

# Directors' Report

Bismilliahir Rahmanir Rahim

Dear Shareholders,

Assalamu Alaikum Wa Rahmatullah

On behalf of the Board of Directors, I am happy to present the 19th Report of the Board of Directors of your Company along with the financial statements (which includes Balance Sheet, Profit and Loss Account, Statement of Changes in Equity and Cash Flow Statement) for the year ended December 31, 2015. We have the pleasure to place herewith the Directors' Report and the Auditors' Report together with the Audited Financial Statements of the Company for the year ended December 31, 2015 for your valued consideration, approval and adoption in compliance with the provisions of Section 184 of the Companies Act 1994, Rule 12 (and the schedule there under) of the Securities and Exchange Commission Rules 1987, BSEC Notification on Corporate Governance dated 7th August, 2012 and IAS-1: Presentation of Financial Statements as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB).

## Global Economy

2015 will probably count as another disappointing year for global growth. The muted performance came even as central banks continued to pump in liquidity, oil prices plunged again and inflation was moderate. It was also a year of divergent performers. While tumbling commodity prices took the shine off big emerging markets like Russia and Brazil, other emerging economies like India and Vietnam surprised on the upside. In the developed world, robust U.S. jobs growth prompted the Federal Reserve to tighten monetary policy for the first time since 2006, while the gloom around neighboring Canada deepened. In advanced economies, smaller European nations were among the best performers. Ireland's economy grew by 7% in the third quarter -faster than China and well ahead 1.6% growth of the EU in the same period. By contrast, the picture was more subdued in Finland. The northernmost euro member, which was among the most vocal critics of Greece during its crisis bailout negotiations, is suffering as key industries like paper making and consumer electronics struggle. Weak export demand from Russia is also hurting.

In the emerging market world, clear standouts included Vietnam, Tanzania and, wait for it, China. Even after a \$5 trillion stock market rout and what's tipped to be the slowest growth in 25 years, China's overall gross domestic product growth remains relatively robust compared to its peers. India's economy also expanded faster than expected in the third quarter when GDP rose 7.4% from a year earlier, after a 7% expansion in the previous quarter. The weakest performers included the usual suspects. Russia is on track for its longest slump in two decades mostly because of lower oil prices. Brazil has been dogged by the commodities slump, political turmoil, a corruption scandal and a widening budget gap. Goldman Sachs Group Inc. warned that the nation is sinking into "an outright depression."

Japan gets a special mention for the recession that never was. A data revision meant that GDP expanded in the third quarter rather than contracting as previously thought, meaning the world's third largest economy avoided a second recession in three years. Some economists say the performance shows Japan's economy is on an overall improving track, even if significant challenges remain. A notable absentee from the list is Venezuela: that's because the central bank hasn't published GDP data for the year.

## Economic performance of Bangladesh

Despite political agitation during 1st quarter of 2015 that adversely affected transport services, exports and private investment growth in Bangladesh held up well because of brisk domestic demand, boosted by higher worker remittances, private sector wages, and public investment.

Inflation moderated in FY2015 much as forecast in ADO 2015 from 7.4% a year earlier, reflecting large public stocks of food grains, normal weather, a supportive monetary policy, and lower global food and commodity prices that a steady exchange rate allowed to pass through.

Export growth was 3.3% in FY2015, down significantly from 12.1% in FY2014. Garments accounting for about 80% of total export grew slowly by 4.1%, reflecting supply chains disrupted by political demonstrations in early 2015, soft demand from the European Union and the US, and a marked decline in prices for cotton, a major input cost that can affect pricing. Imports rose by 11.2%, accelerating from 8.9% growth in FY2014. Larger imports of food grains, machinery, fertilizer, and industrial raw materials helped to propel the expansion. As country's exports grew significantly slower than imports, the trade deficit widened markedly. Despite a strong recovery in remittances, the current account recorded a small deficit slightly higher than the ADO 2015 forecast.

## Economic prospects

The GDP growth forecast for FY2016 is revised somewhat higher still with the expectation that exports will grow with continued economic recovery in the US and the euro area, strong expansion in remittances will boost consumption demand, private and public investment will pick up as the business climate improves under a stabilizing political situation, and spending will increase under the annual development program.

The ADO 2015 Update retains the ADO 2015 projection for average inflation in FY2016, which matches the central bank's monetary policy statement. Although higher public sector wages and upward adjustments to administered prices for natural gas and electricity from 1 September 2015 will exert inflationary pressure, the easing of supply constraints, a cautious monetary policy, and a better crop outlook should keep inflation in check.

Export growth in FY2016 is projected to improve to 6.0% as economic growth in the euro area and the US strengthens. Imports are projected to increase by 13.0%, mainly for capital goods, industrial raw materials, and food grains. Despite the expansion in remittances, the larger trade deficit will likely mean a current account deficit narrower than in FY2015 but failing to achieve the small surplus projected in ADO 2015.

### Financial Performance of FFIL

Key highlights of consolidated financial performance for FFIL and its subsidiary for the financial year 2015 and 2014 are tabulated below:

Particulars		2015	2014
Operating income	(in million Tk.)	510.95	384.31
Operating expenses	(in million Tk.)	104.53	92.46
Profit before tax	(in million Tk.)	215.07	215.36
Provision for taxation	(in million Tk.)	85.39	78.82
Profit after tax	(in million Tk.)	129.68	136.54
Retain Earning Balance	(in million Tk.)	151.43	150.36
Earnings Per Share	(in Tk.)	1.16	1.22

### Risk & it's Mitigation:

Risk mitigation planning is the process of developing options and actions to enhance opportunities and reduce threats to project objectives. Risk mitigation implementation is the process of executing risk mitigation actions. Risk mitigation progress monitoring includes tracking identified risks, identifying new risks, and evaluating risk process effectiveness throughout the project. Our financial and operational performance is closely associated with a number of risks, e. g, Credit risk, Liquidity risk, Market risk, Interest rate risk, Portfolio risk & Operational risk as well. The Board is always aware about those risks and proactive in formulating strategies for mitigation of those risks. The management works with a comprehensive plan to manage, monitor and mitigate the risks. Effective mitigation of risks is fundamental to the achievement of our goals. The details of risks & related action of the Company are discussed on page no 72 in this report.

### Product wise Performance :

The principal activities of the Company are:

- Mid to long term financing in the form of lease, term loan and home loan.
- Working capital finance in the form of credit sale financing against accounts receivable, short term revolving loan and work order financing.
- Investment products in the form of deposits.

There was no significant change in the nature of these activities during the year 2015.

### Transfer to Statutory Reserves :

The appropriations to Statutory Reserve for the Financial Year ended December 31, 2014-15 as per financial statements are:

Particular	2015 (In million Tk.)	2014 (In million Tk.)
Net profit for the year	129.68	136.54
Balance of Reserve at the beginning of the year	104.64	83.00
Transfer to Statutory Reserve	25.33	21.64
Balance of Reserve at the end of the year	129.98	104.64

### Lease Finance:

The main financial activity of FFIL is lease finance. The company offers full payout financial lease of financing machinery, equipment and vehicles. FFIL provide services to customers of different segments include growing companies, blue-chip companies and SMEs. Though as prudent business model the company has diversified. The investment under lease finance of the company stands at TK. 535.32 million at the end of 2015.

### House Finance & Term Finance :

The core product of FFIL in house finance. House finance is available for commercial, industrial, SME sectors, period ranging from 12 to 60 months depending on the business nature and need. The company's investment under house finance & term finance stands at Tk. 1514.77 million & 7864.62 million respectively at the end of 2015.

### Portfolio Management:

FCML, a subsidiary of FFIL, is providing portfolio Management services to a wide range of customer of the country keeping in mind the responsibilities to the society in which it works. FCML is providing management services under both discretionary and non-discretionary account categories.

### Margin Lon Facility :

FCML provides margin loan facilities to its portfolio customers for purchase of shares and securities. The amount of portfolio loan outstanding as on December 2015 was TK. 1,861.83 million as against Tk. 1,497.38 million in 2014, which recorded a growth of Percent. The above amount represents the aggregate margin loan facility extended to different portfolio customers for purchasing shares listed in the stock exchanges against their deposit. Loans are fully secured by way of lien on shares purchased under margin loan account.

### Investment in share and Securities:

Our Company has managed its investment in shares and securities very efficiently and skillfully over the preceding years and this year was no exception. FFIL maintains its own portfolio for investment in shares and securities of listed companies. These are fully diversified with securities of different industries/sectors. The risk of investment being minimized through diversification and investing mostly in fundamentally strong securities.

### Contribution to National Economy :

As a financial institute, FFIL contributes to the economic prosperity by providing financial products and services. FFIL contribute to the national exchequer in the form of Income Tax & VAT. During the year the company has deposited an amount of Tk. 37.21 million to the Govt exchequer as corporate tax of the company. Moreover, the company also collected and deposited to the Govt exchequer as withholding tax and vat is given below.

Particulars		2015	2014
Income Tax paid on company's income	(in million Tk.)	19.37	37.21
Tax collected at source on behalf of Government	(in million Tk.)	57.08	29.66
Value Added Tax (VAT)	(in million Tk.)	2.45	3.48
Excise Duty	(in million Tk.)	0.86	-
<b>Total</b>	<b>(in Tk.)</b>	<b>79.77</b>	<b>70.36</b>

### Implementation of BASEL-II:

Pillar -I (Minimum Capital Requirement) involves the calculation of minimum capital requirements to cover credit risk, market risk and operational risk. According to Bangladesh Bank's instruction, all FI's have to maintain regulatory Capital Adequacy Ratio (CAR) at minimum 10% where we are maintaining 10.75%. In this aspect the capital categorized in two tires:

- Tire-I Capital: Tier I capital is core capital, this includes equity capital and disclosed reserves (Statutory reserve, general reserve, retained earnings) also include non-redeemable non-cumulative preferred stock, Minority interest in subsidiaries, non.
- Tire-II Capital: Tier 2 capital is supplementary Capital that includes items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated term debt, such as :- Revaluation Reserve of Fixed Assets, Revaluation Reserve for securities, all other preference shares and General Provision up to a limit of 1.25% of Risk Weighted Assets (RWA) for Credit Risk.

The Pillar II (Supervisory Review Process) capital framework is intended to ensure that Companies have adequate capital to support the relevant risks in their business, and that they have appropriate processes to ensure compliance with regulatory authorities. It is also intended to encourage Company to develop and use better risk management techniques in monitoring and managing their risks. Pillar 2 therefore acts to further the safety and soundness of business. The Basel Implementation Unit (BIU) of FAS Finance & Investment Limited has been formed as per Basel-II Guideline of Bangladesh Bank and headed by the Managing Director and comprising of 4 members.

#### Anti-Money Laundering:

Anti-money laundering laws reflect an effort made the government to stop money laundering methods that involve financial institutions. Under the guidelines set forth by anti-money laundering, or "AML" financial institutions are required to verify large sums of money passing through the institution, and they are required to report suspicious transactions. To prevention of money laundering, the management of FFIL has been formed Anti-money laundering committee as follows:

SL.	Name	Designation	Position
01.	Mr. Pran Gouranga Dey	Senior Executive Vice President	CAMELCO
02.	Mr. Md. Azimul Haque	Senior Vice President	Deputy CAMELCO
03.	Mr. Md. Maniruzzaman Akan	Chief Financial Officer	Deputy CAMELCO
04.	Mr. Md. Munir Hossain	Senior Assistant Vice President	Deputy CAMELCO
05.	Mr. Muhammad Motiur Rahman	Deputy Manager	Member
06.	Mr. Abu Mirza Md. Sayem	Manager	Member

#### Corporate and Financial Reporting Framework:

The Members of the Board, in accordance with the Bangladesh Securities & Exchange Commission's Notification no. SEC/CMRRCD/2006-158/Admin/44 dated August 7, 2012; confirm compliance with the financial reporting framework for the following:

- The Financial Statements prepared by the Management of FFIL, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the issuer company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IASs)/ Bangladesh Accounting Standards (BASs)/ International Financial Reporting Standards (IFRSs)/ Bangladesh Financial Reporting Standards (BFRSs), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the issuer company's ability to continue as a going concern.

#### Key operating and financial data of at least last preceding 5 (five) years:

Key operating and financial data of FFIL for last five years as per Notification No. BSEC /CMRRCD /2006 158/129/Admin/44 dated 07 August 2013 is shown in Annexure-III at page no. 36 Financial Highlights as required by Bangladesh Bank is also given in page no. 26

#### Shareholding Pattern :

Shareholding patterns of the Company as at the end of the year 2015 is shown in Annexure-II of this report.

#### Board Meetings And Attendance of The Directors :

During the year ended on December 31, 2015 at total of Eleven (11) Board Meetings were held and attendance by the Directors are summarized in Annexure-I of this report.

#### Directors' Appointment & Re-appointment:

As per Article 104 & 105 of the Article of Association of the Company, the following Directors will retire in the 19th Annual General Meeting and being eligible offered themselves for re-appointment :

1. Mr. Mohammad A Hafiz
2. Mr. Md. Siddiqur Rahman
3. Mr. Dr. Uddab Mallick
4. Ms. Kazi Mahajaben Momtaz

### Board Independence:

Definition of Independence of Directors is derived as per Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 of Bangladesh Securities and Exchange Commission, the appointment of Independent Director should be approved by the Shareholders in the Annual General Meeting. In compliance with the section 1.2(i) of the above said notification 3 (Three) Independent Directors have been appointed by the Board of Directors for a period of 3 (three) years and as per section 1.2(iii) of the same notification the Shareholders in the 18th Annual General Meeting held on Saturday, May 30, 2015 approved the appointment of the Independent Directors based on the confirmation / disclosures received from the Directors as per same notification and on evaluation of the relationships disclosed, the following Non-Executive-Directors-are-considered-as-Independent-Directors:

1. Mr. Anjan Kumer Roy, FCA
2. Mr. Pradip Kumar Nandi
3. Mr. Birendra Kumer Shome

### Deposit Mobilization :

FFIL mobilizes term deposits from corporate and individuals through its wide range of deposit schemes with different maturity options, monthly/quarterly/ half-yearly/yearly income options, double/triple money options, monthly saving options etc. The deposits base of the Company continued to register a steady growth and stood at Tk. 7,049.85 million as on 31 December 2015 compared to Tk. 2,999.10 million of the previous year, registering growth of percent is 135.07%. The growth was made due to high standard products and services along with competitive interest rate offered to customers.

### Going Concern:

The financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Board of Directors of FFIL has made annual assessment about whether there exists any material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern, including review of budget and future outcome of inherent uncertainties in existence. Based on the different indications, Directors feel it is appropriate to adopt going concern assumptions and no material uncertainty exists in preparing the financial statements.

### Recovery:

According to Bangladesh Bank criteria for classification of nonperforming loan for NBFIs, NPL in the same period stood at Tk. 823.49 million which is merely 7.30% of the total outstanding loans and advances FFIL maintain required provision against loans and advances any other accounts that are considered by Management as doubtful of recovery.

### Proposed Dividend:

The Board has proposed Stock Dividend @ 10.00% for the year ended on 31st December 2015.

### Appointment of External Auditor:

The Financial Institutions Act, 1993 stipulated that an auditor of a Financial Institution cannot be appointed for more than three consecutive years. Mabs & J Partners., Chartered Accountants has carried out the audit of the Company for consecutive three years including the year 2015. The Board of Directors considering the willingness and proposal of Board Audit Committee recommended for appointment of M/s Pinaki & Co., Chartered Accountants and an audit firm, registered office at Ahsandell, 2/A Mymensingh Road (2nd Floor), Shahbag, Dhaka- 1000 of repute to be the Auditor for the year 2016 to hold office from the conclusion of the 19th Annual General Meeting until the conclusion of the next 20th Annual General Meeting of FAS Finance & Investment Limited. As per Section 210(10) of the Companies Act, 1994, remuneration of the Auditors' required to be approved by the Shareholders in the Annual General Meeting of the Company. As approved by the Shareholders in 18th Annual General Meeting held in 2015 the auditors' remuneration for audit services paid to the auditors for the financial year ended 31 December 2014 amounting to Tk. 125,000/- plus VAT. As proposed by the Audit Committee, the Board in its 177th meeting held on 14 day, May 2016 recommended for appointment of M/s Pinaki & Co., Chartered Accountants at a remuneration of Tk. 1,25,000/- plus VAT.

### Status of Compliance :

In accordance with the Bangladesh Securities & Exchange Commission's Notification no. BSEC/CMRRCD/2006-1581 Admin/134/44 dated August 7, 2012, the Directors are required to confirm compliance of certain conditions. The notification was issued for ensuring good governance practices in the listed companies. A statement on the compliance of the BSEC's conditions is given in this report in Annexure -5.

### Human Resources :

An organization's human resource management strategies maximize return on investment in the organization's human capital and minimize financial risk. Human Resources seek to achieve this by aligning the supply of skilled and qualified individuals and the capabilities of the current workforce, with the organizations ongoing and future business plans and requirements to maximize return on investment and secure future survival and success. To ensure such objectives FFIL, human resource drives to implement the organization's human resource requirements not only effectively but also pragmatically, ethically and practical manner to maintain low employee turnover rate by providing proper counseling, training, long term career growth and friendly working environment. Besides, this FFIL keep continuous effort for searching new talents those who can contribute by adding some values with some new ideas to reach our company at desired level in this competitive market. It's a demand of evolving business environment that the human resources of the company requires training for every changing process, customer preferences, numerous new technology applications, compliance and regulatory requirements. FFIL conducted several training programs in various functional areas as per individual employee's requirement during the year. FFIL upholds its values in its actions. It ensures honesty and sincerity in all interactions, respect all with whom we work and interact with dignity and consideration, keep promises, rely on each other, pursuit and maintain indiscrimination in respect to religion, class, cast, and gender to treat people as individual.

### Information Technology :

In the world of globalization, Information system is such where data are collected, classified and put into process interpreting the result thereon in order to provide an integrated series of information for further communicating and analyzing. In a progressively more spirited worldwide atmosphere, Information System plays the role as 'enabler and facilitator', which endows with tactical values and step up to the excellence of administration. 'An Information System is a particular type of work system that uses information technology to detain, store, retrieve, analyze or display information, thereby partisan one or more other work structure. Information systems may also help managers and workers investigate problems, envisage complex subjects and generate new merchandise or services. FFIL is driving to upgrade its IT platform regularly and making required investment to bring about changes in technological infrastructures to bring efficiency to its operation and have more satisfied customers. As you may be aware the Company is procuring state-of-the-art & robust core operating systems to combine and integrate all the operations of the Company and to have efficient use of the information.

### Significant improvement from the last year's operating result :

Total assets for the year 2015 has been increased i.e. 78.23%. Total deposit has been improved remarkably i.e. 135.07%. The loans, advances and lease also increased 93.07%.

### The System Of Internal Control :

The Board of Directors assures the Shareholders that the Company has a forceful risk management process to ensure that the system of internal control is sound in design and has been effectively implemented and monitored. The Company takes reasonable steps to identify material risks that may hamper business results and systematically reviews these risks in light of the changing internal and external environment in order to assess that the controls in place are adequate to address these risks.

### Plan For Utilization Of Undistributed Profit:

The undistributed profit will be utilized to invest in financing assets and meet contingencies under section 100 of the Schedule I of the Companies Act 1994.

### Corporate Governance Compliance Report :

Pursuant to the clause 7 (ii) of the SEC Notification No. SEC/CMRRCD/2006-1581134/admin 144 dated August 7, 2012 we attach the Company's compliance status as Annexure -5

### Certification on compliance of Corporate Governance :

Certificate from professional accountant on compliance with the conditions as per clause 7(i) of Corporate Governance guidelines is shown in Annexure -6.



#### Other Regulatory Disclosures :

- The Company is aware of its various risks and concerns, mainly from the policy and regulatory parts, and is prepared to meet those by systematic control. Financial risk management has been disclosed under note of the Financial Statements as per BFRS.
- All transactions with related parties have been made on a commercial basis and the basis was the principle of "Arm's Length Trans-action". Details of related party and transactions have been disclosed under note of the financial statements as per BFRS. During the year, the Company has paid a total amount of Tk. 8.45 million as Board meeting attendance fees.
- All significant deviations from the previous year in operating results of the Company have been highlighted and reasons thereof have been explained.
- The key operating and financial data for the last five years have been disclosed in the Directors' Report. The Company has declared final dividend for the year 2015.
- During 2015, a total of 22 (Twenty Two) meeting of Board of Directors were held, which met the regulatory requirements in this respect.
- The attendance records of the Directors are shown in this report.
- Shareholding patterns of the Company as on 31 December 2015 are shown in this report in Annexure -II

#### Acknowledgement

Directors of FFIL take this opportunity to thank the valued clients, shareholders, bankers, business associates, financial institutions and Governments for their consistent support and encouragement to the Company. I am sure you will join our Directors in conveying our sincere appreciation to all employees of the Company and its subsidiaries for their hard work and commitment. Their dedication and competence have ensured that the Company continues to be a significant and leading player in the Financial-Services-industry.

Board also expresses its gratitude to Bangladesh Bank, Bangladesh Securities & Exchange Commission, Dhaka Stock Exchange Ltd., Chittagong Stock Exchange Ltd., National Board of Revenue, Registrar of Joint Stock Companies & Firms and other regulatory bodies for their assistance and guidance. Our sincere appreciation goes to the employees of the Company for their loyalty, efforts and dedication.

Finally, the Board of Directors like to thanks the respected shareholders for their confidence on the Board & Management and assures them that the process of strengthening and development of the Company will continue in coming days to optimize the wealth of the stakeholders.

On behalf of the Board of Directors,



Mohammad A. Hafiz  
Chairman (Acting)