

Private & Confidential

"Fareast Finance & Investment Limited"

Eunoos Centre (8th Level)
52-53, Dilkusha C/A,
Dhaka-1000, Bangladesh

For the year ended December 31, 2019

AUDITOR:

AHMED ZAKER & CO., Chartered Accountants

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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 2019, 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, 2019 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.

Emphasis of Matter

1. We draw attention to note- 8.9.1 of the financial statements which describes the shortfall of required provision against classified loans, advances and leases, other assets and balance with other banks and financial institutions Tk. 756,534,714. The Bangladesh Bank has given an extended time span for four years for maintaining the shortfall provision.

2. We draw attention to Note 2.40 in the financial statements, which indicates that the Company incurred a net loss of Tk. 717,997,592 during the year ended December 31, 2019 and, as of that date, the Company's current liabilities exceeded its total assets by Tk. 1,532,764,232 As stated in Note 2.40, these events or conditions, along with other matters as set forth in Note 2.40. In connection with our audit, we have performed audit procedures to evaluate management's assumptions as to the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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3. The company has one associate company namely Fareast Stocks & Bonds Limited is audited by other auditor whose report has been furnished to us and our opinion is as so far as it relates to the amounts included based on the reports. According to available documents & CL statements Fareast Finance & Investment Limited shown Term Loan given to Fareast Stocks & Bonds Limited amount in Tk. 2,754,580,768 but according to Auditors opinion of Fareast Stocks & Bonds Limited they have found Tk. 2,522,206,023 in the books of accounts differences is Tk. 232,374,745. Which indicates that the recoverability of Term loan amount may cast doubt and may arise additional expected credit losses of the company.

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
Measurement of provision for loans, advances and leases, other assets and balance with other banks and financial institutions	
<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 9,076,287,102 (2018: BDT 9,989,356,961) and required provision for loans, advances and leases, other assets and balance with other banks and financial institutions of BDT 2,003,041,792 but maintained for BDT 1,246,507,078 (2018: BDT 897,548,715).</p>	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> • Credit appraisal, loan disbursement procedures, monitoring and provisioning process; • Identification of loss events, including early warning and default warning indicators; • Reviewed quarterly Classification of Loans (CL); <p>Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> • Reviewed the adequacy of the general and specific provisions in line with related Bangladesh Bank guidelines; • Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information; • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
See note no 08 and 15.02 to the financial statements	
IT systems and controls	
<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</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</p>





automated and IT dependent manual controls.	controls). This included testing that requests for access to systems for appropriate approval and authorization. We tested the Company's periodic review of access rights and reviewed requests of changes to system for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.
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IFRS 16 Leases

<p>IFRS 16 replaces the existing standard IAS 17 and specifies how an IFRS reporter will recognize, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The implementation of IFRS 16 is considered a key audit matter due to the judgments needed in establishing the underlying key assumptions.</p> <p>The Bank's disclosures relating to IFRS 16 are included in the notes 11.5 & 15.6 of the financial statements.</p>	<p>Our audit procedures included understanding management's IFRS 16 transition impact analysis approach. Specifically:</p> <ul style="list-style-type: none">• Obtained an understanding and evaluated the group's implementation process, including the review of the updated accounting policy and policy elections in accordance with IFRS 16.• we assessed the design and implementation of the key controls relating to the determination of the IFRS 16 transition impact disclosure;• we assessed the discount rates used to calculate the lease obligation with support from our valuation specialists;• we assessed the accuracy of the lease data by testing the lease data captured by management for a sample of leases through the inspection of lease documentation; and• we tested the completeness of the lease data by reconciling the Group's existing lease commitments to the lease data underpinning the IFRS 16 model. <p>The disclosure included within the Accounting Policies of the company of the transition impact of IFRS 16 is appropriate. We conclude the discount rates used by the Company to determine the IFRS 16 lease liability and the lease data underpinning the impact analysis reasonable.</p>
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Deferred Tax

<p>The Institute reports net deferred tax assets totaling Taka 3,171,804 as at 31 December 2019 (Taka 1,920,950 as at 31 December 2018)</p> <p>Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.</p>	<p>- We obtained an understanding, evaluated the design and tested the operational effectiveness of the Institution's key controls over the recognition and measurement of DTAs and the assumptions used in estimating the Company's future taxable income.</p> <p>- We also assessed the completeness and accuracy of the data used for the estimations of future taxable</p>
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<p>The disclosures relating to Deferred Tax are included in note 11.4 to the financial statements.</p>	<p>income.</p> <ul style="list-style-type: none">- We involved tax specialists to assess key assumptions, controls, recognition and measurement of DTAs.- Finally assessed the appropriateness and presentation of disclosures against "IAS-12" Income Tax.
<p>COVID -19 impact on Financial Statements</p>	
<p>COVID 19 is a force event, unique in nature has devastated the world and mankind. Efforts are underway to contain and recover.</p> <p>From early March 2020, there has been health related safety prioritized restrictions on auditor's travel, meetings and access to Bank resources/sites in some jurisdictions, limitation in providing supporting documents and explanations by the concerned resources of the company.</p> <p>The financial institution in Bangladesh are in the process of (i) credit risk due to high level of default loan; mostly centering around the Limited Companies (both publicly traded and other limited companies not operating diligently) (ii) market risk due to COVID-19 Pandemic that would lead to recession and the (iii) operational risk due to loss of business opportunities and continuation with operational and maintenance over heads. Furthermore, to extend that there are Control deficiencies-A control deficiency exists when the design or operation of a control does not allow management to prevent or detect misstatements in a timely manner. Design deficiency occurs when: a requisite control is missing, or an existing control is ineffective because it is not properly designed.</p> <p>Economy is the lifeline of the Country, institutions, community, environment and individuals. Providing finance is neither fruitful nor rewarding, unless effective feedback provides transparency and accountability and assists in educating the</p>	<p>Auditor's and the firms under force majeure event applied best judgments under the force majeure compulsion and the circumstances in developing alternative audit procedures to gather sufficient explanations as practicable. Bangladesh Banks involvements and contributions and initiations on relevant material issues controls and remedies as appropriate and practicable were taken in to cognizance as audit evidences.</p> <p>Regulatory initiatives (FRC) and stimulus packages are under constant evaluations of the Government to sustain banking operations by enhancing the process of attention to loan covenants and lender requirements. Clients that were financially healthy entering 2020 may have found themselves with cash shortfalls by February onwards and would likely to continue until COVID is contained. Clients will be monitored on their financial information, particularly without standing loans and debt covenants from lenders and their obligatory diligent statutory reporting.</p> <p>On collective success assurance upon COVID, company is committed to visualize that authority always flows from top to bottom, responsibility flows from bottom to top and communicating across the company that, accountability cannot be delegated and escaped.</p> <p>Auditor's extended professional skepticism and judgments-based assurances under the</p>





<p>market. That, in turn would assist improving the process itself; while also embedding the proper cause and effect mind set within involved people and processes that is critical to achieving better results and further to improve the standard of submissions in the future. If these are not made sustainable; the money, time and resources will not be appropriately applied to defend the total investments. The Challenges ahead are huge, that would be addressed both by invention and discoveries and also with cognizance to the nature and nurture. Last but not the least, there is always light at the other end of a tunnel.</p>	<p>circumstances, and relatively practicable support in the interest of Country's banking business to a broader perspective.</p>
<p>Going Concern</p>	
<p>As at December 31, 2019, the Company along with its associates has incurred losses with a consequent erosion of its net worth and increases its current liabilities.</p> <p>As disclosed in note 2.40 in the financial statements, the Company has accumulated loss Tk. 1,522,224,822, current liabilities exceeds its assets within one year Tk. 1,532,764,232 and Shareholders equity has decreased from Tk. 1,184,855,468 to Tk. 466,857,876 from the year 2018 to 2019.</p> <p>Further, the Company has prepared cash flow forecast for next twelve months which involves judgment and estimation around sources of funds to meet the financial obligations and cash flow requirements over the next twelve months. Considering the above, we have identified the assessment of going concern assumption as a key audit matter considering that the Company has net current liabilities & accumulated loss.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">• We have obtained an understanding of the process of management assessment of going concern and also assessed the same.• We read the management assessment in Note 2.40 which states: Management is taking various initiatives for reduction of debt & increases of profit.• We have obtained the future cash flows of the Company. We have considered the same for our assessment of the Company's capability to meet its financial obligation falling due within next twelve months.• We have assessed the disclosures made by the Company in relation to this matter.



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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 has one Associate namely Fareast Stocks & Bonds Limited is audited by other auditor whose report has been furnished to us and our opinion is as so far as it relates to the 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.

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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.

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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. The institution have maintained provision as per note- 8.9 and 8.9.1 of the financial statements;
- 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;



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- 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.

AKM Mohitul Haq FCA

Senior Partner

Ahmed Zaker & Co

Chartered Accountants

Location: Dhaka

Date: September 15, 2020

Fareast Finance & Investment Limited
Balance Sheet
 as at 31 December 2019

Particulars	Note	Amounts in Taka	
		31.12.2019	31.12.2018
PROPERTY AND ASSETS			
Cash	4	42,283,248	60,049,229
In hand (including foreign currencies)		-	-
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		42,283,248	60,049,229
Balance with other banks and financial institutions	5	500,836,069	487,816,045
In Bangladesh		500,836,069	487,816,045
Outside Bangladesh		-	-
Money at call and short notice	6	-	-
Investments	7	122,156,161	150,206,094
Government		-	-
Others		122,156,161	150,206,094
Loans, advances and leases		9,076,287,102	9,989,356,961
Loans, cash credits, overdrafts, leases, etc.	8	9,076,287,102	9,989,356,961
Bills purchased and discounted	9	-	-
Fixed assets including premises, furniture and fixtures	10	8,205,426	14,613,382
Other assets	11	1,125,778,750	1,129,430,470
Non-business assets	12	8,433,997	10,077,663
Total assets		<u>10,883,980,753</u>	<u>11,841,549,844</u>
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	13	3,204,818,490	3,135,570,112
Deposits and other accounts	14	4,747,854,960	5,577,934,479
Current deposits		-	-
Bills payable		-	-
Savings deposits		-	-
Term deposits		4,747,854,960	5,577,934,479
Bearer certificate of deposit		-	-
Other deposits		-	-
Other liabilities	15	2,464,449,427	1,943,189,785
Total liabilities		<u>10,417,122,877</u>	<u>10,656,694,376</u>

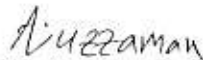


Particulars	Note	Amounts in Taka	
		31.12.2019	31.12.2018
Capital/Shareholders' equity		466,857,876	1,184,855,468
Paid up capital	16	1,640,633,300	1,640,633,300
Statutory reserve	17	268,954,085	268,954,085
Revaluation reserve	11.3.1	79,495,313	79,495,313
Retained earnings	18	(1,522,224,822)	(804,227,230)
Total liabilities and Shareholders' equity		10,883,980,753	11,841,549,844
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	19.1	-	-
Acceptances and endorsements		-	-
Letter of guarantee		-	-
Irrevocable letter of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
Other commitments	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		-	-
Total off-balance sheet items including contingent liabilities		-	-
Net asset value per share		2.85	7.22

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



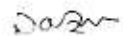
Md. Shamsul Islam Varosha
Chairman



Md. Ashaduzzaman
Director



Muhammad Ali Zaryab
Managing Director



Nazmun Nahar
Company Secretary

As per our annexed report of same date.

Dhaka, 15 September, 2020



Ahmed Zaker & Co.
Chartered Accountants

Fareast Finance & Investment Limited
Profit and Loss Account
 for the year ended 31 December 2019

Particulars	Note	Amounts in Taka	
		2019	2018
Interest income	21	769,935,810	1,254,276,584
Interest expenses on borrowings, deposits, etc.	22	(1,009,617,892)	(1,144,702,610)
Net interest income		(239,682,082)	109,573,974
Investment income	23	2,500,988	4,800,121
Commission, exchange and brokerage	24	-	-
Other operating income	25	(732,645)	1,341,621
Total operating income		(237,913,739)	115,715,716
Salary and allowances	26	51,380,203	59,451,619
Rent, taxes, insurance, electricity, etc.	27	19,503,871	19,050,084
Legal expenses	28	8,042,576	4,693,326
Postage, stamp, telecommunication, etc.	29	1,251,462	1,578,817
Stationery, printing, advertisements, etc.	30	2,263,237	1,591,736
Managing Director's salary and allowances	31	8,511,000	8,484,500
Directors' fees	32	808,000	560,000
Auditors' fees	33	503,100	539,350
Charges on losses regarding loans, advances and leases		-	-
Depreciation and repairs of company's assets	34	7,495,550	8,327,970
Other operating expenses	35	10,281,019	12,512,825
Total operating expenses		110,040,018	116,790,227
Profit/(loss) before provisions		(347,953,757)	(1,074,511)
Provisions for loans, advances and leases:	36	348,958,363	(141,611,759)
Provision for the diminution in the value of investments	37	21,929,118	8,588,147
Other provisions		-	-
Total provisions		370,887,481	(133,023,612)
Profit/(loss) before income tax		(718,841,238)	131,949,101
Provision for income tax			
Current tax expense	38	407,208	958,018
Deferred tax expense/(income)	38	(1,250,854)	(1,539,717)
		(843,646)	(581,699)
Net profit/(loss) after income tax		(717,997,592)	132,530,800



Particulars	Note	Amounts in Taka	
		2019	2018
Appropriations			
Statutory reserve	17	-	26,506,160
General reserve		-	-
		-	26,506,160
Retained surplus	18	(717,997,592)	106,024,640
Earnings per share (EPS)	39	(4.38)	0.81

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



Md. Shamsul Islam Varosha
Chairman



Md. Ashaduzzaman
Director



Muhammad Ali Zaryab
Managing Director



Nazmun Nahar
Company Secretary

As per our annexed report of same date.

Dhaka, 15 September, 2020



Ahmed Zaker & Co.
Chartered Accountants

Fareast Finance & Investment Limited
Cash Flow Statement
for the year ended 31 December 2019

Particulars	Amounts in Taka	
	2019	2018
Cash flows from operating activities		
Interest received	772,155,951	1,252,757,741
Interest paid	(921,221,326)	(1,016,678,283)
Dividend received	2,086,039	4,790,089
Fees and commission received	-	-
Recoveries of loan previously written-off	15,742,358	5,335,427
Income taxes paid	(1,885,642)	(7,903,491)
Received from other operating activities	5,226,591	1,206,144
Payments for other operating activities	(103,710,728)	(109,348,231)
Cash generated from operating activities before changes in operating assets and liabilities	(231,606,757)	130,159,396
Increase/decrease in operating assets and liabilities		
Statutory deposit	-	-
Trading securities	-	-
Loans, advances and leases	913,069,859	1,607,901,467
Other assets	(17,196,832)	6,342,664
Deposit and other accounts	(830,079,519)	(1,330,565,323)
Net drawdown of short term loans	(91,091,272)	175,399,512
Other liabilities on account of customers	(49,399,172)	15,417,685
Trading liabilities	-	-
Other liabilities	111,282,340	(36,097,615)
	36,585,404	438,398,390
Net cash from operating activities	(195,021,353)	568,557,786
Cash flows from investing activities		
Proceeds from sale of securities	39,295,378	66,947,902
Payments for purchase of securities	(10,830,494)	(58,322,652)
Purchase of fixed assets including premises, furniture and fixtures	(236,118)	(150,563)
Proceeds from sale of fixed assets including premises, furniture and fixtures	1,706,980	-
(Increase)/decrease regarding purchase and sale of subsidiary	-	-
Net cash used in investing activities	29,935,746	8,474,687
Cash flows from financing activities		
Receipt of borrowings from other banks, financial institutions and agents	321,741,136	-
Repayment of borrowings from other banks, financial institutions and agents	(161,401,486)	(748,200,907)
Receipt against issue of share capital	-	-
Increase/(decrease) in revaluation reserve	-	(19,248,437)
Dividend paid in cash	-	-
Net cash from financing activities	160,339,650	(767,449,344)



Particulars	Amounts in Taka	
	2019	2018
Net increase/(Decrease) in cash and cash equivalents	(4,745,957)	(190,416,871)
Effects of exchange rate changes on cash and equivalents	-	-
Cash and cash equivalents at beginning of the year	547,865,274	738,282,145
Cash and cash equivalents at the end of the year	543,119,317	547,865,274
Cash and cash equivalents at the end of the year		
Cash in hand (including foreign currencies)	-	-
Balance with Bangladesh Bank and its agent banks (including foreign currencies)	42,283,248	60,049,229
Balance with other banks and financial institutions	500,836,069	487,816,045
Money at call and short notice	-	-
	543,119,317	547,865,274
Net Operating Cash Flows Per Share (NOCFPS) (Note: 41)	(1.19)	3.47

Md. Shamsul Islam Varosha
Chairman

Md. Ashaduzzaman
Director

Muhammad Ali Zaryab
Managing Director

Nazmun Nahar
Company Secretary

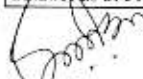
As per our annexed report of same date.

Dhaka, 15 September, 2020


Ahmed Zaker & Co.
Chartered Accountants

Fareast Finance & Investment Limited
Statement of Changes in Equity
for the year ended 31 December 2019

Particulars	Paid up capital	Statutory reserve	Revaluation reserve	Retained earnings	Total
	Taka	Taka	Taka	Taka	Taka
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)	-	-	-	-	-
Restated balance	1,640,633,300	242,447,925	98,743,750	(936,872,309)	1,044,952,666
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 of Fareast Stocks & Bonds Ltd (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)
Balance as at 31 December 2018	1,640,633,300	268,954,085	79,495,313	(804,227,230)	1,184,855,468
Balance at 01 January 2019	1,640,633,300	268,954,085	79,495,313	(804,227,230)	1,184,855,468
Changes in accounting policy(s)	-	-	-	-	-
Restated balance	1,640,633,300	268,954,085	79,495,313	(804,227,230)	1,184,855,468
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	-	-	-	(717,997,592)	(717,997,592)
Cash dividend	-	-	-	-	-
Dividend (Bonus shares)	-	-	-	-	-
Issue of share capital	-	-	-	-	-
Appropriations during the year	-	-	-	-	-
Prior year adjustment of Fareast Stocks & Bonds Ltd. (note-11.3)	-	-	-	-	-
Revaluation of Fareast Stocks & Bonds Ltd. (note-	-	-	-	-	-
Balance as at 31 December 2019	1,640,633,300	268,954,085	79,495,313	(1,522,224,822)	466,857,876


 Md. Shamsul Islam Varosha
 Chairman


 Md. Ashaduzzaman
 Director


 Muhammad Ali Zaryab
 Managing Director


 Nazmun Nahar
 Company Secretary

As per our annexed report of same date

Dhaka, 15 September, 2020

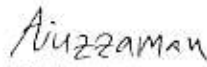

 Ahmed Zaker & Co.
 Chartered Accountants

Fareast Finance & Investment Limited
Liquidity Statement
 (Analysis of maturity of assets and liabilities)
 As at 31 December 2019

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Assets						
Cash in hand (including balance with Bangladesh Bank)	42,283,248	-	-	-	-	42,283,248
Balance with other banks and financial institutions	120,836,069	380,000,000	-	-	-	500,836,069
Money at call and short notice	-	-	-	-	-	-
Investments	122,156,161	-	-	-	-	122,156,161
Loans, advances and leases	1,226,097,910	1,831,652	89,603,621	4,037,944,118	3,720,809,801	9,076,287,102
Fixed assets including premises, furniture and fixtures	4,971	4,560	584,686	7,611,209	-	8,205,426
Other assets	118,886,516	-	384,195,798	2,134,886	620,561,550	1,125,778,750
Non-business assets	-	-	-	-	8,433,997	8,433,997
Total assets	1,630,264,875	381,836,212	474,384,105	4,047,690,213	4,349,805,348	10,883,980,753
Liabilities						
Borrowings from other banks, financial institutions and agents	1,014,311,603	143,684,753	724,540,981	1,084,866,235	237,414,918	3,204,818,490
Deposits and other accounts	1,077,844,674	28,998,046	296,060,340	3,341,518,900	3,433,000	4,747,854,960
Provision and other liabilities	436,208,023	23,050,748	274,550,256	1,285,356,273	445,284,127	2,464,449,427
Total liabilities	2,528,364,300	195,733,547	1,295,151,577	5,711,741,408	686,132,045	10,417,122,877
Net liquidity gap	(898,099,425)	186,102,665	(820,767,472)	(1,664,051,195)	3,663,673,303	466,857,876



Md. Shamsul Islam Varosha
Chairman



Md. Ashaduzzaman
Director



Muhammad Ali Zaryab
Managing Director



Nazmun Nahar
Company Secretary

As per our annexed report of same date

Dhaka, 15 September, 2020



Ahmed Zaker & Co.
Chartered Accountants

Fareast Finance & Investment Limited
Notes to the Financial Statements and significant accounting policies
for the year ended 31 December 2019
(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 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. Subsequently it has been converted into public limited company on 17 October 2012.

1.6 Number of employees of the company

The number of employees of the company was sixty four and seventy five at the end of the year 2019 and 2018 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 of 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 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 Additions of fixed assets has been charged when it is available for use and ceases when it is classified as held for sell. Depreciation on all assets is computed to write off over the estimated useful economic lives of the assets.

Depreciation on fixed assets under company's own use is charged on straight-line method throughout the estimated useful lives of the assets.



The annual depreciation rates applicable to the class of assets are as follows:

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

2.15 *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 IFRS 16: "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's 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 Lease asset and liabilities

IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases. Correspondingly, assets must be recognized for the right of use received and liabilities must be recognized for payment obligations entered into for all leases. The Company currently expects to transition to IFRS 16 in accordance with the modified retrospective approach. For leases that have to date been classified as operating leases in accordance with IAS 17, the lease liability will be carried at the present value of the remaining lease payments, discounted using the lessees incremental borrowing rate at the time the standard is first applied. The right-of-use asset will generally be measured at the amount of the lease liability.

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.

Lease 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.

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 for the employees

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 Going Concern

The financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. The company has sustained an accumulated loss of Tk. 1,522,224,822 as on December 31, 2019 which includes net loss after Tax Tk. 717,997,592 for the year ended December 31, 2019. The Net asset value per share (NAV) has been reduced from Tk. 7.22 to Tk. 2.85 and net operating cash flows per share (NOCFPS) has also been reduced from Tk. 3.47 to Tk. (1.19) from the year 2018 to 2019. The company's net liability exceeds its assets within one year Tk. 1,532,764,232 (Tk. 4,019,249,424- Tk. 2,486,485,192) and the Company's Shareholders equity has decreased from Tk. 1,184,855,468 to Tk. 466,857,876 from the year 2018 to 2019 respectively.

Fareast Finance and Investment Limited management believes that the Company will be able to recover from losses in the next succeeding years. The company has extended its current credit facilities and trying to increase its income and collecting the loans and leases amount from the customers. Accordingly, the accompanying Company's financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The current credit facilities and resources of the company provides sufficient fund to meet the present requirements of its existing business operation.

2.41 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 are including operational errors, non compliance with internal regulations, non-compliance of legal 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, 2012, Value Added Tax Rules, 2016, 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 unlike 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



ines, 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 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.

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 2019
- b) a statement of comprehensive income (Profit and Loss Account) for the year ended 31 December 2019
- c) Cash Flow Statement for the year ended 31 December 2019
- d) Statement of Changes in Equity for the year ended 31 December 2019
- e) Liquidity Statement as at 31 December 2019
- 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.

During the year the company has rearranged the cash flows statement from investing activities to operating activities. As a result, net cash from operating activities and net operating cash flow per share (NOCFPS) has changed in the year 2018.

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	IFRS 16	Leases	Applied





16	IAS 1	Presentation of Financial Statements	Applied*
17	IAS 2	Inventories	Not applicable
18	IAS 7	Cash Flow Statements	Applied*
19	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Applied
20	IAS 10	Events after the Reporting Period	Applied
21	IAS 12	Income Taxes	Applied*
22	IAS 16	Property, Plant and Equipment	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 2019 consistently.



		Amounts in Taka	
		31.12.2019	31.12.2018
4.	Cash		
4.1	<i>Cash in hand (including foreign currencies)</i>		
	In local currency	-	-
	In foreign currency	-	-
		<u>-</u>	<u>-</u>
4.2	<i>Balance with Bangladesh Bank and its agent banks (including foreign currencies)</i>		
	In local currency	42,283,248	60,049,229
	In foreign currency	-	-
		<u>42,283,248</u>	<u>60,049,229</u>
4.3	<i>Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)</i>		
Cash Reserve Requirement @ 2.5% and Statutory Liquid Ratio @ 5% have been calculated and maintained in accordance with FID Circular # 02 and 06 dated 10 November 2004 and 31 May 2001 respectively. Details calculation are as follows:			
a)	Cash Reserve Requirement		
	Required reserve	40,166,981	56,995,807
	Actual reserve maintained	42,283,248	60,049,229
	Surplus/(deficit)	<u>2,116,267</u>	<u>3,053,422</u>
b)	Statutory Liquidity Ratio		
	Required reserve (including CRR)	120,662,426	147,991,105
	Actual reserve maintained (including CRR) (note-4.3.1)	550,110,314	553,552,992
	Surplus/(deficit)	<u>429,447,888</u>	<u>405,561,887</u>
4.3.1	<i>Actual reserve maintained (including CRR)</i>		
	Cash in hand	-	-
	Balance with Bangladesh Bank and its agent banks as per bank statement	42,283,248	60,049,229
	Balance with other banks and financial institutions as per bank statement	507,827,066	493,503,763
		<u>550,110,314</u>	<u>553,552,992</u>
5.	Balance with other banks and financial institutions		
	In Bangladesh		
	Current accounts (note-5.1)	985,917	4,718,200
	Short term deposit accounts (note-5.2)	22,869,263	8,692,845
	Savings accounts (note-5.3)	-	-
	Fixed deposit accounts (note-5.4)	476,980,889	474,405,000
		<u>500,836,069</u>	<u>487,816,045</u>
	Outside Bangladesh	-	-
		<u>-</u>	<u>-</u>

The company does not maintain any account outside Bangladesh.



		Amounts in Taka	
		31.12.2019	31.12.2018
5.1	Current accounts		
	Bank Asia Limited Savar Branch	-	-
	BRAC Bank Limited Graphics Building Branch	764,104	3,502,868
	Jamuna Bank Limited Moulovi Bazar Branch	31,950	32,870
	National Bank Limited Gulshan Branch	6,108	7,258
	Southeast Bank Limited R. K. Mission Road Branch	178,602	1,168,210
	Trust Bank Limited Dilkusha Corporate Branch	446	1,367
	Uttara Bank Limited Local Office	4,707	5,627
		985,917	4,718,200
5.2	Short term deposit accounts		
	Bangladesh Commerce Bank Limited Dilkusha Branch	38,307	38,571
	Bank Alfalah Limited Main Branch	-	16,553
	Bank Asia Limited Principal Office Branch	1	1
	BASIC Bank Limited Dilkusha Branch	73,586	72,091
	BASIC Bank Limited Bashundhara Branch	3,999,115	2,845
	Dhaka Bank Limited Local Office Branch	-	-
	Dutch-Bangla Bank Limited Bashundhara Branch	77,026	7,290
	Export Import Bank of Bangladesh Ltd Motijheel Branch	485	467
	Islami Bank Bangladesh Limited Foreign Exchange Branch	33,083	32,974
	Jamuna Bank Limited Elephant Road Branch	1,212	2,412
	Mercantile Bank Limited Main Branch	44,102	45,482
	Midland Bank Limited Dilkusha Branch	-	640
	Mutual Trust Bank Limited Dilkusha Branch	-	1,814
	Mutual Trust Bank Limited Dilkusha Branch	2,220,916	2,163,308
	Mutual Trust Bank Limited Dilkusha Branch	964,171	942,534
	Mutual Trust Bank Limited Dilkusha Branch	675,370	658,383
	Mutual Trust Bank Limited Bashundhara City Branch	5,663	5,663
	NCC Bank Ltd. Motijheel Main Branch	685	-
	NRB Commercial Bank Ltd. Principal Branch	206,818	44,097
	One Bank Limited Principal Branch	483	2,014,621
	Prime Bank Limited IBB Dilkusha Branch	1,747	3,277
	Shahjalal Islami Bank Limited Dhaka Main Branch	-	-
	Social Islami Bank Limited Principal Branch	12,532	13,682
	Social Islami Bank Limited Babu Bazar Branch	1	1
	Southeast Bank Limited Corporate Branch	14,329,481	1,656,732
	Southeast Bank Limited Principal Branch	54,651	54,624
	Southeast Bank Limited R. K. Mission Road Branch	-	223
	Standard Bank Limited Principal Branch	498	4,000
	The City Bank Limited Principal Office	115,992	910,161
	United Commercial Bank Limited Tejgaon Branch	13,338	399
		22,869,263	8,692,845
5.3	Savings accounts		
		-	-
		-	-
	The company does not maintain any savings account.		
5.4	Fixed deposit accounts		
	Bangladesh Industrial Finance Co. Ltd. Head Office	100,000,000	100,000,000
	FAS Finance & Investment Limited Head Office	31,375,889	28,000,000
	International Leasing And Fin. Ser. Ltd. Head Office	-	-
	People's Leasing and Fin. Services Ltd. Head Office	345,605,000	346,405,000
		476,980,889	474,405,000

		Amounts in Taka	
		31.12.2019	31.12.2018
5.5	<i>Maturity grouping of balance with other banks and financial institutions</i>		
	Up to 1 month	120,836,069	107,816,045
	Over 1 month but not more than 3 months	380,000,000	380,000,000
	Over 3 months but not more than 1 year	-	-
	Over 1 year but not more than 5 years	-	-
	Over 5 years	-	-
		500,836,069	487,816,045
6.	Money at call and short notice	-	-
7.	Investments	-	-
7.1	<i>Investment classified as per nature</i>		
	Government securities (note-7.1.1)	-	-
	Others investments (note-7.1.2)	122,156,161	150,206,094
		122,156,161	150,206,094
7.1.1	<i>Government securities</i>		
	Treasury bills	-	-
	National investment bonds	-	-
	Bangladesh Bank bills	-	-
	Government notes/bonds	-	-
	Prize bonds	-	-
	Others	-	-
		-	-
7.1.2	<i>Others investments</i>		
	Investment in shares (Annexure-A)	-	-
	Debenture and bonds	122,156,161	150,206,094
	Other investment	-	-
	Gold, bullion etc.	-	-
		122,156,161	150,206,094
7.2	<i>Residual maturity grouping of investments</i>		
	Repayable on demand		
	Up to 1 month	122,156,161	150,206,094
	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	-	-
		122,156,161	150,206,094
8.	Loans, advances and leases		
8.1	<i>a) Inside Bangladesh</i>		
	Investment in leases (note-8.1.1)	283,273,327	351,829,398
	Term finances (note-8.1.2)	8,793,013,775	9,637,527,563
		9,076,287,102	9,989,356,961
	<i>b) Outside Bangladesh</i>	-	-
	Total	9,076,287,102	9,989,356,961



		Amounts in Taka	
		31.12.2019	31.12.2018
8.1.1	<i>Investment in leases</i>		
	Principal outstanding	193,784,272	253,248,658
	Accounts receivable	89,489,055	98,580,740
	Advance against lease finance		
	Total	283,273,327	351,829,398
8.1.2	<i>Term finances</i>		
	Principal outstanding	7,662,373,529	8,455,716,808
	Accounts receivable	1,130,640,246	1,181,810,755
	Total	8,793,013,775	9,637,527,563
8.1.2.1	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.		
	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. Subsequently company's Board of Directors in their 208th meeting held on 08 March 2020 decided to impose interest rate on the outstanding amount @ 13.90% per annum from 20 March 2020.		
8.2	<i>Sector wise loans, advances and leases</i>		
	Public sector		
	Co-operative sector		
	Private sector	9,076,287,102	9,989,356,961
	Total	9,076,287,102	9,989,356,961
8.3	<i>Residual maturity grouping of loans, advances and leases</i>		
	Repayable on demand		
	Not more than 3 months	1,227,929,562	1,303,826,993
	Over 3 months but not more than 1 year	89,603,621	744,222,469
	Over 1 year but not more than 5 years	4,037,944,118	4,092,785,720
	Over 5 years	3,720,809,801	3,848,521,779
	Total	9,076,287,102	9,989,356,961
8.4	<i>Loans, advances and leases on the basis of significant concentration</i>		
a)	Loans, advances and leases to Directors and organizations related to Directors	2,754,580,768	2,767,218,768
b)	Loans, advances and leases to Chief Executive Officer and other senior executives	7,477,692	7,109,371
c)	Loans, advances and leases to customer groups:		
	i) Loans	6,030,955,315	6,863,199,424
	ii) Leases	283,273,327	351,829,398
	Total	9,076,287,102	9,989,356,961
d)	Loans, advances and leases on sector basis:		
	1. Trade and Commerce	150,552,069	270,045,973
	2. Industry:		
	i) Garments and Knitwear	622,362,863	660,758,810
	ii) Textile	130,821,062	171,449,001
	iii) Jute and Jute-Products	142,109,649	149,728,644
	iv) Food Production and Processing Industry	268,216,697	517,274,365
	v) Plastic Industry	34,638,413	39,604,370

	Amounts in Taka	
	31.12.2019	31.12.2018
vi) Leather and Leather-Goods	-	-
vii) Iron, Steel and Engineering	782,432,782	820,148,404
viii) Pharmaceuticals and Chemicals	291,645,742	331,669,082
ix) Cement and Allied Industry	659,916,979	649,025,910
x) Telecommunication and Information Technology	185,868,264	209,171,672
xi) Paper, Printing and Packaging	146,636,261	130,374,188
xii) Glass, Glassware and Ceramic Industry	203,813,762	180,372,979
xiii) Ship Manufacturing Industry	436,320,354	385,568,779
xiv) Electronics and Electrical Products	210,359,829	294,813,655
xv) Power, Gas, Water and Sanitary Service	357,226,261	437,020,224
xvi) Transport and Aviation	411,133,020	452,018,282
3. Agriculture	185,169,376	202,139,474
4. Housing	352,285,442	342,644,652
5. Others:		
i) Merchant Banking	-	-
ii) Margin Loan	3,004,851,633	3,229,588,685
iii) Others	499,926,644	515,939,812
Total	9,076,287,102	9,989,356,961

8.5. *Details of large loans, advances and leases*

Number of clients	40	31
Amount of outstanding loans, advances and leases	7,321,480,957	6,787,492,799
Amount of classified loans, advances and leases	1,205,266,781	85,826,698

Measures taken for recovery:

The management of Fareast Finance & Investment Limited has undertaken all possible timely and judicious steps to recover the large classified loans/advances/leases by expediting the pace of monitoring, lawsuits and deploying third party recovery agent if necessary. Fareast Finance & Investment Limited has filed several law suits under the Negotiable Instruments Act 1881 and Artha Rin Ain 2003 against the classified borrowers. Besides regular business premises visit along with continuous verbal and written communication is the continuous surveillance process of Fareast Finance & Investment Limited against the classified borrowers.

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.466,857,876 as at 31 December 2019 (Tk.1,184,855,468 as at 31 December 2018).

8.6. *Loans, advances and leases on geographical basis*

Inside Bangladesh		
Urban		
Dhaka Division	6,748,768,601	7,177,394,624
Chattogram Division	1,716,333,675	2,046,471,725
Khulna Division	12,563,617	12,563,617
Rajshahi Division	117,123,306	117,943,794
Barishal Division	-	-
Sylhet Division	-	-
Rangpur Division	-	-
Mymensingh Division	-	-
	8,594,789,199	9,354,373,760
Rural		
Dhaka Division	345,396,713	481,684,208
Chattogram Division	80,000,497	97,703,121
Khulna Division	56,100,693	55,595,872
Rajshahi Division	-	-
Barishal Division	-	-
Sylhet Division	-	-
Rangpur Division	-	-
Mymensingh Division	-	-
	481,497,903	634,983,201
	9,076,287,102	9,989,356,961
Outside Bangladesh		
	-	-
Total	9,076,287,102	9,989,356,961

		Amounts in Taka	
		31.12.2019	31.12.2018
8.7	<i>Loans, advances and leases on security basis</i>		
	Collateral of moveable and immovable assets	2,437,773,108	2,299,249,622
	Fixed deposit receipts	1,352,182,693	1,368,008,383
	Shares of listed public limited companies	149,234,754	434,437,676
	Corporate guarantee	210,946,893	336,284,589
	Personal guarantee	219,188,214	291,409,897
	Other securities	4,706,961,440	5,259,966,794
		9,076,287,102	9,989,356,961
8.8	<i>Classification of loans, advances and leases</i>		
	Unclassified		
	Standard	3,017,903,408	7,194,510,208
	Special mention account	919,900,392	1,269,329,090
		3,937,803,800	8,463,839,298
	Classified		
	Sub-standard	3,535,836,389	105,077,782
	Doubtful	279,688,672	188,896,408
	Bad/Loss	1,322,958,241	1,231,543,473
		5,138,483,302	1,525,517,663
	Total	9,076,287,102	9,989,356,961

8.9 *Provision for loans, advances and leases*

Status	Base for provision	Rate (%)		
Provision for unclassified loans, advances and leases-General provision				
Standard	3,017,903,408	0.25/1	73,963,051	70,308,388
Special mention account	851,969,459	5	42,598,473	59,065,124
			116,561,524	129,373,512
Provision for classified loans, advances and leases-Specific provision				
Sub-standard	3,283,758,695	20	656,751,738	12,699,649
Doubtful	139,714,124	50	69,857,062	65,327,283
Bad/Loss	737,567,100	100	737,567,100	689,908,092
			1,464,175,900	767,935,024
Required provision for loans, advances and leases			1,580,737,424	897,308,536
Total provision maintained (note-15.2)			1,246,507,078	897,548,715
Excess/(short) provision as at 31 December			(334,230,346)	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%.

8.9.1

Shortfall of provision for loans, advances and leases, other assets and balance with other banks and financial institutions

According to the company's request, Bangladesh Bank has given 5 (five) years time i.e. 2019, 2020, 2021, 2022 and 2023 for maintaining equally the required provision/provision shortfall of Tk.94.57 crore as on 31 December 2019 for loans, advances and leases, other assets and balance with other banks and financial institutions as per the letter # DFIM(C)1054/09/2020-1420 dated 25 August 2020. Details of shortfall of provision as on 31 December 2019 are as follows:

Provision for loans, advances and leases	334,230,346	-
Other assets	76,699,368	-
Balance with other banks and financial institutions	345,605,000	-
Total	756,534,714	-



		Amounts in Taka	
		31.12.2019	31.12.2018
8.10	<i>Net loans, advances and leases</i>		
	Total loans, advances and leases (note-8.1)	9,076,287,102	9,989,356,961
	Less:		
	Non-performing loans, advances and leases (note-8.8)	5,138,483,302	1,525,517,663
	Interest suspense (note-15.5)	448,411,980	336,439,889
	Provision for loans, advances and leases (note-15.2)	1,246,507,078	897,548,715
		<u>6,833,402,360</u>	<u>2,759,506,267</u>
		<u>2,242,884,742</u>	<u>7,229,850,694</u>
8.11	<i>Particulars of loans, advances and leases</i>		
a)	Loans, advances and leases considered good in respect of which the financial institution is fully secured	8,646,151,995	9,361,662,475
b)	Loans, advances and leases considered good against which the financial institution holds no security other than the debtors personal guarantee	219,188,214	291,409,897
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	210,946,893	336,284,589
		<u>9,076,287,102</u>	<u>9,989,356,961</u>
d)	Loans, advances and leases adversely classified: provision not maintained there against	-	-
e)	Loans, advances and leases due by directors or officers of the financial institution or any of them either separately or jointly with any other person	7,477,692	7,109,371
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	2,754,580,768	2,767,218,768
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	1,440,000	2,920,000
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	5,138,483,302	1,525,517,663
	ii) Provision on classified loans, advances and leases	1,464,175,900	767,935,024
	iii) Provision kept against loans, advances and leases classified as bad debts	737,567,100	689,908,092
	iv) Interest credited to interest suspense account (note-15.5)	448,411,980	336,439,889
k)	Cumulative amount of written-off of loans, advances and leases		
	Opening balance	396,334,445	396,334,445
	Add: Amount written-off during the year	-	-
	Less: Adjustment against realised written-off amount	-	-
		<u>396,334,445</u>	<u>396,334,445</u>
	Amount realized against loans, advances and leases previously written-off	15,742,358	5,335,427
	Amount relating to written-off/classified loans, advances and leases for which law suites has been filed excluding late payment interest and other charges	1,306,722,387	1,188,260,627

		Amounts in Taka	
		31.12.2019	31.12.2018
8.12	<i>Suites filed by the company</i>		
	As at 31 December 2019, Fareast Finance & Investment Limited filed 36 suits against 36 clients under Artha Rin Adalat Ain 2003. Total suit amount was Tk. 1,758,907,992 only.		
9.	Bills purchased and discounted		
	Payable in Bangladesh	-	-
	Payable outside Bangladesh	-	-
		<u>-</u>	<u>-</u>
	As at 31 December 2019, 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	58,197,309	58,046,746
	Add: Additions during the period	236,118	150,563
	Less: Disposals/adjustments during the period	2,600,000	-
	Balance as at 31 December	<u>55,833,427</u>	<u>58,197,309</u>
	Accumulated depreciation		
	Balance as at 01 January	43,583,927	36,305,260
	Add: Charge for the period	6,644,073	7,278,667
	Less: Disposals/adjustments during the period	2,599,999	-
	Balance as at 31 December	<u>47,628,001</u>	<u>43,583,927</u>
	Net book value of the asset as at 31 December (Annexure-B)	<u>8,205,426</u>	<u>14,613,382</u>
11.	Other assets		
	Advances, Deposits and Prepayments (note-11.1)	381,986,394	379,132,441
	Interest and Commission Receivable (note-11.2)	20,750,258	38,712,757
	Investment in associate (note-11.3)	620,061,550	627,727,765
	Amount receivable against shares sold	91,572,471	76,699,368
	Deferred tax assets (note-11.4)	3,171,804	1,920,950
	Right of use of assets (11.5)	2,134,886	-
	Miscellaneous	6,101,387	5,237,189
		<u>1,125,778,750</u>	<u>1,129,430,470</u>
11.1	<i>Advances, Deposits and Prepayments</i>		
	Advance to employees	-	43,031
	Advance corporate income tax	173,923,994	172,038,352
	Advance office rent	-	1,434,458
	Advance to Spacezero Ltd.-Floor purchase for Head Office	206,600,000	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	462,400	16,600
		<u>381,986,394</u>	<u>379,432,441</u>
11.2	<i>Interest and Commission Receivable</i>		
	Guarantee commission receivable	-	19,182,356
	Interest accrued on fixed deposit receipts	20,750,258	19,530,401
	Interest accrued on loans, advances and leases	<u>20,750,258</u>	<u>38,712,757</u>

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.

Movement of investment in associate is as follows:

	Amounts in Taka	
	31.12.2019	31.12.2018
Balance at 01 January		620,220,286
Investment/(Adjustment)	627,727,765	-
Revaluation reserve	-	-
Prior year adjustment	-	(19,248,437)
Share of profit/(loss) for the year	-	26,620,439
Cash dividend	(7,666,215)	135,477
Balance at 31 December	620,061,550	627,727,765

11.3.1 Revaluation reserve

Revaluation reserve includes proportionate revaluation reserve of Fareast Stocks & Bonds Limited (FSBL). In the year 2010, FSBL revalued its membership of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) based on the prevailing market price. In the year 2012, FSBL again reassessed its membership of DSE and CSE. In the year 2018, FSBL further adjusted the revaluation reserve and hence, proportionate revaluation decrease is reduced from investment in associate. Details are as follows:

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

11.4 Deferred tax asset

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

Particulars	Carrying amount at balance sheet	Tax base	(Taxable)/deductible temporary difference
Assets			
Fixed assets net of depreciation excluding land	8,205,426	16,663,568	8,458,143
Liabilities			
Total	8,205,426	16,663,568	8,458,143
Applicable tax rate			37.50%
Deferred tax asset as on 31 December 2019			3,171,804

11.5 Right of use of assets

Balance at 01 January	3,202,329	-
Less: Amortization/expenses on right of use of assets	1,067,443	-
Balance as at 31 December	2,134,886	-

11.6 Divisions of other assets

Income generating other assets	640,811,808	666,440,522
Non income generating other assets	484,966,942	462,989,948
	1,125,778,750	1,129,430,470

11.7 Maturity grouping of other assets

Amounts in Taka	
31.12.2019	31.12.2018
Repayable on demand	-
Up to 1 month	-
Over 1 month but not more than 3 months	118,886,516
Over 3 months but not more than 1 year	-
Over 1 year but not more than 5 years	384,195,798
Over 5 years	2,134,886
	956,306
	620,561,550
	628,227,765
	<u>1,125,778,750</u>
	<u>1,129,430,470</u>

12. Non-business assets

Name of the clients	Possession date		
Pick & Drop Cargo Services ¹	29-Sep-2011	5,485,000	5,485,000
Hasanat Enterprise ²	9-Jan-2018	-	1,643,666
Patriot Fashion Limited ²	8-Aug-2018	2,948,997	2,948,997
		<u>8,433,997</u>	<u>10,077,663</u>

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 decretal amount in Artha Rin Suit whichever is minimum. Later on, FFIL sold 3.36 decimal land at Tejgaon, Dhaka dated on November 14, 2019 and adjusted the non business asset booked for Hasnat Enterprise through the sale proceed.

13. Borrowings from other banks, financial institutions and agents

In Bangladesh (note-13.1)	3,204,818,490	3,135,570,112
Outside Bangladesh (note-13.2)	-	-
	<u>3,204,818,490</u>	<u>3,135,570,112</u>

13.1 In Bangladesh

Long term loans:

Bangladesh Bank	4,555,478	13,108,307
Bank Asia Limited	96,352,022	109,705,466
BASIC Bank Limited	118,385,170	116,883,477
Dutch-Bangla Bank Limited	234,938,726	242,094,342
Dhaka Bank Limited	27,564,468	23,581,513
IDLC Finance Limited	-	1,626,517
Jamuna Bank Limited	38,516,237	37,705,523
Midland Bank Limited	232,757,956	208,768,889
Modhumoti Bank Limited	198,120,417	190,548,253
Mutual Trust Bank Limited	20,882,705	34,715,043
NCC Bank Limited	84,041,288	82,979,146
NRB Commercial Bank Limited	127,499,537	122,874,297
Pubali Bank Limited	-	18,640,343
Shahjalal Islami Bank Limited	393,528,335	364,168,599
Social Islami Bank Limited	166,244,414	169,368,599
Southeast Bank Limited	104,503,351	99,430,323
Standard Bank Limited	32,600,035	26,898,130
The Premier Bank Limited	203,981,570	174,636,485
United Commercial Bank Limited	128,624,558	13,047,243
Uttara Bank Limited	75,297,508	77,273,630
Total long term loans	<u>2,288,393,775</u>	<u>2,128,054,125</u>

	Amounts in Taka	
	31.12.2019	31.12.2018
Short term and call loans:		
<i>Short term loans:</i>		
Industrial and Infrastructure Development Finance Company Limited	6,400,000	-
Mutual Trust Bank Limited	268,423,169	205,433,726
National Finance Limited	-	13,600,000
National Housing Finance and Investment Limited	16,000,000	31,300,000
NRB Bank Limited	121,600,000	243,900,000
NRB Commercial Bank Limited	70,129,205	33,717,873
Pubali Bank Limited	101,148,525	69,734,510
South Bangla Agriculture & Commerce Bank Limited	41,100,000	40,000,000
The Premier Bank Limited	53,962,954	51,262,734
United Commercial Bank Limited	(39,138)	108,267,144
Uttara Finance Limited	-	12,000,000
Total	678,724,715	809,215,987
<i>Call loans:</i>		
Janata Bank Limited	-	16,000,000
Modhumoti Bank Limited	-	12,300,000
NRB Bank Limited	86,200,000	-
Sonali Bank Limited	151,500,000	170,000,000
Total	237,700,000	198,300,000
Total short term and call loans	916,424,715	1,007,515,987
Total borrowings	3,204,818,490	3,135,570,112
13.2 Outside Bangladesh	-	-
As at 31 December 2019, the company does not have any borrowing from outside Bangladesh.		
13.3 Security against borrowings from other banks, financial institutions and agents		
Secured	2,962,563,012	2,924,161,805
Unsecured	242,255,478	211,408,307
	3,204,818,490	3,135,570,112
Borrowings from other banks, financial institutions and agents are secured by floating charges on all movable and immovable assets of the company ranking Pari-Passu among the lenders.		
13.4 Maturity grouping of borrowings from other banks, financial institutions and agents		
Payable on demand	237,700,000	198,300,000
Up to 1 month	776,611,603	560,437,345
Over 1 month but not more than 3 months	143,684,753	140,795,368
Over 3 month but not more than 1 year	724,540,981	987,159,556
Over 1 year but not more than 5 years	1,084,866,235	1,144,536,079
Over 5 years	237,414,918	104,341,764
	3,204,818,490	3,135,570,112
14. Deposits and other accounts		
Current deposits (note-14.1)	-	-
Bills payable (note-14.2)	-	-
Savings deposits (note-14.3)	-	-
Term deposits (note-14.4)	4,747,854,960	5,577,934,479
Bearer certificate of deposit (note-14.5)	-	-
Other deposits (note-14.6)	-	-
	4,747,854,960	5,577,934,479

		Amounts in Taka	
		31.12.2019	31.12.2018
14.1	<i>Current deposits</i>	-	-
To conform the Bangladesh Bank's guidelines regarding deposits, the company does not operate any current deposit account.			
14.2	<i>Bills payable</i>	-	-
As at 31 December 2019, the company does not have any bills payable.			
14.3	<i>Savings deposits</i>	-	-
To conform the Bangladesh Bank's guidelines regarding deposits, the company does not operate any savings deposit account.			
14.4	<i>Term deposits</i>		
	Deposits from other banks and financial institutions (note-14.4.1)	3,202,000,000	3,401,000,000
	Deposits from customers (note-14.4.2)	1,545,854,960	2,176,934,479
		4,747,854,960	5,577,934,479
14.4.1	<i>Deposits from other banks and financial institutions</i>		
	Agrani Bank Limited	600,000,000	600,000,000
	Bangladesh Infrastructure Finance Fund Limited	350,000,000	350,000,000
	GSP Finance Company (Bangladesh) Limited	-	6,000,000
	Investment Corporation of Bangladesh	615,000,000	650,000,000
	Janata Bank Limited	400,000,000	400,000,000
	Midland Bank Limited	290,000,000	295,000,000
	Modhumoti Bank Limited	-	30,000,000
	NRB Commercial Bank Limited	50,000,000	100,000,000
	Rupali Bank Limited	400,000,000	400,000,000
	Sonali Bank Limited	150,000,000	160,000,000
	South Bangla Agriculture & Commerce Bank Limited	220,000,000	270,000,000
	United Finance Limited	127,000,000	140,000,000
		3,202,000,000	3,401,000,000
14.4.2	<i>Deposits from customers</i>		
	Deposits from general public	602,399,800	923,274,692
	Deposits from companies	943,455,160	1,253,659,787
		1,545,854,960	2,176,934,479
14.4.3	<i>Rate of interest</i>		
	Rate of interest on term deposit receipts ranges from 6.00% to 13.50%.		
14.5	<i>Bearer certificate of deposit</i>	-	-
To conform the Bangladesh Bank's guidelines regarding deposits, the company does not have any bearer certificate of deposit.			
14.6	<i>Other deposits</i>	-	-
As at 31 December 2019, the company does not have any other deposit account.			



	Amounts in Taka	
	31.12.2019	31.12.2018
<i>14.7 Maturity grouping of deposits and other accounts</i>		
Payable on demand	-	-
Up to 1 month	1,077,844,674	326,874,399
Over 1 month but not more than 6 months	236,692,117	472,498,039
Over 6 month but not more than 1 year	88,366,269	151,758,387
Over 1 year but not more than 5 years	3,341,518,900	4,593,775,804
Over 5 years but not more than 10 years	3,433,000	33,027,850
Over 10 years	-	-
	<u>4,747,854,960</u>	<u>5,577,934,479</u>

15. Other liabilities

Expenditure and other payables (note-15.1)	582,956,655	494,874,870
Provision for loans, advances and leases (note-15.2)	1,246,507,078	897,548,715
Provision for the diminution in the value of investments (note-15.3)	57,222,355	35,293,237
Provision for income tax (note-15.4)	61,611,893	61,204,685
Interest suspense account (note-15.5)	448,411,980	336,439,889
Advance rental/installment against loans, advances and leases	29,517,137	45,107,917
Received from clients against partial rental/installment	23,079,990	56,888,382
Unpaid dividend	3,199,067	3,199,938
Lease liability (note-15.6)	1,292,094	-
Income Tax, VAT and Excise Duty deducted at source	10,651,178	12,632,152
	<u>2,464,449,427</u>	<u>1,943,189,785</u>

15.1 Expenditure and other payables

Accrual of leave encashment	1,157,075	1,918,332
Accrued interest on borrowings from other banks, financial institutions and agents	138,176,065	81,836,858
Accrued interest on deposits and other accounts	441,953,174	409,895,815
Salary and allowances	995,046	392,518
Auditors' fee	506,850	510,600
Office utilities	65,000	65,000
Advertisement and publicity	-	155,250
Telephone and mobile bill	74,545	92,250
Office security service bill	26,400	-
Others	2,500	8,247
	<u>582,956,655</u>	<u>494,874,870</u>

15.2 Provision for loans, advances and leases

This represents the amount arrived at after calculation as per circulars issued by the Bangladesh Bank in this context in order to cover all the required provisions of the company as at 31 December 2019. Total provision is made up as follows:

General provision on unclassified loans, advances and leases	116,561,524	129,613,691
Specific provision on classified loans, advances and leases	1,129,945,554	767,935,024
Balance at 31 December	<u>1,246,507,078</u>	<u>897,548,715</u>

Movements in general provision on unclassified loans, advances and leases

Balance at 01 January	129,613,691	252,212,420
Add: Provision made during the year	(13,052,167)	(122,598,729)
Balance at 31 December	<u>116,561,524</u>	<u>129,613,691</u>



	Amounts in Taka	
	31.12.2019	31.12.2018
Movements in specific provision on classified loans, advances and leases		
Balance at 01 January	767,935,024	786,948,054
Less: Fully provided debts written-off during the year	-	-
Add: Recoveries of amount previously written-off	-	-
Add: Provision made during the year	362,010,530	(19,013,030)
Less: Provision no longer required	-	-
Add: Net charge to profit and loss account	362,010,530	(19,013,030)
Balance at 31 December	1,129,945,554	767,935,024
Total	1,246,507,078	897,548,715

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

Balance at 01 January	35,293,237	26,705,090
Add: Provision made during the year	21,929,118	8,588,147
Balance at 31 December (Annexure-A for detail)	57,222,355	35,293,237

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 2019 is as follows:

Balance at 01 January	61,204,685	60,246,667
Add: Provision made during the year (note-38)	407,208	958,018
Less: Settlement of previous years' tax liability	-	-
Balance at 31 December	61,611,893	61,204,685

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	336,439,889	370,361,611
Add: Amount transferred to interest suspense account during the year	203,008,372	82,076,055
Less: Amount recovered from interest suspense account during the year	91,036,281	115,997,777
Less: Amount written-off during the year	-	-
Balance at 31 December	448,411,980	336,439,889

15.5.1 *Details of interest suspense account*

Interest suspense for unclassified loans, advances and leases

Standard	18,789,023	2,736,183
Special mention account	67,930,933	88,026,617
	86,719,956	90,762,800

Interest suspense for classified loans, advances and leases

Sub-standard	84,110,179	3,147,315
Doubtful	40,657,409	34,898,046
Bad/Loss	236,924,436	207,631,728
	361,692,024	245,677,089
Total	448,411,980	336,439,889

		Amounts in Taka	
		31.12.2019	31.12.2018
15.6	<i>Lease liability</i>		
	Balance at 01 January	1,767,873	-
	Add: Interest charge on lease obligation	155,373	-
		<u>1,923,246</u>	-
	Less: Payment and advances adjusted	631,152	-
	Balance at 31 December	<u>1,292,094</u>	-
15.7	<i>Maturity grouping of other liabilities</i>		
	Repayable on demand	-	-
	Up to 1 month	436,208,023	315,876,671
	Over 1 month but not more than 3 months	23,050,748	32,747,787
	Over 3 months but not more than 1 year	274,550,256	317,667,535
	Over 1 year but not more than 5 years	1,285,356,273	1,096,257,661
	Over 5 years	445,284,127	180,640,131
		<u>2,464,449,427</u>	<u>1,943,189,785</u>
16.	Share capital		
16.1	<i>Authorized capital</i>		
	200,000,000 ordinary shares of Tk.10 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>
16.2	<i>Issued, subscribed and fully paid up capital</i>		
	Ordinary shares: 164,063,330 ordinary shares of Tk.10 each	1,640,633,300	1,640,633,300
	Share premium	-	-
	Preference shares	-	-
	Total	<u>1,640,633,300</u>	<u>1,640,633,300</u>

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

16.3 *Raising of share capital*

Farcast Finance & 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
Total		<u>164,063,330</u>		<u>1,640,633,300</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.3.10 and Tk.3.30 at Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. respectively at 30 December 2019.



16.4 Composition of shareholders by shareholding as at 31 December 2019
Particulars

 Sponsors (Institutions)
 Sponsors (Individuals)
 General Public (Institutions)
 General Public (Individuals)
Total

Amounts in Taka	
31.12.2019	31.12.2018
No. of holders	Holding (%)
-	-
11	39.74
104	14.56
9,144	45.70
9,259	100.00

16.5 Distribution of shareholders by shareholding as at 31 December 2019
Holding of shares

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

No. of holders	Holding (%)
1,277	0.15
6,449	4.32
607	2.84
416	3.76
177	2.71
91	1.92
48	1.35
108	4.80
59	11.71
27	66.44
9,259	100.00

16.6 Capital adequacy requirement

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:

A. Tier-1 (Core Capital)

 Paid up capital (note-16.2)
 Statutory reserve (note-17)
 Retained earnings (note-18)

387,362,563	1,105,360,155
1,640,633,300	1,640,633,300
268,954,085	268,954,085
(1,522,224,822)	(804,227,230)

B. Tier-2 (Supplementary Capital)

 General provision maintained against unclassified loans, advances and leases up to specified limit as per Bangladesh Bank guideline
 Revaluation reserve up to 10% of equity instruments

124,526,386	134,830,763
116,576,855	126,881,231
7,949,531	7,949,531

C. Total Eligible Capital (A+B)

 D. Total Risk Weighted Assets (RWA)
 E. Required capital based on RWA (10% of D)
 F. Minimum Capital Requirement (MCR)
 G. Capital surplus/(deficit) (C-F)
 H. Capital Adequacy Ratio (CAR) (C/D)*100
 I. Core Capital to RWA (A/D)*100
 J. Supplementary Capital to RWA (B/D)*100

511,888,949	1,240,190,918
9,636,995,952	10,670,179,258
963,699,595	1,067,017,926
1,000,000,000	1,067,017,926
(488,111,051)	173,172,992
5.31	11.62
4.02	10.36
1.29	1.26

17. Statutory reserve

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

Balance at 01 January	268,954,085	242,447,925
Add: Transferred during the year	-	26,506,160
Balance at 31 December	268,954,085	268,954,085

18. Retained earnings

 Balance at 01 January
 Less: Cash dividend paid
 Less: Issue of bonus shares
 Add: Net profit for the year
 Less: Transfer to statutory reserve
 Add: Prior year adjustment of Forecast Stocks & Bonds Ltd. (note-11.3)
Balance at 31 December

(804,227,230)	(936,872,309)
-	-
-	-
(717,997,592)	132,530,800
-	26,506,160
-	26,620,439
(1,522,224,822)	(804,227,230)



		Amounts in Taka	
		31.12.2019	31.12.2018
19.	Contingent liabilities and commitments		
19.1	<i>Contingent liabilities</i>		
	Acceptances and endorsements	-	-
	Letter of guarantee (note-19.1.1)	-	-
	Irrevocable letter of credit	-	-
	Bills for collection	-	-
	Other contingent liabilities	-	-
		<u>-</u>	<u>-</u>
19.1.1	<i>Letters of guarantee</i>		
	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	-	-
		<u>-</u>	<u>-</u>
19.2	<i>Other commitments</i>		
	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	-	-
		<u>-</u>	<u>-</u>



		Amounts in Taka	
		2019	2018
20.	Income statement		
	Income		
	Interest, discount and similar income (note-20.1)	770,350,759	1,254,286,616
	Dividend income (note-23)	2,086,039	4,790,089
	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)	(732,645)	1,341,621
	Profit less losses on interest rate changes	-	-
		771,704,153	1,260,418,326
	Expenses		
	Interest expenses on deposits, borrowings, etc. (note-22)	1,009,617,892	1,144,702,610
	Charges on losses regarding loans, advances and leases	-	-
	Administrative expenses (note-20.2)	93,114,926	96,998,735
	Other operating expenses (note-35)	10,281,019	12,512,825
	Depreciation on company's fixed assets (note-34)	6,644,073	7,278,667
		1,119,657,910	1,261,492,837
		(347,953,757)	(1,074,511)
20.1	<i>Interest, discount and similar income</i>		
	Interest income (note-21)	769,935,810	1,254,276,584
	Capital gain on sale of shares (note-23)	414,949	10,032
		770,350,759	1,254,286,616
20.2	<i>Administrative expenses</i>		
	Salary and allowances (note-26)	51,380,203	59,451,619
	Rent, taxes, insurance, electricity, etc. (note-27)	19,503,871	19,050,084
	Legal expenses (note-28)	8,042,576	4,693,326
	Postage, stamp, telecommunication, etc. (note-29)	1,251,462	1,578,817
	Stationery, printing, advertisement, etc. (note-30)	2,263,237	1,591,736
	Managing Director's salary and allowances (note-31)	8,511,000	8,484,500
	Directors' fees (note-32)	808,000	560,000
	Auditors' fees (note-33)	503,100	539,350
	Repairs of company's fixed assets (note-34)	851,477	1,049,303
		93,114,926	96,998,735
21.	Interest income		
	Interest on term finances	753,053,131	1,163,315,092
	Lease income	27,201,357	49,572,552
	Total interest income on loans, advances and leases	780,254,488	1,212,887,644
	Interest on balance with banks and other financial institutions	(10,318,678)	41,388,940
		769,935,810	1,254,276,584

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 extended to Fareast Stocks & Bonds Limited. Subsequently company's Board of Directors in their 208th meeting held on 08 March 2020 decided to impose interest rate on the outstanding amount @ 13.90% per annum from 20 March 2020.

As per Bangladesh Bank's instruction through letter # FIID/I-08(02)/2019/2020-324 dated 23 June 2020, interest receivable on fixed deposit accounts with other financial institutions amounting Tk.64,311,640 was reversed from interest income.

		Amounts in Taka	
		2019	2018
22.	Interest expenses on borrowings, deposits, etc.		
a)	Interest expenses on borrowings		
	Interest on term loans	365,861,494	428,130,068
	Interest on call loans	13,827,311	13,271,291
	Interest on secured overdrafts	62,004,853	54,053,157
	Interest on margin accounts	-	144
	Bank charges	447,707	900,481
		<u>442,141,365</u>	<u>496,355,141</u>
b)	Interest expenses on deposits	<u>567,476,527</u>	<u>648,347,469</u>
	Total	<u><u>1,009,617,892</u></u>	<u><u>1,144,702,610</u></u>
23.	Investment income		
	Capital gain/(loss) on sale of shares	414,949	10,032
	Dividend income	2,086,039	4,790,089
		<u>2,500,988</u>	<u>4,800,121</u>
24.	Commission, exchange and brokerage		
	Guarantee commission	-	-
	Realization of L/C commission	-	-
		<u>-</u>	<u>-</u>
25.	Other operating income		
	Income from associate	(7,666,215)	135,477
	Documentation fees	21,000	95,760
	Early settlement fees	4,838,802	354,992
	Profit/(loss) on disposal of fixed assets	1,706,979	-
	Profit/(loss) on disposal of leased assets	166,500	189,750
	Miscellaneous earnings	200,289	565,642
		<u>(732,645)</u>	<u>1,341,621</u>
26.	Salary and allowances		
		<u><u>51,380,203</u></u>	<u><u>59,451,619</u></u>
	Salary and allowances include company's contribution to recognized provident fund and approved gratuity fund amounting Tk.1,858,199 and Tk.106,685 respectively (Tk.2,102,164 and Tk.1,600,251 respectively in the year 2018).		
27.	Rent, taxes, insurance, electricity, etc.		
	Rent, rate and taxes	17,682,407	17,242,872
	Insurance	271,974	386,067
	Power and electricity	1,549,490	1,421,145
		<u>19,503,871</u>	<u>19,050,084</u>
28.	Legal expenses		
	Professional fees	6,670,873	4,092,776
	Other charges	1,371,703	600,550
		<u>8,042,576</u>	<u>4,693,326</u>
29.	Postage, stamp, telecommunication, etc.		
	Postage	20,295	67,723
	Telegram, telex, fax, and e-mail	-	1,000
	Data communication	460,176	621,485
	Telephone-office	768,267	881,836
	Telephone-residence	2,724	6,773
		<u>1,251,462</u>	<u>1,578,817</u>

30. Stationery, printing, advertisement, etc.

 Office stationery
 Computer consumable stationery
 Publicity and advertisement

Amounts in Taka	
2019	2018
521,106	653,200
73,900	64,650
1,668,231	873,886
2,263,237	1,591,736

31. Managing Director's salary and allowances

 Basic pay
 Allowances
 Bonus
 Company's contribution to recognized provident fund
 Approved gratuity fund
 Annual membership subscription paid to professional bodies

3,600,000	3,600,000
3,600,000	3,600,000
600,000	600,000
360,000	360,000
300,000	300,000
51,000	24,500
8,511,000	8,484,500

Besides, total perquisites of Tk.518,454 in the year 2019 (Tk.548,028 in the year 2018) was paid in relation to the Managing Director of the company.

32. Directors' fees
Fees

 Board of Directors
 Board Audit Committee
 Executive Committee

696,000	424,000
112,000	136,000
-	-
808,000	560,000
-	-
808,000	560,000

Other benefits

-	-
808,000	560,000

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

a) In the year 2019 the following meetings were held:

Name of meetings

 Board of Directors
 Board Audit Committee
 Executive Committee

Number of meetings

13	9
4	5

- 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%
 Auditors' certificate fees

481,850	510,600
21,250	28,750
503,100	539,350

34. Depreciation and repairs of company's assets

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

6,644,073	7,278,667
851,477	1,049,303
7,495,550	8,327,970

	Amounts in Taka	
	2019	2018
35. Other operating expenses		
Office maintenance	2,892,973	2,078,593
Travel and conveyance	239,019	152,751
Motor vehicle expenses	4,056,151	4,574,122
Meeting expenses	333,123	306,599
Training expenses	61,000	90,000
Books and periodicals	47,351	48,990
Share business expense	56,836	213,024
Subscription	1,560,000	1,716,000
Entertainment and public relation	560,177	474,665
Annual General Meeting	474,389	2,858,081
	<u>10,281,019</u>	<u>12,512,825</u>

Tk.512,518 was spent for the year 2019 (Tk.401,771 for the year 2018) 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)	(13,052,167)	(122,598,729)
Specific provision on classified loans, advances and leases (note-15.2)	362,010,530*	(19,013,030)
	<u>348,958,363</u>	<u>(141,611,759)</u>

37. Provision for investment in shares		
Balance at 01 January	35,293,237	26,705,090
Add: Provision made during the year (note-15.3)	21,929,118	8,588,147
Balance at 31 December (Annexure-A for detail)	<u>57,222,355</u>	<u>35,293,237</u>

38. Provision for income tax		
This represents amount provided for income tax on profit before tax for the year ended 31 December 2019. The amount has arrived as follows:		
Amount provided on current year's profit	407,208	958,018
Less: Excess provision of income tax	-	-
Amount provided for current tax	<u>407,208</u>	<u>958,018</u>
Amount provided for deferred tax	(1,250,854)	(1,539,717)
Total	<u>(843,646)</u>	<u>(581,699)</u>

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 2019 and profit for the same period.

Net profit/(loss) after income tax (A)	(717,997,592)	132,530,800
Weighted average number of outstanding shares (B)	164,063,330	164,063,330
Earnings per share (Basic) (A/B)	<u>(4.38)</u>	<u>0.81</u>

Diluted earnings per share

No diluted earnings per share are required to be calculated for the period ended 31 December 2019, as there was no scope for dilution during the period under review.

	Amounts in Taka	
	2019	2018
40. Net Asset Value (NAV) Per Share		
Net asset (total assets less total liabilities) (A)	466,857,876	1,184,855,468
Total number of ordinary shares outstanding (B)	164,063,330	164,063,330
Net Asset Value (NAV) Per Share (A/B)	<u>2.85</u>	<u>7.22</u>
41. Net Operating Cash Flows Per Share (NOCFPS)		
Net cash flows from operating activities (A)	(195,021,353)	568,557,786
Total number of ordinary shares outstanding (B)	164,063,330	164,063,330
Net Operating Cash Flows Per Share (NOCFPS) (A/B)	<u>(1.19)</u>	<u>3.47</u>

The major reasons for having deviation of net profit/(loss), EPS, NAV and NOCFPS between two years are the provisions for loans, advances and leases and interest suspense which was made following the FID circular # 08 dated 03 August 2002 issued by Bangladesh Bank in this regard and interest spread.

42. Reconciliation of profit/(loss) before income tax with cash flows from operating activities		
Profit/(loss) before income tax	(718,841,238)	131,949,101
Less: Profit from sale of shares of securities	(414,949)	(10,032)
Less: Income taxes paid	(1,885,642)	(7,903,491)
Add: Adjustments for non-cash items:		
Depreciation of company's assets	6,644,073	7,278,667
Provisions for loans, advances and leases	348,958,363	(141,611,759)
Provision for the diminution in the value of investments	21,929,118	8,588,147
(Increase)/decrease in loans, advances and leases	913,069,859	1,607,901,467
(Increase)/decrease in other assets	(17,196,832)	6,342,664
Increase/(decrease) in deposit and other accounts	(830,079,519)	(1,330,565,323)
Increase/(decrease) in net drawdown of short term loans	(91,091,272)	175,399,512
Increase/(decrease) in other liabilities on account of customers	(49,399,172)	15,417,685
Increase/(decrease) in other liabilities	111,282,340	(36,097,615)
Increase/(decrease) in accruals	112,003,518	131,868,763
Net cash flows from operating activities	<u>(195,021,353)</u>	<u>568,557,786</u>

43. Number of employees

At the end of the year the number of employees drawing Tk.3,000 or above per month was sixty four (seventy five in 2018).

44. Assets pledged as security for liabilities

As at 31 December 2019, all the fixed and floating assets of the company were pledged as security under pari-passu security sharing 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

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.

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

Till 31 December 2019, 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	Nature of transactions	Amounts in Taka	
		2019	2018
Fareast Stocks & Bonds Limited	Investments	620,061,550	627,727,765
	Term loan given	2,754,580,768	2,767,218,768
	Receivable against shares sold	91,263,902	76,299,007
		3,465,906,220	3,471,245,540

45.5 Status of transactions done with related parties

As at 31 December 2019, 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 2019, 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 2019, the company holds the shares of the following related parties:

Name of related party	Number of shares
Fareast Stocks & Bonds Limited	<u>45,479,437</u>

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	
	2019	2018
a) Short-term employee benefits		
Basic pay and allowances	22,050,523	22,203,984
Bonus	1,996,282	2,016,158
Annual leave encashment	799,518	901,734
Motor vehicle expenses	2,797,965	2,995,331
Telephone and mobile allowances	182,466	309,346
	<u>27,826,754</u>	<u>28,426,553</u>
b) Post-employment benefits		
Company's contribution to provident fund	1,094,329	1,132,461
Retirement benefit and gratuity	1,542,204	2,725,836
	<u>2,636,533</u>	<u>3,858,297</u>
c) Other long-term benefits	-	-
d) Termination benefits	-	-
e) Share-based payments	-	-
Total	<u>30,463,287</u>	<u>32,284,850</u>

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"

	<u>5,226,861</u>	<u>5,056,027</u>
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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. Ashraf Abdullah Yussuf	Independent Director	Chairman	Master in International Studies (London), Master in Political Science
Mr. Md. Ershad Ullah	Vice Chairman	Member	BBA (Management)
Mr. Md. Ashaduzzaman	Representative Director	Member	M. Com.
Mr. Md. Rafiqul Islam	Independent Director	Member	MA
Mr. Khandoker Motaher Uddin Ahmed	Independent Director	Member	BA

46.2 Meetings held by the committee during the year

In the year 2019 the Committee met four times.

Meeting number	Held on
84th	4-Mar-2019
85th	20-Jun-2019
86th	18-Jul-2019
87th	14-Nov-2019

46.3 Activities of the audit committee during the year

In the year 2019 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 2019, no executive committee meeting was held.

48. **Disclosure regarding branch**

As at 31 December 2019, the company has three branches in Bangladesh.

49. **Highlights**

Highlights of the company for the year 2019 and 2018 is presented below:

Sl. #	Particulars	Amounts in Taka	
		2019	2018
1	Paid up capital	1,640,633,300	1,640,633,300
2	Total capital	1,989,082,698	1,989,082,698
3	Capital surplus/(deficit)	(488,111,051)	173,172,992
4	Total assets	10,883,980,753	11,841,549,844
5	Total deposits	4,747,854,960	5,577,934,479
6	Total loans, advances and leases	9,076,287,102	9,989,356,961
7	Total contingent liabilities and commitments	-	-
8	Credit deposit ratio (%)	191.17	179.09
9	% of classified loans, advances and leases against total loans, advances and	56.61	15.27
10	Profit after provisions and income tax	(717,997,592)	132,530,800
11	Classified loans, advances and leases	5,138,483,302	1,525,517,663
12	Provision kept against classified loans, advances and leases	1,129,945,554	767,935,024
13	Provision surplus/(deficit)	(334,230,346)	240,179
14	Cost of borrowing fund (%)	11.95	11.63
15	Interest earning assets	10,340,091,140	11,293,819,622
16	Non-interest earning assets	543,889,613	547,730,222
17	Return on investments (ROI) (%)	3.01	11.66
18	Return on assets (ROA) (%)	(6.32)	1.04
19	Income from investments	2,500,988	4,800,121
20	Earnings per share (restated)	(4.38)	0.81
21	Net income per share	(4.38)	0.81
22	Price earnings ratio (times)	(0.71)	6.56

50. **Subsequent events-disclosure under IAS-10 "Events after the Reporting Period"**

Board meeting held on 15 September 2020 has recommended no dividend during the year. 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.

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	2019		2018	
	Contracted Taka	Disbursed Taka	Contracted Taka	Disbursed Taka
Term finances	8,300,000	18,340,000	5,560,000	102,911,505
Leases	-	-	-	3,000,000
Total	8,300,000	18,340,000	5,560,000	105,911,505

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 sq ft at its registered address @ Tk.60 per sq ft. 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. Subsequently, on 08 March 2020, the company sent a letter to Eunoos Trade Centre Limited regarding notice of termination of lease agreement giving 6 months time.


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. Subsequently, on 06 August 2019, Fareast Finance & Investment Limited signed a Deed of Cancellation Agreement with Spacezero Limited regarding (i) to cancel the allotment of 9th floor, (ii) to adjust Tk.148,041,000 only out of the payment made by the company as full and final payment against the allotment of 10th floor, and (iii) to refund the remaining amount of Tk.58,559,000 only.

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 sq ft 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 sq ft 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 further entered into an agreement for Banani branch office with Mrs. Saheli Huq, owner of the premises at Banani, Dhaka on 30 July 2019 for renting 2,687 sq ft area on the 6th floor of the building for a period of 1 year starting from 01 August 2019 to 31 July 2020 @ Tk.299,700 only per month for first 6 months and for subsequent 6 months the amount of rent will be revised at the option of Fareast Finance & Investment Limited.

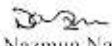
52.4 Declarations

The Board of Directors of Fareast Finance & Investment Limited adopted the Financial Statements of the company for the year ended 31 December 2019 in their 212th meeting held on 15 September 2020 and recommended to the shareholders for approval.


 Md. Shamsul Islam Varosha
 Chairman


 Md. Ashaduzzaman
 Director


 Muhammad Ali Zaryab
 Managing Director


 Nazmun Nahar
 Company Secretary



Fareast Finance & Investment Limited
Investment in shares as at 31 December 2019

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. 2019	Total market value as at 31 Dec. 2019	Estimated commission on sale of shares	Fair value as at 31 Dec. 2019	Provision required as at 31 Dec. 2019
					Taka	Taka	Taka	Taka	Taka	Taka	Taka
1	ADN Telecom Limited	N	10	18,969	569,070	30.00	10.00	189,690	569	189,121	379,949
2	BSRM Steels Limited	A	10	120,691	9,205,453	76.27	39.20	4,731,087	14,193	4,716,894	4,488,559
3	Coppertech Industries Ltd.	N	10	237	0	0.00	23.50	5,570	17	5,553	(5,553)
4	Envoy Textiles Ltd.	A	10	76,353	3,675,494	48.14	24.90	1,901,190	3,802	1,897,387	1,778,106
5	EXIM Bank Ltd.	A	10	22,966	505,022	21.99	10.10	231,957	696	231,261	273,762
6	FAR Chemical Industries Ltd.	A	10	39,930	1,161,000	29.08	8.20	327,426	982	326,444	834,556
7	Fareast Islami Life Insurance Co. Ltd.	A	10	1,197	85,728	71.62	49.60	59,371	119	59,252	26,475
8	Genex Infossys Ltd.	N	10	392	3,410	8.70	67.40	26,421	79	26,342	(22,931)
9	Golden Harvest Agro	A	10	65,520	2,261,323	34.51	19.20	1,257,984	3,774	1,254,210	1,007,113
10	Green Delta Mutual Fund	A	10	100,000	1,000,000	10.00	8.00	800,000	1,600	798,400	201,600
11	IDLC Finance Ltd.	A	10	61,000	4,753,902	77.93	45.40	2,769,400	8,308	2,761,092	1,992,810
12	IFAD Amos Ltd.	A	10	11,000	1,309,550	119.05	46.20	508,200	1,525	506,675	802,875
13	IFIC Bank Ltd.	A	10	226,820	3,386,423	14.93	9.90	2,245,518	6,737	2,238,781	1,147,641
14	L.R. Global BD Mutual Fund One	A	10	319,200	2,588,956	8.11	6.60	2,106,720	6,320	2,100,400	68,393
15	MBL 1st Mutual Fund	A	10	184,100	1,605,773	8.72	6.10	1,123,010	3,369	1,119,641	147,333
16	MUL Bangladesh Ltd.	A	10	182,227	19,942,923	109.44	63.30	11,534,969	34,605	11,500,364	8,442,559
17	Mozaffar Hossain Spin. Mills Ltd.	B	10	799,680	21,655,334	27.08	9.40	7,516,992	22,551	7,494,441	14,160,893
18	New Line Clothing Ltd.	N	10	525	4,606	8.77	14.80	7,770	23	7,747	(3,141)
19	Popular Life 1st Mutual Fund	A	10	299,086	1,999,873	6.69	4.10	1,236,253	2,453	1,223,800	0
20	RAK Ceramic Industries Ltd.	A	10	100,782	5,562,662	55.19	28.70	2,892,443	8,677	2,883,766	2,678,896
21	Runner Automobiles Ltd.	N	10	3,963	270,225	68.19	59.50	235,799	707	235,091	35,134
22	Sileo Pharmaceuticals Ltd.	N	10	729	6,075	8.33	30.30	22,089	66	22,022	(15,947)
23	Southeast Bank Ltd.	A	10	37,950	696,082	18.34	13.40	508,530	1,526	507,004	189,078
24	Square Pharmaceuticals Ltd.	A	10	8,158	2,102,806	257.76	190.00	1,550,020	4,650	1,545,370	557,436
25	Sunnit Alliance Port Ltd.	A	10	33,653	2,412,838	71.74	16.70	561,671	1,685	559,986	1,852,872
26	The ACME Laboratories Ltd.	A	10	214,945	23,289,571	108.35	60.90	13,090,151	39,270	13,050,880	10,238,691
27	The City Bank Ltd.	A	10	283,556	10,125,303	35.71	21.10	5,983,032	17,949	5,965,083	4,160,220
28	United Airways Ltd.	Z	10	123,057	1,976,739	16.06	1.40	172,280	517	171,763	1,804,976
28	Total as at 31 December 2019			3,336,666	122,156,161			63,585,540	186,770	63,398,770	57,222,355
	Total as at 31 December 2018			4,304,658	150,206,094			113,137,714	339,413	112,798,301	35,293,237



Fareast Finance & Investment Limited
Schedule of fixed assets
As at 31 December 2019

Particulars	Cost				Depreciation				Net book value as at 31 December 2019
	Opening balance as at 01 January 2019	Additions during the year	Disposals/ adjustments during the year	Total balance as at 31 December 2019	Opening balance as at 01 January 2019	Charge for the year	Disposals/ adjustments during the year	Total balance as at 31 December 2019	
Owned assets									
Land	-	-	-	-	-	-	-	-	-
Furniture and fixture	15,903,918	-	-	15,903,918	13,198,399	1,109,148	-	14,307,547	1,596,371
Office equipment	15,665,236	236,118	-	15,901,354	13,126,850	1,167,862	-	14,294,712	1,606,642
Office software	1,826,725	-	-	1,826,725	1,826,696	-	-	1,826,696	29
Crockeries	61,430	-	-	61,430	49,959	5,724	-	55,683	5,747
Motor vehicle	24,740,000	-	2,600,000	22,140,000	15,382,023	4,361,339	2,599,999	17,143,363	4,996,637
Total as at 31 December 2019	58,197,309	236,118	2,600,000	55,833,427	43,583,927	6,644,073	2,599,999	47,628,001	8,205,426
Total as at 31 December 2018	58,046,746	150,563	-	58,197,309	36,305,260	7,278,667	-	43,583,927	14,613,382



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. 2019
1	Mr. Md. Shamsul Islam Varosha	Chairman	Nil.		
2	Mr. Md. Ershad Ullah	Vice Chairman	Ershad Enterprize	Proprietor	100
			M/S Ershad Shipping Line	Proprietor	100
			Diganta Parbahana (Pvt) Limited	Managing Director	50
			Ahsan Ullah Commercial Complex	Proprietor	100
3	Rinsha 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
4	Dr. Khadiza Waheeda Jahan	Director	Nil.		
5	Mr. Ashraf Abdullah Yussuf	Independent Director	Nil.		
6	Mr. Md. Rafiqul Islam	Independent Director	Nil.		
7	Mr. Khandoker Motaher Uddin Ahmed	Independent Director	Nil.		
8	Mr. Muhammad Muhibullahil Baqi	Independent Director	Nil.		
9	Mr. Syed Inam Hossain	Independent Director	Nil.		

