

FIDELITY ASSETS & SECURITIES COMPANY LTD.

**AUDIT REPORT AND STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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



Correspondent of Moors 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, 2006

A. WAHAB & CO.
Chartered Accountants

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**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, 2006 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, 2006 and of the results of its operations and its Cash Flow for the year then ended and comply with the Companies Act, 1994, SEC Rules 1987 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

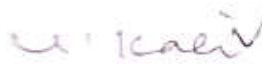
Dated: Dhaka, April 19, 2007



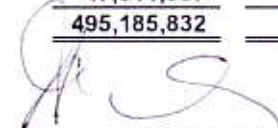
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FIDELITY ASSETS & SECURITIES COMPANY LIMITED
BALANCE SHEET AS OF DECEMBER 31, 2006

SOURCE OF FUNDS	Notes	(Amount in Taka)	
		31-12-2006	31-12-2005
Authorized Capital:			
5,000,000 Shares @Tk.100.00 each		500,000,000	500,000,000
Shareholders' Equity		278,533,310	177,179,210
Paid-up Capital 1,500,200 Shares @Tk.100.00 each	2.00	150,020,000	150,020,000
Share Money Deposit	3.00	85,000,000	-
Reserve & Surplus:		43,513,310	27,159,210
Statutory Reserve	4.00	13,315,143	8,150,981
Capital Reserve		315,000	315,000
Proposed Stock Dividend	5.00	15,002,000	15,002,000
Retained Earnings		14,881,167	3,691,229
Long Term Liabilities:		216,652,522	48,805,772
SME Refinance Loan	6.00	98,758,730	2,100,000
Term Loan	7.00	114,677,780	44,870,719
Deposit Account	8.00	2,236,575	1,420,000
Lease Advance	9.00	406,496	228,550
Advance Lease Rental		20,930	-
Sundry Deposit	10.00	552,011	186,503
CAPITAL EMPLOYED		495,185,832	225,984,982
APPLICATION OF FUNDS:			
Fixed Assets - At Cost Less Depreciation	Sch-A/1	8,224,889	3,559,617
Security Deposit (T&T)		20,300	20,300
Net Receivable against Finance Lease	11.00	348,093,065	128,181,662
Term Finance	12.00	2,999,613	8,731,043
House Finance	13.00	96,400,593	317,359
Provision for doubtful debts	14.00	(7,864,195)	(4,700,776)
Current Assets:		136,826,960	96,692,416
Advance, Deposit & Prepayment	15.00	8,291,322	5,577,009
Accounts Receivable	16.00	2,373,548	3,868,272
Finance Lease Receivable	17.00	368,082	5,047,507
Investment in Shares	18.00	23,975,456	6,185,866
Short Term Finance	19.00	315,701	712,681
Fixed Deposit Receipts (FDR)	20.00	500,000	53,496,971
Cash and Cash Equivalents	21.00	9,604,981	21,804,110
Current Maturity on Net Receivable against Finance Lease		78,253,257	-
Current Maturity on Term Finance		5,653,122	-
Current Maturity on House Finance		7,491,491	-
Less: Current Liabilities		89,515,393	6,816,639
Payable and Accrued Expenses	22.00	5,697,647	984,957
Current Maturity on SME Refinance Loan		25,531,270	-
Current Maturity on Term Loan		39,585,517	-
Sundry Creditors		1,787,484	-
Provision for taxation	23.00	16,913,475	5,831,682
Net Current Assets:		47,311,567	89,875,777
NET ASSETS		495,185,832	225,984,982


MOHAMMED N. S. KABIR
Managing Director & CEO


SELIMA AHMAD
Director


ABDUL MATLUB AHMAD
Chairman

Subject to our separate report of even date


(A. WAHAB & CO.)
CHARTERED ACCOUNTANTS

Dated: Dhaka, April 19, 2007



FIDELITY ASSETS & SECURITIES COMPANY LIMITED
Profit and Loss Statement
For the year ended December 31, 2006

(Amount in Taka)

PARTICULARS	Notes	31-12-2006	31-12-2005
A. OPERATIONAL REVENUE			
Interest income on Lease Finance	24.00	37,196,127	15,677,462
Interest on Term and House Finance	25.00	8,697,114	1,162,799
Interest income on Bank Balance and Deposit	26.00	1,467,461	2,902,892
Profit on Merchant Banking	Annex-1	1,440,034	(287,375)
Other Income	27.00	2,872,005	246,109
Sub Total A		51,672,741	19,701,887
B. OPERATIONAL EXPENSES			
General and Administrative Expenses	28.00	9,593,024	5,695,745
Financial Expenses	29.00	12,063,932	45,012
Depreciation on Fixed Assets	Sch-A/1	588,934	716,303
Provision for Bad debts and Doubtful Leases	30.00	4,157,093	2,723,585
Sub Total B		26,402,983	9,180,645
Taxable Business Income			
Subject to Provision u/s Section 29 (V) of I.T.O 1984	C=(A - B)	25,269,758	10,521,242
Tax Free Income & Dividend Income:			
Dividend Income Received		-	129,621
Gain on Sale of Investment in Shares of Publicly Traded Co. Sec 32(7) of I.T. Manual	Annex-1	551,050	6,156,382
Sub Total D		551,050	6,286,003
Taxable & Tax Free Total Income	E = (C+D)	25,820,808	16,807,245
Tax Provision	F	(11,081,793)	(4,734,559)
Income after Tax	G=(E-F)	14,739,015	12,072,686
Add : Retained Earning B/F		3,691,229	9,981,992
Income Available for Appropriation		18,430,244	22,054,678
Less Appropriation		5,164,162	18,363,449
Statutory Reserve		5,164,162	3,361,449
Proposed Stock Dividend		-	15,002,000
Adjustment of Excess Provision for Investment Loss (Note-1.06)		1,615,085	-
Retained Earning transferred to Balance Sheet		14,881,167	3,691,229
Earning Per Share	32.01	9.82	8.05

Mohammed N. S. Kabir
MOHAMMED N. S. KABIR
Managing Director & CEO

Selima Ahmad
SELIMA AHMAD
Director

Abdul Matlub Ahmad
ABDUL MATLUB AHMAD
Chairman

A. Wahab & Co.
(A. WAHAB & CO.)
CHARTERED ACCOUNTANTS


Dated: Dhaka. April 19, 2007

FIDELITY ASSETS & SECURITIES COMPANY LIMITED
Profit and Loss Statement
Merchant Banking Operations
For the year ended December 31, 2006


Annexure-1

(Amount in Taka)

Particulars	Notes	31-12-2006	31-12-2005
Operational Revenue:			
Underwriting Commission		945,000	29,625
Dividend Income Received	31.00	965,327	-
Gain on Sale of Investment in Shares		551,050	-
Counseling Fee		2,000	-
Sub Total		2,463,377	29,625
Operational Expenses:			
Administrative Expenses		472,293	317,000
Sub Total		472,293	317,000
Profit/(Loss) from Operations Transferred to Profit & Loss A/C		1,991,084	(287,375)
Less: Tax Free Income (Gain on sale of investment in shares)		551,050	-
		1,440,034	(287,375)


MOHAMMED N. S. KABIR
Managing Director & CEO


SELIMA AHMAD
Director


ABDUL MATLUB AHMAD
Chairman

Dated: Dhaka, April 19, 2007


(A. WAHAB & CO.)
CHARTERED ACCOUNTANTS



FIDELITY ASSETS & SECURITIES COMPANY LIMITED
Cash Flow Statement
For the year ended December 31, 2006

	(Amount in Taka)	
	31-12-2006	31-12-2005
A. Cash Flow from Operating Activities		
Collection from Turnover & Other Income	60,410,369	14,027,390
Payment for Cost & Expenses	(14,169,863)	(5,376,510)
Income Tax Paid and/or Deducted	(4,726,742)	(4,059,386)
Net Cash from Operating Activities	41,513,764	4,591,494
B. Cash Flow from Investing Activities		
Direct/ Term Finance	78,308	(2,849,046)
Lease Finance (Principal)	(298,164,660)	(46,061,170)
Purchase of Fixed Assets	(5,254,206)	(2,851,500)
House Finance	(103,574,725)	(202,258)
Short Term Finance	396,980	(197,584)
Investment in Shares	(17,789,590)	(1,978,407)
Investment in FDR	52,996,971	263,213,530
Net Cash used in Investment Activities	(371,310,922)	209,073,565
C. Cash Flow from Financing Activities		
Paid-up capital	-	96,400,000
Long Term Loan	109,392,578	44,731,589
Term Deposit	-	(10,100,000)
Lease Advance	198,876	-
Call Loan	-	(300,000,000)
Magic Return Deposit	816,575	1,420,000
Share Money Deposit	85,000,000	(96,400,000)
SME Refinance Loan	122,190,000	2,100,000
Net Cash Provided by Financing Activities	317,598,029	(261,848,411)
Net increase/(decrease) in cash & bank balance	(12,199,129)	(48,183,352)
Opening Cash and Bank Balance	21,804,110	69,987,462
Closing Cash & Bank Balance	9,604,981	21,804,110

Dated: Dhaka, April 19, 2007


 (A. WAHAB & CO.)
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FIDELITY ASSETS & SECURITIES COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2006

Particulars	Share Capital	Proposed Stock Dividend	Share Money Deposit	Statutory Reserve	General Reserve	Provision for Share Investment	Capital Reserve	Retained Earnings	Total
Balance as on 01-01-2006	150,020,000	15,002,000	-	8,150,981	-	-	315,000	3,691,229	177,179,210
Net Profit after Tax	-	-	-	-	-	-	-	14,739,015	14,739,015
Transferred to Statutory Reserve	-	-	-	5,164,162	-	-	-	(5,164,162)	-
Addition to Share Money Deposit	-	-	85,000,000	-	-	-	-	-	85,000,000
Adjustment of Provision for Investment in Shares	-	-	-	-	-	1,615,085	-	-	1,615,085
Balance as at December 31, 2006	150,020,000	15,002,000	85,000,000	13,315,143	-	1,615,085	315,000	13,266,082	278,533,310

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



SELIMA AHMAD
Director



MOHAMMED N. S. KABIR
Managing Director & CEO



ABDUL MATLUB AHMAD
Chairman



(A. WAHAB & CO.)
CHARTERED ACCOUNTANTS.



Dated: Dhaka, April 19, 2007