)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:			
1(5)(xxiii)(a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1(5)(xxiii)(c)	Executives;	√		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		No such shareholder exists
1(5)(xxiv)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:-			
1(5)(xxiv) (a)	A brief resume of the director;	√		
1(5)(xxiv)(b)	Nature of his/her expertise in specific functional areas;	√		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
1(5)(xxv)	Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements			
1(5)(xxv) (a)	Accounting policies and estimation for preparation of financial statements	√		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes	√		
1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof	√		
1(5)(xxv) (d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario	√		
1(5)(xxv) (e)	Briefly explain the financial and economic scenario of the country and the globe	√		
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company;	√		

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	√		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A;	√		
1(5)(xxvii)	The report as well as certificate regarding compliance of Conditions of this code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C.	√		
<b>1(6)</b>	<b>Meetings of the Board of Directors</b>			
	Conducting Board meetings and recording the minutes of the meetings and keeping required books and records in line Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB), in so far as those standards are not inconsistent with any condition of this Code.;	√		
<b>1(7)</b>	<b>Code of Conduct for the Chairperson, other Board members and Chief Executive Officer</b>			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;	√		
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency	√		
2	Governance of Board of Directors of Subsidiary Company			FFIL has no subsidiary
2(a)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.			
2(b)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.			
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.			
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.			
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.			
3	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
<b>3(1)</b>	<b>Appointment</b>			
3(1)(a)	The Board shall appoint a MD or CEO, CS, CFO and HIAC;	√		
3(1)(b)	The positions of the MD or CEO, CS, CFO and HIAC shall be filled by different individuals;	√		New HIAC appointment is under process
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	√		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	√		
<b>3(2)</b>	<b>Requirement to attend Board of Directors' Meetings:</b>			
	The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters	√		
<b>3(3)</b>	<b>Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>			
3(3)(a)	They have reviewed financial statements for the year and that to the best of their knowledge and belief;	√		
3(3)(a)(i)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
3(3)(a)(ii)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	√		
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	√		
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in this Annual Report;	√		
4	<b>Board of Directors' Committee</b>			
	The Board shall have at least following sub-committees:			
	(i) Audit Committee; and	√		
	(ii) Nomination and Remuneration Committee.			As per Bangladesh Bank guidelines, FFIL being a Financial Institution (FI) can only form two subcommittees of the Board: Audit Committee (AC) and Executive Committee (EC). No other subcommittee of the Board is permitted by Bangladesh Bank.
5	AUDIT COMMITTEE:			
5(1)	<b>Responsibility to the Board of Directors</b>			
5(1)(a)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	√		
5(1)(b)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√		
5(1)(c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing.	√		
5(2)	<b>Constitution of the Audit Committee</b>			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members.	√		
5(2)(b)	The Board shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) Independent Director	√		
5(2)(c)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience	√		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee	√		
5(2)(e)	The company secretary shall act as the secretary of the Committee	√		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without Independent Director	√		
5(3)	<b>Chairman of the Audit Committee</b>			
5(3)(a)	The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director	√		
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
5(3)(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM):  Provided that in absence of Chairperson of the Audit Committee, any other member from the Audit Committee shall be selected to be present in the annual general meeting (AGM) and reason for absence of the Chairperson of the Audit Committee shall be recorded in the minutes of the AGM.	√		
<b>5(4)</b>	<b>Meeting of the Audit Committee</b>			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year: Provided that any emergency meeting in addition to regular meeting may be convened at the request of any one of the members of the Committee;	√		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√		
<b>5(5)</b>	<b>Role of Audit Committee:</b>			
5(5)(a)	Oversee the financial reporting process	√		
5(5)(b)	Monitor choice of accounting policies and principles	√		
5(5)(c)	Monitor Internal Control Risk management process	√		
5(5)(d)	Oversee hiring and performance of external auditors	√		
5(5)(e)	Hold the meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption	√		
5(5)(f)	Review along with the management, the annual financial statements before submission to the board for approval	√		
5(5)(g)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval	√		
5(5)(h)	Review the adequacy of internal audit function	√		
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in this Annual Report ;	√		
5(5)(j)	Review statement of significant related party transactions submitted by the management	√		
5(5)(k)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors	√		
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors	√		
5(5)(m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission: Provided that the management shall disclose to the Audit Committee about the uses or applications of the proceeds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results: Provided further that on an annual basis, the company shall prepare a statement of the proceeds utilized for the purposes other than those stated in the offer document or prospectus for publication in this Annual Report along with the comments of the Audit Committee.			Not applicable
<b>5(6)</b>	<b>Reporting of the Audit Committee:</b>			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
5(6)(a)(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
5(6)(a)(ii)(a)	Report on conflicts of interests;	√		No such event occurred
5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	√		No such event occurred
5(6)(a)(ii)(c)	Suspected infringement of laws, including securities related laws, rules and regulations;	√		No such event occurred
5(6)(a)(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately.	√		No such event occurred
5(6)(b)	Reporting to the Authorities – – Reported to the Board of Directors about anything which has material impact on the financial condition and results of operation	√		No such event occurred
5(7)	Reporting to the Shareholders and General Investors Report on the activities carried out by the Audit Committee, including any report made to the Board of Directors under condition #5(6)(a)(ii)	√		No such event occurred
6	Nomination and Remuneration Committee (NRC)			Refer to condition # 4(ii)
<b>6(1)</b>	<b>Responsibility to the Board of Directors</b>			
6(1)(a)	Nomination and Remuneration Committee (NRC) as a sub-committee of the Board			

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;			
6(1)(c)	ToR of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b);			
<b>6(2)</b>	<b>Constitution of the NRC</b>			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;			
6(2)(b)	All members of the Committee shall be non-executive directors;			
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;			
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee			
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee			
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee			
6(2)(g)	The company secretary shall act as the secretary of the Committee			
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director			
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company			
<b>6(3)</b>	<b>Chairperson of the NRC</b>			
6(3)(a)	The Board shall select 1(one) member of the NRC to be Chairperson of the Committee, who shall be an independent director			
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;			
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders			
<b>6(4)</b>	<b>Meeting of the NRC</b>			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year			
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC			
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h)			
6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC;			
<b>6(5)</b>	<b>Role of the NRC</b>			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders			
6(5)(b)	NRC shall oversee, among others, the following matters and make report with recommendation to the Board:			
6(5)(b)(i)	Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:			
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;			
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks;			
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;			
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;			

Condition No.	Title	Compliance status		Remarks (if any)
		Complied	Not complied	
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board			
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board			
6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria			
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies			
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report			
<b>7</b>	<b>External or Statutory Auditors</b>			
7(1)	The issuer Company shall not engage its external or statutory auditors to perform the following services of the company, namely:-	√		
7(1)(i)	appraisal or valuation services or fairness opinions	√		
7(1)(ii)	financial information systems design and implementation	√		
7(1)(iii)	book-keeping or other services related to the accounting records or financial statements;	√		
7(1)(iv)	Broker-dealer services;	√		
7(1)(v)	Actuarial services;	√		
7(1)(vi)	Internal audit services or special audit services;	√		
7(1)(vii)	Any service that the Audit Committee determines;	√		
7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	√		
7(1)(ix)	Any other service that creates conflict of interest.	√		
7(2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company: Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members.	√		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	√		
<b>8</b>	<b>Maintaining a website by the Company</b>			
8(1)	The company shall have an official website linked with the website of the stock exchange;	√		
8(2)	The company shall keep the website functional from the date of listing;	√		
8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s);	√		
<b>9</b>	<b>Reporting and Compliance of Corporate Governance</b>			
9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in this Annual Report .	√		
9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	√		
9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	√		

## Independent Auditor's Report to the Shareholders Of Fareast Finance & Investment Limited

Report on the Audit of Financial Statements

### Opinion

We have audited the financial statements of Fareast Finance & Investment Limited (“the Company”) which comprise the balance sheet as at 31 December 2018, and profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), where practicable and comply with Financial Institutions Act 1993, The Securities and Exchange Rules 1987, the Companies Act 1994 along with the rules & regulations Issued by the Bangladesh Bank and other applicable rules & regulations.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Fareast Finance & Investment Limited (“the Company”) in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Description of key audit matters	Our response to key audit matters
<b>Measurement of provision for loans, advances and leases</b>	
<p>The process for estimating the provision for loans, advances and leases portfolio associated with credit risk is significant and complex.</p> <p>For the individual analysis for large exposure, provision calculation considers the estimates of future business performance and the market value of collateral provided for credit transactions.</p> <p>For the collective analysis of exposure on portfolio basis, provision calculation and reporting are manually processed that deals with voluminous databases, assumptions and estimates.</p> <p>At year end the company reported total gross loans, advances and leases of BDT 9,989,356,961 (2017: BDT 11,597,258,428) and provision for loans and advances of BDT 897,548,715 (2017: BDT 1,039,160,474).</p>	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"><li>• Credit appraisal, loan disbursement procedures, monitoring and provisioning process;</li><li>• Identification of loss events, including early warning and default warning indicators;</li><li>• Reviewed quarterly Classification of Loans (CL);</li></ul> <p>Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"><li>• Reviewed the adequacy of the general and specific provisions in line with related Bangladesh Bank guidelines;</li><li>• Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information;</li><li>• Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</li></ul>
See note no 08 and 15.02 to the financial statements	
<b>IT systems and controls</b>	
<p>Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls.</p>	<p>We tested the design and operating effectiveness of the Company's IT access controls over the information systems that are critical to financial reporting.</p> <p>We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems for appropriate approval and authorization.</p> <p>We tested the Company's periodic review of access rights and reviewed requests of changes to system for appropriate approval and authorization.</p> <p>We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.</p>

## **Reporting on Other Information**

Management is responsible for the other information. The other information comprises of all the information in the Annual Report other than the financial statements and auditor's report thereon.

The Annual Report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statement does not cover the other information and we do not express any form of assurance conclusion thereon.

The company's has one Associate namely Fareast Stocks & Bonds Limited is audited by another auditor whose report has been furnished to us and incorporated as associate and our opinion is as far as it relates to the figured amounts included based on the reports.

In connection with our audit of financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be misstated materially.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), where practicable and the Financial Institutions Act 1993, The Securities and Exchange Rules 1987, the Companies Act 1994 along with the rules & regulations Issued by the Bangladesh Bank and other applicable rules & regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 1987, the Financial Institutions Act, 1993 and the rules and regulations issued by Bangladesh Bank, we also report that

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii. in our opinion, proper books of accounts as required by law have been kept by the company so far as it appeared from our examination of those books;
- iii. the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of accounts and returns;
- iv. the expenditures incurred were for the purpose of the Company's business for the year;
- v. the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank to the extent applicable to the company;



- vi. adequate provisions have been made for loans, advances, leases, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- vii. the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- viii. the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- ix. statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- x. nothing has come to our attention that the Company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;
- xi. proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instruction which were issued by the Bangladesh Bank & other regulatory authorities have been complied properly as disclosed to us by management;
- xii. based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;
- xiii. the Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- xiv. we have reviewed over 80% of the risk-weighted assets of the company and we have spent approximately over 960 person hours for the audit of books of accounts of the company;
- xv. the Company has complied with relevant instructions which are issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- xvi. all other issues which in our opinion are important for the stakeholders of the company have been adequately disclosed in the audit report; and
- xvii. the company complied with the First Schedule of the Financial Institutions Act, 1993 in preparing these financial statements.

**Ahmed Zaker & Co**  
Chartered Accountants

Location: Dhaka  
Date: July 22, 2019



## Financial Statements

The overall numeric picture of a company is presented by its financial statements for a certain period of time. Shareholders use financial statements to assess the risk and return of their investment in the company and take investment decisions based on their analysis. Therefore, financial statements provide a basis for the investment decisions of potential investors.

# Fareast Finance & Investment Limited

## Balance Sheet as at 31 December 2018

Particulars	Note	Amounts in Taka	
		31.12.2018	31.12.2017
PROPERTY AND ASSETS			
Cash	4	60,049,229	65,809,804
In hand (including foreign currencies)		-	-
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		60,049,229	65,809,804
Balance with other banks and financial institutions	5	487,816,045	672,472,341
In Bangladesh		487,816,045	672,472,341
Outside Bangladesh		-	-
Money at call and short notice	6	-	-
Investments	7	150,206,094	158,821,312
Government		-	-
Others		150,206,094	158,821,312
Loans, advances and leases		9,989,356,961	11,597,258,428
Loans, cash credits, overdrafts, leases, etc.	8	9,989,356,961	11,597,258,428
Bills purchased and discounted	9	-	-
Fixed assets including premises, furniture and fixtures	10	14,613,382	21,741,486
Other assets	11	1,129,430,470	1,107,983,257
Non-business assets	12	10,077,663	5,485,000
Total assets		11,841,549,844	13,629,571,628
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	13	3,135,570,112	3,708,371,507
Deposits and other accounts	14	5,577,934,479	6,908,499,802
Current deposits		-	-
Bills payable		-	-
Savings deposits		-	-
Term deposits		5,577,934,479	6,908,499,802
Bearer certificate of deposit		-	-
Other deposits		-	-
Other liabilities	15	1,943,189,785	1,967,747,653
Total liabilities		10,656,694,376	12,584,618,962

Particulars	Note	Amounts in Taka	
		31.12.2018	31.12.2017
<b>Capital/Shareholders' equity</b>		<b>1,184,855,468</b>	<b>1,044,952,666</b>
Paid up capital	16	1,640,633,300	1,640,633,300
Statutory reserve	17	268,954,085	242,447,925
Revaluation reserve	11.3.1	79,495,313	98,743,750
Retained earnings	18	(804,227,230)	(936,872,309)
<b>Total liabilities and Shareholders' equity</b>		<b>11,841,549,844</b>	<b>13,629,571,628</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>	19.1	-	-
Acceptances and endorsements		-	-
Letter of guarantee		-	-
Irrevocable letter of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
<b>Other commitments</b>	19.2	-	-
Documentary credits and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Spot and foreign exchange rate contract		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
<b>Total off-balance sheet items including contingent liabilities</b>		<b>-</b>	<b>-</b>
<b>Net asset value per share</b>		<b>7.22</b>	<b>6.37</b>

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



Md. Shamsul Islam Varosha  
Chairman



Md. Ashaduzzaman  
Director



Santanu Saha  
Managing Director



Nazmun Nahar  
Assistant Company Secretary

As per our annexed report of same date.



**Ahmed Zaker & Co.**  
Chartered Accountants

Dhaka, 22 July 2019

# Fareast Finance & Investment Limited

## Profit and Loss Account for the year ended 31 December 2018

Particulars	Note	Amounts in Taka	
		2018	2017
Interest income	21	1,254,276,584	881,368,401
Interest expenses on borrowings, deposits, etc.	22	(1,144,702,610)	(1,092,066,735)
<b>Net interest income</b>		<b>109,573,974</b>	<b>(210,698,334)</b>
Investment income	23	4,800,121	(12,637,743)
Commission, exchange and brokerage	24	-	-
Other operating income	25	1,341,621	8,354,636
<b>Total operating income</b>		<b>115,715,716</b>	<b>(214,981,441)</b>
Salary and allowances	26	59,451,619	59,643,892
Rent, taxes, insurance, electricity, etc.	27	19,050,084	17,702,482
Legal expenses	28	4,693,326	2,891,851
Postage, stamp, telecommunication, etc.	29	1,578,817	1,463,718
Stationery, printing, advertisements, etc.	30	1,591,736	2,068,862
Managing Director's salary and allowances	31	8,484,500	7,892,000
Directors' fees	32	560,000	720,000
Auditors' fees	33	539,350	481,850
Charges on losses regarding loans, advances and leases		-	-
Depreciation and repairs of company's assets	34	8,327,970	7,982,065
Other operating expenses	35	12,512,825	15,971,105
<b>Total operating expenses</b>		<b>116,790,227</b>	<b>116,817,825</b>
<b>Profit/(loss) before provisions</b>		<b>(1,074,511)</b>	<b>(331,799,266)</b>
Provisions for loans, advances and leases:	36	(141,611,759)	654,867,360
Provision for the diminution in the value of investments	37	8,588,147	(50,183,373)
Other provisions		-	-
<b>Total provisions</b>		<b>(133,023,612)</b>	<b>604,683,987</b>
<b>Profit/(loss) before income tax</b>		<b>131,949,101</b>	<b>(936,483,253)</b>
<b>Provision for income tax</b>			
Current tax	38	958,018	976,968
Deferred tax	38	(1,539,717)	261,019
		<b>(581,699)</b>	<b>1,237,987</b>
<b>Net profit/(loss) after income tax</b>		<b>132,530,800</b>	<b>(937,721,240)</b>

Particulars	Note	Amounts in Taka	
		2018	2017
<b>Appropriations</b>			
Statutory reserve	17	26,506,160	-
General reserve		-	-
		<b>26,506,160</b>	<b>-</b>
<b>Retained surplus</b>	18	<b>106,024,640</b>	<b>(937,721,240)</b>
<b>Earnings per share (EPS)</b>	39	<b>0.81</b>	<b>(5.72)</b>

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



Md. Shamsul Islam Varosha  
Chairman



Md. Ashaduzzaman  
Director



Santanu Saha  
Managing Director



Nazmun Nahar  
Assistant Company Secretary

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**Ahmed Zaker & Co.**  
Chartered Accountants

Dhaka, 22 July 2019

# Fareast Finance & Investment Limited

## Cash Flow Statement for the year ended 31 December 2018

Particulars	Amounts in Taka	
	2018	2017
<b>Cash flows from operating activities</b>		
Interest received	1,252,757,741	826,576,028
Interest paid	(1,016,678,283)	(1,033,461,559)
Dividend received	4,790,089	4,884,839
Fees and commission received	-	-
Recoveries of loan previously written-off	5,335,427	2,114,540
Income taxes paid	(7,903,491)	(22,690,631)
Received from other operating activities	1,341,621	90,811,357
Payments for other operating activities	(109,348,231)	(110,040,178)
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>	<b>130,294,873</b>	<b>(241,805,604)</b>
<b>Increase/decrease in operating assets and liabilities</b>		
Statutory deposit	-	-
Trading securities	-	-
Loans, advances and leases	1,607,901,467	(635,583,871)
Other assets	(12,905,773)	9,718,088
Deposit and other accounts	(1,330,565,323)	595,484,902
Net drawdown of short term loans	175,399,512	(64,209,306)
Other liabilities on account of customers	15,417,685	(20,917,237)
Trading liabilities	-	-
Other liabilities	(36,097,615)	185,010,822
	<b>419,149,953</b>	<b>69,503,398</b>
<b>Net cash from operating activities</b>	<b>549,444,826</b>	<b>(172,302,206)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of securities	66,947,902	269,145,304
Payments for purchase of securities	(58,322,652)	(166,754,080)
Purchase of fixed assets including premises, furniture and fixtures	(150,563)	(7,287,110)
Proceeds from sale of fixed assets including premises, furniture and fixtures	-	2
(Increase)/decrease regarding purchase and sale of subsidiary	19,112,960	(218,446)
<b>Net cash used in investing activities</b>	<b>27,587,647</b>	<b>94,885,670</b>

Particulars	Amounts in Taka	
	2018	2017
<b>Cash flows from financing activities</b>		
Receipt of borrowings from other banks, financial institutions and agents	-	754,145,000
Repayment of borrowings from other banks, financial institutions and agents	(748,200,907)	(1,395,241,332)
Receipt against issue of share capital	-	-
Increase/(decrease) in revaluation reserve	(19,248,437)	-
Dividend paid in cash	-	(82,031,665)
<b>Net cash from financing activities</b>	<b>(767,449,344)</b>	<b>(723,127,997)</b>
Net increase/(Decrease) in cash and cash equivalents	(190,416,871)	(800,544,533)
Effects of exchange rate changes on cash and equivalents	-	-
Cash and cash equivalents at beginning of the year	738,282,145	1,538,826,678
<b>Cash and cash equivalents at the end of the year</b>	<b>547,865,274</b>	<b>738,282,145</b>
<b>Cash and cash equivalents at the end of the year</b>		
Cash in hand (including foreign currencies)	-	-
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	60,049,229	65,809,804
Balance with other banks and financial institutions	487,816,045	672,472,341
Money at call and short notice	-	-
	<b>547,865,274</b>	<b>738,282,145</b>



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Dhaka, 22 July 2019



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# Fareast Finance & Investment Limited

## Statement of Changes in Equity for the year ended 31 December 2018

Particulars	Paid up capital	Statutory reserve	Revaluation reserve	Retained earnings	Total
	Taka	Taka	Taka	Taka	Taka
Balance at 01 January 2017	1,640,633,300	242,447,925	98,743,750	82,880,596	2,064,705,571
Changes in accounting policy(s)	-	-	-	-	-
<b>Restated balance</b>	<b>1,640,633,300</b>	<b>242,447,925</b>	<b>98,743,750</b>	<b>82,880,596</b>	<b>2,064,705,571</b>
Surplus/deficit on account of revaluation of properties	-	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	-	-	-	-
Currency translation differences	-	-	-	-	-
Net gains and losses not recognized in the profit and loss account	-	-	-	-	-
Net profit for the year	-	-	-	(937,721,240)	(937,721,240)
Cash dividend	-	-	-	(82,031,665)	(82,031,665)
Dividend (Bonus shares)	-	-	-	-	-
Issue of share capital	-	-	-	-	-
Appropriations during the year	-	-	-	-	-
Revaluation of Fareast Stocks & Bonds Ltd. (note-11.3.1)	-	-	-	-	-
<b>Balance as at 31 December 2017</b>	<b>1,640,633,300</b>	<b>242,447,925</b>	<b>98,743,750</b>	<b>(936,872,309)</b>	<b>1,044,952,666</b>
Balance at 01 January 2018	1,640,633,300	242,447,925	98,743,750	(936,872,309)	1,044,952,666
Changes in accounting policy(s)	-	-	-	-	-
<b>Restated balance</b>	<b>1,640,633,300</b>	<b>242,447,925</b>	<b>98,743,750</b>	<b>(936,872,309)</b>	<b>1,044,952,666</b>
Surplus/deficit on account of revaluation of properties	-	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	-	-	-	-
Currency translation differences	-	-	-	-	-
Net gains and losses not recognized in the profit and loss account	-	-	-	-	-
Net profit for the year	-	-	-	132,530,800	132,530,800
Cash dividend	-	-	-	-	-
Dividend (Bonus shares)	-	-	-	-	-
Issue of share capital	-	-	-	-	-
Appropriations during the year	-	26,506,160	-	(26,506,160)	-
Prior year adjustment (note-11.3)	-	-	-	26,620,439	26,620,439
Revaluation of Fareast Stocks & Bonds Ltd. (note-11.3.1)	-	-	(19,248,437)	-	(19,248,437)
<b>Balance as at 31 December 2018</b>	<b>1,640,633,300</b>	<b>268,954,085</b>	<b>79,495,313</b>	<b>(804,227,230)</b>	<b>1,184,855,468</b>



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Chartered Accountants

Dhaka, 22 July 2019

# Fareast Finance & Investment Limited

## Liquidity Statement (Analysis of maturity of assets and liabilities)

As at 31 December 2018

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
<b>Assets</b>						
Cash in hand (including balance with Bangladesh Bank)	60,049,229	-	-	-	-	60,049,229
Balance with other banks and financial institutions	107,816,045	380,000,000	-	-	-	487,816,045
Money at call and short notice	-	-	-	-	-	-
Investments	150,206,094	-	-	-	-	150,206,094
Loans, advances and leases	1,288,143,943	15,683,050	744,222,469	4,092,785,720	3,848,521,779	9,989,356,961
Fixed assets including premises, furniture and fixtures	129	-	2,082,851	12,530,402	-	14,613,382
Other assets	101,529,971	19,275,182	379,441,246	956,306	628,227,765	1,129,430,470
Non-business assets	-	-	-	-	10,077,663	10,077,663
<b>Total assets</b>	<b>1,707,745,411</b>	<b>414,958,232</b>	<b>1,125,746,566</b>	<b>4,106,272,428</b>	<b>4,486,827,207</b>	<b>11,841,549,844</b>
<b>Liabilities</b>						
Borrowings from other banks, financial institutions and agents	758,737,345	140,795,368	987,159,556	1,144,536,079	104,341,764	3,135,570,112
Deposits and other accounts	326,874,399	139,915,250	484,341,176	4,593,775,804	33,027,850	5,577,934,479
Provision and other liabilities	315,876,671	32,747,787	317,667,535	1,096,257,661	180,640,131	1,943,189,785
<b>Total liabilities</b>	<b>1,401,488,415</b>	<b>313,458,405</b>	<b>1,789,168,267</b>	<b>6,834,569,544</b>	<b>318,009,745</b>	<b>10,656,694,376</b>
<b>Net liquidity gap</b>	<b>306,256,996</b>	<b>101,499,827</b>	<b>(663,421,701)</b>	<b>(2,728,297,116)</b>	<b>4,168,817,462</b>	<b>1,184,855,468</b>



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**Ahmed Zaker & Co.**  
Chartered Accountants

Dhaka, 22 July 2019

**Fareast Finance & Investment Limited**  
**Notes to the Financial Statements and significant accounting policies**  
**for the year ended 31 December 2018**  
**(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 also two branch offices at Chittagong and Dhaka in Bangladesh.

**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.1,500,000,000. 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 seventy five and seventy five at the end of the year 2018 and 2017 respectively.

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

### **2.1 Basis of preparation**

The financial statements have been prepared on the basis of going concern concept under historical cost conventions in accordance International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB).

### **2.2 Basis of measurement**

The financial statements have been prepared using the accrual basis of accounting except for the cash flow information where the material class of similar item has been presented separately. The accounting policies have been consistently applied by the company and are consistent with those of the previous year.

### **2.3 Statement of compliance**

The financial statements have been prepared in compliance with the requirements the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Ordinance 1969, the Securities and Exchange Rules 1987, the Listing Regulations of Dhaka and Chittagong Stock Exchanges and other applicable laws and regulations.

### **2.4 Basis of presentation**

The presentation of financial statements has been made in accordance with the DFIM Circular No. 11 dated 23 December 2009 issued by the Department of Financial Institutions and Markets of Bangladesh Bank. All financial information presented in Bangladesh Taka (BDT) which has been rounded off to the nearest Taka.

### **2.5 Uncertainties for use of estimates in preparation of financial statements**

The preparation of financial statements in conformity with the International 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 may 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.

### **2.6 Disclosure of deviations from few requirements of IAS/IFRS due to mandatory compliance of Bangladesh Bank's requirements**

Bangladesh Bank is the prime regulatory body for all Non-Banking Financial Institutions in Bangladesh. Some of the requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provision standards of IAS/IFRS. To comply with the Bangladesh Bank's rules and regulations, the company has departed from those contradictory requirements of IAS/IFRS.

### **2.7 Cash flow statement**

Cash flow statement is prepared in accordance with IAS 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 IAS 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 IAS 7 and IAS 1, cash in hand, fixed deposits and bank balances have been considered as cash and cash equivalents.

## **2.8 Statement of changes in equity**

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

## **2.9 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.

## **2.10 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.

## **2.11 Proposed dividend**

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

## **2.12 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-50.

## **2.13 Provision for income tax**

IAS 12: “Income Taxes” and the 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.

### **2.14 Fixed assets**

All fixed assets are stated at cost less accumulated depreciation as per IAS 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:

<b>Item of assets</b>	<b>Rate (%)</b>
Furniture	18
Office equipment	20
Office software	20
Office crockery	20
Motor vehicle	20

### **2.15 Impairment of assets**

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

### **2.16 Accounts receivable**

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

### **2.17 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, balance with Bangladesh Bank and its agent bank, balance with other banks and financial institutions, term deposits and investments in call loan that are readily convertible to a known amount of cash and that are subject to an insignificant risk of change in value.

### **2.18 Accounting for investment in leases**

As per IAS 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.

### **2.19 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.

### **2.20 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 IAS 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.

### **2.21 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.

### **2.22 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.

### **2.23 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.

## **2.24 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.
- IAS 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.

## **2.25 Write- off**

Write-off refers to an investment from which recovery becomes difficult and legal proceedings are started against the investment. Through write-off investment is removed from the company's balance sheet. Recovery against debts written off is credited to revenue.

## **2.26 Depreciation of assets under finance lease**

As per IAS 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 IAS 16: "Property, Plant and Equipment".

## **2.27 Investment in shares**

Investment in shares are treated as financial asset as per IAS 32: "Financial Instruments: Presentation", classified as financial asset at fair value through profit and loss as per IFRS 9: "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.

## **2.28 Borrowings from other banks, financial institutions and agents**

In conformation to 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.

## **2.29 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 DFIM circular # 11 dated 23 December 2009 issued by Bangladesh Bank.

## **2.30 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.

## **2.31 Revenue recognition**

The revenue is recognized after satisfying all the conditions for revenue recognition as provided IFRS 15: "Revenue from Contracts with Customers". 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 IAS 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.

In case 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 IAS 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 IAS 16: "Property, Plant and Equipment".

Income from associate has been accounted for using the equity method under IAS 28: "Accounting for investment in associates".

**2.32 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 IAS 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 IAS 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 IAS 26: "Accounting and Reporting by Retirement Benefit Plans".

**2.33 Other benefits to the employees**

Other benefits to the employees of the company are as follows:

**a) Group life insurance scheme and Hospitalization assurance plan**

The company operates a group life insurance scheme and Hospitalization assurance plan for its permanent employees.

***b) Employee transport facility***

The company provides car as well as car loan facility to the employee as per Transport Policy of the company. This policy is made to provide transport facilities and transport loan and assistance to the entitled employees as per terms of employment and also to facilitate procurement and maintenance of vehicle for the entitled employees of the company. This policy is applicable for the employees in the following three ways:

- Vehicle facility under company management.
- Vehicle facility under loan facility.
- Vehicle facility under pool service.

***c) Mobile facilities***

The company provides all confirmed employees of the company starting from officers and above positions mobile phone set and monthly bill for using mobile within the limit as per Policy for Mobile Phone Facilities of the company.

***d) Payment of professional fees***

The company makes payment of all kind of professional fees relating to the professional institutes to all professional degree holder employees of the company as per Policy for payment of professional fees of the company.

***e) Home loan policy***

The company has home loan facilities for its permanent employees. An employee must serve the company for a continuous period of at least six years as confirmed employee is entitled to get the facility.

**2.34 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 IAS 21: "The Effects of Changes in Foreign Exchange Rates".

**2.35 Borrowing costs**

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

**2.36 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 IAS 24: "Related Party Disclosures".

**2.37 Earnings per share (EPS)**

The company calculates earnings per share (EPS) in accordance with IAS 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.

**2.38 *Provision for liabilities***

According to IAS 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.

**2.39 *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.

**2.40 *Risk management***

For a financial institution risk is the vital part of its daily life. Identification, measurement, management perception about those risks, their control and or countermeasures works as the life line of the institution. Most of the times only credit risk is considered as risk to be evaluated at the time of lending decision. But except credit risk there is also some more kind of risk that is also aligning in financial business sector. The major risks that are faced by Fareast Finance & Investment Limited as a financial institution are as follows:

***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.

Fareast Finance 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) Interest rate risk***

Interest rate risk is concerned with borrowed funds of short term and long term maturity. Volatility in money market and increased demand for loan/investment raise the rate of interest. Increase in interest rate of borrowings could narrow or eliminate the spread, or result in a negative spread and could adversely affect the business and future financial performance resulting from high cost of fund of a company.

Company's investments are generally structured at fixed rates for a specified term. But, in case of exigency like unusual and abrupt increase in borrowing rate, the company has a scope to increase the lending rate which mitigates the risk. Again company always tries to reduce the interest rate risk by diversifying the borrowing from different sources at different rates.

### ***c) Liquidity risk***

Liquidity risk management involves the ability to manage and maintain adequate financial liquidity at all times. Good liquidity risk management results Fareast Finance'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 Fareast Finance 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.

### ***d) 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 requirements, launching new products without adequate operational support, rouge traders etc.

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

### ***e) Market risk***

Market risk is the risk that may hamper Fareast Finance'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. Inability to offer on to a proactive and competitive posture due to lack of market access and inability to offer 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 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 Fareast Finance 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. Fareast Finance with its strong earning capacity, favorable credit rating and market goodwill can access to money market with a competitive rate.

#### ***f) Industry risk***

Industry risk refers to the risk of increased competition from foreign and domestic sources leading lower revenues, profit margins, market share etc. which could have an adverse impact on the business, financial condition and results of operation. Fareast Finance is operating in a highly competitive market. Some of the competitors have more resources, broader range of products, complementary lines of business etc. It is, therefore, very difficult to predict in advance the movement of the competitors in the coming years.

Fareast Finance has a sound financial base. Besides, this company has strong capital base and a successful history of sustainable growth for more than a decade. Fareast Finance always strives to provide products according to customers' needs with a personalized service. Continuous efforts for mobilizing funds at competitive prices from different sources will make the company competitive in the market.

#### ***g) Technology risk***

Technology always plays an essential role in any business concern that ensures better services to the customers and reduces the cost in various aspects. Any invention of new and more cost effective technology may cause technological obsolescence and negative operational efficiency. Besides, any severe defects in the software and hardware may have an effect on productivity and profitability due to additional investment for replacement or maintenance.

As a financial institution Fareast Finance is operating within the legal framework prevailing in the country which has little scope of introducing completely new technology. However, management of the company is aware of recent development and implementation of appropriate technology and is committed to adopt new technology and keeps their employees up-to-date on those by providing necessary training.

#### ***h) Risk related to rules and regulations***

Company operates under The Companies Act, 1994, The Financial Institutions Act, 1993, The Financial Institutions Regulations, 1994, Income Tax Ordinance, 1984, Income Tax Rules, 1984, Value Added Tax Act, 1991, Value Added Tax Rules, 1991, Customs Act, 1969 and other related regulations. Any abrupt change in the above Acts or of the policies made by the regulatory authorities may have unfavorable affect on the business of the company.

Unless any existing act/rule/regulation is fully cancelled or changed it may not have much negative impact or materially affect the industry as a whole and hence the business of the company is expected not to be affected significantly. Financial sector in Bangladesh is a sector with considerable local demand for differentiated product lines. Therefore, it is highly unlikely that the Government/Central Bank will initiate any fiscal measure having adverse effect on the growth of the industry.

### ***i) Risk related to changes in global policies***

Changes in the global policies can have either positive or negative impacts for the company. The performance of the company will be hindered due to unavoidable worldwide circumstances like political turmoil. Since the risk involved with the potential changes in global policies is a macro factor, it is beyond the control of Fareast Finance & Investment Limited.

The management of Fareast Finance & Investment Limited is always concerned about the prevailing and upcoming future changes in the global policies and shall response appropriately and timely to safeguard its interest. Due to maintaining a diversified portfolio in major sectors of industries in line with the country's growth scenario as well as industrial policy, the company will always endeavor to withstand the unexpected changes or any such potential threats. Nevertheless, political stability and a congenial business environment is definitely the best situation in which Fareast Finance will achieve its maximum potential.

### ***j) Exchange rate risk***

Generally this type of risk arises from exchange rate fluctuations when any institution holds foreign currency fund or raises loan in foreign currencies or deals in foreign currencies.

According to the act Fareast Finance is not authorized by Bangladesh Bank to deal in foreign currencies. Hence Fareast Finance does not borrow in foreign currencies nor it deal in foreign currencies directly except opening of letter of credit on behalf of its customers. In that case proper measures are taken to shift the risk to the customer's end. Therefore, such foreign currencies fluctuations will not have any adverse impact on the company.

### ***k) 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 in 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 Fareast Finance 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.

### ***l) Non operation of business***

If the company becomes non operative for any reason, company's investment will not be returned and the shareholders will suffer huge loss.

Fareast Finance & Investment Limited does not have any history of non operation to date. The company has an independent body that is operated by its Memorandum & Articles of Association and other applicable laws implemented by the Government. Besides, the company's financial strength is satisfactory. The Company is staffed with expert management team and guided by experienced Directors to make the company more efficient and stronger in the financial sector. So, the chance of becoming non-operative company is quite low.

Keeping in view with the divergence of skill levels and available resources, a modest beginning was focused with sensitivity and scenario analysis considering different types of risks. In light of the calculations, Fareast Finance & Investment Limited was able to maintain its capital adequacy ratio above the required level after considering highest level cumulative shock of all risks. At the same time the company was able to maintain its liquidity ratio at satisfactory level after considering highest level of liquidity shock which reflects that the company is able to keep strong position in the market for having better risk management policy.

#### ***m) Maturity gap risk***

The duration of assets is larger than the duration of liabilities, the duration gap is positive. In this situation, if interest rates rise, assets will lose more value than liabilities, thus reducing the value of the firm's equity. If interest rates fall, assets will gain more value than liabilities, thus increasing the value of the firm's equity.

Conversely, when the duration of assets is less than the duration of liabilities, the duration gap is negative. If interest rates rise, liabilities will lose more value than assets, thus increasing the value of the firm's equity. If interest rates fall, liabilities will gain more value than assets, thus reducing the value of the firm's equity.

By duration matching, that is creating a zero duration gap, the firm becomes immunized against interest rate risk. Duration has a double-facet view. It can be beneficial or harmful depending on where interest rates are headed.

To mitigate risk, the management carefully analyzes the maturity gap on varieties of levels. To deal with those sorts of risk management concentrates on the various categories of risk and their impact on different levels of the organization. To minimize the risk at a tolerable level the gap between the cash out and inflows management is closely following up and necessary measures are taken by the management.

### **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 IAS 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 2018
- b) a statement of comprehensive income (Profit and Loss Account) for the year ended 31 December 2018
- c) Cash Flow Statement for the year ended 31 December 2018
- d) Statement of Changes in Equity for the year ended 31 December 2018
- e) Liquidity Statement as at 31 December 2018
- f) Notes to the Financial Statements and significant accounting policies.

#### ***3.3 Comparative information***

As per paragraph 38 of IAS 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 and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

Figures of the previous period have been rearranged whenever considered necessary to ensure comparability with the current year.

### 3.4 Compliance with IFRS and IAS

The financial statements have been prepared in compliance with the requirements of the following IFRS and IAS:

Sl. #	IFRS & IAS #	Name of IFRS and IAS	Status
1	IFRS 2	Share-based Payment	Not applicable
2	IFRS 3	Business Combinations	Not applicable
3	IFRS 4	Insurance Contracts	Not applicable
4	IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Not applicable
5	IFRS 6	Exploration for and Evaluation of Mineral Resources	Not applicable
6	IFRS 7	Financial Instruments: Disclosures	Applied*
7	IFRS 8	Operating Segments	Not applicable
8	IFRS 9	Financial Instruments	Applied*
9	IFRS 10	Consolidated Financial Statements	Not applicable
10	IFRS 11	Joint Arrangements	Not applicable
11	IFRS 12	Disclosure of Interest in Other Entities	Not applicable
12	IFRS 13	Fair Value Measurement	Applied*
13	IFRS 14	Regulatory Deferral Accounts	Not applicable
14	IFRS 15	Revenue from Contracts with Customers	Applied
15	IAS 1	Presentation of Financial Statements	Applied*
16	IAS 2	Inventories	Not applicable
17	IAS 7	Cash Flow Statements	Applied*
18	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Applied
19	IAS 10	Events after the Reporting Period	Applied
20	IAS 12	Income Taxes	Applied*
21	IAS 16	Property, Plant and Equipment	Applied
22	IAS 17	Leases	Applied
23	IAS 19	Employee Benefits	Applied
24	IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not applicable
25	IAS 21	The Effects of Changes in Foreign Exchange Rates	Applied
26	IAS 23	Borrowing Costs	Applied
27	IAS 24	Related Party Disclosures	Applied
28	IAS 26	Accounting and Reporting by Retirement Benefit Plans	Not applicable
29	IAS 28	Investments in Associates	Applied
30	IAS 32	Financial Instruments: Presentation	Applied*
31	IAS 33	Earnings Per Share	Applied
32	IAS 34	Interim Financial Reporting	Applied
33	IAS 36	Impairment of Assets	Applied
34	IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied
35	IAS 38	Intangible Assets	Applied
36	IAS 40	Investment Property	Not applicable
37	IAS 41	Agriculture	Not applicable

\*As the regulatory requirements differ with the standards, relevant disclosures are made in accordance with Bangladesh Bank's requirements (please see note-2.6).

### 3.5 Reporting period

Financial statements of the company cover one calendar year from 01 January to 31 December 2018 consistently.

Amounts in Taka	
31.12.2018	31.12.2017

#### 4. Cash

##### 4.1 Cash in hand (including foreign currencies)

In local currency	-	-
In foreign currency	-	-
	<u>-</u>	<u>-</u>

##### 4.2 Balance with Bangladesh Bank and its agent banks (including foreign currencies)

In local currency	60,049,229	65,809,804
In foreign currency	-	-
	<u>60,049,229</u>	<u>65,809,804</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

###### a) Cash Reserve Requirement

Required reserve	56,995,807	62,382,002
Actual reserve maintained	60,049,229	65,809,804
Surplus/(deficit)	<u>3,053,422</u>	<u>3,427,802</u>

###### b) Statutory Liquidity Ratio

Required reserve (including CRR)	147,991,105	154,363,128
Actual reserve maintained (including CRR) (note-4.3.1)	553,552,992	744,756,285
Surplus/(deficit)	<u>405,561,887</u>	<u>590,393,157</u>

##### 4.3.1 Actual reserve maintained (including CRR)

Cash in hand	-	-
Balance with Bangladesh Bank and its agent banks as per bank statement	60,049,229	65,809,804
Balance with other banks and financial institutions as per bank statement	493,503,763	678,946,481
	<u>553,552,992</u>	<u>744,756,285</u>

#### 5. Balance with other banks and financial institutions

##### In Bangladesh

Current accounts (note-5.1)	4,718,200	3,188,833
Short term deposit accounts (note-5.2)	8,692,845	39,283,508
Savings accounts (note-5.3)	-	-
Fixed deposit accounts (note-5.4)	474,405,000	630,000,000
	<u>487,816,045</u>	<u>672,472,341</u>

##### Outside Bangladesh

-	-
<u>-</u>	<u>-</u>

The company does not maintain any account outside Bangladesh.

		Amounts in Taka	
		31.12.2018	31.12.2017
<b>5.1</b>	<b>Current accounts</b>		
Bank Asia Limited	Savar Branch	-	11,882
BRAC Bank Limited	Graphics Building Branch	3,502,868	3,125,229
Jamuna Bank Limited	Moulavi Bazar Branch	32,870	34,020
National Bank Limited	Gulshan Branch	7,258	8,408
Southeast Bank Limited	R. K. Mission Road Branch	1,168,210	-
Trust Bank Limited	Dilkusha Corporate Branch	1,367	2,517
Uttara Bank Limited	Local Office	5,627	6,777
		<b>4,718,200</b>	<b>3,188,833</b>
<b>5.2</b>	<b>Short term deposit accounts</b>		
Bangladesh Commerce Bank Limited	Dilkusha Branch	38,571	38,957
Bank Alfalah Limited	Main Branch	16,553	16,553
Bank Asia Limited	Principal Office Branch	1	1
BASIC Bank Limited	Dilkusha Branch	72,091	70,867
BASIC Bank Limited	Bashundhara Branch	2,845	1
Dhaka Bank Limited	Local Office Branch	-	1,312
Dutch-Bangla Bank Limited	Bashundhara Branch	7,290	8,152
Export Import Bank of Bangladesh Ltd	Motijheel Branch	467	453
Islami Bank Bangladesh Limited	Foreign Exchange Branch	32,974	33,109
Jamuna Bank Limited	Elephant Road Branch	2,412	3,562
Mercantile Bank Limited	Main Branch	45,482	46,862
Midland Bank Limited	Dilkusha Branch	640	2,135
Mutual Trust Bank Limited	Dilkusha Branch	1,814	6,164
Mutual Trust Bank Limited	Dilkusha Branch	2,163,308	2,101,068
Mutual Trust Bank Limited	Dilkusha Branch	942,534	1,092,491
Mutual Trust Bank Limited	Dilkusha Branch	658,383	658,314
Mutual Trust Bank Limited	Bashundhara City Branch	5,663	6,222
NRB Commercial Bank Ltd.	Principal Branch	44,097	744
One Bank Limited	Principal Branch	2,014,621	791,039
Prime Bank Limited	IBB Dilkusha Branch	3,277	-
Shahjalal Islami Bank Limited	Dhaka Main Branch	-	1,944
Social Islami Bank Limited	Principal Branch	13,682	14,683
Social Islami Bank Limited	Babu Bazar Branch	1	1
Southeast Bank Limited	Corporate Branch	1,656,732	5,553,259
Southeast Bank Limited	Principal Branch	54,624	54,597
Southeast Bank Limited	R. K. Mission Road Branch	223	-
Standard Bank Limited	Principal Branch	4,000	1,052
The City Bank Limited	Principal Office	910,161	56,816
United Commercial Bank Limited	Tejgaon Branch	399	28,723,150
		<b>8,692,845</b>	<b>39,283,508</b>
<b>5.3</b>	<b>Savings accounts</b>	-	-
		-	-
The company does not maintain any savings account.			
<b>5.4</b>	<b>Fixed deposit accounts</b>		
Bangladesh Industrial Finance Co. Ltd.	Head Office	100,000,000	100,000,000
FAS Finance & Investment Limited	Head Office	28,000,000	50,000,000
International Leasing And Fin. Ser. Ltd.	Head Office	-	100,000,000
People's Leasing and Fin. Services Ltd.	Head Office	346,405,000	380,000,000
		<b>474,405,000</b>	<b>630,000,000</b>

		Amounts in Taka	
		31.12.2018	31.12.2017
<b>5.5</b>	<b><i>Maturity grouping of balance with other banks and financial institutions</i></b>		
	Up to 1 month	107,816,045	92,472,341
	Over 1 month but not more than 3 months	380,000,000	580,000,000
	Over 3 months but not more than 1 year	-	-
	Over 1 year but not more than 5 years	-	-
	Over 5 years	-	-
		<b>487,816,045</b>	<b>672,472,341</b>
<b>6.</b>	<b>Money at call and short notice</b>	-	-
<b>7.</b>	<b>Investments</b>		
<b>7.1</b>	<b><i>Investment classified as per nature</i></b>		
	Government securities (note-7.1.1)	-	-
	Others investments (note-7.1.2)	150,206,094	158,821,312
		<b>150,206,094</b>	<b>158,821,312</b>
<b>7.1.1</b>	<b><i>Government securities</i></b>		
	Treasury bills	-	-
	National investment bonds	-	-
	Bangladesh Bank bills	-	-
	Government notes/bonds	-	-
	Prize bonds	-	-
	Others	-	-
		-	-
<b>7.1.2</b>	<b><i>Others investments</i></b>		
	Investment in shares (Annexure-A)	150,206,094	158,821,312
	Debenture and bonds	-	-
	Other investment	-	-
	Gold, bullion etc.	-	-
		<b>150,206,094</b>	<b>158,821,312</b>
<b>7.2</b>	<b><i>Residual maturity grouping of investments</i></b>		
	Repayable on demand	150,206,094	158,821,312
	Up to 1 month	-	-
	Over 1 month but not more than 3 months	-	-
	Over 3 months but not more than 1 year	-	-
	Over 1 year but not more than 5 years	-	-
	Over 5 years	-	-
		<b>150,206,094</b>	<b>158,821,312</b>
<b>8.</b>	<b>Loans, advances and leases</b>		
<b>8.1</b>	<b><i>a) Inside Bangladesh</i></b>		
	Investment in leases (note-8.1.1)	351,829,398	449,262,455
	Term finances (note-8.1.2)	9,637,527,563	11,147,995,973
		<b>9,989,356,961</b>	<b>11,597,258,428</b>
	<b><i>b) Outside Bangladesh</i></b>	-	-
	<b>Total</b>	<b>9,989,356,961</b>	<b>11,597,258,428</b>

		Amounts in Taka	
		31.12.2018	31.12.2017
<b>8.1.1</b>	<b>Investment in leases</b>		
	Principal outstanding	253,248,658	349,437,487
	Accounts receivable	98,580,740	99,824,968
	Advance against lease finance	-	-
	<b>Total</b>	<b>351,829,398</b>	<b>449,262,455</b>
<b>8.1.2</b>	<b>Term finances</b>		
	Principal outstanding	8,455,716,808	9,937,713,248
	Accounts receivable	1,181,810,755	1,210,282,725
	<b>Total</b>	<b>9,637,527,563</b>	<b>11,147,995,973</b>
<b>8.1.2.1</b>	"The Board of Directors of the company in their 161th meeting held on 10 August 2015, considered the financial position of Fareast Stocks & Bonds Limited and approved abandonment of interest income against the loan facility. Based on the decision no interest has been charged on the outstanding loan amount of Tk.2,895.22 million from 01 July 2015 to till date.		
	In order to follow Bangladesh Bank's suggestions regarding repayment of over limit investment in subsidiaries, the Board of Directors of the company in their 185th meeting held on 21 May 2018 decided to re-fix the repayment schedule and set a time bound strategy to complete the repayment within 2025. Subsequently the time bound strategy for repayment has been duly submitted to Bangladesh Bank and they also provide their approval through letter #DFIM(S)/1055/49/2018-1597 dated 23 July 2018."		
<b>8.2</b>	<b>Sector wise loans, advances and leases</b>		
	Public sector	-	-
	Co-operative sector	-	-
	Private sector	9,989,356,961	11,597,258,428
		<b>9,989,356,961</b>	<b>11,597,258,428</b>
<b>8.3</b>	<b>Residual maturity grouping of loans, advances and leases</b>		
	Repayable on demand	-	-
	Not more than 3 months	1,303,826,993	1,945,402,392
	Over 3 months but not more than 1 year	744,222,469	2,304,532,801
	Over 1 year but not more than 5 years	4,092,785,720	4,324,983,325
	Over 5 years	3,848,521,779	3,022,339,910
		<b>9,989,356,961</b>	<b>11,597,258,428</b>
<b>8.4</b>	<b>Loans, advances and leases on the basis of significant concentration</b>		
a)	Loans, advances and leases to Directors and organizations related to Directors	2,767,218,768	2,927,174,044
b)	Loans, advances and leases to Chief Executive Officer and other senior	7,109,371	5,713,022
c)	Loans, advances and leases to customer groups:		
	i) Loans	6,863,199,424	8,215,108,907
	ii) Leases	351,829,398	449,262,455
		<b>9,989,356,961</b>	<b>11,597,258,428</b>
d)	Loans, advances and leases on sector basis:		
	1. Trade and Commerce	270,045,973	576,578,478
	2. Industry:		
	i) Garments and Knitwear	660,758,810	769,841,887
	ii) Textile	171,449,001	196,166,058
	iii) Jute and Jute-Products	149,728,644	158,557,162
	iv) Food Production and Processing Industry	517,274,365	777,114,973
	v) Plastic Industry	39,604,370	231,032,761

	Amounts in Taka	
	31.12.2018	31.12.2017
vi) Leather and Leather-Goods	-	-
vii) Iron, Steel and Engineering	820,148,404	970,744,478
viii) Pharmaceuticals and Chemicals	331,669,082	328,810,108
ix) Cement and Allied Industry	649,025,910	660,368,318
x) Telecommunication and Information Technology	209,171,672	246,254,222
xi) Paper, Printing and Packaging	130,374,188	126,245,871
xii) Glass, Glassware and Ceramic Industry	180,372,979	155,530,896
xiii) Ship Manufacturing Industry	385,568,779	386,088,588
xiv) Electronics and Electrical Products	294,813,655	427,126,160
xv) Power, Gas, Water and Sanitary Service	437,020,224	525,381,936
xvi) Transport and Aviation	452,018,282	503,284,625
3. Agriculture	202,139,474	316,014,650
4. Housing	342,644,652	354,797,430
5. Others:		
i) Merchant Banking	-	-
ii) Margin Loan	3,229,588,685	3,232,645,404
iii) Others	515,939,812	654,674,423
<b>Total</b>	<b>9,989,356,961</b>	<b>11,597,258,428</b>

#### 8.5 Details of large loans, advances and leases

Number of clients	31	39
Amount of outstanding loans, advances and leases	6,787,492,799	8,015,506,182
Amount of classified loans, advances and leases	85,826,698	178,424,686
Measures taken for recovery	Not applicable	Not applicable

The amount represents the sum of total investments to each group of customer exceeding 15% of total capital of the company. Total capital of the company was Tk.1,184,855,468 as at 31 December 2018 (Tk.1,044,952,666 as at 31 December 2017).

#### 8.6 Loans, advances and leases on geographical basis

##### Inside Bangladesh

##### Urban

Dhaka Division	7,177,394,624	8,137,018,600
Chattogram Division	2,046,471,725	2,473,192,602
Khulna Division	12,563,617	12,563,617
Rajshahi Division	117,943,794	125,998,413
Barishal Division	-	-
Sylhet Division	-	-
Rangpur Division	-	-
Mymensingh Division	-	-
	<b>9,354,373,760</b>	<b>10,748,773,232</b>

##### Rural

Dhaka Division	481,684,208	686,011,865
Chattogram Division	97,703,121	118,070,843
Khulna Division	55,595,872	44,402,488
Rajshahi Division	-	-
Barishal Division	-	-
Sylhet Division	-	-
Rangpur Division	-	-
Mymensingh Division	-	-
	<b>634,983,201</b>	<b>848,485,196</b>
	<b>9,989,356,961</b>	<b>11,597,258,428</b>

##### Outside Bangladesh

<b>Total</b>	<b>9,989,356,961</b>	<b>11,597,258,428</b>
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		Amounts in Taka	
		31.12.2018	31.12.2017
<b>8.7</b>	<b>Loans, advances and leases on security basis</b>		
	Collateral of moveable and immovable assets	4,254,545,494	5,386,829,137
	Fixed deposit receipts	1,368,008,383	1,648,607,927
	Shares of listed public limited companies	434,437,676	457,418,049
	Corporate guarantee	336,284,589	450,240,299
	Personal guarantee	291,409,897	349,711,605
	Other securities	3,304,670,922	3,304,451,411
		<b>9,989,356,961</b>	<b>11,597,258,428</b>
<b>8.8</b>	<b>Classification of loans, advances and leases</b>		
	<b>Unclassified</b>		
	Standard	7,194,510,208	5,685,893,068
	Special mention account	1,269,329,090	4,066,972,329
		<b>8,463,839,298</b>	<b>9,752,865,397</b>
	<b>Classified</b>		
	Sub-standard	105,077,782	340,995,522
	Doubtful	188,896,408	156,911,425
	Bad/Loss	1,231,543,473	1,346,486,084
		<b>1,525,517,663</b>	<b>1,844,393,031</b>
	<b>Total</b>	<b>9,989,356,961</b>	<b>11,597,258,428</b>
<b>8.9</b>	<b>Provision for loans, advances and leases</b>		
	<b>Status</b>	<b>Base for provision</b>	<b>Rate (%)</b>
	<b>Provision for unclassified loans, advances and leases-General provision</b>		
	Standard	7,194,510,208	0.25/1
	Special mention account	1,181,302,473	5
		<b>129,373,512</b>	<b>252,212,420</b>
	<b>Provision for classified loans, advances and leases-Specific provision</b>		
	Sub-standard	63,498,245	20
	Doubtful	130,654,566	50
	Bad/Loss	689,908,092	100
		<b>767,935,024</b>	<b>786,948,054</b>
	Required provision for loans, advances and leases	897,308,536	1,039,160,474
	Total provision maintained (note-15.2)	897,548,715	1,039,160,474
	Excess/(short) provision as at 31 December	240,179	-
According to Bangladesh Bank letter # DFIM(S)1055/44(EDW-1)/2013-725 dated 11 June 2013, rate of general provision for standard facilities under SME sector loans, advances and leases is 0.25% and other than SME sector loans, advances and leases is 1%.			
<b>8.10</b>	<b>Net loans, advances and leases</b>		
	Total loans, advances and leases (note-8.1)	9,989,356,961	11,597,258,428
	Less:		
	Non-performing loans, advances and leases (note-8.8)	1,525,517,663	1,844,393,031
	Interest suspense (note-15.5)	336,439,889	370,361,611
	Provision for loans, advances and leases (note-15.2)	897,548,715	1,039,160,474
		<b>2,759,506,267</b>	<b>3,253,915,116</b>
		<b>7,229,850,694</b>	<b>8,343,343,312</b>

		Amounts in Taka	
		31.12.2018	31.12.2017
8.11	a) Loans, advances and leases considered good in respect of which the financial institution is fully secured	9,361,662,475	10,797,306,524
	b) Loans, advances and leases considered good against which the financial institution holds no security other than the debtors personal guarantee	291,409,897	349,711,605
	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	336,284,589	450,240,299
	d) Loans, advances and leases adversely classified: provision not maintained there against	9,989,356,961	11,597,258,428
	e) Loans, advances and leases due by directors or officers of the financial institution or any of them either separately or jointly with any other person	-	-
	f) Loans, advances and leases due from companies or firms in which the directors of the financial institution have interest as directors, partners, managing agents or in case of the private companies, as members	7,109,371	5,713,022
	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	2,767,218,768	2,927,174,044
	h) Maximum total amount of loans, advances and leases, including temporary advances granted during the year to companies or firms in which the directors of the financial institution have interest as directors, partners, managing agents or in case of the private companies, as members	-	-
	i) Due from banks and other financial institutions	-	-
	j) Classified loans, advances and leases:		
	i) Classified loans, advances and leases on which no interest has been charged	1,525,517,663	1,844,393,031
	ii) Provision on classified loans, advances and leases	767,935,024	786,948,054
	iii) Provision kept against loans, advances and leases classified as bad debts	689,908,092	668,336,842
	iv) Interest credited to interest suspense account (note-15.5)	336,439,889	370,361,611
	k) Cumulative amount of written-off of loans, advances and leases		
	Opening balance	396,334,445	370,896,120
	Add: Amount written-off during the year	-	25,438,325
	Less: Adjustment against realised written-off amount	-	-
	Amount realized against loans, advances and leases previously written-off	396,334,445	396,334,445
	Amount relating to written-off/classified loans, advances and leases for which law suites has been filed excluding late payment interest and other charges	5,335,427	2,114,540
		1,188,260,627	1,190,255,901

#### 8.12 *Suites filed by the company*

As at 31 December 2018, Fareast Finance & Investment Limited filed 35 suits against 35 clients under Artha Rin Adalat Ain 2003. Total suit amount was Tk.1,561,587,919 only.

#### 9. **Bills purchased and discounted**

Payable in Bangladesh	-	-
Payable outside Bangladesh	-	-
	-	-

As at 31 December 2018, 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	58,046,746	56,544,574
Add: Additions during the period	150,563	7,287,110
Less: Disposals/adjustments during the period	-	5,784,938
<b>Balance as at 31 December</b>	<b>58,197,309</b>	<b>58,046,746</b>

**Accumulated depreciation**

Balance as at 01 January	36,305,260	35,450,451
Add: Charge for the period	7,278,667	6,639,745
Less: Disposals/adjustments during the period	-	5,784,936
<b>Balance as at 31 December</b>	<b>43,583,927</b>	<b>36,305,260</b>
<b>Net book value of the asset as at 31 December (Annexure-B)</b>	<b>14,613,382</b>	<b>21,741,486</b>

**11. Other assets**

Advances, Deposits and Prepayments (note-11.1)	379,132,441	372,175,920
Interest and Commission Receivable (note-11.2)	38,712,757	42,529,341
Investment in associate (note-11.3)	627,727,765	620,220,286
Amount receivable against shares sold	76,699,368	68,762,396
Deferred tax assets (note-11.4)	1,920,950	381,233
Miscellaneous	5,237,189	3,914,081
	<b>1,129,430,470</b>	<b>1,107,983,257</b>

**11.1 Advances, Deposits and Prepayments**

Advance to employees	43,031	346,750
Advance corporate income tax	172,038,352	164,134,861
Advance office rent	1,434,458	2,077,709
Advance to Spacezero Ltd.-Floor purchase for Head Office	204,600,000	204,600,000
Advance to CDBL-Refundable security deposit	500,000	500,000
Advance to Mrs. Saheli Huq-Security deposit for Banani branch	500,000	500,000
Miscellaneous	16,600	16,600
	<b>379,132,441</b>	<b>372,175,920</b>

**11.2 Interest and Commission Receivable**

Guarantee commission receivable	-	-
Interest accrued on fixed deposit receipts	19,182,356	15,535,278
Interest accrued on loans, advances and leases	19,530,401	26,994,063
	<b>38,712,757</b>	<b>42,529,341</b>

**11.3 Investment in associate**

Considering the paragraph 11 of IAS-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 got one associate under its umbrella namely Fareast Stocks & Bonds Limited (having 50% shareholding) on the date of reporting.

Amounts in Taka	
31.12.2018	31.12.2017

Movement of investment in associate is as follows:

Balance at 01 January	620,220,286	620,001,840
Investment/(Adjustment)	-	-
Revaluation reserve	(19,248,437)	-
Prior year adjustment	26,620,439	-
Share of profit for the year	135,477	218,446
Cash dividend	-	-
<b>Balance at 31 December</b>	<b>627,727,765</b>	<b>620,220,286</b>

Fareast Stocks & Bonds Limited has given prior year adjustment regarding interest income.

### 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. In the year 2012, Fareast Stocks & Bonds Limited further reassessed its membership of DSE and CSE. In the year 2018, Fareast Stocks & Bonds Limited further adjusted its membership of DSE and CSE and hence, proportionate revaluation is reduced from investment in associate. Details are as follows:

Balance as at 01 January	98,743,750	98,743,750
Increase/(decrease) in revaluation reserve	(19,248,437)	-
<b>Balance as at 31 December</b>	<b>79,495,313</b>	<b>98,743,750</b>

### 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	
<b>Assets</b>			
Fixed assets net of depreciation excluding land	14,613,382	19,735,914	5,122,532
<b>Liabilities</b>	-	-	-
<b>Total</b>	<b>14,613,382</b>	<b>19,735,914</b>	<b>5,122,532</b>
Applicable tax rate			37.50%
<b>Deferred tax asset as on 31 December 2018</b>			<b>1,920,950</b>

### 11.5 Divisions of other assets

Income generating other assets	666,440,522	662,749,627
Non income generating other assets	462,989,948	445,233,630
	<b>1,129,430,470</b>	<b>1,107,983,257</b>

### 11.6 Maturity grouping of other assets

Repayable on demand	-	-
Up to 1 month	101,529,971	102,347,908
Over 1 month but not more than 3 months	19,275,182	13,211,562
Over 3 months but not more than 1 year	379,441,246	370,269,042
Over 1 year but not more than 5 years	956,306	1,434,459
Over 5 years	628,227,765	620,720,286
	<b>1,129,430,470</b>	<b>1,107,983,257</b>

## 12. Non-business assets

Name of the clients	Possession date		
Pick & Drop Cargo Services <sup>1</sup>	29-Sep-2011	5,485,000	5,485,000
Hasanah Enterprise <sup>2</sup>	9-Jan-2018	1,643,666	-
Patriot Fashion Limited <sup>3</sup>	8-Aug-2018	2,948,997	-
		<b>10,077,663</b>	<b>5,485,000</b>

1 The purchase value of 366.00 decimals of land at Sherpur, Bogura was adjusted against the liabilities of Pick & Drop Cargo Services, which was subsequently informed to Artha Rin Adalat. Purchase value along with related costs is considered as the booking value of the property.

2 Fareast Finance & Investment Limited (FFIL) had booked properties of 3.36 decimals at Tejgaon, Dhaka and 16.50 decimals at Joydevpur, Gazipur as it's non-business assets which the honorable court had given the ownership of mortgage properties of Hasanat Enterprise and Patriot Fashion Limited respectively in accordance with section 33(7) of the Artha Rin Adalat Ain 2003. Subsequently FFIL muted the properties in it's name and update the government rent. For booking the non-business assets in the financial statement FFIL considered the mouza value or decreetal amount in Artha Rin Suit whichever is minimum.

		Amounts in Taka	
		31.12.2018	31.12.2017
<b>13. Borrowings from other banks, financial institutions and agents</b>			
In Bangladesh (note-13.1)		3,135,570,112	3,708,371,507
Outside Bangladesh (note-13.2)		-	-
		<b>3,135,570,112</b>	<b>3,708,371,507</b>
<b>13.1 In Bangladesh</b>			
<b>Long term loans:</b>			
Bangladesh Bank		13,108,307	33,883,634
Bank Asia Limited		109,705,466	125,652,792
BASIC Bank Limited		116,883,477	165,938,579
Dutch-Bangla Bank Limited		242,094,342	370,245,986
Dhaka Bank Limited		23,581,513	52,319,525
IDLC Finance Limited		1,626,517	3,357,018
Jamuna Bank Limited		37,705,523	44,012,718
Midland Bank Limited		208,768,889	224,470,332
Modhumoti Bank Limited		190,548,253	242,295,812
Mutual Trust Bank Limited		34,715,043	82,558,862
NCC Bank Limited		82,979,146	114,051,966
NRB Commercial Bank Limited		122,874,297	139,956,203
Pubali Bank Limited		18,640,343	39,079,449
Shahjalal Islami Bank Limited		364,168,599	401,017,035
Social Islami Bank Limited		169,368,599	188,635,572
Southeast Bank Limited		99,430,323	150,670,463
Standard Bank Limited		26,898,130	56,181,710
The Premier Bank Limited		174,636,485	256,023,058
United Commercial Bank Limited		13,047,243	38,011,382
Uttara Bank Limited		77,273,630	147,892,936
<b>Total long term loans</b>		<b>2,128,054,125</b>	<b>2,876,255,032</b>
<b>Short term and call loans:</b>			
<i>Short term loans:</i>			
Mutual Trust Bank Limited		205,433,726	551,020
National Finance Limited		13,600,000	-
National Housing Finance and Investment Limited		31,300,000	-
NRB Bank Limited		243,900,000	-
NRB Commercial Bank Limited		33,717,873	106,754
Prime Finance Capital Management Ltd.		-	38,378
Pubali Bank Limited		69,734,510	72,437,746
South Bangla Agriculture & Commerce Bank Limited		40,000,000	100,000,000
The Premier Bank Limited		51,262,734	59,532
United Commercial Bank Limited		108,267,144	98,923,045
Uttara Finance Limited		12,000,000	-
<b>Total</b>		<b>809,215,987</b>	<b>272,116,475</b>

		Amounts in Taka	
		31.12.2018	31.12.2017
<i>Call loans:</i>			
Agrani Bank Limited	-	50,000,000	
Janata Bank Limited	16,000,000	180,000,000	
Modhumoti Bank Limited	12,300,000	-	
Mutual Trust Bank Limited	-	140,000,000	
Sonali Bank Limited	170,000,000	190,000,000	
<b>Total</b>	<b>198,300,000</b>	<b>560,000,000</b>	
<b>Total short term and call loans</b>	<b>1,007,515,987</b>	<b>832,116,475</b>	
<b>Total borrowings</b>	<b>3,135,570,112</b>	<b>3,708,371,507</b>	
<b>13.2 Outside Bangladesh</b>	-	-	
	-	-	
As at 31 December 2018, the company does not have any borrowing from outside Bangladesh.			
<b>13.3 Security against borrowings from other banks, financial institutions and agents</b>			
Secured	2,924,161,805	3,114,487,873	
Unsecured	211,408,307	593,883,634	
	<b>3,135,570,112</b>	<b>3,708,371,507</b>	
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.			
<b>13.4 Maturity grouping of borrowings from other banks, financial institutions and agents</b>			
Payable on demand	198,300,000	560,000,000	
Up to 1 month	560,437,345	186,365,025	
Over 1 month but not more than 3 months	140,795,368	245,431,736	
Over 3 month but not more than 1 year	987,159,556	1,045,149,909	
Over 1 year but not more than 5 years	1,144,536,079	1,671,424,837	
Over 5 years	104,341,764	-	
	<b>3,135,570,112</b>	<b>3,708,371,507</b>	
<b>14. Deposits and other accounts</b>			
Current deposits (note-14.1)	-	-	
Bills payable (note-14.2)	-	-	
Savings deposits (note-14.3)	-	-	
Term deposits (note-14.4)	5,577,934,479	6,908,499,802	
Bearer certificate of deposit (note-14.5)	-	-	
Other deposits (note-14.6)	-	-	
	<b>5,577,934,479</b>	<b>6,908,499,802</b>	
<b>14.1 Current deposits</b>	-	-	
	-	-	
To conform the Bangladesh Bank's guidelines regarding deposits, the company does not operate any current deposit			
<b>14.2 Bills payable</b>	-	-	
	-	-	
As at 31 December 2018, the company does not have any bills payable.			
<b>14.3 Savings deposits</b>	-	-	
	-	-	
To conform the Bangladesh Bank's guidelines regarding deposits, the company does not operate any savings deposit			

		Amounts in Taka	
		31.12.2018	31.12.2017
<b>14.4</b>	<b>Term deposits</b>		
	Deposits from other banks and financial institutions (note-14.4.1)	3,401,000,000	4,436,000,000
	Deposits from customers (note-14.4.2)	<u>2,176,934,479</u>	<u>2,472,499,802</u>
		<b><u>5,577,934,479</u></b>	<b><u>6,908,499,802</u></b>
<b>14.4.1</b>	<b>Deposits from other banks and financial institutions</b>		
	Agrani Bank Limited	600,000,000	550,000,000
	Bangladesh Infrastructure Finance Fund Limited	350,000,000	350,000,000
	Bangladesh Commerce Bank Limited	-	100,000,000
	GSP Finance Company (Bangladesh) Limited	6,000,000	6,000,000
	Investment Corporation of Bangladesh	650,000,000	300,000,000
	Janata Bank Limited	400,000,000	400,000,000
	Midland Bank Limited	295,000,000	400,000,000
	Modhumoti Bank Limited	30,000,000	500,000,000
	National Housing Finance and Investment Limited	-	100,000,000
	NRB Bank Limited	-	330,000,000
	NRB Commercial Bank Limited	100,000,000	250,000,000
	Rupali Bank Limited	400,000,000	400,000,000
	Sonali Bank Limited	160,000,000	250,000,000
	South Bangla Agriculture & Commerce Bank Limited	270,000,000	300,000,000
	United Finance Limited	140,000,000	150,000,000
	Uttara Finance & Investment Limited	-	50,000,000
		<b><u>3,401,000,000</u></b>	<b><u>4,436,000,000</u></b>
<b>14.4.2</b>	<b>Deposits from customers</b>		
	Deposits from general public	923,274,692	767,748,998
	Deposits from companies	<u>1,253,659,787</u>	<u>1,704,750,804</u>
		<b><u>2,176,934,479</u></b>	<b><u>2,472,499,802</u></b>
<b>14.4.3</b>	<b>Rate of interest</b>		
	Rate of interest on term deposit receipts ranges from 6.0% to 14.0%.		
<b>14.5</b>	<b>Bearer certificate of deposit</b>	-	-
		<u>-</u>	<u>-</u>
	To conform the Bangladesh Bank's guidelines regarding deposits, the company does not have any bearer certificate of deposit.		
<b>14.6</b>	<b>Other deposits</b>	-	-
		<u>-</u>	<u>-</u>
	As at 31 December 2018, the company does not have any other deposit account.		
<b>14.7</b>	<b>Maturity grouping of deposits and other accounts</b>		
	Payable on demand	-	-
	Up to 1 month	326,874,399	770,652,259
	Over 1 month but not more than 6 months	472,498,039	937,691,198
	Over 6 month but not more than 1 year	151,758,387	971,193,846
	Over 1 year but not more than 5 years	4,593,775,804	4,142,225,416
	Over 5 years but not more than 10 years	33,027,850	86,737,083
	Over 10 years	-	-
		<b><u>5,577,934,479</u></b>	<b><u>6,908,499,802</u></b>

**15. Other liabilities**

Amounts in Taka	
31.12.2018	31.12.2017
Expenditure and other payables (note-15.1)	494,874,870 366,687,214
Provision for loans, advances and leases (note-15.2)	897,548,715 1,039,160,474
Provision for the diminution in the value of investments (note-15.3)	35,293,237 26,705,090
Provision for income tax (note-15.4)	61,204,685 60,246,667
Interest suspense account (note-15.5)	336,439,889 370,361,611
Advance rental/installment against loans, advances and leases	45,107,917 68,117,528
Received from clients against partial rental/installment	56,888,382 18,461,086
Unpaid dividend	3,199,938 3,383,537
Income Tax, VAT and Excise Duty deducted at source	12,632,152 14,624,446
	<b>1,943,189,785 1,967,747,653</b>

**15.1 Expenditure and other payables**

Accrual of leave encashment	1,918,332 2,030,877
Accrued interest on borrowings from other banks, financial institutions and agents	81,836,858 32,612,419
Accrued interest on deposits and other accounts	409,895,815 331,095,927
Salary and allowances	392,518 298,891
Auditors' fee	510,600 481,850
Office utilities	65,000 65,000
Advertisement and publicity	155,250 -
Telephone and mobile bill	92,250 102,250
Others	8,247 -
	<b>494,874,870 366,687,214</b>

**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 2018.

Total provision is made up as follows:

General provision on unclassified loans, advances and leases	129,613,691 252,212,420
Specific provision on classified loans, advances and leases	767,935,024 786,948,054
<b>Balance at 31 December</b>	<b>897,548,715 1,039,160,474</b>

**Movements in general provision on unclassified loans, advances and leases**

Balance at 01 January	252,212,420 116,130,666
Add: Provision made during the year	(122,598,729) 136,081,754
<b>Balance at 31 December</b>	<b>129,613,691 252,212,420</b>

**Movements in specific provision on classified loans, advances and leases**

Balance at 01 January	786,948,054 289,092,791
Less: Fully provided debts written-off during the year	- 20,930,343
Add: Recoveries of amount previously written-off	- -
Add: Provision made during the year	(19,013,030) 518,785,606
Less: Provision no longer required	- -
Add: Net charge to profit and loss account	(19,013,030) 518,785,606
<b>Balance at 31 December</b>	<b>767,935,024 786,948,054</b>
<b>Total</b>	<b>897,548,715 1,039,160,474</b>

Amounts in Taka	
31.12.2018	31.12.2017

### 15.3 Provision for the diminution in the value of investments

Balance at 01 January	26,705,090	76,888,463
Add: Provision made during the year	8,588,147	(50,183,373)
<b>Balance at 31 December (Annexure-A for detail)</b>	<b>35,293,237</b>	<b>26,705,090</b>

### 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 2018 is as follows:

Balance at 01 January	60,246,667	125,594,851
Add: Provision made during the year (note-38)	958,018	976,968
Less: Settlement of previous years' tax liability	-	66,325,152
<b>Balance at 31 December</b>	<b>61,204,685</b>	<b>60,246,667</b>

Current tax liability represents tax calculated @ 37.50% on profit before tax less advance tax paid.

### 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	370,361,611	197,349,731
Add: Amount transferred to interest suspense account during the year	82,076,055	195,339,593
Less: Amount recovered from interest suspense account during the year	115,997,777	17,819,731
Less: Amount written-off during the year	-	4,507,982
<b>Balance at 31 December</b>	<b>336,439,889</b>	<b>370,361,611</b>

#### 15.5.1 Details of interest suspense account

##### Interest suspense for unclassified loans, advances and leases

Standard	2,736,183	-
Special mention account	88,026,617	79,760,781
	90,762,800	79,760,781

##### Interest suspense for classified loans, advances and leases

Sub-standard	3,147,315	47,866,119
Doubtful	34,898,046	14,123,261
Bad/Loss	207,631,728	228,611,450
	245,677,089	290,600,830
<b>Total</b>	<b>336,439,889</b>	<b>370,361,611</b>

### 15.6 Maturity grouping of other liabilities

Repayable on demand	-	-
Up to 1 month	315,876,671	182,283,838
Over 1 month but not more than 3 months	32,747,787	62,346,930
Over 3 months but not more than 1 year	317,667,535	192,694,572
Over 1 year but not more than 5 years	1,096,257,661	1,319,407,826
Over 5 years	180,640,131	211,014,487
	<b>1,943,189,785</b>	<b>1,967,747,653</b>

**16. Share capital****16.1 Authorized capital**

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

Amounts in Taka	
31.12.2018	31.12.2017

**2,000,000,000**   **2,000,000,000****16.2 Issued, subscribed and fully paid up capital**

Ordinary shares: 164,063,330 ordinary shares of Tk.10 each

1,640,633,300   1,640,633,300

Share premium

-   -

Preference shares

-   -

**Total****1,640,633,300**   **1,640,633,300**

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

**16.3 Raising of share capital**

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

Date of issue	Type of issue of paid up capital	Number of share	Face value per share	Value of share	Cumulative paid up capital
21-Jun-2001	Opening capital	500,000	100	50,000,000	50,000,000
25-May-2004	Bonus share	75,000	100	7,500,000	57,500,000
12-Aug-2004	Right share	875,001	100	87,500,100	145,000,100
23-Apr-2006	Bonus share	290,000	100	29,000,000	174,000,100
24-Jul-2007	Bonus share	217,500	100	21,750,000	195,750,100
23-Sep-2010	Bonus share	1,174,500	100	117,450,000	313,200,100
23-Nov-2010	Right share	5,000,000	10	50,000,000	363,200,100
23-Dec-2010	Right share	50,848,010	10	508,480,100	871,680,200
29-Mar-2011	Bonus share	17,433,604	10	174,336,040	1,046,016,240
16-May-2012	Bonus share	10,460,162	10	104,601,620	1,150,617,860
14-Aug-2013	IPO share	45,000,000	10	450,000,000	1,600,617,860
25-Mar-2015	Bonus share	4,001,544	10	40,015,440	1,640,633,300
<b>Total</b>		<u><b>164,063,330</b></u>		<u><b>1,640,633,300</b></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.

The shares were listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. on 15 September 2013 and quoted at Tk.5.30 and Tk.5.40 at Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. respectively at 31 December 2018.

**16.4 Composition of shareholders by shareholding as at 31 December 2018**

Particulars	No. of holders	Holding (%)
Sponsors (Institutions)	-	-
Sponsors (Individuals)	11	40
General Public (Institutions)	125	11
General Public (Individuals)	10,044	49
<b>Total</b>	<u><b>10,180</b></u>	<u><b>100</b></u>

**16.5 Distribution of shareholders by shareholding as at 31 December 2018**

Holding of shares	No. of holders	Holding (%)
Less than 500 shares	1,325	0.17
500 to 5,000 shares	7,222	4.84
5,001 to 10,000 shares	678	3.20
10,001 to 20,000 shares	442	3.99
20,001 to 30,000 shares	179	2.76
30,001 to 40,000 shares	82	1.75
40,001 to 50,000 shares	50	1.41
50,001 to 100,000 shares	112	5.04
100,001 to 1,000,000 shares	66	12.14
Over 1,000,000 shares	24	64.70
<b>Total</b>	<u><b>10,180</b></u>	<u><b>100.00</b></u>

		Amounts in Taka	
		31.12.2018	31.12.2017
<b>16.6 Capital adequacy requirement</b>			
As per Section-4(Gha) of The Financial Institutions Rules, 1994 and Bangladesh Bank's DFIM Circular # 5 dated 24 July 2011, the minimum paid up capital of a Financial Institution shall be Tk.100 crore; provided that the sum of paid up capital and reserves shall not be less than the minimum capital required under the Risk Based Assets of the company, criteria determined by the Bangladesh Bank. Details are as follows:			
<b>A. Tier-1 (Core Capital)</b>		<b>1,105,360,155</b>	<b>946,208,916</b>
Paid up capital (note-16.2)		1,640,633,300	1,640,633,300
Statutory reserve (note-17)		268,954,085	242,447,925
Retained earnings (note-18)		(804,227,230)	(936,872,309)
<b>B. Tier-2 (Supplementary Capital)</b>		<b>134,830,763</b>	<b>124,456,751</b>
General provision maintained against unclassified loans, advances and leases up to specified limit as per Bangladesh Bank guideline		126,881,231	114,582,376
Revaluation reserve up to 10% of equity instruments		7,949,531	9,874,375
<b>C. Total Eligible Capital (A+B)</b>		<b>1,240,190,918</b>	<b>1,070,665,667</b>
D. Total Risk Weighted Assets (RWA)		10,670,179,258	9,974,672,890
E. Required capital based on RWA (10% of D)		1,067,017,926	997,467,289
F. Minimum Capital Requirement (MCR)		1,067,017,926	1,000,000,000
<b>G. Capital surplus/(deficit) (C-F)</b>		<b>173,172,992</b>	<b>70,665,667</b>
<b>H. Capital Adequacy Ratio (CAR) (C/D)*100</b>		<b>11.62</b>	<b>10.73</b>
I. Core Capital to RWA (A/D)*100		10.36	9.49
J. Supplementary Capital to RWA (B/D)*100		1.26	1.25
<b>17. Statutory reserve</b>			
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		242,447,925	242,447,925
Add: Transferred during the year		26,506,160	-
<b>Balance at 31 December</b>		<b>268,954,085</b>	<b>242,447,925</b>
<b>18. Retained earnings</b>			
Balance at 01 January		(936,872,309)	82,880,596
Less: Cash dividend paid		-	82,031,665
Less: Issue of bonus shares		-	-
Add: Net profit for the year		132,530,800	(937,721,240)
Less: Transfer to statutory reserve		26,506,160	-
Add: Prior year adjustment (note-11.3)		26,620,439	-
<b>Balance at 31 December</b>		<b>(804,227,230)</b>	<b>(936,872,309)</b>
<b>19. Contingent liabilities and commitments</b>			
<b>19.1 Contingent liabilities</b>			
Acceptances and endorsements		-	-
Letter of guarantee (note-19.1.1)		-	-
Irrevocable letter of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
		-	-
<b>19.1.1 Letters of guarantee</b>			
Claims lodged with the company which is not recognized as loan		-	-
Money for which the company is contingently liable in respect of the following:			
Directors		-	-
Government		-	-
Banks and other financial institutions		-	-
Others		-	-
		-	-
<b>19.2 Other commitments</b>			
Documentary credits and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Spot and foreign exchange rate contract		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
		-	-

**20. Income statement****Income**

	<b>Amounts in Taka</b>	
	<b>2018</b>	<b>2017</b>
Interest, discount and similar income (note-20.1)	1,254,286,616	863,845,819
Dividend income (note-23)	4,790,089	4,884,839
Commission, exchange and brokerage (note-24)	-	-
Gains less losses arising from dealing in securities	-	-
Gains less losses arising from investment in securities	-	-
Gains less losses arising from dealing in foreign currencies	-	-
Income from non-business assets	-	-
Other operating income (note-25)	1,341,621	8,354,636
Profit less losses on interest rate changes	-	-
	<b>1,260,418,326</b>	<b>877,085,294</b>

**Expenses**

Interest expenses on deposits, borrowings, etc. (note-22)	1,144,702,610	1,092,066,735
Charges on losses regarding loans, advances and leases	-	-
Administrative expenses (note-20.2)	96,998,735	94,206,975
Other operating expenses (note-35)	12,512,825	15,971,105
Depreciation on company's fixed assets (note-34)	7,278,667	6,639,745
	<b>1,261,492,837</b>	<b>1,208,884,560</b>
	<b>(1,074,511)</b>	<b>(331,799,266)</b>

**20.1 Interest, discount and similar income**

Interest income (note-21)	1,254,276,584	881,368,401
Capital gain on sale of shares (note-23)	10,032	(17,522,582)
	<b>1,254,286,616</b>	<b>863,845,819</b>

**20.2 Administrative expenses**

Salary and allowances (note-26)	59,451,619	59,643,892
Rent, taxes, insurance, electricity, etc. (note-27)	19,050,084	17,702,482
Legal expenses (note-28)	4,693,326	2,891,851
Postage, stamp, telecommunication, etc. (note-29)	1,578,817	1,463,718
Stationery, printing, advertisement, etc. (note-30)	1,591,736	2,068,862
Managing Director's salary and allowances (note-31)	8,484,500	7,892,000
Directors' fees (note-32)	560,000	720,000
Auditors' fees (note-33)	539,350	481,850
Repairs of company's fixed assets (note-34)	1,049,303	1,342,320
	<b>96,998,735</b>	<b>94,206,975</b>

**21. Interest income**

Interest on term finances	1,163,315,092	715,643,538
Lease income	49,572,552	41,935,030
Total interest income on loans, advances and leases	1,212,887,644	757,578,568
Interest on balance with banks and other financial institutions	41,388,940	123,789,833
	<b>1,254,276,584</b>	<b>881,368,401</b>

To reduce single borrower exposure limit with subsidiary and associate company, as was prescribed by Bangladesh Bank vide the DFIM circular letter no. 14 dated 31st December, 2013, the Board of Directors of the company in their 161st meeting held on August 10, 2015 considered the financial position of Fareast Stocks & Bonds Limited and approved not to charge any interest on outstanding loan of Tk.2,895.21 million from July 25, 2015 and decided for abandonment of interest income against this loan facility of Fareast Stocks & Bonds Limited.

		Amounts in Taka	
		2018	2017
<b>22. Interest expenses on borrowings, deposits, etc.</b>			
<b>a) Interest expenses on borrowings</b>			
Interest on term loans	428,130,068	405,724,340	
Interest on call loans	13,271,291	22,204,445	
Interest on secured overdrafts	54,053,157	18,434,205	
Interest on margin accounts	144	5,909	
Bank charges	900,481	1,008,665	
	<b>496,355,141</b>	<b>447,377,564</b>	
<b>b) Interest expenses on deposits</b>	<b>648,347,469</b>	<b>644,689,171</b>	
<b>Total</b>	<b>1,144,702,610</b>	<b>1,092,066,735</b>	
<b>23. Investment income</b>			
Capital gain/(loss) on sale of shares	10,032	(17,522,582)	
Dividend income	4,790,089	4,884,839	
	<b>4,800,121</b>	<b>(12,637,743)</b>	
<b>24. Commission, exchange and brokerage</b>			
Guarantee commission	-	-	
Realization of L/C commission	-	-	
	<b>-</b>	<b>-</b>	
<b>25. Other operating income</b>			
Income from associate	135,477	218,446	
Documentation fees	95,760	3,871,258	
Early settlement fees	354,992	3,321,475	
Profit/(loss) on disposal of leased assets	189,750	166,700	
Miscellaneous earnings	565,642	776,757	
	<b>1,341,621</b>	<b>8,354,636</b>	
<b>26. Salary and allowances</b>			
	<b>59,451,619</b>	<b>59,643,892</b>	
Salary and allowances include company's contribution to recognized provident fund and approved gratuity fund amounting Tk.2,102,164 and Tk.1,600,251 respectively (Tk.1,940,989 and Tk.4,712,714 respectively in the year 2017).			
<b>27. Rent, taxes, insurance, electricity, etc.</b>			
Rent, rate and taxes	17,242,872	15,877,111	
Insurance	386,067	509,070	
Power and electricity	1,421,145	1,316,301	
	<b>19,050,084</b>	<b>17,702,482</b>	
<b>28. Legal expenses</b>			
Professional fees	4,092,776	1,451,813	
Other charges	600,550	1,440,038	
	<b>4,693,326</b>	<b>2,891,851</b>	
<b>29. Postage, stamp, telecommunication, etc.</b>			
Postage	67,723	87,245	
Telegram, telex, fax, and e-mail	1,000	3,990	
Data communication	621,485	449,482	
Telephone-office	881,836	915,647	
Telephone-residence	6,773	7,354	
	<b>1,578,817</b>	<b>1,463,718</b>	

**30. Stationery, printing, advertisement, etc.**

Amounts in Taka	
2018	2017
Office stationery	653,200
Computer consumable stationery	64,650
Publicity and advertisement	873,886
<b>1,591,736</b>	<b>2,068,862</b>

**31. Managing Director's salary and allowances**

Basic pay	3,600,000	3,000,000
Allowances	3,600,000	3,492,000
Bonus	600,000	780,000
Company's contribution to recognized provident fund	360,000	300,000
Approved gratuity fund	300,000	300,000
Annual membership subscription paid to professional bodies	24,500	20,000
	<u>8,484,500</u>	<u>7,892,000</u>

Besides, total perquisites of Tk.548,028 in the year 2018 (Tk.362,894 in the year 2017) was paid in relation to the Managing Director of the company.

**32. Directors' fees****Fees**

Board of Directors	424,000	408,000
Board Audit Committee	136,000	112,000
Executive Committee	-	200,000
	<u>560,000</u>	<u>720,000</u>

**Other benefits**

-	-
<b>560,000</b>	<b>720,000</b>

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

a) In the year 2018 the following meetings were held:

Name of meetings	Number of meetings	
Board of Directors	9	8
Board Audit Committee	5	4
Executive Committee	0	7

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.8,000 per person per meeting was paid to the Directors of the company as attendance fee.

**33. Auditors' fees**

Auditors' fees including VAT @ 15.00%	510,600	453,100
Auditors' certificate fees	<u>28,750</u>	<u>28,750</u>
	<b>539,350</b>	<b>481,850</b>

**34. Depreciation and repairs of company's assets**

Depreciation on company's fixed assets (Annexure-B)	7,278,667	6,639,745
Repairs of company's fixed assets	1,049,303	1,342,320
	<u>8,327,970</u>	<u>7,982,065</u>

	Amounts in Taka	
	2018	2017
<b>35. Other operating expenses</b>		
Office maintenance	2,078,593	4,526,418
Travel and conveyance	152,751	611,919
Motor vehicle expenses	4,574,122	5,030,266
Meeting expenses	306,599	319,252
Training expenses	90,000	173,873
Books and periodicals	48,990	54,858
Share business expense	213,024	411,958
Subscription	1,716,000	1,676,000
Entertainment and public relation	474,665	590,013
Annual General Meeting	2,858,081	2,576,548
	<b>12,512,825</b>	<b>15,971,105</b>

Tk.401,771 was spent for the year 2018 (Tk.1,154,395 for the year 2017) 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 (note-15.2)	(122,598,729)	136,081,754
Specific provision on classified loans, advances and leases (note-15.2)	(19,013,030)	518,785,606
	<b>(141,611,759)</b>	<b>654,867,360</b>

**37. Provision for investment in shares**

Balance at 01 January	26,705,090	76,888,463
Add: Provision made during the year (note-15.3)	8,588,147	(50,183,373)
<b>Balance at 31 December (Annexure-A for detail)</b>	<b>35,293,237</b>	<b>26,705,090</b>

**38. Provision for income tax**

This represents amount provided for income tax on profit before tax for the year ended 31 December 2018. The amount has arrived as follows:

Amount provided on current year's profit	958,018	976,968
Less: Excess provision of income tax	-	-
<b>Amount provided for current tax</b>	<b>958,018</b>	<b>976,968</b>
Amount provided for deferred tax	(1,539,717)	261,019
<b>Total</b>	<b>(581,699)</b>	<b>1,237,987</b>

**39. Earning per share (EPS)**

Earnings Per Share as shown in the face of the Profit and Loss Account is calculated in accordance with International Accounting Standard (IAS) -33: "Earnings Per Share (EPS)".

**Basic earnings per share**

Basic earnings per share is calculated based on weighted average number of ordinary shares outstanding for the period ended 31 December 2018 and profit for the same period.

Net profit/(loss) after income tax (A)	132,530,800	(937,721,240)
Weighted average number of outstanding shares (B)	164,063,330	164,063,330
<b>Earnings per share (Basic) (A/B)</b>	<b>0.81</b>	<b>(5.72)</b>

**Diluted earnings per share**

No diluted earnings per share are required to be calculated for the period ended 31 December 2018, as there was no scope for dilution during the period under review.

		Amounts in Taka	
		2018	2017
<b>40. Net Asset Value (NAV) Per Share</b>			
Net asset (total assets less total liabilities) (A)		1,184,855,468	1,044,952,666
Total number of ordinary shares outstanding (B)		164,063,330	164,063,330
<b>Net Asset Value (NAV) Per Share (A/B)</b>		<b>7.22</b>	<b>6.37</b>
<b>41. Net Operating Cash Flows Per Share (NOCFPS)</b>			
Net cash flows from operating activities (A)		549,444,826	(172,302,206)
Total number of ordinary shares outstanding (B)		164,063,330	164,063,330
<b>Net Operating Cash Flows Per Share (NOCFPS) (A/B)</b>		<b>3.35</b>	<b>(1.05)</b>
<b>42. Reconciliation of profit/(loss) before income tax with cash flows from operating activities</b>			
Profit/(loss) before income tax		131,949,101	(936,483,253)
Less: Profit from sale of shares of securities		(10,032)	17,522,582
Less: Income taxes paid		(7,903,491)	(22,690,631)
Add: Adjustments for non-cash items:			
Depreciation of company's assets		7,278,667	6,639,745
Provisions for loans, advances and leases		(141,611,759)	654,867,360
Provision for the diminution in the value of investments		8,588,147	(50,183,373)
(Increase)/decrease in loans, advances and leases		1,607,901,467	(635,583,871)
(Increase)/decrease in other assets		(12,905,773)	9,718,088
Increase/(decrease) in deposit and other accounts		(1,330,565,323)	595,484,902
Increase/(decrease) in net drawdown of short term loans		175,399,512	(64,209,306)
Increase/(decrease) in other liabilities on account of customers		15,417,685	(20,917,237)
Increase/(decrease) in other liabilities		(36,097,615)	185,010,822
Increase/(decrease) in accruals		132,004,240	88,521,966
<b>Net cash flows from operating activities</b>		<b>549,444,826</b>	<b>(172,302,206)</b>

**43. Number of employees**

At the end of the year the number of employees drawing Tk.3,000 or above per month was seventy five (seventy five in 2017).

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

As at 31 December 2018, all the fixed and floating assets of the company were pledged as security under pari-passu security sha ring agreement with lenders.

**45. Related party disclosures****45.1 Name of directors and their interest in different organizations**

According to the International 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.

**45.2 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 shareholder of Fareast Finance & Investment Limited is also the sponsor shareholders of Fareast Stocks & Bonds Limited:

Name of directors	Shareholding % in the company	Shareholding % in FSB
Mr. Rubaiyat Khaled	2.03	2.76

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

Till 31 December 2018, no shares were issued to the directors and executives of the company without having any consideration or at a discount.

#### 45.4 Related party transactions

As per International 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
Fareast Stocks & Bonds Limited	Mr. Rubaiyat Khaled	Investments	627,727,765
		Term loan given	2,767,218,768
			<b>3,394,946,533</b>

#### 45.5 Status of transactions done with related parties

As at 31 December 2018, there is no balance outstanding to the related parties other than disclosed in note-45.4.

#### 45.6 Business with related parties

As at 31 December 2018, the company does not have any business with related parties under section 18(2) of the Bank Companies Act 1991.

#### 45.7 Transactions with the securities of related parties

As at 31 December 2018, the company holds the shares of the following related parties:

Name of related party	Related directors	Number of shares
Fareast Stocks & Bonds Limited	Mr. Rubaiyat Khaled	45,479,437
Fareast Islami Life Insurance Co. Limited	Mr. Rubaiyat Khaled	23,805

#### 45.8 Transaction with key management personnel

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

##### 45.8.1 Compensation of key management personnel

Amounts in Taka		
	2018	2017
a) Short-term employee benefits		
Basic pay and allowances	22,203,984	20,509,267
Bonus	2,016,158	2,686,345
Annual leave encashment	901,734	1,243,315
Motor vehicle expenses	2,995,331	2,954,019
Telephone and mobile allowances	309,346	288,893
	<b>28,426,553</b>	<b>27,681,839</b>
b) Post-employment benefits		
Company's contribution to provident fund	1,132,461	1,015,423
Retirement benefit and gratuity	2,725,836	4,490,678
	<b>3,858,297</b>	<b>5,506,101</b>
c) Other long-term benefits	-	-
d) Termination benefits	-	-
e) Share-based payments	-	-
<b>Total</b>	<b>32,284,850</b>	<b>33,187,940</b>

##### 45.8.2 Other transactions with key management personnel

Home loan and vehicle loan given under "Home loan policy for the employees" and "Transport Policy for Employees"	<b>5,056,027</b>	<b>3,543,013</b>
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## 46. Disclosure on Board Audit Committee

### 46.1 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. Kazi Md. Mortuza Ali	Independent Director	Chairman	M. Com, LLB, ACII (London)
Mr. Md. Shamsul Islam Varosha	Chairman	Member	M. Com. (Management)
Mr. Md. Ershad Ullah	Vice Chairman	Member	BBA (Management)
Mr. Rubaiyat Khaled	Director	Member	BBA
Mr. A K M Rahmat Ullah	Independent Director	Member	M. Com., FCA, CPFA (UK)

### 46.2 Meetings held by the committee during the year

In the year 2018 the Committee met five times.

Meeting number	Held on
79th	15-Apr-2018
80th	21-May-2018
81st	30-Jul-2018
82nd	10-Sep-2018
83rd	28-Oct-2018

### 46.3 Activities of the audit committee during the year

In the year 2018 the Board Audit Committee carried out the following activities:

- Reviewed the financial reporting system ensuring that the appropriate accounting policies were applied as per requirement of International Accounting Standards and Bangladesh Bank and the true and fair financial information were provided to the stakeholders.
- Reviewed that appropriate disclosures and information presented in the financial statements.
- Reviewed quarterly and half yearly financial statements and recommended to place the same before the Board for approval as per requirement of Bangladesh Securities and Exchange Commission's notifications no. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018.
- Reviewed the draft financial statements and audit report thereon.
- Examine the audit procedure of the financial statements of the company.
- Regular monitoring of the company's portfolio.
- Reviewed and recommendation to the Board regarding the delinquent portfolio against which litigation started by the company.
- Reviewed the company's overdue position with the objective of reduction in amount and quality.
- Reviewed the Quarterly Operations Reports prepared by the Internal Control and Compliance Department of the company.
- Monitored the internal control system of the company and its compliance.
- Reviewed the procedure of appointment of external auditor of the company.
- Reviewed the existence of practice of the acts, rules and regulation within the company.
- Reviewed the computerization and MIS status in the company.
- Reviewed the implementation of Bangladesh Bank's report focusing on loans/lease against whom suit filed by the company and suit filed against the company.
- Reviewed the CAMELS rating of Fareast Finance & Investment Limited prepared by Bangladesh Bank.

#### 46.4 *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:

- The management followed the procedure and activities for internal control of the company were within the manual set by the management in line with Bangladesh Bank's guidelines are satisfactory.
- Company's assets are reasonably safeguarded through proper documentation preserving under safe custody and the financial position of the company is sound enough.
- The management presented the overdue and litigation position of the company reflects the true and fair view.
- Quarterly operations report prepared by the Internal Control and compliance department directly submitted to the Board Audit Committee for reporting the overall effective internal control system.

#### 47. **Disclosure on Executive Committee**

To conform the Bangladesh Bank guidelines, the Board of Directors of Fareast Finance & Investment Limited constituted the Executive Committee of the company comprising members from the Board and management of the company. In the year 2018, no executive committee meeting was held.

#### 48. **Disclosure regarding branch**

As at 31 December 2018, the company has three branches in Bangladesh.

#### 49. **Highlights**

Highlights of the company for the year 2018 and 2017 is presented below:

Sl. # Particulars	Amounts in Taka	
	2018	2017
1 Paid up capital	1,640,633,300	1,640,633,300
2 Total capital	1,989,082,698	1,981,824,975
3 Capital surplus/(deficit)	173,172,992	70,665,667
4 Total assets	11,841,549,844	13,629,571,628
5 Total deposits	5,577,934,479	6,908,499,802
6 Total loans, advances and leases	9,989,356,961	11,597,258,428
7 Total contingent liabilities and commitments	-	-
8 Credit deposit ratio (%)	179.09	167.87
9 % of classified loans, advances and leases against total loans, advances and leases	15.27	15.90
10 Profit after provisions and income tax	132,530,800	(937,721,240)
11 Classified loans, advances and leases	1,525,517,663	1,844,393,031
12 Provision kept against classified loans, advances and leases	767,935,024	786,948,054
13 Provision surplus/(deficit)	240,179	-
14 Cost of borrowing fund (%)	11.63	9.51
15 Interest earning assets	11,293,819,622	13,091,301,708
16 Non-interest earning assets	547,730,222	538,269,920
17 Return on investments (ROI) (%)	11.66	1.34
18 Return on assets (ROA) (%)	1.04	(6.78)
19 Income from investments	4,800,121	(12,637,743)
20 Earnings per share (restated)	0.81	(5.72)
21 Net income per share	0.81	(5.72)
22 Price earnings ratio (times)	6.56	(1.96)

#### 50. **Subsequent events-disclosure under IAS-10 "Events after the Reporting Period"**

No material events occurred after the reporting date, non-disclosure of which could affect the ability of the users of this financial statement to make proper evaluation and decision.

##### **Non adjustments events**

Investment made in People's Leasing and Financial Service Limited as FDR amounting Tk.346,405,000 and accrued interest of Tk.3,755,689 as at 31 December 2018. According to daily newspaper "The Financial Express" dated 9 July 2019 it was published that People's Leasing and Financial Service Limited at the verge of liquidation and the Government of Peoples' Republic of Bangladesh has approved the proposal of Bangladesh Bank for liquidation.

**51. 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.

**52. General****52.1 Business**

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

Description	2018		2017	
	Contracted	Disbursed	Contracted	Disbursed
	Taka	Taka	Taka	Taka
Term finances	5,560,000	102,911,505	3,620,620,000	4,004,103,000
Leases	0	3,000,000	130,994,000	126,908,825
<b>Total</b>	<b>5,560,000</b>	<b>105,911,505</b>	<b>3,751,614,000</b>	<b>4,131,011,825</b>

**52.2 Interim financial statements**

The company publishes its interim financial statements quarterly as per the Bangladesh Securities and Exchange Commission Notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018.

**52.3 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.

Fareast Finance & Investment Limited entered into an agreement on 26 May, 2015 with Spacezero Limited having its office at House # 106, Road # 25, Block-A, Banani Model Town, Dhaka-1213 to buy office space at 9th and 10th floor of the multi-storied Commercial Building at House # 53, Road # 21, Block-B, Kemal Ataturk Avenue, Banani, Dhaka-1213 measuring approximately 5,403 square feet (considering 3 car parks for ground and 1st floor each and balance car parks equally distributed into all other floors) and 5,483 square feet (considering 3 car parks for Ground & 1st floor each and balance car parks equally distributed into all other floors) respectively at a rate of Tk.27,000 per square feet.

The company entered into an agreement with Mr. Mohammed Ayub, Proprietor of Ayub Trade Center at Agrabad, Chittagong on 29 December 2016 for renting 1,374 sft area on the 2nd floor of the building for a period of 5 years starting from 01 January 2017 to 31 December 2021 @ Tk.58 per sft to operate Chittagong branch office and thereafter the rent shall increase @ 16% after expiry of every 2 years on the then existing rate. The company entered into an agreement with Mrs. Saheli Huq, owner of the premises at Banani, Dhaka on 31 July 2018 for renting 2,687 sft area on the 6th floor of the building for a period of 1 year starting from 01 August 2018 to 31 July 2019 @ Tk.299,700 per month for Banani branch office.

**52.4 Declarations**

The Board of Directors of Fareast Finance & Investment Limited adopted the Financial Statements of the company for the year ended 31 December 2018 in their 199th meeting held on 22 July 2019 and recommended to the shareholders for approval.



Md. Shamsul Islam Varosha  
Chairman



Md. Ashaduzzaman  
Director



Santanu Saha  
Managing Director



Nazmun Nahar  
Assistant Company Secretary

As per our annexed report of same date.

# Fareast Finance & Investment Limited

## Investment in shares as at 31 December 2018

Annexure-A

Sl. #	Name of the company	Type of shares	Face value	# of shares	Cost/present value of holdings	Average cost	Quoted rate per share as at 31 Dec. 2018	Total market value as at 31 Dec. 2018	Estimated commission on sale of shares	Fair value as at 31 Dec. 2018	Provision required as at 31 Dec. 2018
			Taka		Taka	Taka	Taka	Taka	Taka	Taka	Taka
1	AIBL 1st Islamic Mutual Fund	A	10	316,722	2,540,440	8.02	8.10	2,565,448	7,696	2,557,752	0
2	Asian Tiger Sandhani Life Growth Fund	A	10	436,299	4,867,964	11.16	9.50	4,144,841	12,435	4,132,406	258,247
3	Baraka Power Limited	A	10	184,163	5,836,125	31.69	28.00	5,156,564	15,470	5,141,094	695,031
4	BSRM Steels Limited	A	10	110,691	8,578,553	77.50	59.90	6,630,391	19,891	6,610,500	1,968,053
5	Eastern Bank Ltd.	A	10	55,395	2,393,889	43.21	36.00	1,994,220	5,983	1,988,237	405,652
6	Envoy Textiles Ltd.	A	10	76,353	3,675,493	48.14	36.30	2,771,614	8,315	2,763,299	912,194
7	EXIM Bank Ltd.	A	10	22,966	505,022	21.99	11.80	270,999	813	270,186	234,837
8	FAR Chemical Ind. Ltd.	A	10	36,300	1,161,000	31.98	15.30	555,390	1,666	553,724	607,276
9	Fareast Islami Life Insurance Co. Ltd.	A	10	23,805	1,704,884	71.62	63.20	1,504,476	4,513	1,499,963	204,921
10	Green Delta Mutual Fund	A	10	100,000	1,000,000	10.00	7.50	750,000	2,250	747,750	87,950
11	IDLC Finance Limited	A	10	61,000	4,753,902	77.93	69.70	4,251,700	12,755	4,238,945	514,957
12	IFAD Autos Limited	A	10	11,000	1,309,550	119.05	108.40	1,192,400	3,577	1,188,823	120,727
13	IFIC Bank Limited	A	10	206,200	3,385,622	16.42	10.90	2,247,580	6,743	2,240,837	1,144,785
14	Indo-Bangla Pharma	A	10	294	2,673	9.09	31.10	9,143	27	9,116	(6,443)
15	Intraco Refueling	N	10	266	2,535	9.53	26.80	7,129	21	7,107	(4,572)
16	Kattali Textile Ltd.	N	10	1,006	0	0.00	25.30	25,452	76	25,375	(25,375)
17	LR Global BD Mutual Fund One	A	10	319,200	2,588,956	8.11	6.90	2,202,480	6,607	2,195,873	0
18	M. L. Dyeing Ltd.	A	10	1,208	8,628	7.14	29.70	35,878	108	35,770	(27,142)
19	MBL 1st Mutual Fund	A	10	130,100	1,187,813	9.13	7.20	936,720	2,810	933,910	0
20	MJL Bangladesh Ltd.	A	10	182,227	19,942,923	109.44	99.20	18,076,918	54,231	18,022,688	1,920,235
21	Mozaffar Hossain Spin. Mills Limited	B	10	813,101	22,457,850	27.62	12.30	10,001,142	30,003	9,971,139	12,486,711
22	N.C.C. Bank Ltd.	A	10	95,042	1,677,501	17.65	15.90	1,511,168	4,534	1,506,634	170,867
23	NCCBL Mutual Fund-1	A	10	44,500	401,835	9.03	6.90	307,050	921	306,129	0
24	Popular Life 1st Mutual Fund	A	10	299,086	1,999,958	6.69	4.20	1,256,163	3,768	1,252,395	0
25	RAK Ceramic Industries Limited	A	10	91,620	5,562,662	60.71	39.00	3,573,180	10,720	3,562,460	2,000,201
26	S. S. Steel Limited	N	10	6,746	67,460	10.00	10.00	67,460	202	67,258	202
27	Shahjibazar Power Co.	A	10	51,814	5,292,282	102.14	94.80	4,911,967	14,736	4,897,231	395,051
28	SK Trims & Industries Ltd.	N	10	504	0	0.00	46.30	23,335	70	23,265	(23,265)
29	Southeast Bank Ltd.	A	10	34,500	696,082	20.18	15.60	538,200	1,615	536,585	159,497
30	Square Pharmaceuticals Ltd.	A	10	41,803	11,528,431	275.78	254.20	10,626,323	31,879	10,594,444	933,988
31	Summit Alliance Port Ltd.	A	10	32,340	2,412,858	74.61	25.30	818,202	2,455	815,747	1,597,111
32	The ACME Laboratories Ltd.	A	10	214,945	23,291,141	108.36	85.90	18,463,776	55,391	18,408,384	4,882,757
33	The City Bank Ltd.	A	10	168,625	7,107,223	42.15	30.20	5,092,475	15,277	5,077,198	2,030,025
34	United Airways Limited	Z	10	123,057	1,976,738	16.06	2.90	356,865	1,071	355,795	1,620,944
35	VFS Thread Dyeing Ltd.	N	10	703	5,859	8.33	57.80	40,633	122	40,511	(34,652)
36	Western Marine Shipyard Limited	A	10	11,077	282,242	25.48	19.90	220,432	661	219,771	62,471
36	Total as at 31 December 2018			4,304,658	150,206,094			113,137,714	339,413	112,798,301	35,293,237
	Total as at 31 December 2017			4,987,814	158,821,312			131,982,914	395,949	131,586,965	26,705,090

# Fareast Finance & Investment Limited

Annexure-B

## Schedule of fixed assets As at 31 December 2018

Particulars	Cost			Depreciation			Net book value as at 31 December 2018
	Opening balance as at 01 January 2018	Additions during the year	Disposals/ adjustments during the year	Total balance as at 31 December 2018	Opening balance as at 01 January 2018	Charge for the year	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Land <sup>1</sup>	-	-	-	-	-	-	-
Furniture and fixture	15,903,918	-	-	15,903,918	12,083,087	1,115,312	2,705,519
Office equipment	15,514,673	150,563	-	15,665,236	11,953,899	1,172,951	2,538,386
Office software	1,826,725	-	-	1,826,725	1,790,033	36,663	29
Crockeries	61,430	-	-	61,430	44,227	5,732	11,471
Motor vehicle	17,140,000	-	-	17,140,000	5,620,681	3,428,009	8,091,310
<b>Sub total</b>	<b>50,446,746</b>	<b>150,563</b>	<b>-</b>	<b>50,597,309</b>	<b>31,491,927</b>	<b>5,758,667</b>	<b>13,346,715</b>
<b>Leasehold assets</b>							
Motor vehicle	7,600,000	-	-	7,600,000	4,813,333	1,520,000	1,266,667
<b>Sub total</b>	<b>7,600,000</b>	<b>-</b>	<b>-</b>	<b>7,600,000</b>	<b>4,813,333</b>	<b>1,520,000</b>	<b>1,266,667</b>
<b>Total as at 31 December 2018</b>	<b>58,046,746</b>	<b>150,563</b>	<b>-</b>	<b>58,197,309</b>	<b>36,305,260</b>	<b>7,278,667</b>	<b>14,613,382</b>
<b>Total as at 31 December 2017</b>	<b>56,544,574</b>	<b>7,287,110</b>	<b>5,784,938</b>	<b>58,046,746</b>	<b>35,450,451</b>	<b>6,639,745</b>	<b>21,741,486</b>

## Fareast Finance & Investment Limited

### Name of directors and their interest in different organizations

Sl. #	Name of Directors	Status in FFIL	Entities where they have interest	Status in interested entities	% of holding /interest in the concern as 31 Dec. 2018
1	Mr. Md. Shamsul Islam Varosha	Chairman	Karim Chemicals	Proprietor	100
			JSA Autos	Proprietor	100
2	Mr. Md. Ershad Ullah	Vice Chairman	Ershad Enterprize	Proprietor	100
			M/S Ershad Shipping Line	Proprietor	100
			Diganta Paribahan (Pvt) Limited	Managing Director	50
			Ahsan Ullah Commercial Complex	Proprietor	100
3	Dr. Khadiza Waheeda Jahan	Director	Nil.		
4	Mr. Rubaiyat Khaled	Director	MAKSONS (Bangladesh) Limited	Director	15
			MAKSONS Associates Limited	Director	15
			MAKSONS Bay Limited	Director	25
			Prime Financial Securities Limited	Director	15
			Prime Finance Capital Management Limited	Chairman	3.85
			Prime Property Holdings Limited	Director	25
			Fareast Stocks & Bonds Limited	Director	2.76
			Fareast Islami Life Insurance Co. Limited	Director	2
			Bangladesh Institute for Professional Development (BIPD)	Director	15
			Primeasia University	Member, Board of Trustee	7.7
5	Rimsha BD Limited (Represented by Mr. Md. Ashaduzzaman)	Director	Fareast Islami Properties Ltd.	Director	7
			Bangladesh Institute for Professional Development (BIPD)	Director	10
			Prime Insurance Company Ltd.	Nominated Director	0
			Fareast Islami Life Insurance Co. Limited	Nominated Director	0
6	Mr. A K M Rahmat Ullah	Independent Director	Nil.		
7	Mr. Kazi Md. Mortuza Ali	Independent Director	Usmania Glass Sheet Factory Limited	Independent Director	0
8	Dr. Parimal Chandra Datta	Independent Director	Nil.		
9	Mr. Santanu Saha	Managing Director	Nil.		



## Meeting Papers

Proper and effective meeting needs its notice beforehand to discuss the all agenda including notes for appropriate resolution. All relevant meeting papers must be provided to the entitled shareholders for the better preparation and participation in the meeting.



## Notice of the Eighteenth Annual General Meeting

Notice is hereby given that the eighteenth Annual General Meeting of Fareast Finance & Investment Limited will be held on Wednesday; 4 September 2019 at 10:00 a.m. at RAOWA Complex (Anchor Hall) at VIP Road, Mohakhali, Dhaka-1206, Bangladesh to transact the following business:

Agendum # AGM201818-01	Receive, consider and adoption of audited financial statements for the year ended 31 December 2018 together with the report of the Directors' and the Auditors' thereon;
Agendum # AGM201818-02	Declaration of dividend for the year 2018 as recommended by the Board;
Agendum # AGM201818-03	Election of Directors;
Agendum # AGM201818-04	Appointment of auditor of the company until the conclusion of the next Annual General Meeting and fixation of their remuneration; and
Agendum # AGM201818-05	Appointment of auditor for certification on the compliance on conditions of Corporate Governance Code for 2019 of the Company and fixation of their remuneration.

By the order of the Board,



**Nazmun Nahar ACS**

AVP and Assistant Company Secretary

Date: 20 August 2019

### Notes:

1. As notified earlier the "Record Date" of the company was Monday, 19 August 2019 and the name of Shareholders in the depository register on the record date will be eligible to attend the meeting.
2. A member may appoint a proxy to attend and vote on his/her behalf by filling the attached proxy form as per Article 47 of the Articles of Association of the company. The proxy form, duly completed, must be affixed with stamp and deposited at the registered office of the company 48 hours before the time of holding the meeting.
3. According to article 48 of the Articles of Association of the company a corporate body being a member of the company may appoint its representative any person whether a member of the company or not through resolution.
4. Pursuant to the Bangladesh Securities & Exchange Commission Notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018, the company will send the annual report 2018 in soft format to the e-mail of the shareholders available in their Beneficial Owners (BO) accounts maintained with the Depository.

Shareholders may also collect the printed copy of the annual report 2018 from the registered address of the company or from the AGM venue. The soft copy of the annual report will also be available in the company's website at :<http://www.ffilbd.com>.

5. Admission into the meeting room will be only on production of the attendance slip sent with the notice.

## Explanatory notes and proposed resolution

### Agendum # AGM201818-01

#### **Receive, consider and adoption of audited financial statements for the year ended 31 December 2018 together with the report of the Directors' and the Auditors' thereon**

**Attachment:** Audited financial statements for the year ended 31 December 2018 together with the report of the Directors' and the Auditors' thereon.

Notes:

1. Section 183 of the Companies Act, 1994 requires the Directors to submit before the general meeting a Balance Sheet and Profit and Loss Account along with the Auditors' Report thereon.
2. Section 184 of the said Act requires a Directors' Report on the state of the company's affairs along with their recommendations for appropriations to be attached to the Balance Sheet.

#### **Proposed resolution:**

As proposed by .....(BO ID:.....)  
and seconded by.....(BO ID:.....)  
audited financial statements for the year ended 31 December 2018 together with the report of the Directors' and the Auditors' thereon were received, considered and adopted.

### Agendum # AGM201818-02

#### **Declaration of dividend for the year 2018 as recommended by the Board**

**Attachment:** Nil

Notes:

1. As per Article 106 of the Articles of Association, the Board of Directors of the Company may recommend dividend, as they deem fit.
2. As per clause 96 of Schedule-1 of The Companies Act, 1994 the dividend shall not exceed the amount recommended by the Board of Directors of the Company.
3. As per regulation 19 of the Dhaka Stock Exchange (Listing) Regulations, 2015 and Chittagong Stock Exchange (Listing) Regulations, 2015 and BSEC notification # BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 June 2018 the decision about recommending or not recommending dividend and entitlement for such dividend, if recommended, cannot be changed prior to holding of the annual general meeting.
4. During the year 2018 company earn net profit/(Loss) after income tax of Tk.132,530,800. As per Rule 6 of The Financial Institutions Regulations 1994, Tk.26,506,160 was transferred to Statutory Reserve of the company and after that retained earnings as on December 31, 2018 was Tk.(804,227,230).
5. The Board in their 199th meeting held on 22 July 2019 recommended no dividend for the year ended 31 December 2018 for approval.

#### **Proposed resolution:**

As proposed by.....(BO ID:.....)  
and seconded by .....(BO ID:.....)  
no dividend was declared for the year ended 31 December 2018 as recommended by the Board of Directors.

**Agendum # AGM201818-03**

**Election of Directors**

**Attachment:** Nil

Notes:

1. As per Article 61 of the Articles of Association of the company, subject to these presents, the Directors shall have power at any time and from time to time to fill up a casual vacancy either from the existing qualified members or legal heir nominee of the original directors having requisite qualification and duly registered as member of the company as an addition to the Board but the total number of Directors shall not at any time exceed the maximum number to be determined from time to time. Any Director so appointed shall hold office only until the next following ordinary general meeting of the company but shall be eligible for re-election. While making such appointment, the proportion of Directors appointed or nominated by the company and categories of shareholders shall be maintained.
2. In line with Article 61 of the Articles of Association of the company, Dr. Khadiza Waheeda Jahan was appointed in the post of Director by the Board to fill up the casual vacancy will retire on 4 September 2019 and is eligible for re-election.
3. As per Article 67 of the Articles of Association of the company, in every year other than first year, one-third of the Directors for the time being or if their number is not three or multiples of three, then the number nearest to one-third shall retire from office. Till date number of Directors in the company's Board is eight and hence three Directors will retire on 4 September 2019 from their office.
4. Article 69 of the Articles of Association of the company states that a retiring Director is eligible for re-election.
5. In line with Article 67 of the Articles of Association of the company, Directors, namely, Mr. Md. Shamsul Islam Varosha, Mr. Md. Ershad Ullah and Mr. Md. Ashaduzzaman (Representative of Rimsha BD Limited) will retire on 4 September 2019 from their office. According to Article 68 of the Articles of Association of the company, all of them are eligible for re-election.
6. The tenure of office of an Independent Director shall be for a period of three years, which may be extended for one term only.
7. The Board of Directors of Fareast Finance & Investment Limited appointed the following independent directors in the Board of the company:

SL. #	Name of Directors	Meeting number	Meeting date	Effective date
1	Mr. Kazi Mohammad Mortuza Ali	186	16 July 2018	16 July 2018
2	Mr. A. K. M. Rahmat Ullah	186	16 July 2018	16 July 2018
3	Dr. Parimal Chandra Datta	189	28 October 2018	28 October 2018
4	Mr. Ashraf Abdullah Yussuf	192	17 January 2019	17 January 2019
5	Mr. Md. Rafiqul Islam	192	17 January 2019	17 January 2019
6	Mr. Khandoker Motaher Uddin Ahmed	193	04 February 2019	04 February 2019
7	Mr. Muhammad Muhibbullahil Baqi	199	22 July 2019	22 July 2019

However, in the 193rd meeting of the Board of Directors of the company held on 04 February 2019 the following directors resigned from their post of Independent Director of the company.

SL. #	Name of Directors
1	Mr. Kazi Mohammad Mortuza Ali
2	Mr. A. K. M. Rahmat Ullah
3	Dr. Parimal Chandra Datta

**Proposed resolution:**

As proposed by.....(BO ID:.....)  
 and seconded by.....(BO ID:.....)  
 the shareholders of Fareast Finance & Investment Limited -

A. approved the appointment of Dr. Khadiza Waheeda Jahan in the post of Director of Fareast Finance & Investment Limited, who was appointed earlier by the Board of Directors to fill up the casual vacancy with effective from October 28, 2018 afternoon.

B. noted the resignation of the following Directors from the Board of Directors effective from 4 September 2019:

SL#	Name of Directors
1	Mr. Md. Shamsul Islam Varosha
2	Mr. Md. Ershad Ullah
3	Mr. Md. Ashaduzzaman (Representative of Rimsha BD Limited)
4	Dr. Khadiza Waheeda Jahan

C. elected the following Directors in the Board of Directors effective from 4 September 2019:

SL#	Name of Directors
1	
2	
3	
4	

D. approved the appointment of the following Independent Directors in the Board of Directors of Fareast Finance & Investment Limited.

SL. #	Name of Directors	Effective date
1	Mr. Kazi Mohammad Mortuza Ali	16 July 2018
2	Mr. A. K. M. Rahmat Ullah	16 July 2018
3	Dr. Parimal Chandra Datta	28 October 2018
4	Mr. Ashraf Abdullah Yussuf	17 January 2019
5	Mr. Md. Rafiqul Islam	17 January 2019
6	Mr. Khandoker Motaher Uddin Ahmed	04 February 2019
7	Mr. Muhammad Muhibbullahil Baqi	22 July 2019

**Agendum # AGM201818-04****Appointment of auditor of the company until the conclusion of the next Annual General Meeting and fixation of their remuneration**

**Attachment:** Consent letter of Ahmed Zaker & Co. Chartered Accountants to act as auditor for the year 2019

Notes:

1. According to Article 115 of the Articles of Association of the company and section 210 of The Companies Act, 1994, in the each ordinary annual general meeting, members of the company shall appoint an auditor for the company to hold office until the next ordinary general meeting.
2. According to section 24(1) of The Financial Institutions Act, 1993, financial institutions shall appoint an auditor on yearly basis subject to Bangladesh Bank's approval in this regard. This shall supersede all other rules of The Companies Act, 1994 in this regard.
3. Appointment of external auditor will be followed to DFIM circular # 04 dated 30 April 2015.

4. According to FID Circular # 04 dated 30 April 2015 a Chartered Accountant firm cannot be appointed as auditor for more than three consecutive years.
5. According to clause 1(a) of Bangladesh Securities and Exchange Commission's notification dated 04 January, 2000 financial statements shall be audited by a partnership firm of Chartered Accountants within the meaning of Bangladesh Chartered Accountants Order (P. O. 2 of 1972) consisting of not less than two partners in practice for a minimum of seven years.
6. The Shareholders on their seventeenth Annual General Meeting appointed Ahmed Zaker & Co., Chartered Accountants as the company's auditor for the year 2018 with the annual remuneration of Tk.375,000 (Taka Three Lac and Seventy Five Thousand) only excluding VAT for the first time. They completed the audit satisfactorily and submitted their report.
7. Ahmed Zaker & Co., Chartered Accountants expressed their willingness for reappointment as the auditor of the company for the year 2019.
8. Ahmed Zaker & Co., Chartered Accountants is the approved audit firm of the panel of auditors of Bangladesh Securities & Exchange Commission.
9. As per Bangladesh Bank's guideline, any audit firm which is penalized by any regulatory authority cannot be appointed as auditor of a financial institution for the next two years.
10. The Board of Directors in their 199th meeting recommended to appoint Ahmed Zaker & Co., Chartered Accountants as the company's auditor for the year 2019 with the annual remuneration of Tk.375,000 excluding VAT.
11. Bangladesh Bank through their letter # DFIM(C)1054/38/2019-1522 dated 30 July 2019 provided their approval for the appointment of Ahmed Zaker & Co., Chartered Accountants as external auditor of the company for the year 2019.

**Proposed resolution:**

As proposed by.....(BO ID:.....)  
and seconded by.....(BO ID:.....)  
....., Chartered Accountants be and are hereby appointed as auditor of Fareast Finance & Investment Limited for the year 2019 with the remuneration of Tk..... excluding VAT.

**Agendum # AGM201818-05**

**Appointment of auditor for certification on the compliance on conditions of Corporate Governance Code for 2019 of the Company and fixation of their remuneration**

**Attachment:** Consent letter of M M Yasin & Co. Chartered Accountants to act as auditor for the year 2019

Notes:

1. According to clause 9(1) of Bangladesh Securities and Exchange Commission's notification dated 03 June, 2018, the company shall obtain a certificate from a practicing professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and such certificate shall be disclosed in the annual report.
2. The professionals who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.
3. According to FID Circular # 04 dated 30 April 2015 a firm cannot be appointed as auditor for more than three consecutive years.
4. M M Yasin & Co., Chartered Accountants expressed their willingness for reappointment as the auditor of the company relating to compliance of Corporate Governance Code for the year 2019.
5. As per Bangladesh Bank's guideline, any audit firm which is penalized by any regulatory authority cannot be appointed as auditor of a financial institution for the next two years.

**Proposed resolution:**

As proposed by.....(BO ID:.....)  
and seconded by.....(BO ID:.....)  
....., Chartered Accountants be and are hereby appointed as auditor of Fareast Finance & Investment Limited relating to compliance of Corporate Governance Code for the year 2019 with the remuneration of Tk..... excluding VAT.

# Fareast Finance & Investment Limited

Eunoos Centre (8th level)  
52-53 Dilkusha Commercial Area, Dhaka-1000, Bangladesh

Affix revenue  
stamp of  
Tk.20.00

## Proxy form

I.....  
of.....  
being a member of Fareast Finance & Investment Limited hereby appoint Mr./Ms.....  
.....of.....  
.....(or failing him).....  
.....of.....  
..... as my proxy to attend and vote for me and on my  
behalf at the eighteenth Annual General Meeting of the company to be held on Wednesday, 4 September  
2019 at 10.00 a.m. and at any adjournment thereof.

Signed this .....day of..... 2019

Detail of proxy	Detail of member
Signature:	Signature:
Name:	Name:
BO ID # (if any):	BO ID #:

### Notes:

1. Proxy form duly completed must be deposited at the registered office of the company 48 hours before the time appointed for the meeting.
2. Signature of the member should agree with the specimen signature registered with the company.

.....

## Attendance Slip

Detail of proxy	Detail of member
Signature:	Signature:
Name:	Name:
BO ID # (if any):	BO ID #:

I/we hereby record my/our presence at the eighteenth Annual General Meeting of Fareast Finance & Investment Limited held on Wednesday, 4 September 2019 at 10.00 a.m. at RAOWA Complex (Anchor Hall) at VIP Road, Mohakhali, Dhaka-1206, Bangladesh.



## Glossary

Terms	Explanation
Associate Company	An enterprise in which an investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.
Bank rate	The rate at which Bangladesh Bank discounts approved securities, treasury bills etc. Bank rate is used by Bangladesh Bank as a means of regulating the money on demand and checking the growth of inflation in the country.
Business risk	Business risk arises from the specific business activities of a company and the effects these could have on its earnings.
Book Value per share	Book value of shareholders equity divided by the number of ordinary shares outstanding.
CAMELS Rating	It is a measure for examining a financial institution or bank - the six things to examine are: <ul style="list-style-type: none"> <li>■ Capital adequacy</li> <li>■ Asset quality</li> <li>■ Management quality</li> <li>■ Earnings</li> <li>■ Liquidity</li> <li>■ Sensitivity</li> </ul>
Cash Reserve Requirement (CRR)	CRR is a statutory requirement of maintaining cash balance with Bangladesh Bank applicable for banks and financial institutions. An NBFI is required to maintain @ 2.5% of its average balance of term deposits with Bangladesh Bank current account. Deposits taken from banks and financial institutions are not considered in determining CRR.
Credit and counterparty risk	Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honor another predetermined financial obligation.
Collateral	Assets pledged as security for a loan or other obligation. Collateral is generally cash or a highly rated security.
Contingent liabilities	A situation existing at reporting date, where past events have led to a possible obligation the outcome of which depends on uncertain future events, but the outcome is not sufficiently probable or reliably measurable to warrant recognizing the liability at this reporting date.
Default risk	The risk that a client may be unable to make payments of rentals/installments on time.
Diversification	Distribution of investments among various sectors and geographic region to minimize risk.
Earning Assets	Those assets of a bank or financial institution which earn an income for the institution i.e. loans and leases, advances and money at call & short notice to banks etc.
Efficiency ratio	Non interest expenses (management expenses) expressed as a percentage of total operating revenue net of financial expenses. Used as a measure of productivity and for comparison with peers.
Equity method	Accounting method, under which the value of an investment in a company is recorded at the acquisition price and adjusted annually to reflect the proportionate share of net assets; the prorated share of annual profit or loss in the relevant company is recognized to the income statement.
Equity ratio/Capital ratio	Indicator showing the relation of equity to total assets.
Fair value	The amount of consideration that would be exchanged in an arm's length transaction between knowledgeable and willing parties, under no compulsion to act.



**Fareast Finance makes  
every client SPECIAL one.**

**We define,**

**S**peed

**P**ersonalised services

**E**xceed expectations

**C**ompetence & courtesy

**I**nformation

**A**ttitude-‘can do’

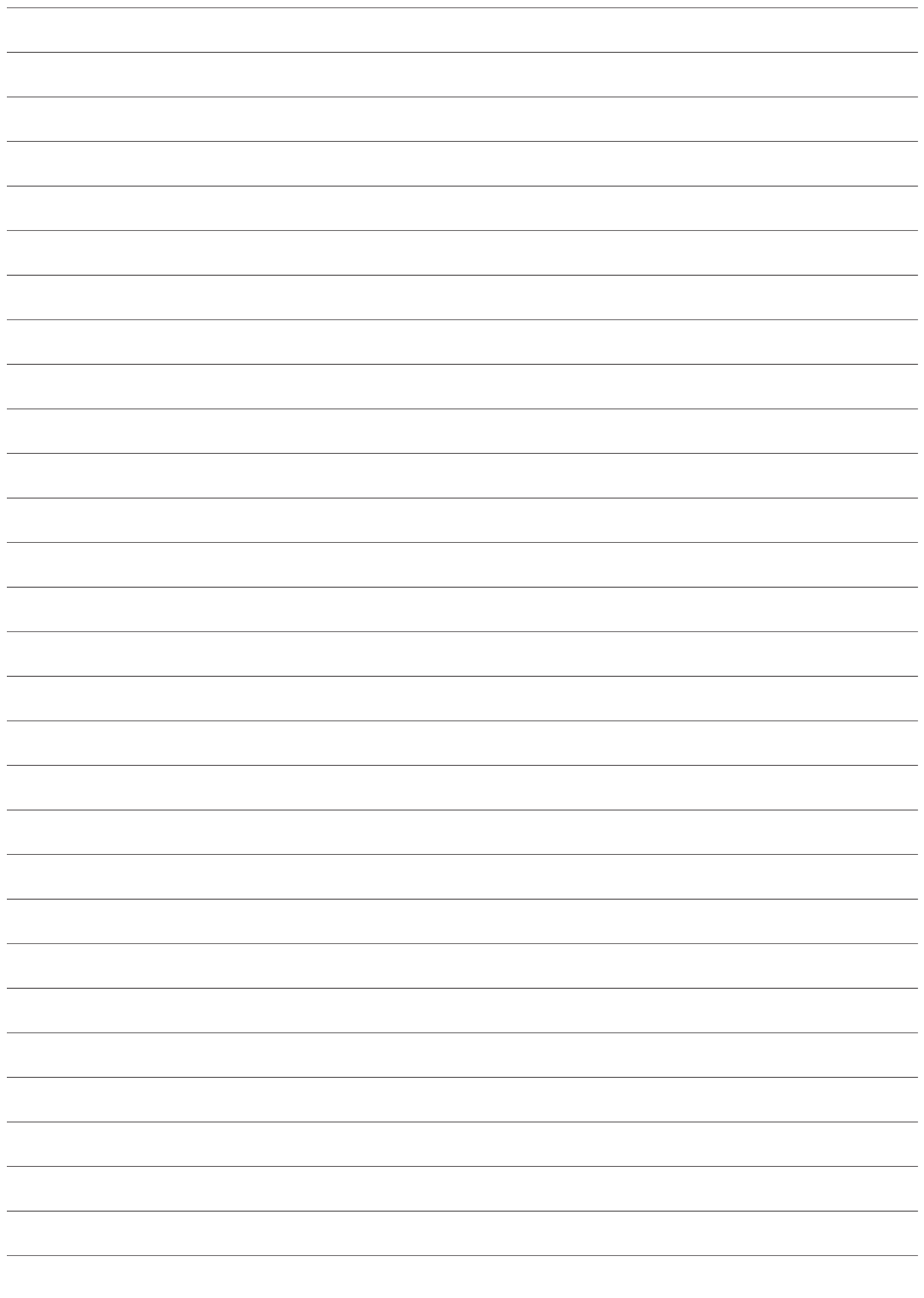
**L**ong term relationship

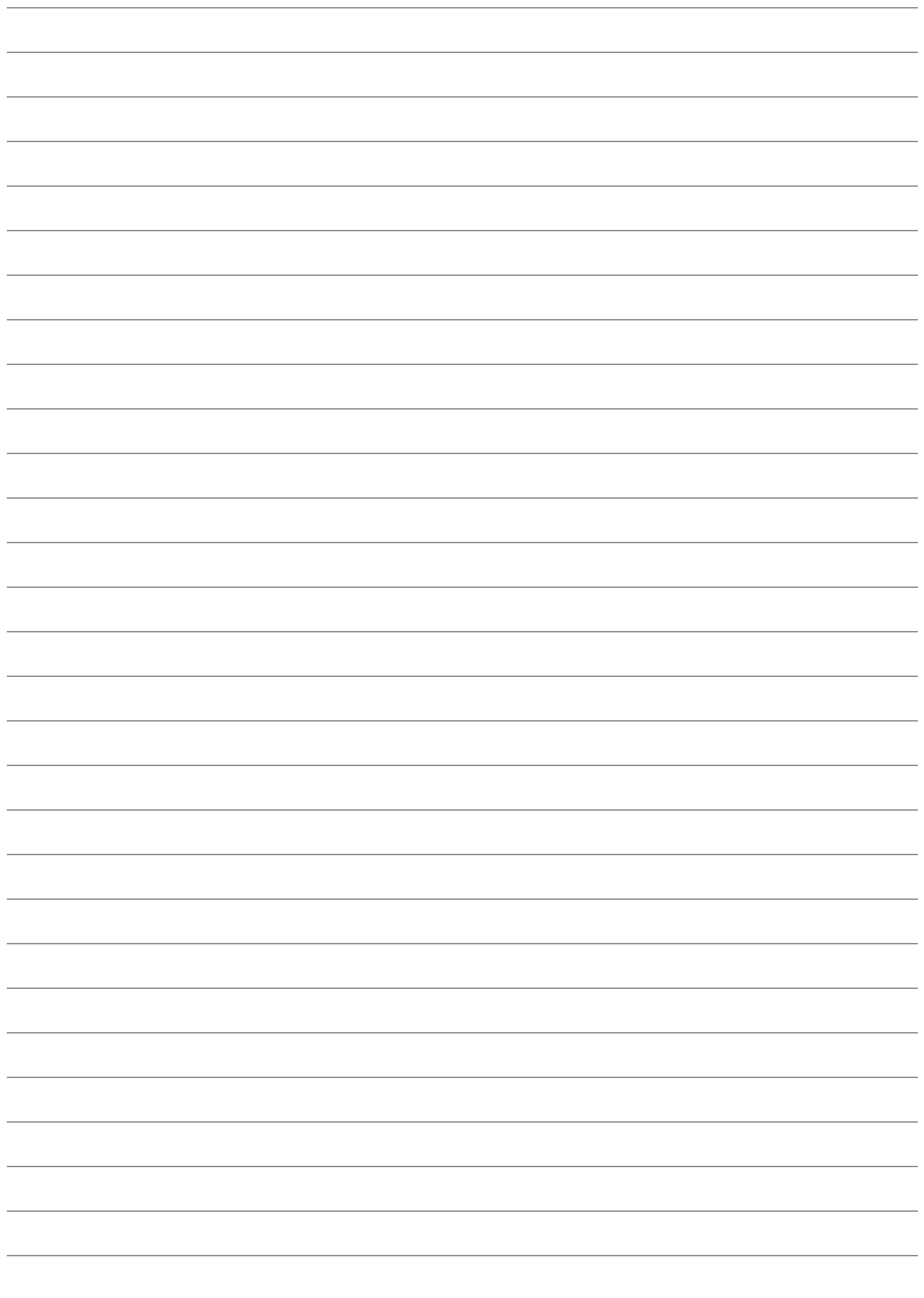
**Management believes that FFIL will continue to grow  
along with their client base over nine hundred numbers.**

*All the information and figures disclosed in this annual report is the property of Fareast Finance & Investment Limited. Reproduction of those excluding the educational purpose in any manner without obtaining written permission from the company is illegal and hence prohibited.*

## Note

## Note







### **Head Office and Principal Branch**

Eunoos Centre (8th level)

52-53 Dilkusha Commercial Area, Dhaka-1000, Bangladesh

Phone and fax: 88-02-9554174, 9559621, 9563253, 9572169

Cell phone: 01819245908, 01977334539, E-mail: [ffil@bdcom.net](mailto:ffil@bdcom.net)

### **Chittagong Branch**

Ayub Trade Centre (level-2)

1269/B Sheikh Mujib Road, Agrabad Commercial Area, Chittagong-4100

Phone: 88-031-2526976-7, Fax: 88-031-2526978

Cell Phone: 01912132051

### **Banani Branch**

Concord Colosseum (6th floor)

156 Kemal Ataturk Avenue, Banani, Dhaka-1213, Bangladesh

Phone: 88-02-9859612, 9859507, 9859715, Fax: 88-02-9859987

Cell Phone: 01993313050