

Directors' Report

Dear Shareholders,

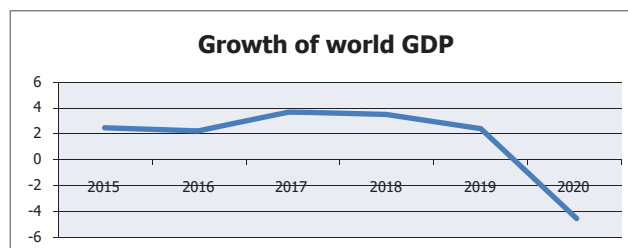
On behalf of the Board of Directors, I take the privilege to present the 24th Report of the Board of Directors of the Company along with the Financial Statements (which includes Balance Sheet, Profit and Loss Account, Statement of Changes in Equity and Cash Flow Statement) for the year ended on December 31, 2020. 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 on December 31, 2020 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 Code dated 3rd June, 2018 and IAS-1: Presentation of Financial Statements as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB).

Bangladesh is one of the fastest growing economies in the globe. The country has witnessed five years average GDP growth of 7.12% at the end of FY 2020. In spite of the impacts of the COVID-19 Bangladesh achieved the record GDP growth in the Asia of 5.24 percent in FY2020.

The year 2020 comes toward us with an uncertainty of (COVID-19), which has emerged as a global pandemic, poses a major threat to the global economy. Protecting lives and allowing health care systems to cope with the required quarantine, isolation, lockdown etc. which have severely impacted economic activity throughout the Globe. The global economy is estimated to have contracted by 3.5 percent in 2020. According to IMF, the baseline scenario, which assumes that social distancing will continue into 2021 but will fade over time as vaccine coverage will expand everywhere by the end of 2022.

World Economy 2020

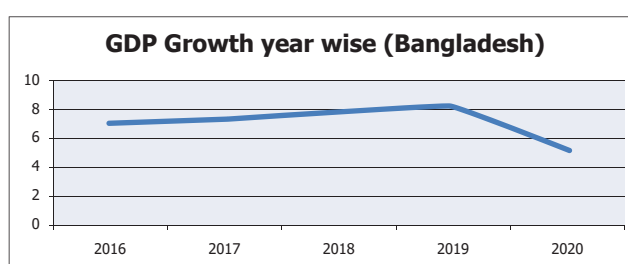
The pandemic has dropped the world GDP growth rate to a negative 4.4 %, as projected by IMF. The pandemic has most heavily dented the global trade volume. Lockdowns, isolation and trade restrictions have reduced the global trade volume in 2020 by a staggering 10.43% from the last year. On the bright side, investments as a percentage of global GDP slightly decreased from 26.27% in 2019 to 26.11% in 2020. Moreover, global inflation remained around 3%.



Although there was a rebound in economic activity during the third quarter of 2020, there was a downfall in the fourth quarter of 2020 in Europe. On the contrary, Asian countries have comparatively surpassed better despite a slowdown to 0.9 percent. There is a prediction that the bounce-back will be the strongest in the Asian countries since they have brought Coronavirus under control compared to the European and US governments. The output in Emerging and Developing Asia is projected to expand 8.3% in 2021, which is around 2.7 percent above the pre-pandemic projection. Among the Asian countries, China is expected to recover strongly with great output.

Bangladesh Economy 2020

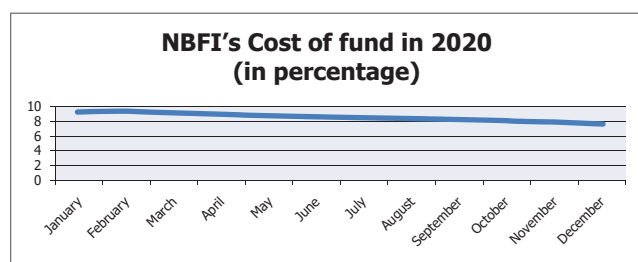
Due to the fall in exports and reduction in the expected growth in remittances post lockdown, the GDP growth rate of the last fiscal year has gone downward. Although Bangladesh has reached far from its targeted rate due to the pandemic, it still has diligently been maintaining its economic growth. The biggest support came from farmers who continue to feed the country and the migrant workers who proved the grim forecasts wrong, sending home a record amount of remittance. The robust flow of remittance lifted the country's foreign exchange reserves to record high and put the country on a firm footing. The reopening of the economy in June' 2020 was a very bold move and proved to be a judicious one, as the virus did not go out of control. The agricultural production, remittance, the stimulus package and the uptick in domestic demand and exports put the country on the path of recovery. The Country reported an impressive 5.24% GDP growth in FY19-20 despite prevailing pandemic situation for Covid – 19 and its negative impact both locally and internationally.



Non Banking Financial Institutions Performance in 2020

Non-Bank Financial Institutions (NBFIs), have been playing a crucial role by providing additional financial services that is not usually provided by the banks. Despite many challenges like lack of confidence on financial sector, many negative reporting in the media about Banks and NBFIs, huge encashment pressure of deposits, tight liquidity position and fund crisis as well as slow loan recovery and significant increase the number of NPL the NBFIs have been playing a significant role for the recovery of the economy in the post COVID situation. At present, there are 35 NBFIs operating in Bangladesh. Total asset of NBFIs at the end of June 2020 was BDT 860.33 billion, which was BDT 871.50 billion at the end of 2019. NBFIs are investing in different sectors of the economy, but their investments are mostly concentrated in industrial sector. As of 30 June 2020, NBFIs total investment in capital market stood at BDT 17.98 billion which is accounted for 2.09 percent of the total assets of all NBFIs. At the end of June 2020, total deposit of NBFIs stood at BDT 441.17 billion from BDT 451.00 billion. At the end of June 2020, total liability and equity stood at BDT 768.71 billion and BDT 91.62 billion respectively.

COVID-19 pandemic put an adverse impact on most of the industries of the country. In line with the instruction of the Government, Bangladesh Bank offered various stimulus package to support both Corporate and CMSME sector to revive and stay in the business successfully. NBFIs have a great scope yet to explore new sources of funds like issuance of bond, foreign funds other capital market products etc. They can design more and more innovative products to collect granular deposits and to reach the unbanked people. If that happen, the financial climate may significantly change and the financial industry may regain its impetus.

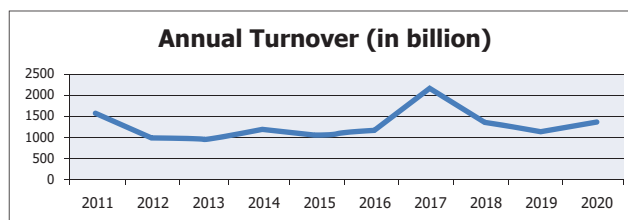


Bangladesh Capital Market in 2020

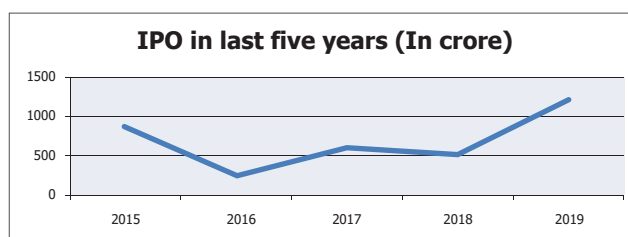
The capital market experienced a dramatic period of ups-and-downs in 2020. Several market developments, in addition to the uncertainty regarding the pandemic-led economic fallout, had pushed down DSEX index towards 3,604 points on 18 March 2020. Subsequently, the regulator was forced to impose floor price on stocks in order to arrest the uncontrollable decline in the stock price. The regulator then had to close down the market during the government-declared general holidays from 26 March 2020 to 30 May 2020, aimed at reducing the transmission of COVID-19. With uncertainty looming over the future of the capital market during the pandemic, the appointment of the new Chairman

of BSEC in May 20, and its initiatives to bring order into the market, gave some hope among the investors. In 2020, DSEX gained 949 points (21.3% YoY) to close at 5,402 points, while DS30 gained 451 points (29.8% YoY) to reach 1,964 points.

Notably, BSEC took a hardline approach against companies that failed to comply with minimum 2.0% shareholding of individual directors and cumulative shareholding of 30.0% by sponsors and directors. Other initiatives include improving financial condition and offering exit plan to Z-category companies, holding company AGM on digital platform, revising category (A, B, and Z) definition, and issuing directive for the mutual fund managers to publish financial reports and portfolio statements. At the end of 2020, the incumbent commission oversaw a 1,341.6 points gain in DSEX index, and 41.8% increase in market capitalization.



Average daily turnover increased 35.1% YoY to BDT 6,489 mn in 2020, up from previous BDT 4,803 mn in 2019. P/E ratio of DSEX stood at 16.5x in 2020, up from five-year low P/E ratio of 11.8x in 2019. Market capitalization increased by 32.01%. Following the appointment, the new BSEC commission addressed on the backlog of IPOs, and approved thirteen new IPOs which raised BDT 1,215 crore as capital. The commission also attempted to keep market irregularities, infractions, and manipulation in check, giving the investors' some hope for improved corporate.



If we consider the overall performances of the Industry FFIL performance is not in a good shape at all. The main obstacle we have faced in the last two years cause of the pandemic situation our regular deposit mobilization reduced at an alarming level on the other hand a large portion of the loan portfolio of the Company became non performing and the recovery became sluggish in regular interval. After restructuring of the Board of the Company we are jointly working with the Management to speed up the recovery from the classified loan accounts and collect deposit from the market for balancing the cash flows of the Company.

However, after reconstitution of the Board, the newly appointed Board members are on process for a special audit to find out the exact current situation of the Company and expected the audit will be finished soon. Depending on the report the Board will take all sorts of necessary measure for revive the Company once again to a profitable concern.

Challenges of FFIL

- Inclusion of shareholding Directors.
- Nonpayment/part payment of deposits at the time of maturity leading to increase of liability due to accumulation of interest against deposits & borrowed loans.
- Around 89.81% of company loans are not efficient/effective including 88.60% B/L status, amongst the classified loans (NPL) more than 93% are large loans. So recovery from those loans is a big challenge.
- Some mortgage free loans given which will result into 'no-recovery' in future.
- Our subsidiary company named FAS Capital Management Limited (Merchant Banking Operation) having huge amount of negative equity with an insignificant amount of market value, in that case there is no possibility to recover from the negative equity situation at the earliest.
- Non-availability of government and institutional funds.

Revival of FFIL: Way Forward

- To create positive vive in the market to regain our company's IMAGE by way of fresh branding with new promotional ideas for business development with the inclusion of big/new shareholders to the Board of Directors. Thanks to Bangladesh Securities and Exchange Commission (BSEC) for timely action in respect of Board Reconstruction.
- Required some amount by way of issuance of Bond or any other instrument for fresh financing in SME/Retail businesses as well as to pay back the depositors funds.
- Started process to sell out the mortgaged properties from the classified loan accounts and pursuing all related activities for releasing attachment through Court and also to sell of the unused assets/properties of our company.

Steps Taken by Current Board:

- **Introduced good governance in the organization:** since reconstitution of the Board i.e. June 01, 2021.
- **Accelerated the recovery from the classified accounts and deposit mobilization (as on 30.09.2021):**
 - i) Deposit mobilized: Tk. 1.30 crore
 - ii) Cash recovery from loans/leases: Tk. 16.50 crore

- **Introduced several Policies in HR for better manpower management and started process for recruitment of some mid level positions:** The strength and weakness of Human Resources identified & initiatives are being taken for the improvement of the manpower.
- **Recovered several Company's assets from the illegal occupation of previous Directors of FFIL/others**
- **Engagement of Special Auditor for assessing the current situation of the Company (in addition to the engagement from BSEC):** Expected to be completed by November 2021. Meanwhile, we found some lapses for accounting treatment of some amount of capital loss incurred in the own portfolio of FAS Capital Management Limited in 2018. After discussion with the Auditors we have restated the Financial Statements for the year 2018 and also subsequent impacts on the financials of 2019 & 2020.
- **Initiated all necessary activities for filling the gaps in legal activities and for withdrawing attachment by DUDOK for the PK Halder related assets with us:** Formed Special Cell to recover CL loans including PKH related files.
- **Rigorous monitoring/nursing the subsidiary company: FAS Capital Management Limited to come back to business and reducing the negative equity accounts/losses:** "Investment Committee" has been formed to keep close follow up, hence profitability has since been increased. Shifted Company operation in the own premises of FFIL. New CEO already joined and proceeded for the approval from BSEC.

Support Needed from Regulators / Government

- For issuance of BOND for the overall revival effort.
- Converting some portion of deposit into equity.
- Arrange strategic partner for Merger or joint venture.

Management's Discussion & Analysis

A more detailed discussion and analysis of the financials, as delivered by the Managing Director & CEO, is appended on page no. 99 to 104.

Financial Review

In line with overall economic growth, FFIL also exhibited a moderate progress in different sectors business lines during 2020. Total asset of the Company increased to BDT 21.53 billion in 2020 compared with BDT 20.27 billion in 2019. Loans & leases assets also increased by 1.26 billion during the year. During the year the overall Cost of borrowing has slightly decreased in 2020 compared to 2019. On the deposit side, our total deposits increased by 1.62% from BDT 8,949.14 million in 2019 to BDT 9,094.04 million in 2020. Beside of that all other key financial indicators of the Company have negative impacts. Specially, NPL showed a negative picture as the percentage of classified loans for the company increased to 88.76% in 2020 compared to 73.15% in 2019, which is mostly due to classification of some large loans.

Risk Management

We believe that getting risk management right is an essential component of success for a company. The identification, evaluation and management of risks together with the way we respond to changes in the external operating environment are keys to sustainable growth. We have seen that the NPL rate becomes 88.76% in 2020 due to large amount of classified accounts which indicating huge risk factors in the loan portfolio of the Company. To mitigate the risk factors we have existing Risk Management mechanism of the Company is given in the Credit Risk Management in the page no. 92 to 95 We would like to bring some modification on the existing and hoping it will put some positive impacts in future.

Corporate and Financial Reporting Framework

The Directors of FFIL, in conforming to the BSEC Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, confirm compliance with the financial reporting framework for the following:

- The financial statements, prepared by the management of FFIL make a fair presentation of its activities, operational details and results, cash flow information and changes in equity structure.
- Proper books and accounts of the Company have been maintained.
- Appropriate accounting policies, including International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been consistently applied in preparation of the financial statements. Any change or deviation has been adequately disclosed.
- Accounting estimates are based on reasonable and prudent judgment.
- Internal control processes have been properly designed and implemented.
- Minority shareholders have been duly protected as have effective means of redress.
- Comparative analyses of significant deviations have been highlighted and reasons have been explained in the respective sections.

Compliance and conviction

FFIL is careful about compliance of all applicable laws and regulations and does not adhere to any non-compliance of regulatory requirements with exception in CRR maintain, any loan default by the company or its directors or senior management.

CEO and CFO's declaration certificate

The CEO and CFO's declaration to the Board is appended on page no. 59.

Related Party Transactions

Disclosure of all related party transactions, including basis for such transactions, has been provided in Note 44 on page no. 177.

Subsidiary Company

FAS Finance & Investment Limited has one fully owned subsidiary company, namely, FAS Capital Management Limited a full fledged merchant bank. FAS Capital Management Limited was incorporated on 13 October 2010. During the year 2020, FAS Finance & Investment Limited did not receive any dividend from the Subsidiary Company. Separate audited financial statements of the subsidiary company are given on page no. 192 to 210 of this Annual Report.

IPO of the Company

FAS Finance & Investment Limited floated its ordinary shares through IPO in the year 2007 and raised BDT 140,635,000 at par. The net proceeds of IPO was used for Company's operational activities i.e. for investment, leasing, lending, refinancing of the Company.

Declaration of Dividend

The Board of Directors in its 245th Meeting held on October 21, 2021, recommended no dividend for the year ended on 31 December 2020 subject to approval of the shareholders at 24th Annual General Meeting scheduled to be held on November 30, 2021. Details of the dividend declared during the financial year are disclosed in Note 45.07 of the Notes to the Financial Statements on page no. 180 of this annual report.

At the end of the year 2020 the Company earned Tk. (14.61) per share and the NAV per share also become negative of Tk. (13.40). We have another alarming situation as negative capital/shareholder equity of Tk. (1,997.01) million which indicating a worst situation of the financial position of the Company. We would like to also emphasis on the NPL that becomes 88.76% of the total loan. For consideration of all the key financial indicators the Board recommended no dividend for the year 2020.

Annual General Meeting

The notice of the 24th Annual General Meeting is given on page no. 03 of this Annual Report. A summary of the agenda is given below:

01. To receive and adopt the Directors' Report, Auditors' Report and Audited Financial Statements of the Company for the year ended December 31, 2020;

02. To declare dividend for the year ended December 31, 2020;
03. To elect/re-elected Directors;
04. To appoint the Auditors for auditing Financial Statements for the year ended on December 31, 2021 and to fix their remuneration;
05. To appoint the Auditors for auditing Corporate Governance for the year ended on December 31, 2021 and to fix their remuneration;
06. To confirm the re-appointment of Mr. Pritish Kumar Sarker as Managing Director & CEO of FFIL;
07. To confirm the appointment of Mr. Mohammed Nurul Amin, Dr. Muhammad Saifuddin Khan, Brigadier General Abu Sayeed Mohammad Ali (LPR), Dr. Syed Abdulla Al Mamun FCMA and Mr. Salim as Independent Directors in the Board of FFIL;
08. Miscellaneous if any, with the permission of the Chair.

Directors' Meeting, Attendance & Remuneration

During the year 2020 a total ten meetings were held. All of the Directors served on the Board attended more than 87.78 percent of the aggregate of the total number of meetings of the Board of Directors. The Directors including the Independent Directors are not entitled to get any remuneration other than fees for attending in the Board/Committee meetings. An amount of BDT 8,000 is paid to each Director for attending each Board/Committee meeting. The details on remuneration paid to Directors in 2020 is presented on page no. 88 of this Annual Report.

Directors' Responsibilities of preparation of Financial Statements

As per Companies Act 1994, the Directors are responsible for preparing the Annual Report and Company's financial statements in accordance with applicable laws and regulations. The Board confirms that the Financial Statements have been prepared according to accounting policies and other applicable laws and regulations.

Regulatory Compliance

FAS Finance & Investment Limited is well aware of its regulatory compliance and has always followed applicable regulations rigorously. FAS Finance & Investment Limited has a dedicated compliance team for ensuring regulatory compliance across all the businesses and operations. They are responsible for identification and assessment and compliance related matters from a regulatory compliance perspective and monitoring and reporting. We ensure that these are periodically reviewed in line with the changing scenario and taking into account modifications if any in the regulatory guidelines.

Auditors

The Board in its 246th Meeting held on November 06, 2021 recommended the shareholders to appoint M/S. Mahfel Huq & Co., Chartered Accountants at a remuneration of BDT 125,000/- plus VAT to audit the financials of the Company for the period ended December 2021. FFIL has also taken prior approval from Bangladesh Bank to appoint M/S. Mahfel Huq & Co., Chartered Accountants, until completion of conclusion of the 25th AGM. This is to be mention here that our existing Auditor M/S. Malek Siddiqui Wali, Chartered Accountants has completed their consecutive second year of audit of the Company and eligible for re-appointment for consecutive 3rd and final year and as per request of the Management they expressed their unwillingness for become the auditor again for the final year with the reduced costing of fees and based on the current financial situation of the Company the Management recommended to the Board for appointment of M/S. Mahfel Huq & Co., Chartered Accountants instead of the existing. Based on the declaration provided by M/S. Mahfel Huq & Co. as far as the Directors are aware, the Auditors do not have any relationship with or interest with FFIL that in their judgments, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Bangladesh, applicable on the date of this report. Details about auditors of subsidiaries and auditor for other audit services are given in page no. 9 to 10 of the annual report.

Status of Compliance on Corporate Governance

Corporate Governance status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018 issued under Section 2CC of the Securities and Exchange Commission Ordinance 1969 and DFIM Circular No. 07, dated September 25, 2007, issued by Bangladesh Bank is enclosed in the subsequent section of the Directors' Report. Statement of Compliance with Good Governance Guideline Issued by Bangladesh Bank is included in Page no. 85 to 87.

Certificate from the practicing professional on the compliance of conditions on corporate governance

The Board in its 246th meeting held on November 06, 2021 recommended the shareholders to appoint Saifur Enayet & Associates, Cost & Management Accountants at a remuneration of BDT 25,000/- plus VAT in the 24th AGM to audit the compliances of Corporate Governance Guidelines for the year 2021.

Shareholding Pattern

FFIL's shareholding pattern as on December 31, 2020, is disclosed as per the new CGC of BSEC in this annual report on page no. 89 to 90.

Going Concern

Companies and other entities are experiencing the impact of difficult or uncertain economic conditions in varying degrees. The effects of such economic conditions may be significant in the area of financial reporting, in particular, the Directors' assessment of the Company's ability to continue as a going concern. Going concern is a fundamental principle underlying the preparation of the financial statements of a listed company. Bangladesh Accounting Standards require Directors to consider whether there are material uncertainties that would lead to significant doubt about a company's ability to continue for foreseeable period. BSEC requires the listed companies to make adequate disclosures in the financial report about the going concern of a listed company. The financial statements of the FAS Finance & Investment Limited have been prepared on a going concern basis. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions covering principal activities, strategic directions and challenges and uncertainties together with a review of the income statement, financial position and risk profile. In addition the Directors have considered the future projections of profitability, cash flows, asset quality, the outcome of various stress tests and capital resources in making their assessment. After assessment, the Directors are satisfied that the Company has adequate resources to continue its operation for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Directors to Retire and Re-Appointment

This is to be mentioned here that Bangladesh Securities & Exchange Commission (BSEC) restructured the Board of the Company with no previous Board members and appointed 05 new Independent Directors in the Board. Beside of that as per Corporate Governance Code 2018, the rotation is not required for retired and reappointment for any Independent Director. Such as no Directors will be eligible for retirement and reappointment for the 24th AGM of the Company.

Acknowledgement

The Board of Directors of the Company would like to extend their sincere thanks and gratitude to its stakeholders for assistance and guidance from time to time. The Directors of the Company acknowledge their gratitude to its customers, financiers, Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC), Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) and other regulatory authorities for their guidance and support to the Company and the co-operation extended by the Auditors, and the devoted efforts put in by the Company's employees at all levels to uphold the Company's performance.

For and on behalf of the Board of Directors.



Mohammed Nurul Amin
Chairman