

**PRIVATE AND CONFIDENTIAL**

FIDELITY ASSETS & SECURITIES COMPANY LTD.

AUDIT REPORT AND STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 2005.

**A. WAHAB & CO.**  
**CHARTERED ACCOUNTANTS**

HOTEL PURBANI, ANNEX-2 (4TH FLOOR)  
1, DILKUSHA C/A, DHAKA-1000, BANGLADESH  
PHONE : (88-02) 7169268, 7161517  
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Correspondent of Moores Rowland International  
an association of independent accounting firms  
throughout the world

FIDELITY ASSETS & SECURITIES COMPANY LTD.

AUDIT REPORT AND STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 2005.

**A. WAHAB & CO.**  
**Chartered Accountants**

Hotel Purbani, Annex-2, 4th Floor,  
1 Dilkusha C/A, Dhaka-1000  
Bangladesh

Tel : (88-02) 7169268, 7161517  
9552229-32 Ext. 172

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E-mail : wahab\_co@agni.com

**AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
FIDELITY ASSETS & SECURITIES COMPANY LTD.**

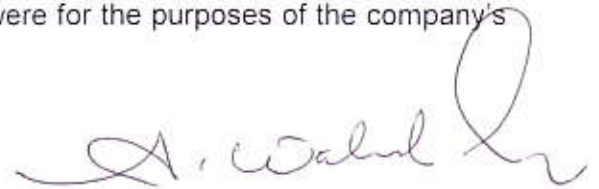
We have audited the accompanying Balance Sheet of Fidelity Assets & Securities Company Ltd. as of December 31, 2005 and the related Profit and Loss Account and Statement of Cash Flow for the year ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the Company's affairs as at December 31, 2005 and of the results of its operations and its Cash Flow for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

Subject to the attached notes on accounts and disclosures therein we also report that:

- i) We have obtained information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii) In our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- iii) The Company's Balance Sheet and Profit and Loss Account and its Cash Flow dealt with by the report are in agreement with the books of account and as per information provided by the management; and
- iv) The expenditures incurred and payments made were for the purposes of the company's business.



(A. WAHAB & CO.)  
CHARTERED ACCOUNTANTS

Dated: Dhaka, June 05, 2006

**FIDELITY ASSETS & SECURITIES COMPANY LIMITED**  
**Balance Sheet as of December 31, 2005**

(Amount in Taka)

SOURCE OF FUNDS	Notes	31-12-2005	31-12-2004
<b>Authorized Capital:</b>			
5,000,000 Shares @Tk.100.00 each		500,000,000	500,000,000
<b>Shareholders' Equity</b>		<b>177,179,210</b>	<b>165,106,524</b>
Paid-up Capital 1,500,200 Shares @Tk.100.00 each	2.00	150,020,000	53,620,000
Share Money Deposit	3.00	-	96,400,000
<b>Reserve &amp; Surplus:</b>		<b>27,159,210</b>	<b>15,086,524</b>
Statutory Reserve	4.00	8,150,981	4,789,532
Capital Reserve		315,000	315,000
Proposed Stock Dividend	5.00	15,002,000	-
Retained Earnings		3,691,229	9,981,992
<b>Long Term Liabilities:</b>		<b>48,805,772</b>	<b>10,513,680</b>
SME Refinance Loan	6.00	2,100,000	-
Term Loan	7.00	44,870,719	139,130
Term Deposit	8.00	1,420,000	10,100,000
Lease Advance	9.00	228,550	228,550
Sundry Deposit	10.00	186,503	46,000
<b>CAPITAL EMPLOYED</b>		<b>225,984,982</b>	<b>175,620,204</b>
<b>APPLICATION OF FUNDS:</b>			
Fixed Assets - At Cost Less Depreciation	Sch-A/1	3,559,617	1,424,420
Security Deposit		20,300	20,300
Net Receivable against Finance Lease	11.00	128,181,662	82,120,492
Term Finance	12.00	8,731,043	5,881,997
House Finance	13.00	317,359	115,101
Provision for doubtful debts	14.00	(4,700,776)	(1,620,438)
<b>Current Assets:</b>		<b>96,692,416</b>	<b>393,952,807</b>
Advance, Deposit & Prepayment	15.00	5,577,009	1,069,655
Accounts Receivable	16.00	3,868,272	1,462,633
Finance Lease Receivable	17.00	5,047,507	-
Investment in Shares	18.00	6,185,866	4,207,459
Short Term Finance	19.00	712,681	515,097
Fixed Deposit Receipts (FDR)	20.00	53,496,971	316,710,501
Cash and Cash Equivalents	21.00	21,804,110	69,987,462
<b>Less: Current Liabilities</b>		<b>6,816,639</b>	<b>306,274,475</b>
Call Loan	22.00	-	300,000,000
Payable and Accrued Expenses	23.00	984,957	1,117,966
Provision for Deferred taxation		-	1,251,294
Provision for taxation	24.00	5,831,682	3,905,215
<b>Net Current Assets:</b>		<b>89,875,777</b>	<b>87,678,332</b>
<b>NET ASSETS</b>		<b>225,984,982</b>	<b>175,620,204</b>

HASAN IQBAL  
Managing Director

SELIMA AHMAD  
Director

ABDUL MATLUB AHMAD  
Chairman

Subject to our separate report of even date

(A. WAHAB & CO.)  
CHARTERED ACCOUNTANTS

Dated: Dhaka, June 05, 2006



**FIDELITY ASSETS & SECURITIES COMPANY LIMITED**  
**Profit and Loss Statement**  
**For the year ended December 31, 2005**

(Amount in Taka)

PARTICULARS	Notes	31.12.2005	31.12.2004
<b>A. OPERATIONAL REVENUE</b>			
Interest income on Lease Finance	25.00	15,677,462	8,538,485
Interest on Term & House Finance	26.00	1,162,799	1,056,009
Interest Income on Bank Balance and Deposit	27.00	2,902,892	1,252,388
Loss on Merchant Banking	Annex-1	(287,375)	(285,896)
Other Income	28.00	246,109	165,121
<b>Sub Total A</b>		<b>19,701,887</b>	<b>10,726,107</b>
<b>B. OPERATIONAL EXPENSES</b>			
General and Administrative Expenses	29.00	5,695,745	2,929,379
Financial Expenses	30.00	45,012	8,900
Depreciation on Fixed Assets	Sch-A/1	716,303	245,326
Provision for Bad debts and Doubtful Leases etc.	31.00	2,723,585	586,684
<b>Sub Total B</b>		<b>9,180,645</b>	<b>3,770,289</b>
<b>Taxable Business Income</b>			
Subject to Provision of Section 29 ( V ) of I.T. Manual	( A - B ) = C	10,521,242	6,955,818
<b><u>Tax Free Income &amp; Dividend Income:</u></b>			
Dividend Income Received	32.00	129,621	684,000
Gain on Sale of Investment in Shares of Publicly Traded Co. Sec 32(7) of I.T. Manual		6,156,382	9,127,908
<b>Sub Total D</b>		<b>6,286,003</b>	<b>9,811,908</b>
<b>Taxable &amp; Tax Free Total Income</b>	<b>E = ( C + D )</b>	<b>16,807,245</b>	<b>16,767,726</b>
Tax Provision	F	(4,734,559)	(3,630,118)
Deferred Tax	G	-	(1,251,294)
<b>Income after Tax</b>	<b>H ( E-F-G )</b>	<b>12,072,686</b>	<b>11,886,314</b>
Add : Retained Earning B/F		9,981,992	1,449,223
<b>Income Available for Appropriation</b>		<b>22,054,678</b>	<b>13,335,537</b>
Less : Appropriation		18,363,449	3,353,545
Statutory Reserve (20% of E)		3,361,449	3,353,545
Proposed Stock Dividend		15,002,000	-
<b>Retained Earning transferred to Balance Sheet</b>		<b>3,691,229</b>	<b>9,981,992</b>

HASAN IQBAL  
Managing Director

SELIMA AHMAD  
Director

ABDUL MATLUB AHMAD  
Chairman

(A. WAHAB & CO.)  
CHARTERED ACCOUNTANTS

Dated: Dhaka, June 05, 2006




**FIDELITY ASSETS & SECURITIES COMPANY LIMITED**  
**Profit and Loss Statement**  
**Merchant Banking Operations**  
**For the year ended December 31, 2005**


**Annexure-1**

**(Amount in Taka)**


<u>Particulars</u>	<u>31.12.2005</u>	<u>31.12.2004</u>
<b>Operational Revenue:</b>		
Underwriting Commission	29,625	34,125
<b>Operational Expenses</b>		
Administrative Expenses (Note - 29)	317,000	320,021
<b>Profit/(Loss) from Operations Transferred to Profit &amp; Loss A/C</b>	<b><u>(287,375)</u></b>	<b><u>(285,896)</u></b>

  
HASAN IQBAL  
Managing Director

  
SELIMA AHMAD  
Director

  
ABDUL MATLUB AHMAD  
Chairman

Dated: Dhaka, June 05, 2006

  
(A. WAHAB & CO.)  
CHARTERED ACCOUNTANTS



**FIDELITY ASSETS & SECURITIES COMPANY LIMITED**

**Cash Flow Statement**

**For the year ended December 31, 2005**

(Amount in Taka)

**A. Cash From Operating Activities**

Profit before Tax  
Add: Adjustment of profit to net cash flow from operating activities:  
Principal amount Realized against Lease Finance  
Depreciation of Fixed Assets  
Amortization of preliminary expenses  
Provision for Doubtful Leases, Diminution in Value of Investment in Shares & Term Finance

31-12-2005	31-12-2004
16,807,245	16,767,726
28,928,110	29,897,827
716,303	245,326
-	179,737
3,080,338	586,684
<b>49,531,996</b>	<b>47,677,300</b>

Cash generated from changes in working capital components:

Advance and Prepayment (Net)  
Accounts Receivable & Advances  
Income tax Adjustment During the year  
Deferred Tax  
Call Loan  
Finance Lease Receivable  
Accrued Expenses and payable

(4,507,354)	(367,525)
(2,405,639)	(672,946)
(2,808,092)	
(1,251,294)	(1,350,367)
(300,000,000)	300,000,000
(5,047,507)	-
(133,009)	188,880
<b>(316,152,895)</b>	<b>297,798,042</b>
<b>(266,620,899)</b>	<b>345,475,342</b>

**Net Cash from Operating Activities**

**B. Cash From Investing Activities**

Direct/ Term Finance  
Lease Finance ( Principal )  
Adjustment of Lease Finance  
Purchase of Fixed Assets  
House Finance  
Short Term Finance (Net)  
Investment in Shares  
Investment in FDR (Net)  
**Net Cash used in Investment Activities**

(2,849,046)	(2,806,938)
(83,317,876)	(80,854,244)
8,328,596	11,959,659
(2,851,500)	(48,300)
(202,258)	59,422
(197,584)	2,574,340
(1,978,407)	5,648,992
263,213,530	(314,710,501)
<b>180,145,455</b>	<b>(378,177,570)</b>

**C. Cash From Financing Activities**

Paid-up capital  
Long Term Loan  
Term Deposit  
Lease Advance  
Advance Lease Finance  
Sundry Deposit (Net)  
Liability for payable interest against long term deposit  
Magic Return Deposit  
Share Money Deposit  
SME Refinance Loan  
**Net Cash Provided by Financing Activities**

96,400,000	-
44,731,589	(1,700,000)
(10,100,000)	(9,950,000)
-	198,340
-	(237,330)
140,503	4,000
-	(2,315,753)
1,420,000	-
(96,400,000)	96,400,000
2,100,000	-
<b>38,292,092</b>	<b>82,399,256</b>

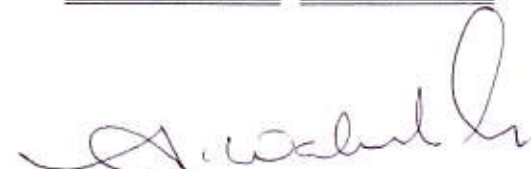
**Net increase/(decrease) in cash & bank balance**

**Opening Cash and Bank Balance**

**Closing Cash & Bank Balance**

(48,183,352)	49,697,028
69,987,462	20,290,434
<b>21,804,110</b>	<b>69,987,462</b>

Dated: Dhaka, June 05, 2006

  
(A. WAHAB & CO.)

CHARTERED ACCOUNTANTS



**FIDELITY ASSETS & SECURITIES COMPANY LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Particulars	Share Capital	Share Money Deposit	Statutory Reserve	General Reserve	Capital Reserve	Proposed Stock Dividend	Retained Earnings	Total
Balance as on 01-01-2005	53,620,000	96,400,000	4,789,532	-	315,000	-	9,981,992	165,106,524
Net Profit after Tax	-	-	-	-	-	-	12,072,686	12,072,686
Transferred to Statutory Reserve	-	-	3,361,449	-	-	-	(3,361,449)	-
Transferred to Proposed Stock Dividend	-	-	-	-	-	15,002,000	(15,002,000)	-
Share Money Deposit to Share Capital	96,400,000	(96,400,000)	-	-	-	-	-	-
<b>Balance as at December 31, 2005</b>	<b>150,020,000</b>	<b>-</b>	<b>8,150,981</b>	<b>-</b>	<b>315,000</b>	<b>15,002,000</b>	<b>3,691,229</b>	<b>177,179,210</b>

The accompanying notes form an integral part of these financial statement.

  
**HASAN IQBAL**  
Managing Director

  
**SELIMA AHMAD**  
Director



**ABDUL MATLUB AHMAD**  
Chairman

  
**(A. WAHAB & CO.)**  
CHARTERED ACCOUNTANTS



Dated: Dhaka, June 05, 2006