

"If you have any query about this document, you may consult issuer, issue manager and underwriter"

# PROSPECTUS

**For**  
Public Offering of 700,000 Ordinary Shares of Tk.100.00 Each (At Par)  
Totaling Tk. 70,000,000.00  
**of**  
**BANGLADESH FINANCE AND INVESTMENT COMPANY LIMITED**

Opening Date for Subscription: **10/06/2007**

Closing Date for Subscription: **14/06/2007**

For Non-Resident Bangladeshi (NRBs) Quota Subscription Closes on: **23/06/2007**

## Manager to the Issue



### Prime Finance & Investment Limited

63, Dilkusha C/A (3<sup>rd</sup> Floor), Dhaka-1000, Phone: 9563883, Fax: 9563692  
E-mail: info@primefinance.net, Website: www.primefinance.net

## Underwriters

**Prime Finance & Investment Limited**  
63, Dilkusha C/A, (3<sup>rd</sup> Floor), Dhaka-1000

**Fidelity Assets & Securities Company Limited**  
Nitol Center (2<sup>nd</sup> Floor), 71, Mohakhali C/A, Dhaka-1212

**Southeast Bank Limited**  
1, Dilkusha C/A (3<sup>rd</sup> Floor), Dhaka-1000

**LankaBangla Finance Limited**  
Safura Tower (Level 11), 20, Kamal Ataturk Avenue, Banani,  
Dhaka – 1213

**Bay Leasing & Investment Limited**  
Printers Building (7<sup>th</sup> Floor), 5, Rajuk Avenue,  
Motijheel C/A, Dhaka – 1000

**ICB Capital Management Limited**  
8, D.I.T Avenue (14<sup>th</sup> Floor), Dhaka-1000

## Credit Rating Report by CRISL

Long Term: **BBB-**

Short Term: **St-4**

**Issue Date of The Prospectus: 08/05/2007**

**The issue shall be placed in "N" Category**

**"CONSENT OF THE SECURITIES AND EXCHANGE COMMISSION HAS BEEN OBTAINED TO THE ISSUE/OFFER OF THESE SECURITIES UNDER THE SECURITIES AND EXCHANGE ORDINANCE, 1969, AND THE SECURITIES AND EXCHANGE COMMISSION (PUBLIC ISSUE) RULES, 2006. IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS CONSENT THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE ISSUER COMPANY, ANY OF ITS PROJECTS OR THE ISSUE PRICE OF ITS SECURITIES OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINION EXPRESSED WITH REGARD TO THEM. SUCH RESPONSIBILITY LIES WITH THE ISSUER, ITS DIRECTORS, CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER, ISSUE MANAGER, UNDERWRITER AND/OR AUDITOR"**



## BANGLADESH FINANCE AND INVESTMENT COMPANY LIMITED

BAITUL HOSSAIN BUILDING (2<sup>ND</sup> FLOOR),  
27, DILKUSHA C/A, DHAKA-1000, BANGLADESH  
PHONE: 9571175, 7114493; FAX: 880-2-9566493  
E-mail: bfic@ailonline.net Website: www.bficltd.com

## Availability of Prospectus

The Prospectus of **Bangladesh Finance And Investment Company Limited** may be obtained from the Issuer Company, The Issue Manager, The Underwriters and The Stock Exchanges as follows:

<b>Issuer Company</b>	<b>Contact Person</b>	<b>Telephone Number</b>
<b>Registered Office</b> <b>Bangladesh Finance And Investment Co. Limited</b> Baitul Hossain Building (2 <sup>nd</sup> Floor), 27, Dilkusha C/A, Dhaka-1000. and <b>Chittagong Office</b> Osman Court (2 <sup>nd</sup> Floor) 70, Agrabad C/A, Chittagong.	<b>G.M. Salehuddin Ahmed</b> Managing Director & CEO  <b>M. Yahia Khan</b> Senior Vice President (Head of Ctg. Branch)	9571175, 7114493  880-31-816564
<b>Manager to the Issue</b>	<b>Contact Person</b>	<b>Telephone Number</b>
<b>Prime Finance &amp; Investment Limited</b> 63, Dilkusha C/A (3 <sup>rd</sup> Floor), Dhaka-1000.	<b>A.K.M. Nozmul Haque</b> Managing Director	9563883
<b>Underwriters</b>	<b>Contact Person</b>	<b>Telephone Number</b>
<b>Prime Finance &amp; Investment Limited</b> 63, Dilkusha C/A (3 <sup>rd</sup> Floor), Dhaka-1000.	<b>A. K. M. Nozmul Haque</b> Managing Director	9563883
<b>Bay Leasing &amp; Investment Limited</b> Printers Building (7 <sup>th</sup> Floor), 5, Rajuk Avenue Motijheel C/A, Dhaka-1000.	<b>Mahbubur Rashid</b> Managing Director	9565026, 9568599
<b>Fidelity Assets &amp; Securities Company Limited</b> Nitol Center (2 <sup>nd</sup> Floor) 71, Mohakhali C/A, Dhaka-1212.	<b>Mohammed N. S. Kabir</b> Managing Director	9898636, 9887074-76
<b>ICB Capital Management Limited</b> 8, D.I.T Avenue (14 <sup>th</sup> Floor), Dhaka-1000.	<b>Md. Iftikhar-uz-zaman</b> Chief Executive Officer	7160326-27
<b>LankaBangla Finance Limited</b> Safura Tower (Level 11), 20, Kamal Ataturk Avenue, Banani, Dhaka-1213.	<b>Mafizuddin Sarkar</b> Managing Director	9883701-10
<b>Southeast Bank Limited</b> 1, Dilkusha C/A (3 <sup>rd</sup> Floor), Dhaka-1000.	<b>Neaz Ahmed</b> Managing Director	9550081, 9567271-72
<b>Stock Exchanges</b>	<b>Available at</b>	<b>Telephone Number</b>
<b>Dhaka Stock Exchange Limited</b> 9/F, Motijheel C/A, Dhaka-1000.	DSE Library	9564601-7
<b>Chittagong Stock Exchange Limited</b> CSE Building, 1080 Sheikh Mujib Road, Agrabad Chittagong-4100.	CSE Library	(031) 714632-3 (031) 720871-3

Prospectus is also available on the websites [www.secdb.org](http://www.secdb.org), [www.primefinance.net](http://www.primefinance.net), [www.bfictd.com](http://www.bfictd.com), [www.dsebd.org](http://www.dsebd.org), [www.csebd.com](http://www.csebd.com) and public reference room of the Securities and Exchange Commission (SEC) for reading and study.



### Corporate directory

<b>Address</b>	<b>Bangladesh Finance And Investment Company Limited</b>	
	<b><u>Registered Office</u></b> Baitul Hossain Building (2 <sup>nd</sup> Floor) 27, Dilkusha C/A Dhaka-1000, Bangladesh Contact Number: 9571175, 7114493 E-mail: bfic@ailonline.net Website: www.bfictd.com	<b><u>Chittagong Office</u></b> Osman Court (2 <sup>nd</sup> Floor) 70, Agrabad C/A, Chittagong Tel: 880-31-816564
<b>Auditors</b>	<b><u>Hoda Vasi Chowdhury &amp; Co</u></b> Chartered Accountants BTMC Bhaban (8 <sup>th</sup> Level) 7-9, Kawran Bazar, Dhaka-1215 Tel: 9567587, 9551028	
<b>Legal Advisors</b>	<b><u>Lee, Khan and Partner</u></b> Barristers, Attorney & Advocates City Heart Suite# 5/8 67, Nayapaltan (4 <sup>th</sup> Floor), Dhaka-1000 Tel: 8313508,8318787	<b><u>Hasan &amp; Associates</u></b> Dhaka Chamber of Commerce Building 6 <sup>th</sup> Floor, 65-66, Motijheel, C/A, Dhaka-1000 Tel: 7160905,9572069
<b>Issue Manager</b>	<b>Prime Finance &amp; Investment Limited</b> 63, Dilkusha C/A, (3 <sup>rd</sup> Floor), Dhaka-1000, Tel: 9563883	
<b>Company Secretary &amp; Compliance Officer</b>	<b>Mufti Mahbulul Jalil</b> Senior Vice President & Company Secretary	

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## Disclosure in respect of issuance of security in demat form

As per provision of the Depository Act, 1999 and regulations made thereunder, shares will only be issued in dematerialized form only and for this purpose Bangladesh Finance And Investment Company Limited has signed an agreement with the Central Depository Bangladesh Limited (CDBL). Therefore, All transfer/transmission, splitting, and conversion will take place in the Central Depository Bangladesh Ltd. (CDBL) system and any further issuance of shares (right/bonus) will be issued in dematerialized form only.

## Conditions under Section 2CC of the Securities and Exchange Ordinance, 1969

### PART-A

1. The company shall go for Initial Public Offer (IPO) for 700,000 ordinary shares only of Tk.100.00 (Taka One hundred) each per share worth Taka 7,00,00,000.00 (Taka Seven Crore) only following the Securities and Exchange Commission (Public Issue) Rules, 2006, the Depository Act, 1999 and regulations issued thereunder.
2. The abridged version of the prospectus, as approved by the Commission, shall be published by the issuer in four national daily newspapers (in two Bengali and two English), within 03 (three) working days of issuance of this letter. The issuer shall post the full prospectus vetted by the Securities and Exchange Commission in the issuer's website and shall also put on the web sites of the Commission, stock exchanges, and the issue Manager within 03 (three) working days from the date of issuance of this letter which shall remain posted till the closure of the subscription list. The issuer shall submit to SEC, the stock exchanges and the issue Manager a diskette containing the text of the vetted Prospectus in "MS-Word" format.
3. Sufficient copies of prospectus shall be made available by the issuer so that any person requesting a copy may receive one. A notice shall be placed on the front of the application form distributed in connection with the offering, informing that interested persons are entitled to a prospectus, if they so desire, and that copies of prospectus may be obtained from the issuer and the issue Manager. The subscription application shall indicate in bold type that no sale of securities shall be made, nor shall any money be taken from any person, in connection with such sale until twenty five days after the prospectus has been published.
4. The company shall submit 40 (forty) copies of the printed prospectus to the Securities and Exchange Commission for official record within **5 (Five)** working days from the date of publication of the abridged version of the prospectus in the newspaper.
5. The issuer company and the issue Manager shall ensure transmission of the prospectus, abridged version of the prospectus and relevant application forms for NRBs through e-mail, simultaneously with publication of the abridged version of the prospectus, to the Bangladesh Embassies and Missions abroad and shall also ensure sending of the printed copies of abridged version of the prospectus and application forms to the said Embassies and Missions within **five working days** of the publication date by express mail service (EMS) of the postal department. A compliance report shall be submitted in this respect to the SEC jointly by the issuer and the issue Manager within two working days from the date of said dispatch of the prospectus & the forms.
6. The paper clipping of the published abridged version of the prospectus, as mentioned at **condition 2 above**, shall be submitted to the Commission within 24 hours of the publication thereof.
7. The company shall maintain separate bank account(s) for collecting proceeds of the Initial Public Offering and shall also open FC account(s) to deposit the application money of the Non-Resident Bangladeshis (NRBs) for IPO purpose, and shall incorporate full particulars of said FC account(s) in the prospectus. The company shall open the above mentioned accounts for IPO purpose; and close these accounts after refund of over-subscription. Non-Resident Bangladeshi (NRB) means Bangladeshi citizens staying abroad including all those who have dual citizenship (provided they have a valid Bangladeshi passport) or those, whose foreign passport bear a stamp from the concerned Bangladesh Embassy to the effect that no visa is required to travel to Bangladesh.
8. The issuer company shall apply to all the stock exchanges in Bangladesh within 07(seven) working days from the date of issuance of this letter and shall simultaneously submit the vetted prospectus with all exhibits, as submitted to SEC, to the stock exchanges.
9. The following declaration shall be made by the company in the prospectus, namely:-

### **"Declaration about Listing of Shares with the Stock Exchange(s):**

None of the stock exchange(s), if for any reason, grants listing within 75 days from the closure of subscription, any allotment in terms of this prospectus shall be void and the company shall refund the subscription money within fifteen days from the date of refusal for listing by the stock exchanges, or from the date of expiry of the said 75 (seventy five) days, as the case may be.

In case of non-refund of the subscription money within the aforesaid fifteen days, the company directors, in addition to the issuer company, shall be collectively and severally liable for refund of the subscription money, with interest at the rate of 2% (two percent) per month above the bank rate, to the subscribers concerned.

The issue Manager, in addition to the issuer company, shall ensure due compliance of the above mentioned conditions and shall submit compliance report thereon to the Commission within seven days of expiry of the aforesaid fifteen days time period allowed for refund of the subscription money."



10. The subscription list shall be opened and the sale of securities commenced after 25 (twenty five) days of the publication of the abridged version of the prospectus and shall remain open for 5 (Five) consecutive banking days.
11. A non-resident Bangladeshi shall apply either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed bank cheque marking "Account Payee only". Application shall be sent by the NRB applicants to the issuer company within the closing date of the subscription so as to reach the same to the company by the closing date plus nine days. Applications received by the company after the above time period will not be considered for allotment purpose.
12. The company shall apply the spot buying rate (TT clean) in US Dollar, UK Pound Sterling and Euro of Sonali Bank, which shall be mentioned in the Prospectus, as prevailed on the date of opening of the subscription for the purpose of application of the NRBs and other non-Bangladeshi persons, where applicable.
13. The company and the issue Manager shall ensure prompt collection/clearance of the foreign remittances of NRBs and other non-Bangladeshis, if applicable, for allotment of shares.
14. Upon completion of the period of subscription for securities the issuer and the issue Manager shall jointly provide the Commission and the stock exchanges with the preliminary status of the subscription within 05 (five) working days, in respect of the following matters, namely: -
  - (a) Total number of securities for which subscription has been received;
  - (b) Amount received from the subscription; and
  - (c) Amount of commission paid to the banker to the issue.
15. The issuer and the issue Manager shall jointly provide the Commission and the stock exchanges with the list of valid and invalid applicants (i.e. final status of subscription) to the Commission within 3 (three) weeks after the closure of the subscription along with bank statement (original), branch-wise subscription statement, NRB application forms (photocopy attested by the CEOs of the issuer company and the issue Manager). The list of valid and invalid applicants shall be finalized after examination with the CDBL in respect of BO accounts and particulars thereof.
16. The IPO shall stand cancelled and the application money shall be refunded immediately (but not later than 6(six) weeks from the date of the subscription closure) if any of the following events occur:
  - (a) Upon closing of the subscription list it is found that the total number of valid applications (in case of under subscription including the number of the underwriter) is less than the minimum requirement as specified in the listing regulations of the stock exchange(s) concerned; or
  - (b) At least 50% of the IPO is not subscribed.
17. 10% of total public offering shall be reserved for non-resident Bangladeshi (NRB) and 10% for mutual funds and collective investment schemes registered with the Commission, and the remaining 80% shall be open for subscription by the general public. In case of under-subscription under any of the 10% categories mentioned above, the unsubscribed portion shall be added to the general public category and, if after such addition, there is over subscription in the general public category, the issuer and the issue Manager shall jointly conduct an open lottery of all the applicants added together.
18. All the applicants shall first be treated as applied for one minimum market lot of 50 shares **worth Tk. 5,000/-**. If, on this basis, there is over subscription, then lottery shall be held amongst the applicants allocating one identification number for each application, irrespective of the application money. In case of over-subscription under any of the categories mentioned hereinabove, the issuer and the issue Manager shall jointly conduct an open lottery of all the applications received under each category separately in presence of representatives from the issuer, the stock exchanges and the applicants, if there be any.
19. Lottery (if applicable) shall be held within 5 (five) weeks from closure of the subscription date.
20. The company shall issue share allotment letters to all successful applicants within 6 (six) weeks from the date of the subscription closing date. Within the same time, Refund to the unsuccessful applicants shall be made in the currency in which the value of securities was paid for by the applicants without any interest, through Account Payee Cheque/ refund warrants with bank account number, bank's name and Branch as indicated in the securities application forms payable at Dhaka/ Chittagong/ Khulna/ Rajshahi/ Barisal/ Sylhet/ Bogra, as the case may be. A compliance report in this regard shall be submitted to the Commission within 7(seven) weeks from the date of closure of subscription.
21. The company shall furnish the List of Allotees to the Commission and the stock exchange(s) simultaneously in which the shares will be listed, within 24 (twenty four) hours of allotment.
22. In the event of under-subscription of the public offering, the unsubscribed portion of securities shall be taken up by the underwriter(s) (subject to para -16 above). The issuer must notify the underwriter to take up the underwritten shares within 10 (ten) days of the subscription closing date on full payment of the share money within 15(fifteen) days of the issuer's notice. The underwriter shall not share any underwriting fee with the issue Manager, other underwriters, issuer or the sponsor group.



23. All issued shares of the issuer at the time of according consent to public offering shall be subject to a **Lock-in period of three years** from the date of issuance of prospectus or commercial operation, whichever comes later.  
Provided that the persons, other than directors and those who hold 5% or more, who have subscribed to the shares of the company within immediately preceding two years of according consent, shall be subject to a lock-in period of one year from the date of issuance of prospectus or commercial operation, whichever comes later.
24. Either a Jumbo Share (one for each of the existing Sponsors/ Directors/ Shareholders) in respect of the shares already issued shall be issued covering together respective total holding, which shall contain the expiry date of lock-in period or Sponsors/ Directors /Promoters/Shareholders' shareholding shall be converted into demat form but shall be locked-in for three years as per the condition **at para-23 above**.
25. In case of Jumbo Share Certificate issued to the existing Sponsors/ Directors/ Shareholders, the said share certificates shall be kept under custody of a security custodian bank registered with SEC during the lock-in period. The name and branch of the bank shall be furnished to the Commission jointly by the issuer and the issue Manager, along with a confirmation thereof from the custodian bank, within one week of listing of the shares with the stock exchange(s).
26. In case of dematerialization of shares held by the existing Sponsors/ Directors/ Shareholders, the copy of dematerialization confirmation report generated by CDBL and attested by the managing director of the company along with lock-in confirmation shall be submitted to SEC within one week of listing of the shares with the stock exchange(s).
27. The company shall apply to the stock exchanges for listing within 7(seven) working days of issuance of this letter and shall simultaneously submit to the Commission attested copies of the application filed with the stock exchanges.
28. The company shall not declare any benefit other than cash dividend based on the financial statement for the period ended September 30, 2006.

#### **Part –B**

1. The issue manager (i.e Prime Finance and Investment Limited) shall ensure that the abridged version of the prospectus and the full prospectus is published correctly and in strict conformity without any error/omission, as vetted by the Securities and Exchange Commission.
2. The issue manager shall carefully examine and compare the published abridged version of prospectus on the date of publication with the copy vetted by SEC. If any discrepancy/ inconsistency is found, both the issuer and the issue Manager shall jointly publish a corrigendum immediately in the same newspapers concerned, simultaneously endorsing copies thereof to SEC and the stock exchange(s) concerned, correcting the discrepancy/ inconsistency as required under 'Due Diligence Certificates' provided with SEC.
3. Both the issuer company and the issue manager shall, immediately after publication of the prospectus and its abridged version, jointly inform the Commission in writing that the published prospectus and its abridged version are verbatim copies of the same as vetted by the Commission.
4. The fund collected through IPO shall not be utilized prior to listing with stock exchange and that utilization of the said fund shall be effected through banking channel, i.e. through account payee cheque, pay order or bank drafts etc.
5. The company shall not account for any upward revaluation of its fixed assets creating reserve without prior permission from the Securities and Exchange Commission.
6. The company shall furnish report to the Commission on utilization of IPO proceeds within 15 days of the closing of each quarter until such fund is fully utilized, as mentioned in the schedule contained in the prospectus, and in the event of any irregularity or inconsistency, the Commission may employ or engage any person, at issuer's cost, to examine whether the issuer has utilized the proceeds for the purpose disclosed in the prospectus.
7. All transactions, excluding petty cash expenses, shall be effected through the company's bank account(s).
8. Proceeds of the IPO shall not be used for any purpose other than those specified in the prospectus. Any deviation in this respect must have prior approval of the shareholders in the EGM under intimation to SEC and stock exchange(s).
9. **Directors on the company's Board:** This will be in accordance with the applicable laws, rules and regulations.

#### **PART-C**

1. All the above conditions imposed under section 2CC of the Securities and Exchange Ordinance, 1969 shall be incorporated in the prospectus immediately after the page of the table of contents, with a reference in the table of contents, prior to its publication.
2. The Commission may impose further conditions/restrictions etc. from time to time as and when considered necessary which shall also be binding upon the issuer company.

#### **PART-D**

1. As per provision of the Depository Act, 1999 and regulations made there under, shares will only be issued in dematerialized condition. All transfer/ transmission/ splitting will take place in the Central Depository Bangladesh Ltd. (CDBL) system and any further issuance of shares (right/bonus) will be issued in dematerialized form only.  
An applicant (including NRB) shall not be able to apply for allotment of shares without beneficial owner account (BO account).
2. The issue Manager shall also ensure due compliance of all above.



## General Information

The Prospectus has been prepared by **Prime Finance & Investment Limited** from information supplied by **Bangladesh Finance And Investment Company Limited** (the Company) and also several discussions with the Chairman, Managing Director, Directors and related Executives of the Company which is publicly available. The Board of Directors of **Bangladesh Finance And Investment Company Limited** hereby confirms that to the best of their knowledge and belief the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which, would make any statement herein misleading.

No person is authorized to give any information or to make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorized by **Bangladesh Finance And Investment Company Limited** (the Company) or the **Prime Finance & Investment Limited** (Issue Manager).

The Issue, as contemplated in this document, is made in Bangladesh and is subject to the exclusive jurisdiction of the Courts of Bangladesh. Forwarding this Prospectus to any person residing outside Bangladesh in no way implies that the issue is made in accordance with the laws of that country or is subject to the jurisdiction of the laws of that country.

A copy of this prospectus can be obtained from the head office of Bangladesh Finance And Investment Company Limited, Prime Finance & Investment Limited, the Underwriters, and the Stock Exchanges where the securities will be traded.

## Declarations and due diligence certificates

### Declaration about the Responsibility of the Directors and CEO of the Company "Bangladesh Finance And Investment Company Limited" in respect of the Prospectus

This prospectus has been prepared, seen and approved by us, and we, individually and collectively, accept full responsibility for the authenticity and accuracy of the statements made, information given in the prospectus, documents, financial statements, exhibits, annexes, papers submitted to the Commission in support thereof, and confirm, after making all reasonable inquiries that all conditions concerning this public issue and prospectus have been met and that there are no other information or documents the omission of which make any information or statements therein misleading for which the Commission may take any civil, criminal or administrative action against any or all of us as it may deem fit.

We also confirm that full and fair disclosure has been made in this prospectus to enable the investors to make a well informed decision for investment.

Sd/-  
**(Anwar Hossain)**  
Chairman  
Nominated by Anwar Silk Mills Ltd

Sd/-  
**(Hossain Khaled)**  
Vice Chairman  
Nominated by Khaled Iron & Steel  
Mills Ltd.

Sd/-  
**(Manwar Hossain)**  
Director  
Nominated by Hossain Dying & Printing  
Mills Ltd.

Sd/-  
**(S.M. Didarul Alam)**  
Director

Sd/-  
**(Geasuddin Ahmed)**  
Director

Sd/-  
**(Haji Md.Imtiaz)**  
Director

Sd/-  
**(Haji M.A. Taher)**  
Director

Sd/-  
**(Haji Md. Yousuf)**  
Director

Sd/-  
**(Hossain Akhtar)**  
Director

Sd/-  
**(Chowdhury Erteza Ahmed Siddiqui)**  
Director

Sd/-  
**(Hossain Mehmod)**  
Director  
Nominated by Mehmod Industries  
Ltd.

Sd/-  
**(G.M. Salehuddin Ahmed)**  
Managing Director

## Consent of the Director(s) to Serve as Director(s)

We hereby agree that we have been serving as Director(s) of Bangladesh Finance And Investment Company Limited and continue to act as a Director of the Company.

Sd/-  
**(Anwar Hossain)**  
Chairman  
Nominated by Anwar Silk Mills Ltd.

Sd/-  
**(Hossain Khaled)**  
Vice Chairman  
Nominated by Khaled Iron & Steel  
Mills Ltd.

Sd/-  
**(Manwar Hossain)**  
Director  
Nominated by Hossain Dying & Printing  
Mills Ltd.

Sd/-  
**(S.M. Didarul Alam)**  
Director

Sd/-  
**(Geasuddin Ahmed)**  
Director

Sd/-  
**(Haji Md.Imtiaz)**  
Director

Sd/-  
**(Haji M.A. Taher)**  
Director

Sd/-  
**(Haji Md. Yousuf)**  
Director

Sd/-  
**(Hossain Akhtar)**  
Director

Sd/-  
**(Chowdhury Erteza Ahmed Siddiqui)**  
Director

Sd/-  
**(Hossain Mehmud)**  
Director  
Nominated by Mehmud Industries  
Ltd.

Sd/-  
**(G.M. Salehuddin Ahmed)**  
Managing Director

## Declaration about filing of Prospectus with the Registrar of Joint Stock Companies & Firms

A dated and signed copy of the Prospectus has been filed for registration with the Registrar of Joint Stock Companies & Firms, Government of the Peoples' Republic of Bangladesh, as required under Section 138(1) of the Companies Act, 1994, vide RJSC's Receipt No. 0123591 dated 09/05/2007.

## Due Diligence Certificate of Manager to the Issue

**Sub: Public offer of 700,000 Ordinary Shares of TK. 100.00 each of Bangladesh Finance And Investment Company Limited**

We, the under-noted Manager to the Issue to the above mentioned forthcoming issue, state as follows:

1. We, while finalizing the draft prospectus pertaining to the said issue, have examined various documents and other materials as relevant for adequate disclosures to the investors; and
2. On the basis of such examination and the discussions with the issuer company, it's Directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer company.

### WE CONFIRM THAT:

- (a) the draft prospectus forwarded to the Commission is in conformity with the documents, materials and papers relevant to the issue;
- (b) all the legal requirements connected with the said issue have been duly complied with; and
- (c) the disclosures made in the draft prospectus are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed issue.

### For Manager to the Issue

Sd/-  
**A. K. M. Nozmul Haque**  
Managing Director  
Prime Finance & Investment Limited



## DUE DILIGENCE CERTIFICATE OF THE UNDERWRITER (S)

**Sub: Public Offer of 700,000 Ordinary Shares of Tk. 100.00 each of Bangladesh Finance And Investment Company Limited**

We, the under-noted Underwriter(s) to the abovementioned forthcoming issue, state individually and collectively as follows:

1. We, while underwriting the abovementioned issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant to our underwriting decision; and
2. On the basis of such examination and the discussions with the issuer company, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer company; -

### WE CONFIRM THAT:

- (a) all information as are relevant to our underwriting decision have been received by us and the draft prospectus forwarded to the Commission has been approved by us;
- (b) we shall subscribe and take up the un-subscribed securities against the abovementioned public issue within 15 (fifteen) days of calling up thereof by the issuer; and
- (c) this underwriting commitment is unequivocal and irrevocable.

### For Underwriter(s)

Sd/-  
Managing Director  
Prime Finance & Investment Ltd.

Sd/-  
Managing Director  
Fidelity Assets & Securities Company Ltd.

Sd/-  
Chief Executive Officer  
ICB Capital Management Limited

Sd/-  
Managing Director  
LankaBangla Finance Limited

Sd/-  
Managing Director  
Bay Leasing & Investment Limited

Sd/-  
Managing Director  
Southeast Bank Limited

## **Risk factors & management perceptions about the risks**

### **Interest rate risks**

Financial market of Bangladesh has been experiencing volatile interest rate in recent years. Pressures of market to reduce the lending rate forced the NBFIs to rearrange interest rate of financing arrangements which ultimately squeezed their margin. Volatility of money market imposes upward pressure on interest rate structure.

#### **Management perception**

*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. Moreover BFIC has recently added a clause in its credit agreement of necessary interest rate adjustment according to the market pressure, which provides flexibilities to the company to refix interest rate.*

### **Exchange rate risks**

Devaluation of local currency against major international currencies affects business performance of import based companies or companies borrowed in foreign currency adversely.

#### **Management perception**

*Bangladesh Finance And Investment Company Limited does not have any foreign currency loan. Moreover since it is a leasing company it imports equipments, plant & machinery etc. to lease out to the prospective clients. In case of currency fluctuation it is the prospective client who ultimately bears the risk.*

### **Industry risks**

The promulgation of Financial Institutions Act 1993 paved the way to a new horizon of business for NBFIs which is considered to be a mile stone in the overall financial sector in Bangladesh. Though macroeconomic activities of Bangladesh forecasted promising, too many Banks and Non- Bank Financial Institutions (49 Banks and 28 Non Bank Financial Institutions) are now in operation in a small economy like Bangladesh. The Company is operating in a highly competitive industry. Inability to hold 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.

#### **Management perception**

*The company has successfully accessed the market till date and is working on offering products and services at competitive terms.*

### **Market and technology-related risks**

To be competitive in the market, financial institutions always need to develop new products and services as well as to introduce new financial instrument else the Company may be outperformed by its competitors.

#### **Management perception**

*The non-banking financial institutions are operated within the legal framework prevailing in the country. There is little scope of introducing completely new financial instrument by the Company itself. However, the Management of the Company is aware of recent development in the financial world and keeps their employees up-to-date on those by providing necessary training.*

### **Potential or existing government regulations**

As a non-banking financial institution, Bangladesh Finance And Investment Company Limited, is directly regulated by the Bangladesh Bank. Any unfavorable change in regulations may affect the Company's business.

#### **Management perception**

*The Company's operations are governed by the changes in regulation that occur from time to time. Among others, SLR and CLR rates, restriction on deposit receipt and call money market participation ceiling may affect the particular company and the whole non-banking financial institutions by and large but the extent is not symmetrical.*

### **Potential changes in global or national policies**

Changes in government policy as well as policy of foreign countries may adversely affect the business of the Company.

#### **Management perception**

*The Company maintains its portfolio diversified in major sectors of industries in line with country's growth scenario as well as industrial policy. The Management always monitors the changes in the policies of the government and adjusts the strategy accordingly.*

## Operational risks

### Default of clients

A lessee or borrower may default in performing its lease or loan obligations and the Company may be unable to enforce its remedies. The Company's inability to collect receivables due or to repossess lease assets in the event of default by a lessee could have a material adverse effect on the Company's business, financial condition and/or results of operations.

### Management perception

*The Company has been able to collect the receivables together with penal interest charges on the delayed collections. Since the promoters have a good rapport with the top Management of the industrial groups, the chances of ultimate recovery of the receivables, despite the delays, are good.*

## Capital structure

The Capital Structure of Bangladesh Finance And Investment Company Limited before and after IPO will be as under :

<b>A.</b>	<b>Financial structure prior to Initial Public Offering (IPO)</b>	(Amount in Taka)
	Issued & fully paid up capital as on 30.09.2006	<b><u>Tk. 233,316,900</u></b>
<b>B.</b>	<b>Financial structure after IPO</b>	
	<b>IPO</b>	
	a) Initial Public Offer (Non Resident Bangladeshi)	Tk.7,000,000
	b) Initial Public Offer (Mutual Fund)	Tk.7,000,000
	c) Initial Public Offer (General Public)	Tk.56,000,000
	<b>Total</b>	<b><u>Tk.70,000,000</u></b>
<b>C.</b>	<b>Total Capital Structure after IPO (A+B)</b>	<b><u>Tk. 303,316,900</u></b>

## Use of proceeds

The proceeds of IPO will strengthen the capital base and liquidity of the Company and augment business expansion. The fund thus raised through this public issue would be utilized in the normal business operations such as investment, leasing, refinancing, and other operational activities of the Company.

## Description of business

### Company at a glance

Bangladesh Finance And Investment Co. Ltd. (BFIC) is a Non- Banking Financial Institute engaged in lease financing operation with the aim and vision to put the best effort to contribute to the development of the national economy. In it's attempt to be the very best, the company continuously puts its every effort to achieve customer satisfaction. The mission statement is:

*"To be the number one financial institution in the finance and leasing industry by focusing on the customers' diverse financial needs and providing them with customized financial solutions to the satisfaction and profitability of valued customers and stakeholders".*

The Company having its registered office at Baitul Hossain Building, 27, Dilkusha C/A, Dhaka-1000, Bangladesh, was incorporated on 10<sup>th</sup> May 1999 as a Public Limited Company under the companies Act 1994. The License was issued from Bangladesh Bank on 22 December, 1999 under the Financial Institution Act 1993. The operation of leasing activities was started on 15 February 2000 through signing of the first lease agreement on that day. In the year 2005 the company opened a branch at Agrabad C/A, Chittagong.

### Nature of business

The Company provides finance for capital machinery including construction equipment, energy generating equipment, office equipment, medical equipment, transport etc. Currently, BFIC is offering the products like Lease Finance, Term Finance, Syndicated Finance, Work Order Finance, Home Loan and Real Estate Finance. The Company also provides Term Finance and Working Capital Finance to the enterprises as well as to the professionals. Since last one year the Company has been extending SME finance. It also accepts Term Deposits from the clients.

## Principal products and services

### 1. Lease Finance:

Lease Finance for any type of machinery and equipment required in the manufacturing and service sector.

### 2. Term Finance:

Medium to Long Term Loans to industrial undertaking and infrastructure projects. Short Term Finance being provided against present and future receivables arising out of trade and contract(s).

### 3. Home Loan:

Home Loan to individuals for acquiring dwelling houses and Developer's Finance Scheme for construction of commercial/apartment projects.

### 4. Transport Finance:

Transport Finance facility for the purchase of vehicles both for private and public use.

### 5. Equity Support:

Equity Support, either directly or through Equity Fund, administered by Bangladesh Bank to financially viable and approved projects.

### 6. Financial Package:

Financial Package for acquisition or taking over of public sector enterprises, slated for privatization, asset securitization and purchase order financing etc.

### 7. Corporate Financing:

Syndication services for large-scale investment, advisory such as corporate counseling, project counseling, capital restructuring, financial engineering, merger and acquisition services etc.

### 8. Factoring:

The Company is keen to adopt the above new financing tool as a diversified product. Depending on the quality of the client, strength of transaction, cash flow etc., BFIC is actively contemplating to introduce this new phenomenon of financing.

### 9. Deposit scheme:

BFIC's fixed deposit scheme offers lucrative and attractive interest rate to individual and institutional depositors.

## Market for the product

The Company has number of financial products, market for which is spread all over the country.

## Relative contribution to sales and income of each product that accounts for more than 10% of company's total revenue

(as per audited accounts)

Particulars	30-09-2006	(%)	30-09-2005	(%)
	Amount in Taka		Amount in Taka	
Interest income from lease finance	77,164,348	48.26	62,735,661	64.93
Interest on term finance	25,807,902	16.14	10,768,759	11.15
Income from treasury operation	41,194,537	25.77	20,881,693	21.61
Income from investment in share	10,217,056	6.40	nil	nil
Other operational income	5,484,945	3.43	2,231,232	2.31
<b>Total</b>	<b>159,868,788</b>	<b>100</b>	<b>96,617,345</b>	<b>100</b>

## Associate, subsidiary/related holding company

The Company has no associate, subsidiary/related holding company.

## Distribution of products/services

The Company provides services from its head office situated at Dilkusha, Dhaka and its branch office at Agrabad, Chittagong.

## Competitive condition in the business

The leasing sector comprises of 28 (twenty-eight) Non-Bank Financial Institution (NBFI). They severely compete for lease finance/term finance and are in search of sound investment/lending targets. Credit market has been getting increasingly competitive due to presence of too many BFIs and NBFIs. Despite this stiff competition, BFIC has been showing an ascending trend of financial performance since its inception.

## Sources of, and requirement for power, gas and water or any other utilities

The Company does not require such utilities except for ordinary use in office work.

## Names of the customer who purchase 10% or more of the Company's products/service

The Company has no such type of customer.

## Material patents, trademarks, licenses or royalty agreements

The Company has no material patents, trademarks, license or royalty agreement.

## Number of employees (as on 30 September, 2006)

Total number of employees	
<b>Full time employees</b>	
• Received salary above Tk.36,000 during the period	23*
<b>Part time &amp; casual employees</b>	
• Received salary below Tk. 36,000 during the period	9
<b>Total</b>	<b>32</b>

\* Total number of employees were 25 as per audited financial statement as on 30/9/2006 who received salary TK.36,000 or above out of whom 2 employees resigned within 30/9/2006 would be taken into consideration as per notes 5(ii) of 3(p)(vi) of part-II of Schedule–XI of Companies Act. 1994 while preparing the financial statement for the period ended 30/9/2006.

## Production and service rendering capacity and current utilization

The issue is not applicable for the organization that is doing only leasing business.

### Description of property

- a) The Company's business is operated through its Head Office at Dhaka and branch office at Chittagong on rented premises. However, The Company owns the following fixed assets at written down value as given below:

(as per audited accounts)			
Sl. No.	Name of the assets	Written down value as on 30-09-2006 (Amount in Taka)	Written down value as on 31-12-2005 (Amount in Taka)
1	Furniture and fixtures	2,978,855	2,824,532
2	Office equipment	1,554,110	1,224,521
3	Motor vehicles	4,874,847	3,874,047
4	Other assets	100,023	93,363
<b>Total</b>		<b>9,507,835</b>	<b>8,016,463</b>

- b) All the above-mentioned assets are situated at Company's office premises.  
c) All the assets of the Company are in its own name.  
d) First charge has been created on all present and future assets of the Company against its borrowing from Banks.  
e) At present, the Company does not have any properties taken on lease.

## Plan of operation and discussion of financial condition

### Internal and external sources of cash (as per audited accounts)

	30-09-2006 Amount in Taka	31-12-2005 Amount in Taka	31-12-2004 Amount in Taka	31-12-2003 Amount in Taka
<b>Internal sources of cash:</b>				
Share capital	233,316,900	204,664,000	147,860,000	65,000,000
Statutory reserve	20,160,871	14,103,646	6,947,069	3,303,713
Proposed stock dividend	-	28,652,960	14,786,000	7,800,000
Retained earnings	24,404,581	175,619	202,272	414,849
<b>Total</b>	<b>277,882,352</b>	<b>247,596,225</b>	<b>169,795,341</b>	<b>76,518,562</b>
<b>External sources of cash:</b>				
Term deposit (net of current maturity)	225,350,000	183,053,700	4,300,000	1,943,600
Lease deposit, security deposit and loan deposit (net of current maturity)	26,958,820	24,098,308	18,487,242	11,057,166
Bank loan (net of current maturity)	328,010,239	223,798,021	51,129,517	49,546,524
Re-financing loan from Bangladesh Bank (net of current maturity)	22,044,445	-	-	-
<b>Total</b>	<b>602,363,504</b>	<b>430,950,029</b>	<b>73,916,759</b>	<b>62,547,290</b>
<b>Grand total</b>	<b>880,245,856</b>	<b>678,546,254</b>	<b>243,712,100</b>	<b>139,065,852</b>

### Material commitment for capital expenditure

The Company does not have any material commitment for capital expenditure.

### Causes for material changes from period to period

The business prospects of the NBFIs mostly depend on the macroeconomic fundamentals of the country. Macroeconomic indicators are promising and those are reflecting the growth of this industry. The Company's lease finance and other operational income as well as operating expenses and net profit have continued to change due to business promotion efforts of the Management. The following table shows the year to year financial performance of the Company and which is increasing due to the Company's long term vision in this sector. Experienced top tier Management, satisfactory liquidity position, sufficient product mix and investment in promising sectors boosting up Company's overall business performance.

[as per auditors report under section 135(1) of para 24(1) of part-II of schedule III]

	Period ended 30 Sep. 2006	31 Dec. 2005	31 Dec. 2004	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001
	Taka	Taka	Taka	Taka	Taka	Taka
Operational revenue	159,875,671	142,582,131	63,522,916	122,205,683	66,344,022	22,975,193
Operational expenses	125,989,544	100,999,247	45,306,137	111,644,989	59,711,567	21,485,434
Profit before tax	33,886,127	41,582,884	18,216,779	10,560,694	6,632,455	1,489,759
Provision for tax:						
Current tax	-	-	-	1,000,000	-	216,942
Deferred tax	3,600,000	5,800,000	-	-	-	-
	3,600,000	5,800,000	-	1,000,000	-	216,942
Net profit after tax	30,286,127	35,782,884	18,216,779	9,560,694	6,632,455	1,272,817

### Seasonal aspect of the Company's business

The operation of the Company is not, in general, affected by any seasonal variances.

### Known trends, events or uncertainties

Political unrest, hartal, flood and natural calamities are the known events that may affect the business operations of the Company.

### Changes in the assets of the company used to pay off any liabilities

No asset of the Company has been disposed off to pay the liabilities.

### Loan taken from holding / parent company or subsidiary company

The Company did not take any loan from its holding/ parent company or subsidiary company.

### Loan given to holding/parent company or subsidiary company

The Company has not given any loan to its holding/ parent company or subsidiary company.

### Future contractual liabilities

The Company has no plan to enter into any contractual obligation within next one year other than normal course of business.

### Future capital expenditure

The Company does not have any plan for future capital expenditure in the near future other than normal course of business.

### VAT, income tax, customs duty or other tax liability

#### VAT

Except income from fees, commission and charges, all other income of the Company is exempted from VAT. As on 30.09.2006 an amount of TK.78,261 payable to the Government Exchequer as withholding VAT. This amount is held with the Company as on 30.09.2006 due to deduction made in the last week of September, 2006. Subsequently the amount had been paid on 10.11.2006.



**Income Tax**

Income year		Status
2005	:	Return of the assessment of the year 2005 (assessment year 2006-2007) has been filed on 14/8/2006 by the Company. Assessment is yet to be done by the concerned assessing officer.
2004	:	Assessment for the year 2004 (assessment year 2005-2006) has been completed by the assessing officer demanding tax of Tk. 998,199. The Company filed the first appeal against the demand of the DCT for set off the other operational income against the unabsorbed depreciation loss amount of Tk. 10.26 million. The appeal authority directed on 31/07/2006 to the concern DCT to set off the income with the unabsorbed depreciation loss. An application has been filed under section 173 of ITO 1984 for rectification of mistake apparent from the order passed by the Hon'ble Commissioner (Appeal). Revised assessment order yet to be received by the Company.
2003	:	Assessment for the year 2003 (assessment year 2004-2005) has been completed by the assessing officer. First appeal filed by the Company has been disposed of maintaining the demand of Tax of Tk. 4,652,659. The Company filed second appeal against the order of the 1 <sup>st</sup> appellate authority. Hearing on 2 <sup>nd</sup> appeal was held on 15 Jan '07. Order from the Appellate Tribunal yet to be received by the Company.
2002	:	No Tax liability for the year 2002 (assessment year 2003-2004) is outstanding. Company has already settled the entire Tax liability with the Government Exchequer.
2001	:	Appeal against the assessment for the year 2001 (assessment year 2002-2003) is pending with the High Court. The disputed tax for the year is Tk.620,051. Date of the hearing yet to be fixed by the concern bench of the Hon'ble High Court.

**Custom duty or other liabilities**

There are no dues outstanding on account of custom duty.

**Operating lease agreement**

There is no operating lease of the Company during the last five years.

**Financial lease commitment**

There is no financial lease of the Company during the last five years.

**Personnel related scheme**

At present there is no personnel related scheme for which the Company has to make any provision.

**Breakdown of issue expenses**

The total IPO expenses are estimated as follows:

Particulars	Nature of Expenditure	Amount in Taka
Manager to the Issue Fee	Fixed	350,000
Underwriting commission	Fixed	175,000
<b>SEC fee:</b>		
Application fee	Fixed	10,000
Consent fee	Fixed	105,000
<b>Fees related to the stock exchanges:</b>		
Application fee (DSE)	Fixed	5,000
Annual fee for DSE and CSE	Fixed	35,000
Listing fees for stock exchanges (DSE & CSE)	Fixed	700,000
<b>CDBL fees and expenses:</b>		
Documentation fee	Fixed	2,500
Annual fee	Fixed	50,000
Initial Public Offering fee	Fixed	17,500
<b>Commission expenses:</b>		
Bankers to the issue commission	Variable	600,000
<b>Reporting Charges</b>		
Credit rating fee	Fixed	200,000
Auditors certification fee	Fixed	100,000
<b>Expenses related to printing and publications:</b>		
Abridged version of prospectus	Fixed	200,000
Notice for prospectus, lottery, refund	Fixed	50,000
Printing of prospectus and forms	Fixed	300,000
Distribution and collection of forms and data processing	Variable	500,000
Lottery related expenses including BUET fee	Fixed	300,000
Distribution of allotment letters and refund warrants	Variable	250,000



Other expenses	Variable	50,000
<b>Total</b>		<b>4,000,000</b>

**Revaluation of assets**

No revaluation of assets was made by the Company.

**Transactions with holding /subsidiary company or associate company and the Issuer**

The Company has no holding /subsidiary company or associate company hence no transaction has taken place with them.

**Declaration For a Non-Banking Financial Institution**

We hereby declare that all requirements in the Financial Institutions Act, 1993 (Act no. 27 of the 1993) under the Financial Institutions Regulation, 1994 as amended have been adhered to.

Sd/-  
**(Anwar Hossain)**  
Chairman  
Nominated by Anwar Silk Mills Ltd.

Sd/-  
**(Hossain Khaled)**  
Vice Chairman  
Nominated by Khaled Iron & Steel Mills Ltd.

Sd/-  
**(Manwar Hossain)**  
Director  
Nominated by Hossain Dying & Printing Mills Ltd.

Sd/-  
**(S.M. Didarul Alam)**  
Director

Sd/-  
**(Geasuddin Ahmed)**  
Director

Sd/-  
**(Haji Md.Imtiaz)**  
Director

Sd/-  
**(Haji M.A. Taher)**  
Director

Sd/-  
**(Haji Md. Yousuf)**  
Director

Sd/-  
**(Hossain Akhtar)**  
Director

Sd/-  
**(Chowdhury Erteza Ahmed Siddiqui)**  
Director

Sd/-  
**(Hossain Mehmud)**  
Director  
Nominated by Mehmud Industries Ltd.

Sd/-  
**(G.M. Salehuddin Ahmed)**  
Managing Director

**Auditors' certificate regarding any allotment of shares to promoters or sponsor shareholders for any consideration other than in cash**

This is to certify that Bangladesh Finance And Investment Co. Ltd has not allotted any shares for consideration other than cash to any shareholders, including the promoters or sponsor shareholders upto 30 september 2006 except issue of 562,389 bonus shares of Tk 100 each proposed for the following years for which no payment was made in cash:

Year	No of bonus shares
2005	286,529
2004	147,860
2003	78,000
2002	50,000
<b>Total</b>	<b>562,389</b>

Dhaka, 20 December 2006

Sd/-  
Hoda Vasi Chowdhury & Co  
Chartered Accountants

**Material information which is likely to have an impact**

There is no other material information which is likely to have an impact on the offering or change of the terms and conditions under which the offer has been made to the public.

**Directors and Officers****Information regarding directorship**

SL. No.	Name of Directors	Name of the Nominated Organizations	Period for which the nomination has been made	Position	Age (Years)	Date of becoming Director for the First Time	Date of Expiration of current term
1	Mr. Anwar Hossain	M/S. Anwar Silk Mills Ltd.	Until further intimation	Chairman	69	15/04/2001	9 <sup>th</sup> AGM
2	Mr. Hossain Khaled	M/S. Khaled Iron & Steel Mills Ltd.	Until further Intimation	Vice Chairman	32	14/07/2002	9 <sup>th</sup> AGM
3	Mr. Manwar Hossain	M/S. Hossain Dyeing & Printing Mills Ltd.	Until Further Intimation	Director	40	15/04/2001	9 <sup>th</sup> AGM
4	Mr. Hossain Akhtar	Self	N/A	Director	53	28/06/2005	11 <sup>th</sup> AGM
5	Mr. Hossain Mehmud	M/S. Mehmud Industries Ltd.	Until Further Intimation	Director	35	25/07/2001	11 <sup>th</sup> AGM
6	Mr. Geasuddin Ahmed	Self	N/A	Director	51	15/04/2001	10 <sup>th</sup> AGM
7	Haji M.A. Taher	Self	N/A	Director	55	25/07/2001	11 <sup>th</sup> AGM
8	Mr. S.M. Didarul Alam	Self	N/A	Director	30	10/07/2001	10 <sup>th</sup> AGM
9	Haji Md. Yousuf	Self	N/A	Director	58	25/07/2001	10 <sup>th</sup> AGM
10	Haji Md. Imtiaz	Self	N/A	Director	30	10/07/2003	11 <sup>th</sup> AGM
11	Mr. Chowdhury Erteza Ahmed Siddiqui	Self	N/A	Director	34	10/05/1999	10 <sup>th</sup> AGM

**Directors' involvement in other organization(s)**

SL. No.	Name of the Directors	Status	Name of the firms/Companies in which interested
1.	<b>Mr. Anwar Hossain</b> Chairman (Nominated by Anwar Silk Mills Ltd)	<b>Chairman</b>	Anwar Silk Mills Ltd. Anwar Landmark Ltd. Anwar Galvanizing Ltd. Anwar Jute Spinning Mills Ltd. Anwar Cement Ltd. Anwar Steel Mills Ltd. Mehmud Industries Ltd. Khaled Iron & Steel Mills Ltd. Sunshine Wires Ltd. Hossain Dyeing & Printing Mills Ltd. Sunshine Cables & Rubber Works Ltd. In2it Interactive Ltd. City Aviation Services Ltd.
		<b>Director</b>	City General Insurance Co. Ltd.
2.	<b>Mr. Hossain Khaled</b> Vice Chairman (Nominated by Khaled Iron & Steel Mills Limited)	<b>Director</b>	Anwar Silk Mills Ltd. Anwar Landmark Ltd. Anwar Galvanizing Ltd. Anwar Cement Ltd. Mehmud Industries Ltd. Khaled Iron & Steel Mills Ltd. Anwar Steel Mills Ltd. Sunshine Wires Ltd. Hossain Dyeing & Printing Mills Ltd. Sunshine Cables & Rubber Works Ltd. City Aviation Services Ltd. City General Insurance Co. Ltd. The City Bank Ltd.
		<b>Managing Director</b>	Anwar Jute Spinning Mills Ltd. In2it Interactive Ltd.
3.	<b>Mr. Manwar Hossain</b> Director (Nominated by Hossain Dying & Printing Mills Ltd.)	<b>Vice Chairman</b>	Anwar Landmark Ltd. Anwar Cement Ltd.
		<b>Managing Director</b>	Anwar Galvanizing Ltd. Khaled Iron & Steel Mills Ltd. Sunshine Wires Ltd. Sunshine Cables & Rubber Works Ltd.
		<b>Director</b>	Anwar Silk Mills Ltd. Anwar Steel Mills Ltd. Anwar Jute Spinning Mills Ltd. Mehmud Industries Ltd. Hossain Dyeing & Printing Mills Ltd. City Aviation Services Ltd. City General Insurance Co. Ltd. In2it Interactive Ltd. Bangladesh Commerce Bank Ltd.



4.	<b>Mr. Hossain Akhtar</b> Director	<b>Chairman</b>	City General Insurance Co. Ltd.
		<b>Managing Director</b>	Anwar Fisheries & Poultries Ltd.
5.	<b>Mr. Hossain Mehmod Director</b> (Nominated by Mehmod Industries Ltd.)	<b>Managing Director</b>	Anwar Silk Mills Ltd. Mehmod Industries Ltd. Hossain Dyeing & Printing Mills Ltd.
		<b>Director</b>	Anwar Landmark Ltd. Anwar Galvanizing Ltd. Anwar Jute Spinning Mills Ltd. Anwar Cement Ltd. Anwar Steel Mills Ltd. Khaled Iron & Steel Mills Ltd. Sunshine Cables & Rubber Works Ltd. Sunshine Wires Ltd. City Aviation Services Ltd. City General Insurance Co. Ltd. In2it Interactive Ltd. The City Bank Ltd.
6.	<b>Mr. Geasuddin Ahmed</b> Director	<b>Managing Director</b>	Dhaka Complex (Pvt) Ltd.
		<b>Director</b>	City General Insurance Co. Ltd.
		<b>Proprietor</b>	Mamta Enterprise
7.	<b>Haji M.A. Taher</b> Director	<b>Chairman</b>	Al-Haj Mostafa Hakim Housing & Real Estate Ltd. Al-Haj Mostafa Hakim Cement Industries Ltd. Golden Oxygen Ltd. Golden Steel Alloy Works Ltd. Taher & Co. Ltd. Golden Iron Works Ltd. Golden Brick Works Ltd. Eagle Star Textile Mills Ltd. Mutual Jute Spinner Ltd.
		<b>Vice Chairman</b>	City General Insurance Co. Ltd.
8.	<b>Mr. S. M. Didarul Alam</b> Director	<b>Director</b>	Al-Haj Mostafa Hakim Housing & Real Estate Ltd. Al-Haj Mostafa Hakim Cement Industries Ltd. Golden Oxygen Ltd. Eagle Star Textile Mills Ltd. Mutual Jute Spinner Ltd.
9.	<b>Haji Md. Yousuf</b> Director	<b>Proprietor</b>	Moon Traders
		<b>Director</b>	City General Insurance Co. Ltd.
10.	<b>Haji Md. Imtiaz</b> Director	<b>Proprietor</b>	Eva Ema Steel
11.	<b>Mr. Chowdhury Erteza Ahmed Siddiqui</b> Director		Not involved with any other organization

### Family relationship among Directors and top five Officers

There is no family relationship among Directors and top five Officers other than the following relationship:

Name of the Directors	Status	Relationship
Mr. Anwar Hossain	Chairman	Father of Mr. Hossain Khaled, Mr. Manwar Hossain & Mr. Hossain Mehmod and father-in-law of Mr. Hossain Akhtar
Haji M.A. Taher	Director	Father of Mr. S.M. Didarul Alam
Haji Md. Yousuf	Director	Father of Haji Md. Imtiaz

## Short bio-data of the Directors

### **Anwar Hossain**

Chairman

(Nominated by Anwar Silk Mills Ltd.)

Mr. Anwar Hossain comes from a highly respectable Muslim family of Dhaka and is a reputed business personality of the country. His business affiliations with different aspects of trades are versatile and diversified. He was a Member of Parliament, Director of Executive Committee of FBCCI and Dhaka Chamber of Commerce & Industry and National Trustee of Dhaka Improvement Trust (DIT). Mr. Hossain is the Chairman of Anwar Group of Industries having interest in banking, insurance, textile, jute, cable, real estate, steel, cement and service. These organizations, under his dynamic leadership have achieved remarkable success during a short span of time. He is also Chairman of Mehmud Industries Ltd., Khaled Iron and Steel Mills Ltd., Sunshine wires Ltd., Hossain Dyeing & Printing Mills Ltd., Sunshine Cables & Rubber works Ltd., In2It Interactive Ltd., City Aviation Services Ltd., and Director of City General Insurance Co. Ltd. Besides, Mr. Hossain was former Chairman of The City Bank Limited and Chairman of City University. Mr. Hossain received 'best industrialist award of the Year-1994', Atish Dipanker Gold Medal in 1990 and Mowlana Bhasani National Award in 1992.

### **Hossain Khaled**

Vice Chairman

(Nominated by Khaled Iron & Steel Mills Ltd.)

Mr. Hossain Khaled obtained his BBA in Accounting from the University of Toledo, Ohio and MBA degree in International Banking from Texas A & M University (TAMU), Texas, USA. He is the Managing Director of Anwar Jute Spinning Mills Ltd and In2it Interactive Ltd. He is also the Director of The City Bank Limited, City General Insurance Company Ltd., City Aviation Services Ltd., Sunshine Cables & Rubber Works Ltd., Hossain Dyeing & Printing Mills Ltd., Sunshine Wires Ltd, Khaled Iron and Steel Mills Ltd., Mehmud Industries Ltd., and Anwar Group of Industries. At present he is the President of Dhaka Chamber of Commerce & Industry. Mr. Khaled is a man of amiable personality with diversified potentiality.

### **Manwar Hossain**

Director

(Nominated by Hossain Dyeing & Printing Mills Ltd.)

Mr. Manwar Hossain, obtained his MBA from the University of New Hampshire, USA. He is the Vice-Chairman of Anwar Landmark Ltd., and Anwar Cement Ltd., and Managing Director of Anwar Galvanizing Ltd., Khaled Iron & Steel Mills Ltd., Sunshine Wires Ltd., Sunshine Cables & Rubber Works Ltd. and Director of Anwar Silk Mills Ltd., Anwar Steel Mills Ltd., Anwar Jute Spinning Mills Ltd., Mehmud Industries Ltd., Hossain Dyeing & Printing Mills Ltd. City Aviation Services Ltd., In2it Interactive Ltd., City General Insurance Co. Ltd. and Bangladesh Commerce Bank Ltd. Apart from the above, he is also involved in various social, cultural and philanthropic organizations.

### **Hossain Akhtar**

Director

Mr. Hossain Akhtar is an industrialist and well known businessman. Mr. Akhtar is the Chairman of City General Insurance Company Limited and Managing Director of Anwar Fisheries & Poultries Ltd. and former Sr. Vice President of Dhaka Chamber of Commerce & Industry. He is energetic, hard working and a creative person with pleasant personality. He is also associated with various socio-cultural organizations.

### **Hossain Mehmud**

Director (Nominated by Mehmud Industries Ltd.)

Mr. Hossain Mehmud obtained his Associate Degree in Textile Engineering & Management from the University of New Hampshire, USA in 1992. Mr. Mehmud is the Managing Director of Anwar Silk Mills Ltd., Mehmud Industries Ltd., Hossain Dyeing & Printing Mills Limited and Director of Anwar Landmark Ltd., Anwar Jute Spinning Mills Ltd., Anwar Galvanizing Ltd., Anwar Cement Ltd, Anwar Steel Mills Ltd., Khaled Iron & Steel Mills Ltd., Sunshine Cables and Rubber Works Ltd., City Aviation Services Ltd., City General Insurance Company Ltd., In2It Interactive Ltd., Sunshine Wires Ltd. and The City Bank Ltd. He is the President of City International Inc. (New York), USA. Mr. Mehmud is a widely traveled engineer.

### **Geasuddin Ahmed**

Director

Mr. Geasuddin Ahmed, a science graduate, is a Director of City General Insurance Company Ltd., Managing Director of Dhaka Complex (Pvt.) Ltd., and Proprietor of Mamata Enterprise and Secretary General of Dhaka Metropolitan Film Exhibitors and also associated with number of socio-cultural organizations. Earlier he was Director of The Dhaka Chamber of Commerce & Industry.

### Haji M.A. Taher

Director

Al-Haj Md. Abu Taher, comes from a respectable Muslim family in Chittagong and is a renowned businessman. He is the Chairman of Al Haj Mostafa Hakim Housing & Real Estate Ltd., Al- Haj Mostafa Hakim Cement Industries Ltd, Golden Oxygen Ltd., Golden Steel Alloy Works Ltd., Taher & Co. Ltd., Golden Iron Works Ltd., Golden Brick Works Ltd, Eagle Star Textile Mills Ltd., and Mutual Jute Spinners Ltd., Mr. Taher is the Vice Chairman of City General Insurance Company Limited. Besides, Mr. Taher has made remarkable contribution in social and cultural activities.

### S.M. Didarul Alam

Director

Mr. S. M. Didarul Alam is one of the Directors of Golden Oxygen Ltd., Al-Haj Mostafa–Hakim Cement Industries Ltd. and Al-Haj Mostafa Hakim Housing and Real Estate Ltd., Eagle Star Textile Mills Ltd. and Mutual Jute Spinners Ltd.

### Haji Md. Yousuf

Director

Haji Md. Yousuf is a renowned businessman. Mr. Yusuf is a director of City General Insurance Co. Ltd. and proprietor of Moon Traders.

### Haji Md. Imtiaz

Director

Haji Md. Imtiaz is a renowned businessman of the country. Mr. Imtiaz is the proprietor of EVA EMA Steel.

### Chowdhury Erteza Ahmed Siddiqui

Director

Chowdhury Erteza Ahmed Siddiqui is a reputed businessman of the country and traveled many countries of the world in connection with his business. Mr. Siddiqui is a sponsor shareholder of the Company.

### Credit Information Bureau (CIB) report

Neither Bangladesh Finance And Investment Company Limited nor any of its Directors or Shareholders who hold 5% or more shares in the paid up capital of the Company is loan defaulter in terms of the CIB report of the Bangladesh bank.

### Short profile of Managing Director & CEO

Mr. G. M. Salehuddin Ahmed, MBA, AIPM is the Managing Director and Chief Executive Officer (CEO) of Bangladesh Finance And Investment Co. Ltd. (BFIC). Prior to joining BFIC on November 2004, he was the Managing Director of Bay Leasing and Investment Ltd.

Mr. Ahmed has obtained his MBA majoring in Finance from the Institute of Business Administration (IBA) of Dhaka University, has more than 30 years of professional experience of working in Commercial and Investment Banking as well as Development Financing both in the public and private sectors. He started his banking career as a senior officer of Agrani Bank in 1976. In 1984 he moved to Bangladesh Krishi Bank as a Credit Specialist and subsequently held several important positions including Regional Manager, Assistant General Manager and Deputy General Manager. Mr. Ahmed joined Saudi-Bangladesh Industrial and Agricultural Investment Company Ltd. (SABINCO)-a US\$ 60.00 million capital-based joint venture DFI, owned jointly by the Governments of Bangladesh and Saudi Arabia, in 1993 as head of investment in the rank and status of General Manager and later appointed as Acting Managing Director in September, 2001.

Mr. Ahmed attended series of international trainings, seminars and workshops on Banking and Development Financing in the USA, Malaysia, Thailand, Pakistan, India, Indonesia, Philippines, Jordan, Egypt, Turkey and Cyprus. Life Member of various professional bodies including Bangladesh Economic Association, IBA Alumni Association, MBA Association. Mr. Ahmed was the immediate past Executive Committee Member of ADFIMI-Istanbul, Turkey, a Regional Association of Development Financial Institutions of the member countries of the OIC. He is also the member of E.C. of the BLFCA and The Gulshan Society.

### Description of other Senior Executives and Officers

Name	Position	Educational Qualification	Date of Joining in BFIC	Name(s) of organization(s) where worked during the last five years
Mr. G.M. Salehuddin Ahmed	Managing Director & CEO	MBA, AIPM	01-11-2004	Acting Managing Director, SABINCO and Managing Director of Bay Leasing and Investment Ltd.
Mr. Mohammad Faiz	Consultant	B. Com.	14-11-2001	Consultant, The City Bank Ltd. Managing Director, The City Bank Ltd.
Mr. Nasiruddin Ahmed	Additional Managing Director	B.A, FIBA	01-03-2004	EVP, Mutual Trust Bank Ltd. EVP, Al Baraka Bank Ltd.
Mr. Mufti Mahbulul Jalil	SVP & Company Secretary (Head of HRD)	B.A. (Hons.), M.A. (Econ.)	27-04-2006	Executive Director, ECHO Group SVP & Company Secretary, The Trust Bank Ltd.
Mr. M. Yahia Khan	Senior Vice President (Head of Ctg. Branch)	B.A.	05-04-2006	SVP, The City Bank Ltd.



Mr. Mehmud Hassan	Vice President (Head of Marketing)	M.S.S.	12-10-2004	AVP, Phoenix Leasing Co. Ltd. Chief Officer, AB Bank Ltd.
Mr. Dilip Kumar Mandal	Vice President (Head of A& F)	B.Com(Hons.), M.Com, ACA	16.07.2005	Senior Audit Staff Rahman Rahman Huq Chartered Accountants
Mr. Md. Badar Uddin	Asstt. Vice President (Head of Treasury)	B.A.	01-05-1999	FAVP, Eastern Bank Ltd.
Mr. Mohd.Shafiul Karim Mozumder	Asstt. Vice President (Ctg. Branch, Marketing)	B.A.	05-04-2006	AVP, The City Bank Ltd.
Mr. Mohamamd Ashaduzzaman	Asstt. Manager (Accounts)	B.Com(Hons.), M.Com, C.A. (C.C.)	14-11-2005	Senior Audit Staff Rahman Rahman Huq Chartered Accountants
Mr. S.M. Shafiq	Senior Executive Officer (Marketing)	M.A.	04-12-2001	-
Mrs. Farzana Sultana	Senior Executive Officer (Marketing)	MBA	21-07-2005	-
Mr. Shahidul Haque Ahmed	Executive Officer (Marketing)	M.S.S.	18-09-2001	-
Mr. Rafiqul Amin	Executive Officer (Accounts)	MBA	15-01-2004	-

### **Involvement of Directors and Officers in Certain Legal Proceedings**

No director or officer of the Company was involved in any of the following types of legal proceedings in the last ten years:

- Any bankruptcy petition filed by or against any company of which any officer or director of the issuer company filing the prospectus was a director, officer or partner at the time of the bankruptcy.
- Any conviction of director, officer in a criminal proceeding or any criminal proceeding pending against him.
- Any order, judgment or decree of any court of competent jurisdiction against any director, officer permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director or officer in any type of business, securities or banking activities.
- Any order of the Securities and Exchange Commission, or other regulatory authority or foreign financial regulatory authority, suspending or otherwise limiting the involvement of any director or officer in any type of business, securities or banking activities.

### **Certain Relationships and Related Transactions**

#### **Transaction with related parties**

Neither proposed any transaction nor had any transaction during the last two years with following related parties:

- any director or executive officer of the company;
- any nominee for director or officer;
- any person owning 5% or more of the outstanding stock of the company;
- any member of the immediate family (including spouse, parents, brothers, sisters, children, and in-laws) of any of the above persons except the transactions stated in note 30 of the auditors report and additional certificate provided by the auditor as included in the prospectus.
- any transaction or arrangement entered into by the issuer or its subsidiary for a person who is currently a director or in any way connected with a director of either the issuer company or any of its subsidiary/holding company or associate concerns, or who was a director or connected in any way with a director at any time during the last three years prior to the issuance of the prospectus.
- the company did not take any loan from any Director or any person connected with any Director nor did any Director or any person connected with any Director take any loan from the company except for the related party transaction as disclosed in note 30 of the audited report.
- No other pecuniary or non-pecuniary interest enjoyed by a director except which is disclosed in note no 26.3 & 30 of audited financial statement & additional disclosure provided by the auditors.

**Executive Compensation****Remuneration paid to top five Officers**

Sl. No.	Name of the Employees	Position	Amount paid for the period ended 30-09-2006 (Amount in Taka)	Amount paid for the year ended 31-12-2005 (Amount in Taka)
1	Mr. G.M. Salehuddin Ahmed	Managing Director	1,455,000	1,550,000
2	Mr. Nasiruddin Ahmed	Additional Managing Director	652,500	870,000
3	Mr. Mufti Mahbubul Jalil	Senior Vice President & Company Secretary	250,000*	-
4	Mr. M. Yahia Khan	Senior Vice President	237,652**	-
5	Mr. Mehmud Hassan	Vice President	461,034	614,712

\*Salary for 5 months

\*\* Salary for 6 months

**Aggregate amount of remuneration paid to Directors and Officers** (as per audited accounts)

Group	Amount paid in 2006 (for the period ended 30.09.2006) (Amount in Taka)	Amount paid in 2005 (Amount in Taka)
Directors' fee	284,050	349,675
*Officers' salary	7,326,114	8,247,144

\*Include salary paid to the Managing Director.

**The amount of remuneration paid to any Director who was not an Officer during the last accounting year**

The Company did not pay any amount to any Director who was not an Officer, during the last accounting year.

**Any contract with any Director or Officer providing for the payment of future compensation**

There is no contract with any Director or Officer for further compensation.

**Pay increase intention**

Besides normal increment, the system allowing additional increment to exceptionally deserving persons are also prevailing. The Company has plan to re-adjust the pay structure and benefits for officers in line with other companies in the industry.

**Options granted to Directors, Officers, and Employees**

The Company has no option plans for Directors, Officers or Employees or any other persons.

**Transaction with the Directors and Subscribers to the Memorandum****(a) Value received by the company during last five years**

The Directors and Subscribers of the Company have not received any benefits other than dividend and fees. The Company also has not received anything from its Directors and Subscribers except fund against allotment of shares & described in the note 30 of the financial statements & special report provided by the auditors.

**(b) Assets acquired or are to be acquired from the Directors and Subscribers to the Memorandum**

The Directors and Subscribers have not transferred any asset to the Company but deposited share money as required. The Company acquired assets by investing its own fund. A special audit report relating to the premises rented from the shareholders and as stated in note 30 of the financial statements provided by the auditors.





## Tangible assets per share

### Auditors' certificate regarding net tangible asset backing per unit

At 30 September 20  
at 30 September 2006

We have examined the calculations of the net tangible assets backing per unit of Bangladesh Finance And Investment Co. Ltd for the period ended 30 September 2006, which have been prepared by the management of Bangladesh Finance And Investment Co. Ltd. The preparation of the following calculations of the net tangible assets backing per unit is the responsibility of the Company's management. Our responsibility is to review them and certify as to whether they have been properly prepared using acceptable principles on the basis of audited financial statements for the period ended 30 September 2006.

Based on our review, we certify that the Company has properly prepared the calculations of the net tangible assets backing per unit using acceptable principles on the basis of audited financial statements for the period ended 30 September 2006.

	Taka
Current assets	1,372,652,176
Fixed assets	9,507,835
Investment and advances	659,716,773
<b>Total assets = A</b>	<b>2,041,876,784</b>
Long term liabilities	602,363,504
Deferred tax	9,400,000
Current liabilities	1,135,223,385
Provision for potential losses in investments and advances	17,007,543
<b>Total liabilities = B</b>	<b>1,763,994,432</b>
<b>Net tangible assets C = (A-B)</b>	<b>277,882,352</b>
Number of ordinary shares	2,333,169
<b>Net tangible assets per share</b>	<b>119.10</b>

Dhaka, 20 December 2006

Sd/-  
Hoda Vasi Chowdhury & CO  
Hoda Vasi Chowdhury & Co.  
Chartered Accountants

**Ownership of the Company's Security**

Shareholding structure as on 30.09.2006

<b>List of Shareholders who owns 5% or more Share of the Company</b>					
<b>Sl. No.</b>	<b>Name of the Shareholder</b>	<b>Address</b>	<b>Status</b>	<b>No. of shares subscribed</b>	<b>% of holdings</b>
1	Anwar Steel Mills Ltd.	Baitul Hossain Building, 27, Dilkusha C/A, Dhaka-1000.	Shareholder	159,600	6.84
2	Haji M.A. Taher	218, Dewanhat, D.T. Road, Chittagong.	Director	152,759	6.55
3	Ms. Faiza	Mullarhat Bagerhat, Khulna.	Shareholder	128,359	5.50
4	Hasina Parveen	A-28, Zakir Hossain Road, Block-E, Mohammadpur Dhaka.	Shareholder	118,560	5.08
<b>List of Shareholders who owns below 5% Share of the Company</b>					
<b>Sl. No.</b>	<b>Name of the Shareholder</b>	<b>Address</b>	<b>Status</b>	<b>No. of shares subscribed</b>	<b>% of holdings</b>
1	Md. Yousuf Khan	House -12, Road-8, Sector-6, Uttara, Dhaka.	Shareholder	108,054	4.63
2	Mr. Jawad Hossain	A-28, Zakir Hossain Road , Block-E, Mohammadpur, Dhaka.	Shareholder	98,040	4.20
3	Anika Farheen	94/1, Uttar Zatrabari, Dhaka.	Shareholder	93,468	4.01
4	Haji Md. Yousuf	10/4, English Road, Dhaka.	Director	84,492	3.62
5	Al-Haj Radi	53, Jaganath Shaha Road, Dhaka.	Shareholder	82,445	3.53
6	Mr. Chowdhury Erteza Ahmed Siddiqui	House No-4, Road No-50, Gulshan, Dhaka-1212.	Director	77,246	3.31
7	Mr. Azhar Uddin Siddiqui	49, Kazi Alauddin Road, Dhaka.	Shareholder	77,246	3.31
8	Mr. Chowdhury Monwar Ahmed Siddiqui	House No-4,Road No.50, Gulshan 2, Dhaka 1212.	Shareholder	77,246	3.31
9	Anwar Jute Spinning Mills Ltd.	Baitul Hossain Building,27, Dilkusha C/A,Dhaka-1000.	Shareholder	81,925	2.90
10	Md. Forkan	Hossain Housing Society, Building No-1, Flat-31, Shaymoli, Dhaka.	Shareholder	65,874	2.82
11	Khaled Iron and Steel Mills Ltd. nominated Mr. Hossain Khaled as Director	Baitul Hossain Building, 27, Dilkusha C/A, Dhaka-1000.	Director	65,345	2.80
12	Mr. Abdur Rashid Salam	House No.19, Road No-123, South Avenue, Gulshan 1, Dhaka.	Shareholder	61,797	2.65
13	Mr. Geasuddin Ahmed	House#359,Lane-5, DOHS, Baridhara, Dhaka.	Director	55,728	2.39
14	Mrs. Tania Zaman	House 46,Road 4/A,Flat-504, Dhanmondi , Dhaka-1209.	Shareholder	54,720	2.35
15	M/S Rahim Traders	Faridpur.	Shareholder	53,534	2.29
16	Anwar Silk Mills Ltd. nominated Mr. Anwar Hossain as Director	House # 20, Road # 6, Dhanmondi, Dhaka.	Director	49,385	2.12
17	Hossain Dyeing & Printing Mills Ltd. nominated Mr. Manwar Hossain as Director	Baitul Hossain Building, 27, Dilkusha C/A, Dhaka-1000.	Director	49,385	2.12
18	Wazeefa Acrylic Spinning Mills Ltd.	Pathanpara, paga, Tongi.	Shareholder	47,561	2.04
19	Haji Md. Imtiaz	10/4, English Road, Dhaka.	Director	47,468	2.03
20	Mrs. Bibi Amena	House No- 20, Road No-6, Dhanmondi, R/A, Dhaka.	Shareholder	45,600	1.95
21	Mehmud Industries Ltd nominated Mr. Hossain Mehmud as Director	Baitul Hossain Building, 27, Dilkusha C/A, Dhaka-1000.	Director	44,825	1.92
22	Mr. Inteshamur Rahman	77, Kakrail, Ramna, Dhaka-1000.	Shareholder	38,623	1.66
23	Mr. S.M. Didarul Alam	218, Dewanhat, D.T. Road, Chittagong.	Director	29,130	1.25
24	Anwar Landmark Ltd.	Baitul Hossain Building, 27, Dilkusha C/A, Dhaka-1000.	Shareholder	28,865	1.24
25	Mr. Abdur Rouf	House-20, Road -6, Dhanmondi, R/A, Dhaka-1205.	Shareholder	28,090	1.20
26	Mr. Harun-ur-rashid	House -37, Road -4,Sector-5, Uttara, Dhaka-1230.	Shareholder	23,940	1.03
27	Mr. Hossain Mehmud	Baitul Hossain Building, 27, Dilkusha C/A, Dhaka-1000.	Shareholder	23,940	1.03
28	Mr. Hossain Akhtar	Baitul Hossain Building, 27, Dilkusha C/A, Dhaka-1000.	Director	22,059	0.95
29	Mamata Enterprise	Kadamtali, Dhaka.	Shareholder	20,771	0.89
30	Mr. Anas	10, Ahsanullah Road, Nawabari, Dhaka.	Shareholder	19,663	0.84
31	Mr. Tareq Akbar Ali	32, Batali Road, Chittagong.	Shareholder	17,556	0.75
32	Mrs. Shirin Rahman	House -3,Road-2,Sector-6, Uttara, Dhaka.	Shareholder	15,449	0.66
33	Mrs. Selina Tareq	27, Dilkusha C/A, Dhaka-1000.	Shareholder	14,845	0.64
34	Mrs. Munnii Begum	27, Dilkusha, C/A, Dhaka-1000.	Shareholder	14,182	0.61
35	Furkaan Md.Nazir Hossain	293, Lalbagh Dhaka.	Shareholder	11,400	0.49
36	Mrs. Selina Ahmed	P.O. Adamjy Nagar, P.S. Siddirgonj, Dist- Narayanganj.	Shareholder	9,794	0.42
37	Shahin Alam Tipu	1879,Mostafa Hakim Bhaban, North Katholi, Pahartoli, Chittagong.	Shareholder	5,700	0.24
38	Sarwar Jahan (Juli)	1879,Mostafa Hakim Bhaban, North Katholi, Pahartoli, Chittagong.	Shareholder	5,700	0.24
39	Aminuzzahan (Luci)	1879,Mostafa Hakim Bhaban, North Katholi, Pahartoli, Chittagong.	Shareholder	5,700	0.24
40	Mrs. Akila Khatun	House No.56, Road No-10, Sector-6, Uttara Model Town Dhaka.	Shareholder	13,680	0.24
41	Ms. Jesmin Ahmed	Shemultale, Adamjeenagar, Narayanganj.	Shareholder	3,420	0.15
<b>Total</b>				<b>2,333,169</b>	<b>100</b>

**Securities owned by the Officers**

The Officers of the Company own no shares or any other securities of the Company.



**Determination of offering price**  
of  
**Bangladesh Finance And Investment Co. Ltd.**

The offering price of the common stock of the company has been determined by the management of the company by assessing the book value per share based on financial statements for the period ended 30 September 2006.

**Net Assets Value (NAV)**

Net Assets Value (NAV) is based on historical accounting book value of company's net assets. This is determined on the basis of the figures appearing in the audited balance sheet as at 30 September 2006 as follows:

	Taka
Current assets	1,372,652,176
Fixed assets	9,507,835
Investment and advances	659,716,773
<b>Total assets = A</b>	<b>2,041,876,784</b>
Long term liabilities	602,363,504
Deferred tax	9,400,000
Current liabilities	1,135,223,385
Provision for potential losses in investments and advances	17,007,543
<b>Total liabilities = B</b>	<b>1,763,994,432</b>
<b>Net Assets Value C=(A-B)</b>	<b>277,882,352</b>

The Net Assets Value (NAV) is also equivalent to the shareholders' equity consisting of share capital, statutory reserve and retained earnings as follows:

Share capital	233,316,900
Statutory reserve	20,160,871
Retained earnings	24,404,581
<b>Total shareholders' equity</b>	<b>277,882,352</b>
Number of ordinary shares	2,333,169
<b>Net Assets Value (NAV) per share</b>	<b>119.10</b>

We have examined the above calculation of Net Assets Value (NAV) of Bangladesh Finance And Investment Co. Ltd, and found it to be properly prepared based on the financial statement of the company for the period ended 30 September 2006.

Net Assets Value (NAV) per share is Tk. 119.10 as on 30 September 2006. Accordingly the issue price of Tk. 100 for each share to be offered by the company is lower than the net worth per share.

Dhaka, 20 December 2006

Sd/-  
Hoda Vasi Chowdhury & Co  
Chartered Accountants

**Market for the Securities Being Offered**

The Issuer shall apply to:

**Dhaka Stock Exchange Limited**  
9/F, Motijheel C/A,  
Dhaka-1000.

and

**Chittagong Stock Exchange Limited**  
CSE Building, 1080, Sk. Mujib Road,  
Agrabad, Chittagong-4100.

Within 7(seven) working days from the date of consent accorded by the Commission to issue prospectus.

**Declaration about listing of shares with the Stock Exchange(s)**

None of the stock exchange(s), if for any reason, grants listing within 75 days from the closure of subscription, any allotment in terms of this prospectus shall be void and the company shall refund the subscription money within fifteen days from the date of refusal for listing by the stock exchanges, or from the date of expiry of the said 75 (seventy five) days, as the case may be.

In case of non-refund of the subscription money within the aforesaid fifteen days, the Company Directors, in addition to the Issuer company, shall be collectively and severally liable for refund of the subscription money, with interest at the rate of 2% (two percent) per month above the bank rate, to the subscribers concerned.

The Issue Manager, in addition to the Issuer company, shall ensure due compliance of the above mentioned conditions and submit compliance report thereon to the Commission within seven days of expiry of the aforesaid fifteen days time period allowed for refund of the subscription money."

**Trading and settlement regulation of the stock exchanges shall apply in respect of trading and settlement of the shares of the Company.**

## Description of Securities outstanding or Being Offered

### Dividend, voting, pre-emption rights

The Share Capital of the Company is divided into Ordinary Shares, carrying equal rights to vote and eligible to receive dividend in terms of the relevant provisions of the Companies Act 1994 and the Articles of Association of the Company. All shareholders shall have the usual voting right in person or by proxy in connection with, among others, election of Directors & Auditors and other usual agenda of General Meeting—Ordinary or Extra Ordinary. On a show of hand, every shareholder present in person and every duly authorized representative of a shareholder present at a General Meeting shall have one vote and on a poll every shareholder present in person or by Attorney or proxy shall have one vote for every share held by him or her.

In case of any additional issue of shares for raising further capital the existing shareholders shall be entitled to Right Issue of shares of in terms of the guidelines issued by the SEC from time to time.

### Conversion and liquidation rights

In terms of the provisions of the Companies Act 1994, Articles of Association of the Company and other relevant rules in force, the shares of the Company are freely transferable. The Company shall not charge any fee for registering transfer of shares. No transfer shall be made to a firm, an infant or person of unsound mind.

### Dividend policy

- There is no limitation to pay dividend.
- The profits of the Company shall be divisible among the members in proportion to the shares held by them respectively.
- Subject to above the Company in the General Meeting may declare a dividend to be paid to the members according to their respective rights and interests in the profits and may fix the time for payment.
- No larger dividend shall be declared than is recommended by the Directors but the Company in the General Meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits and no dividend shall carry interest as against the Company. The declaration of the Directors as to the amount of net profits of the Company shall (subject to the certificate of the auditors) be conclusive.
- The Directors may from time to time pay to the members such interim dividends as in their judgments the position of the Company justifies.
- A transfer of shares shall pass to the transferee the right to any dividend declared but not paid thereon before the registration of the transfer.

### Other rights of Shareholders

In terms of the provisions of the Companies Act 1994, Articles of Association of the Company and other relevant rules in force, the shares of the Company are transferable. The Company shall not charge any fee, other than Government duties for registering transfer of shares. No transfer shall be made to a minor or person of unsound mind.

The Directors shall present the financial statements as required under the law & International Accounting Standard. Financial statements will be prepared in accordance with the International Accounting Standards consistently applied throughout the subsequent periods and present with the objective of providing maximum disclosure as per law and International Accounting Standard to the shareholders regarding the financial and operational position of the company. The shareholders shall have the right to receive all periodical statement and reports, audited as well as un audited, published by the company from time to time.

The Shareholders holding minimum of 10% shares of paid-up capital of the company shall have the right to requisition Extraordinary General Meeting of the Company as provided for in section 84 of the Companies Act 1994.

## Debt Securities

Bangladesh Finance And Investment Company Limited has not issued or is planning to issue within six months any debt securities.

### Lock-in on Sponsors' Shares

All issued shares of the issuer at the time of according consent to public offering shall be subject to a lock-in period of three years from the date of issuance of prospectus or commercial operation, whichever comes later.

Provided that the persons, other than Directors and those who hold 5% or more, who have subscribed to the shares of the Company within immediately preceding two years of according consent, shall be subject to a lock-in period of one year from the date of issuance of prospectus or commercial operation, whichever comes later.

## Refund of Subscription Money

In the case of non-allotment of securities, refund of subscription money of applicants resident in Bangladesh shall be made by account payee cheque/warrant payable to applicant. For this purpose the number of the bank account alongwith name of the Bank and Branch shall be indicated in the securities application form.

### Subscription by and refund to Non-Resident Bangladeshi (NRB)

- (1) A Non-Resident Bangladeshi (NRB) shall apply either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed bank cheque marking "Account Payee only".
- (2) The value of securities applied for by such person may be paid in Taka or US Dollar or UK Pound Sterling or Euro at the rate of exchange mentioned in the securities application form.
- (3) Refund against over subscription shall be made in the currency in which the value of securities was paid for by the applicant through Account Payee Bank cheque payable at Dhaka with Bank account number, Bank's name and Branch as indicated in the securities application form.

### Availability of securities

#### Offer

##### 1. Shares

Particulars	No. of shares	Amount in Tk.
A. 10% of IPO i.e. 70,000 Ordinary Shares of Tk. 100.00 each shall be reserved for Non Resident Bangladeshis.	70,000	7,000,000
B. 10% of IPO i.e. 70,000 Ordinary Shares of Tk. 100.00 each shall be reserved for Mutual Funds and Collective Investment Schemes registered with the Commission.	70,000	7,000,000
C. The remaining 80% of IPO i.e. 560,000 Ordinary Shares of Tk. 100.00 each shall be opened for subscription by the General Public.	560,000	56,000,000
<b>Total</b>	<b>700,000</b>	<b>70,000,000</b>

2. All shares as stated in clause 1.A, 1.B and 1.C shall be offered for subscription and subsequent allotment by the Issuer, subject to any restriction, which may be imposed, from time to time, by the Securities and Exchange Commission.
3. In case of over-subscription under any of the categories mentioned in 1.A, 1.B and 1.C the Issue Manager shall conduct an open lottery of all the applications received under each category separately in accordance with the letter of consent issued by the Securities and Exchange Commission.
4. In case of under-subscription under any of the 10% categories mentioned in 1.A and 1.B, the unsubscribed portion shall be added to the general public category and, if after such addition, there is over-subscription in the general public category, the issuer and the issue manager shall jointly conduct and open lottery of all the applicants added together.
5. In case of under-subscription of the public offering, the unsubscribed portion of securities shall be taken up by the underwriter(s).
6. The lottery as stated in clause (3) and (4) shall be conducted in presence of representatives from the Issuer, the Stock Exchanges, and the applicants, if there be any.

#### 7. Application for subscription

- (a) Application for shares may be made for a minimum lot for **50** Ordinary shares to the value of **Tk. 5,000** respectively and should be made on the Company's printed application forms. Application form and prospectus may be obtained from the registered office of the Company, members of Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. or from the Bankers to the Issue. In case adequate forms are not available, applicants may use photocopied/cyclostyled/hand written/typed copies of the forms. Applications must not be for less than **50** shares. Any application not meeting this criterion will not be considered for allotment purpose.
- (b) Joint application form for more than two persons will not be accepted. In the case of joint application each party must sign the application form.
- (c) Application must be in full name of individuals or limited companies or trusts or societies and not in the name of firms, minors or persons of unsound mind. Applications from insurance, financial and market intermediary companies must be accompanied by Memorandum and Articles of Association.
- (d) An applicant cannot submit more than two applications, one in his own name and another jointly with another person. In case an applicant makes more than two applications, those in excess of two applications shall not be considered for allotment purpose.



- (e) Bangladeshi nationals (including Non-Resident Bangladeshi (NRB) nationals working abroad) and Foreign nationals shall be entitled to apply for shares.
- (f) Payment for subscription by investors other than Non-Resident Bangladeshi (NRB) may be made to the said branches/office of the Banks mentioned below in Cash/Cheque/Pay Order/Bank Draft. The Cheque/Pay Order/Bank Draft shall be made payable to the Bank to which it is sent and be marked "**Bangladesh Finance And Investment Company Limited**" and shall bear the crossing "**A/C Payee Only**" and must be drawn on a Bank in the same town of the Bank to which application form is deposited.
- (g) All completed application forms together with remittances for the full amount payable on application shall be lodged by investors other than Non-Resident Bangladeshis (NRB) with any of the Branches of the Bankers to the Issue (vide instructions for application for shares by investors other than Non- Resident Bangladeshis)

## 8. Bankers to the Issue:

### Investment Corporation of Bangladesh

Head Office, Dhaka  
Local Office, Nayapaltan, Dhaka  
Chittagong Branch, Chittagong  
Rajshahi Branch, Rajshahi  
Sylhet Branch, Jail Road, Sylhet  
Bogra Branch, Station Road, Bogra  
Khulna Branch, Khulna  
Barishal Branch, Barishal

### The City Bank Limited

Principal Office, Dhaka  
B.B. Avenue Branch, Dhaka  
Islampur Branch, Dhaka  
Gulshan Branch, Dhaka  
Kawranbazar Branch, Dhaka  
Mirpur Branch, Dhaka  
Dhaka Chamber Branch, Dhaka  
Mouchak Branch, Dhaka  
Islami Banking Branch, Dhaka  
Uttara Branch, Dhaka  
Shaymoli Branch, Dhaka  
Johnson Road Branch, Dhaka  
New Market Branch, Dhaka  
Foreign Exchange Branch, Dhaka  
Imamgonj Branch, Dhaka  
Taan Bazar Branch, Narayangonj  
Dhanmondi Branch, Dhaka  
Tongi Branch, Gazipur  
Agrabad Branch, Chittagong  
Khatungonj Branch, Chittagong  
Bandar Bazar Branch, Sylhet  
Mymensingh Branch, Mymensingh  
Comilla Branch, Comilla  
Barishal Branch, Barishal  
Rajshahi Branch, Rajshahi  
Khulna Branch, Khulna

### National Bank Limited

Bangshal Road Branch, Dhaka  
Babubazar Branch, Dhaka  
Dilkusha Branch, Dhaka  
Elephant Road Branch, Dhaka  
Foreign Exchange Branch, Dhaka  
Gulshan Branch, Dhaka  
Imamgonj Branch, Dhaka  
Dhanmondi Branch, Dhaka  
Kawran Bazar Branch, Dhaka  
Motijheel Branch, Dhaka  
Mohakhali Branch, Dhaka  
Malibagh Branch, Dhaka  
Mirpur Branch, Dhaka  
Islampur Branch, Dhaka  
Uttara Branch, Dhaka  
North Brook Hall Branch, Dhaka  
Savar Bazar Branch, Savar, Dhaka  
Gazipur Branch, Gazipur  
Pagla Bazar Branch, Narayangonj  
Narayangonj Branch, Narayangonj  
Narsingdi Branch, Narsingdi  
Comilla Branch, Comilla  
Sylhet Branch, Sylhet  
Agrabad Branch, Chittagong  
Khatungonj Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Sheikh Mujib Road Branch, Chittagong  
Khulna Branch, Khulna  
Rajshahi Branch, Rajshahi

Barishal Branch, Barishal

### Mutual Trust Bank Limited

Principal Branch, Dhaka  
Dilkusha Branch, Dhaka  
Panthapath Branch, Dhaka  
Uttara Model Town Branch, Dhaka  
Dhanmondi Branch, Dhaka  
Progati Sarani Branch, Dhaka  
Sabu Bazar Branch, Dhaka  
Agrabad Branch, Chittagong  
CDA Avenue Branch, Chittagong  
Jubilee Road Branch, Chittagong

### Prime Bank Limited

Motijheel Branch, Dhaka  
Islamic Banking Branch, Dhaka  
Mohakhali Branch, Dhaka  
Moulvi Bazar Branch, Dhaka  
Kawran Bazar Branch, Dhaka  
Elephant Road Branch, Dhaka  
Mouchak Branch, Dhaka  
Gulshan Branch, Dhaka  
Bangshal Branch, Dhaka  
Gonakbari Branch, Savar, Dhaka  
Uttara Branch, Dhaka  
Foreign Exchange Branch, Dhaka  
Dhanmondi Branch, Dhaka  
Eskaton Branch, Dhaka  
Banani Branch, Dhaka  
IBB Mirpur, Dhaka  
Shymoli Branch, Dhaka  
Panthapath Branch, Dhaka  
Progati Sharani Branch, Dhaka  
Khulna Branch, Khulna  
Barishal Branch, Barishal  
Rajshahi Branch, Rajshahi  
Islamic Banking Branch, Sylhet  
Sylhet Branch, Laldighirpar, Sylhet  
Court Road Branch, Sylhet  
Narayangonj Branch, Narayangonj  
Khatungonj Branch, Chittagong  
Agrabad Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Jessore Branch, Jessore  
Bogra Branch, Bogra  
IBB OR Nizam Road, Chittagong  
Fattikchari Branch, Chittagong  
Islamic Banking Branch, Paharoli, Chittagong  
Shimrail Branch, Narayangonj  
Tongi Branch, Gazipur  
Madhabdi Branch, Narsingdi

### NCC Bank Limited

Motijheel Branch, Dhaka  
Moghbari Branch, Dhaka  
Dilkusha Branch, Dhaka  
Mirpur Branch, Mirpur, Dhaka  
Dhanmondi Branch, Dhaka  
Gulshan Branch, Dhaka  
Malibagh Branch, Dhaka  
Uttara Branch, Dhaka  
Khulna Branch, Khulna  
Khatungonj Branch, Chittagong  
O.R. Nizam Road Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Agrabad Branch, Chittagong  
Rajshahi Branch, Rajshahi  
Laldighir par Branch, Sylhet  
Rangpur Branch, Rangpur

Jessore Branch, Jessore  
Laxmipur Branch, Laxmipur

### Southeast Bank Limited

Principal Branch, Dhaka  
Imamgonj Branch, Dhaka  
Dhanmondi Branch, Dhaka  
Uttara Branch, Dhaka  
New Elephant Road Branch, Dhaka  
Gulshan Branch, Dhaka  
Motijheel Branch, Dhaka  
Karwan Bazar Branch, Dhaka  
Banani Branch, Dhaka  
Bangshal Branch, Dhaka  
New Eskaton Branch, Dhaka  
Agargaon Branch, Dhaka  
Bandar Bazar Branch, Sylhet  
Shahjalal Uposahar Branch, Sylhet  
Laldighirpar Branch, Sylhet  
Chouhatta Branch, Sylhet  
Moulvibazar Branch, Moulvibazar  
Kulaura Branch, Moulvibazar  
Khulna Branch, Khulna  
Agrabad Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Khatungonj Branch, Chittagong  
Halishahar Branch, Chittagong  
CDA Avenue Branch, Chittagong  
Cox's Bazar Branch, Cox's Bazar  
Chhagalnaiya Branch, Feni  
Feni Branch, Feni

### EXIM Bank Limited

Pantha Path Branch, Dhaka  
Gazipur Branch, Gazipur  
Gulshan Branch, Dhaka  
Nawalpur Branch, Dhaka  
Rajuk Avenue Branch, Dhaka  
New Eskaton Branch, Dhaka  
Uttara Branch, Dhaka  
Mirpur Branch, Dhaka  
Elephant Road Branch, Dhaka  
Malibagh Branch, Dhaka  
Satmasjid Road Branch, Dhaka  
Imamgonj Branch, Imamgonj, Dhaka  
Agrabad Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Khatungonj Branch, Chittagong  
Sylhet Branch, Sylhet  
Narayangonj Branch, Narayangonj

### Dhaka Bank Limited

Local office, Dhaka  
Banani Branch, Dhaka  
Uttara Branch, Dhaka  
Islamic Banking Branch, Dhaka  
Bangshal Branch, Dhaka  
Foreign Exchange Branch, Dhaka  
Amin Bazar Branch, Dhaka  
Imamgonj Branch, Dhaka  
Dhanmondi Branch, Dhaka  
Kawranbazar Branch, Dhaka  
Islampur Branch, Dhaka  
Narayangonj Branch, Narayangonj  
Agrabad Branch, Chittagong  
Khatungonj Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Laldighirpar Branch, Sylhet

9. The IPO subscription money collected from investors (other than Non-Resident Bangladeshis in US Dollar or UK Pound sterling or EURO) by the Bankers to the Issue will be remitted to the Company's **STD A/C # 13100000457** with **Southeast Bank Limited, Corporate Branch, Dhaka**, Bangladesh for this purpose.

10. The subscription money collected from Non-Resident Bangladeshis (NRB) in US Dollar or UK Pound Sterling or EURO shall be deposited to three FC accounts opened by the Company for IPO purpose are as follows:

Sl. No.	Name of the FC Accounts	Account No.	Bank & Branch	Currency
1	EURO	0031-15100000766	Southeast Bank Limited, Corporate Branch, Dhaka	EURO
2	US DOLLAR	0031-15100000743	Southeast Bank Limited, Corporate Branch, Dhaka	US Dollar
3	GB POUND	0031-15100000751	Southeast Bank Limited, Corporate Branch, Dhaka	GBP

11. The Company shall close the accounts mentioned above after refund of over-subscription, if any.

**APPLICATIONS NOT IN CONFORMITY WITH THE ABOVE REQUIREMENTS AND THE INSTRUCTIONS PRINTED ON THE APPLICATION FORM ARE LIABLE TO BE REJECTED.**

## Allotment

The company shall issue share allotment letters to all successful applicants within 6 (six) weeks from the date of the subscription closing date. At the same time, the unsuccessful applicants shall be refunded with the application money within 6 (six) weeks from the closing of the subscription date by Account Payee Cheque without interest payable at Dhaka/Chittagong/Khulna/Rajshahi/Barisal/Sylhet, as the case may be. A compliance report shall be submitted with the Commission within 7(seven) weeks from the date of closure of subscription.

## Underwriting of shares

The Initial Public Offering (IPO) is for 700,000 ordinary shares of Tk. 100.00 each at par amounting to Tk. 70,000,000.00 As per Securities and Exchange Commission (Public Issue) Rules, 2006, 50% of the said amount i.e. 350,000 ordinary shares of Tk. 100.00 each at par amounting to Tk. 35,000,000.00 has been underwritten by the following institutions:

Sl. No.	Name and Address of Underwriters	Number of shares	Amount (Tk.)
1	<b>Prime Finance &amp; Investment Limited</b> 63, Dilkusha C/A, (3 <sup>rd</sup> Floor), Dhaka-1000.	150,000	15,000,000
2	<b>Bay Leasing &amp; Investment Limited</b> Printers Building (7 <sup>th</sup> Floor), 5, Rajuk Avenue, Motijheel C/A, Dhaka-1000.	50,000	5,000,000
3	<b>Southeast Bank Limited</b> Head Office, 1, Dilkusha C/A (3 <sup>rd</sup> Floor), Dhaka-1000.	50,000	5,000,000
4	<b>ICB Capital Management Limited</b> 8, DIT Avenue (14 <sup>th</sup> Floor), Dhaka-1000.	40,000	4,000,000
5	<b>LankaBangla Finance Limited</b> Safura Tower (11 <sup>th</sup> Floor), 20, Kamal Ataturk Avenue, Banani, Dhaka-1213.	40,000	4,000,000
6	<b>Fidelity Assets &amp; Securities Company Limited</b> Nitol Center (2 <sup>nd</sup> Floor), 71, Mohakhali C/A, Dhaka-1212.	20,000	2,000,000
<b>Total</b>		<b>350,000</b>	<b>35,000,000</b>

### Principal terms and conditions of underwriting agreement:

1. If and to the extent that the shares offered to the public by a prospectus authorized hereunder shall not have been subscribed and paid for in cash in full by the closing date, the Company shall within 10 (ten) days of the closure of subscription call upon the underwriter in writing with a copy of said writing to the Securities and Exchange Commission, to subscribe for the shares not subscribed by the closing date and to pay for in cash in full for such unsubscribed shares in cash in full within 15 (fifteen) days of the date of said notice and the said amount shall have to be credited into shares subscription account within the said period.
2. If payment is made by Cheque/Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards his underwriting commitment under the agreement, until such time as the Cheque/Bank Draft has been en-cashed and the Company's account credited.
3. In any case within 7 (seven) days after the expiry of the aforesaid 15 (fifteen) days, the Company shall send proof of subscription and payment by the underwriter to the Commission.
4. In the case of failure by the underwriter to pay for the shares under the terms mentioned above, the said Underwriter will not be eligible to underwrite any issue, until such time as he fulfils his underwriting commitment under the agreement and also other penalties as may be determined by the Commission may be imposed on him.
5. In case of failure by any underwriter to pay for the shares within the stipulated time, the Company/Issuer will be under no obligation to pay any underwriting commission under the agreement.
6. In case of failure by the Company to call upon the underwriter for the aforementioned purpose within the stipulated time, the Company and its Directors shall individually and collectively be held responsible for the consequences and/or penalties as determined by the Securities and Exchange Commission under the law may be imposed on them.

### Commission for the Underwriters

The underwriters shall be paid an underwriting commission @ 0.50% of the value of shares underwritten by them out of the public issue.

### Underwriters right to represent in the Board of Directors of the Company

The Underwriters shall not have any right to have any representatives in the Company's Board of Directors.

### Officer or Director of the underwriters acting as Director of the Company

No Officer or Director of the Underwriter(s) is presently engaged as the Director of the company.



**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
BANGLADESH FINANCE AND INVESTMENT CO. LTD.**

We have audited the accompanying balance sheet of the Bangladesh Finance and Investment Co. Ltd. as of 30 September 2006 and the related profit and loss account, cash flow statement and statement of changes in shareholders' equity for the period then 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. 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 accounting 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 of 30 September 2006 and of the results of its operations and its cash flow for the period then ended and comply with the Financial Institutions Act 1993, the Companies Act 1994, the Securities and Exchange Rules 1987, the rules and regulations issued by the Bangladesh Bank, and other applicable laws and regulations.

We also report that:

- (a) 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;
- (b) 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;
- (c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of accounts;
- (d) the financial statements have been prepared in accordance with generally accepted accounting principles in Bangladesh;
- (e) the financial statements have been drawn up in conformity with the rules and regulations issued by Bangladesh Bank to the extent applicable to the company;





- (f) the expenditure incurred and payments made were for the purpose of the company's business;
- (g) the information and explanations required by us have been received and found satisfactory;
- (h) adequate provision has been made for leases and advances considered to be doubtful;
- (i) the company has followed the instructions issued by Bangladesh Bank in matters of lease/advance classification, provisioning and suspension of interest; and
- (j) the company has complied with the relevant laws pertaining to reserves and maintenance of liquid assets.

Dhaka, 26 November 2006

Sd/-  
Hoda Vasi Chowdhury & Co.  
Chartered Accountants

## Bangladesh Finance and Investment Co. Ltd.

### Balance Sheet at 30 September 2006

<b><u>Sources of Funds</u></b>	<b><u>Notes</u></b>	<b>At 30-Sep-06 Taka</b>	<b>At 31-Dec-05 Taka</b>
<b>Shareholders' equity:</b>			
Share capital	3	233,316,900	204,664,000
Statutory reserve	4	20,160,871	14,103,646
Proposed stock dividend		-	28,652,960
Retained earnings		24,404,581	175,619
		277,882,352	247,596,225
<b>Long term liabilities:</b>			
Term deposits (net of current maturity)	5	225,350,000	183,053,700
Lease deposits, security deposits and loan deposits (net of current maturity)	6	26,958,820	24,098,308
Bank loan (net of current maturity)	7	328,010,239	223,798,021
Re-financing loan from Bangladesh Bank (net of current maturity)	8	22,044,445	-
		602,363,504	430,950,029
Deferred tax	20	9,400,000	5,800,000
		889,645,856	684,346,254
<b><u>Application of Funds</u></b>			
<b>Fixed assets (at cost less accumulated depreciation)</b>	9	9,507,835	8,016,463
<b>Investment and advances:</b>			
Net investment in lease finance (net of current maturity)	10	370,106,375	436,347,114
Advance against lease finance	11	128,123,594	-
Term finance (net of current maturity)	12	147,723,174	111,438,547
Investment in securities (net of current maturity)	13	13,763,630	13,763,630
		659,716,773	561,549,291
<b>Provision for potential losses in investments and advances</b>	14	(17,007,543)	(11,229,944)

Contd....

		At 30-Sep-06 Taka	At 31-Dec-05 Taka
	Notes		
<b>Current assets:</b>			
Net investment in lease finance (current maturity)	10	232,080,562	250,155,265
Term finance (current maturity)	12	111,165,934	76,704,292
Investment in securities (current maturity)	13	97,872,332	8,222,531
Accounts receivable		59,081,451	40,389,562
Other receivable		47,888,360	16,681,342
Advances, deposits and prepayments	15	9,979,977	5,044,148
Stock of stamps on hand		92,108	48,068
Investment in FDR	16	800,000,000	410,000,000
Cash and cash equivalents	17	14,491,452	13,099,557
		1,372,652,176	820,344,765
<b>Less: Current liabilities:</b>			
Term deposits (current maturity)	5	581,014,680	267,768,293
Lease deposits, security deposit and loan deposits (current maturity)	6	6,780,014	6,196,008
Bank loan (current maturity)	7	183,510,626	115,318,224
Re-financing loan from Bangladesh Bank (current maturity)	8	2,755,555	-
Accrued expenses and other payables	18	93,263,649	41,870,393
Short term loan	19	266,681,919	261,964,461
Provision for tax	21	1,216,942	1,216,942
		1,135,223,385	694,334,321
<b>Net current assets</b>		237,428,791	126,010,444
		889,645,856	684,346,254

The annexed notes 1 to 33 form an integral part of these financial statements.

Sd/- \_\_\_\_\_ Sd/- \_\_\_\_\_  
Company Secretary Managing Director

Sd/- \_\_\_\_\_ Sd/- \_\_\_\_\_  
Director Director

As per our report of same date.

Sd/-  
Shahidul Chowdhury & Co  
Chartered Accountant

Dhaka, 26 November 2006

**Bangladesh Finance and Investment Co. Ltd.****Profit and Loss Account  
for the period ended 30 September 2006**

	<u>Notes</u>	Period ended <u>30-Sep-06</u> <u>Taka</u>	Period ended <u>30-Sep-05</u> <u>Taka</u>
<b>Operational revenue:</b>			
Interest income from lease finance	22	77,164,348	62,735,661
Interest on term finance		25,807,902	10,768,759
Income from treasury operation	23	41,194,537	20,881,693
Income from investment in shares		10,217,056	-
Other operational income	24	5,484,945	2,231,232
		<u>159,868,788</u>	<u>96,617,345</u>
<b>Less: Operational expenses:</b>			
Depreciation on fixed assets		1,117,952	1,050,450
Provision for potential losses in investments and advances	25	5,777,599	2,330,396
Management expenses	26	12,840,325	10,799,499
Financial expenses	27	106,253,668	55,519,451
		<u>125,989,544</u>	<u>69,699,796</u>
<b>Operating profit</b>		<u>33,879,244</u>	<u>26,917,549</u>
Non-operational income	28	6,883	-
<b>Profit before tax</b>		<u>33,886,127</u>	<u>26,917,549</u>
Less: Provision for tax		-	-
Provision for deferred tax	20	3,600,000	1,800,000
		<u>3,600,000</u>	<u>1,800,000</u>
<b>Net profit after tax</b>		<u>30,286,127</u>	<u>25,117,549</u>
Profit brought forward from previous year		175,679	202,272
<b>Profit available for appropriation</b>		<u>30,461,806</u>	<u>25,319,821</u>
<b>Appropriations:</b>			
Transfer to statutory reserve		6,057,225	5,023,510
		<u>6,057,225</u>	<u>5,023,510</u>
<b>Retained earnings, carried forward</b>		<u>24,404,581</u>	<u>20,296,311</u>
<b>Earnings per share</b>	29	<u><u>12.98</u></u>	<u><u>11.70</u></u>

The annexed notes 1 to 33 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
_____ Company Secretary	_____ Managing Director	_____ Director	_____ Director

As per our report of same date.

Sd/-  
Hoda Vasi Chowdhury & Co  
Chartered Accountant

Dhaka, 26 November 2006

## Bangladesh Finance and Investment Co. Ltd.

### Cash Flow Statement for the period ended 30 September 2006

	Period ended <u>30-Sep-06</u> <u>Taka</u>	Period ended <u>30-Sep-05</u> <u>Taka</u>
<b>Cash flow from operating activities:</b>		
Collection of rentals, interest, service fees etc.	460,023,338	228,207,893
Interest payment	(110,921,310)	(40,890,710)
Payments to employees and suppliers	(12,214,900)	(10,245,393)
<i>(Increase)/decrease in current assets</i>		
Other receivables	(1,286,928)	(382,491)
Advance deposit and prepayments	(1,723,735)	(1,333,197)
Stock of stamps	(44,040)	66,650
<i>Increase/(decrease) in current liabilities</i>		
Short term loan	4,717,458	(415,019,033)
Accrued expenses and other payables	29,424,037	7,681,007
Advance income tax paid	(3,749,751)	537,657
<i>Net cash flow from operating activities</i>	364,224,169	(231,377,617)
<b>Cash flow from investing activities:</b>		
Purchase of shares	(118,233,260)	(1,730,630)
Sale of shares	46,363,551	-
Dividend received	548,964	-
Investment in FDR	(520,000,000)	(225,000,000)
Encashment of investment in FDR	130,000,000	450,000,000
Purchase of fixed assets	(2,609,324)	(429,026)
Execution of lease finance	(136,474,000)	(237,563,585)
Disposal of lease finance	22,755,863	99,873,104
Advance against lease finance	(128,123,594)	(68,416,048)
Disbursement of term finance	(224,188,068)	(196,332,187)
<i>Net cash flow from investing activities</i>	(929,959,868)	(179,598,372)
<b>Cash flow from financing activities</b>		
Issued share capital	-	42,018,000
Receipt of refinancing loan from Bangladesh Bank	24,800,000	-
Receipt of term deposit (FDR)	648,815,695	239,743,879
Encashment of term deposits (FDR)	(293,273,008)	(95,593,207)
Received lease deposits, security deposits and loan deposits	14,380,287	10,013,138
Receipt of bank loan	276,505,619	237,739,192
Repayment of bank loan	(104,100,999)	(28,293,796)
<i>Net cash flow from financing activities</i>	567,127,594	405,627,206
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,391,895	(5,348,783)
<b>Cash and cash equivalents at beginning of the period</b>	13,099,557	13,387,037
<b>Cash and cash equivalents at end of the period</b>	14,491,452	8,038,254

**Bangladesh Finance and Investment Co. Ltd.****Statement of Changes in Shareholders' Equity  
for the period ended 30 September 2006**

	<u>Share capital</u> Taka	<u>Retained earnings</u> Taka	<u>Statutory reserve</u> Taka	<u>Proposed stock dividend</u> Taka	<u>Share money deposit</u> Taka	<u>Profit and loss account</u> Taka	<u>Total</u> Taka
Balance at 1 January 2005	147,860,000	202,272	6,947,069	14,786,000	-	-	169,795,341
Changes upto 30 September 2005:							
Share money deposit received	-	-	-	-	42,018,000	-	42,018,000
Issue of share capital	42,018,000	-	-	-	(42,018,000)	-	-
Net profit for the year	-	-	-	-	-	25,117,549	25,117,549
Transfer to statutory reserve	-	-	5,023,510	-	-	(5,023,510)	-
Proposed stock dividend	14,786,000	-	-	(14,786,000)	-	-	-
Transfer to retained earnings	-	20,094,039	-	-	-	(20,094,039)	-
	<u>56,804,000</u>	<u>20,094,039</u>	<u>5,023,510</u>	<u>(14,786,000)</u>	<u>-</u>	<u>-</u>	<u>67,135,549</u>
Balance at 30 September 2005	<u>204,664,000</u>	<u>20,296,311</u>	<u>11,970,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,930,890</u>
Balance at 1 January 2006	204,664,000	175,619	14,103,646	28,652,960	-	-	247,596,225
Changes upto 30 September 2006							
Issue of share capital	28,652,900	-	-	(28,652,900)	-	-	-
Net profit for the period	-	-	-	-	-	30,286,127	30,286,127
Transfer from proposed stock dividend ( Note 3.1)	-	60	-	(60)	-	-	-
Transfer to retained earnings	-	24,228,902	-	-	-	(24,228,902)	-
Transfer to statutory reserve	-	-	6,057,225	-	-	(6,057,225)	-
Balance at 30 September 2006	<u>233,316,900</u>	<u>24,404,581</u>	<u>20,160,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,882,352</u>



## **Bangladesh Finance and Investment Co. Ltd.**

### **Notes to the financial statements for the period ended 30 September 2006**

#### **1. Legal status and nature of the company**

##### **1.1 Domicile, legal form and country of incorporation**

Bangladesh Finance and Investment Co. Ltd. (BFIC) is a Non-Banking Financial Institution engaged in lease financing operation. The Company having its registered office at Baitul Hossain Building, 27 Dilkusha C/A, Dhaka-1000, Bangladesh, was incorporated in Bangladesh on 10 May 1999 as a Public Limited Company under the Companies Act 1994. The license was issued from Bangladesh Bank on 22 December 1999 under the Financial Institutions Act 1993. The operation of leasing activities was started on 15 February 2000 through signing the first lease agreement on that day. In the year 2005 the company opened a branch at Agrabad C/A, Chittagong.

##### **1.2 Principal activities and nature of operation**

The Company provides finance for capital machinery including construction equipment, energy generating equipment, office equipment, medical equipment, transport etc. The company also provides term finance and working capital finance to the enterprises as well as professionals.

#### **2. Significant accounting policies**

##### **2.1 Measurement bases used in preparing the financial statements**

The elements of financial statements have been measured on “historical cost” basis on Generally Accepted Accounting Principles in Bangladesh, including Bangladesh Accounting Standards.

##### **2.2 Accounting for leases**

Lease transactions are accounted for under finance method as per BAS 17 since assets leased to customer under agreements transfer substantially all the risk and rewards associated with ownership, other than legal title, to the customer.

As per BAS 17, in case of finance lease, the aggregate lease rental receivables including unguaranteed residual value throughout the lease term are recorded as gross rental receivables while the excess of gross rental receivables over the total acquisition cost including interest during the period of acquiring the lease equipment constitutes the unearned interest income. The unearned interest income is amortised to revenue on a monthly basis over the lease term yielding a constant rate of return over the period. Initial direct cost in respect of lease are expensed in the year in which such costs are incurred.

Unrealised income is suspended where necessary in accordance with the requirements of relevant circular issued by the Financial Institutions Department (FID) of Bangladesh Bank.

## 2.3 Recognition of fixed assets and depreciation

2.3.1 Fixed Assets are stated at cost less accumulated depreciation. The cost of the fixed assets is the cost of acquisition or construction together with purchase price and other directly attributable costs of bringing the assets to working conditions for their intended use.

2.3.2 Depreciation is provided on a new asset for the period in use in the year of purchase. Full month's depreciation has been charged on additions irrespective of date when the related assets are put into use. Depreciation is calculated on the cost of fixed assets in order to write-off such amounts over the estimated useful lives of such assets. BFIC follows the reducing balance method of depreciation applying annual rates stated as follows:

Office equipment	18%
Furniture and fixtures	10%
Motor vehicles	20%
Other assets	20%

## 2.4 Accrued expenses and other payables

Liabilities are recognized for amounts to be paid/adjusted in the future.

## 2.5 Revenue recognition

### 2.5.1 Lease income

The excess of aggregate rental receivable over the cost of lease constitutes the total unearned interest income at the commencement of the contract. This income is allocated over the period of lease that reflect a constant periodic return on net investment.

### 2.5.2 Income from term finance

Interest income on term finance is recognized on accrual basis. Interest portion of the installments that become receivable is credited to the profit and loss account.

### 2.5.3 Fees base income, penal interest and gain on sale of securities

Fees base income, penal interest and gain on sale of securities are taken to income on receipt basis.

## 2.6 Investment in share

Investment in marketable ordinary shares has been shown at market price (valued on an aggregate portfolio basis). Full provision for diminution in value of shares as on closing of the period, if required, has been taken into account. Investment in non-marketable shares has been valued at cost.

## 2.7 Provision for potential losses on investments and advances

Provision for potential losses on investment and advances is made on the basis of year end review by the management and in compliance with instructions contained in Bangladesh Bank circulars.



**3. Share capital**

	At 30-Sep-06 Taka	At 31-Dec-05 Taka
Authorised:		
5,000,000 Ordinary shares of Tk 100 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up:		
2,046,640 (2005:1,478,600) Ordinary shares of Tk 100 each h	204,664,000	147,860,000
286,529 (2005:147,860) Ordinary shares of Tk 100 each issued as bonus shares (Note 3.1)	28,652,900	14,786,000
- (2005:420,180) Ordinary shares of Tk 100 each issued as right shares	-	42,018,000
<u>2,333,169</u>	<u>233,316,900</u>	<u>204,664,000</u>

Classification of shareholders by holding:

No. of shares	At 30 September 2006		At 31 December 2005	
	No. of shareholders	Total holding (%)	No. of shareholders	Total holding (%)
Less than 500 shares	-	-	-	-
501 to 5,000 shares	1	2.22	7	14.58
5,001 to 10,000 shares	4	8.89	2	4.17
10,001 to 20,000 shares	7	15.56	8	16.67
20,001 to 30,000 shares	7	15.56	5	10.42
30,001 to 40,000 shares	1	2.22	3	6.25
40,001 to 50,000 shares	6	13.33	7	14.58
50,001 to 100,000 shares	14	31.11	12	25.00
100,001 to 300,000 shares	5	11.11	4	8.33
	<u>45</u>	<u>100.00</u>	<u>48</u>	<u>100.00</u>

Composition of shareholding was as follows:

	No. of shares	
	At 30-Sep-06	At 31-Dec-05
Corporate shareholding	526,891	462,184
Individual shareholding	1,806,278	1,584,456
	<u>2,333,169</u>	<u>2,046,640</u>

- 3.1 During the period under audit Tk 28,652,900 transferred to paid up capital from the proposed stock dividend of Tk 28,652,960 for the year 2005. Fractional amount of proposed stock dividend Tk 60 transferred to retained earnings.

**4. Statutory reserve**

Opening balance	14,103,646	6,947,069
Addition during the period/year (20% of post tax profit)	6,057,225	7,156,577
Closing balance	<u>20,160,871</u>	<u>14,103,646</u>



	At 30-Sep-06 <u>Taka</u>	At 31-Dec-05 <u>Taka</u>
<b>5. Term deposits (FDR)</b>		
Interest bearing deposits are taken from institutions & individuals for a minimum period of 6 months and 12 months respectively. A part of the deposits are of revolving nature and renewed for further period. Details are as under:		
Opening balance	450,821,993	275,903,491
Received during the period/year	648,815,695	349,249,209
Repayment during the period/ year	<u>(293,273,008)</u>	<u>(174,330,707)</u>
	<u>806,364,680</u>	<u>450,821,993</u>
Current portion	581,014,680	267,768,293
Long term portion	<u>225,350,000</u>	<u>183,053,700</u>
	<u>806,364,680</u>	<u>450,821,993</u>

## 6. Lease deposits, security deposits and loan deposits

Lease and security deposits represent amount received in advance from lessees against finance on the stipulation that the amount will be adjusted with the outstanding rentals/instalments. Loan deposits received in advance represents amount received from the borrower who availed the term finance facilities. Lease deposits, security deposits and loan deposits made up as under:

Opening balance	30,294,316	23,032,652
Received during the period/year	14,380,287	13,168,954
Repayment/adjustment during the period/year	<u>(10,935,769)</u>	<u>(5,907,290)</u>
	<u>33,738,834</u>	<u>30,294,316</u>
Current portion	6,780,014	6,196,008
Long term portion	<u>26,958,820</u>	<u>24,098,308</u>
	<u>33,738,834</u>	<u>30,294,316</u>

Breakup of lease deposits, security deposits and loan deposits is as follows:

Lease deposits	26,388,609	24,614,771
Security deposits	754,480	1,322,000
Loan deposits	<u>6,595,745</u>	<u>4,357,545</u>
	<u>33,738,834</u>	<u>30,294,316</u>

Purpose of taking lease deposits, security deposits and loan deposits is to secure the finance provided to clients. No interest is payable on lease deposits and loan deposits while security deposits are interest bearing.



7. <b>Bank loan</b>	At	At
	30-Sep-06	31-Dec-05
	Taka	Taka
This represents loan taken from different banks, and is made up as under:		
Opening balance	339,116,245	74,735,112
Received/addition during the period/year	276,505,619	310,000,000
	615,621,864	384,735,112
Adjustment during the period/year	(104,100,999)	(45,618,867)
	<u>511,520,865</u>	<u>339,116,245</u>
Current portion	183,510,626	115,318,224
Long term portion	328,010,239	223,798,021
	<u>511,520,865</u>	<u>339,116,245</u>

All the loans are secured by way of first charge ranking pari passu with other lenders on all fixed and floating assets.

## 8. Re-financing loan from Bangladesh Bank

Balance	<u>24,800,000</u>	<u>-</u>
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This represents fund received from Bangladesh Bank under refinancing scheme for financing Small and Medium Enterprise (SME) and agrobased projects.

Current portion	2,755,555	-
Long term portion	22,044,445	-
	<u>24,800,000</u>	<u>-</u>

## 9. Fixed assets

### Cost:

Opening balance	12,586,468	12,001,053
Addition during the period/year	2,609,324	1,284,315
Disposal during the period/year	-	(698,900)
Closing balance	<u>15,195,792</u>	<u>12,586,468</u>

### Accumulated depreciation:

Opening balance	4,570,005	3,372,777
Charged during the period/year	1,117,952	1,382,651
Disposal during the period/year	-	(185,423)
Closing balance	<u>5,687,957</u>	<u>4,570,005</u>

<b>Written down value</b>	<u>9,507,835</u>	<u>8,016,463</u>
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Classification of fixed assets is shown in note 9.1.

**9.1 Classification of fixed assets**

Particulars	Cost				Rate	Depreciation				Written down value	
	At 1 January 2006	Addition during the period	Disposal during the period	At 30 September 2006		At 1 January 2006	Charged during the period	Disposal during the period	At 30 September 2006	At 30 September 2006	At 31 December 2005
Furniture and fixtures	4,284,408	371,044	-	4,655,452	10%	1,459,876	216,721	-	1,676,597	2,978,855	2,824,532
Office equipment	1,968,099	530,030	-	2,498,129	18%	743,578	200,441	-	944,019	1,554,110	1,224,521
Motor vehicle	6,173,544	1,686,000	-	7,859,544	20%	2,299,497	685,200	-	2,984,697	4,874,847	3,874,047
Other assets	160,417	22,250	-	182,667	20%	67,054	15,590	-	82,644	100,023	93,363
	<u>12,586,468</u>	<u>2,609,324</u>	<u>-</u>	<u>15,195,792</u>		<u>4,570,005</u>	<u>1,117,952</u>	<u>-</u>	<u>5,687,957</u>	<u>9,507,835</u>	<u>8,016,463</u>

**10. Net investment in lease finance**

	<u>Current portion</u> <u>Taka</u>	<u>Long-term portion</u> <u>Taka</u>	<u>Total</u> <u>Taka</u>
<b>At 30 September 2006:</b>			
Gross rental receivables	312,284,771	440,571,813	752,856,584
Unearned interest income	80,204,209	70,465,438	150,669,647
Net investment in lease finance	<u>232,080,562</u>	<u>370,106,375</u>	<u>602,186,937</u>
<b>At 31 December 2005:</b>			
Gross rental receivables	339,144,174	525,436,685	864,580,859
Unearned interest income	88,988,909	89,089,571	178,078,480
Net investment in lease finance	<u>250,155,265</u>	<u>436,347,114</u>	<u>686,502,379</u>
		At <u>30-Sep-06</u> <u>Taka</u>	At <u>31-Dec-05</u> <u>Taka</u>

**11. Advance against lease finance**

Balance	<u>128,123,594</u>	<u>-</u>
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This represents disbursement made for procurement of lease assets which are yet to be executed. On execution of lease, advances will be transferred to lease receivables.

**12. Term finance**

This represents disbursements of direct credit for usual period of minimum twelve months.

Opening balance	188,142,839	98,233,411
Investment during the period/year	224,188,068	196,332,182
Adjustment made during the period/year	(153,441,799)	(106,422,754)
Closing balance	<u>258,889,108</u>	<u>188,142,839</u>
Current portion	111,165,934	76,704,292
Long term portion	147,723,174	111,438,547
	<u>258,889,108</u>	<u>188,142,839</u>

Investment during the period includes Tk 50,750,000 made as advance to be executed on later date as per terms of agreement. Such advances carry interest at agreed rates until the advances are executed.

**13. Investment in securities**

This represents investment made in the shares of both quoted and non-quoted companies, quoted securities held for trading have been shown at market value. Provision for diminution of value of marketable securities have been considered on an aggregate portfolio basis as per BAS 25, which are made up as under:

	At 30-Sep-06		At 31-Dec-05	
	<u>No of comapany</u>	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>
Listed securities held for trading	27	95,431,683	97,872,332	8,222,531
Non-quoted securities	1	13,763,630	13,763,630	13,763,630
	28	109,195,313	111,635,962	21,986,161

	At 30-Sep-06 Taka	At 31-Dec-05 Taka
Current portion	97,872,332	8,222,531
Long term portion	13,763,630	13,763,630
	111,635,962	21,986,161

**14. Provision for potential losses in investments and advances**

Provision on leases and investment has been determined on the basis of guidelines issued by Bangladesh Bank. Details are as follows:

Opening balance	11,229,944	6,935,081
Provision for the period/year	5,777,599	4,294,863
Closing balance	17,007,543	11,229,944

Break up of provision amount is as under:

Lease finance	14,949,104	9,259,362
Term finance	2,058,439	1,903,442
Investment in shares	-	67,140
	17,007,543	11,229,944



	At <u>30-Sep-06</u> Taka	At <u>31-Dec-05</u> Taka
<b>15. Advances, deposits and prepayments</b>		
Advances:		
Salary	2,000	2,000
Office expenses	869,069	1,310,977
Office rent	698,386	953,983
Income tax	5,462,710	1,712,959
Office renovation	1,533,398	799,815
Advance to M/s SSD Tech Ltd.	1,150,000	-
Deposits	264,414	264,414
	<u>9,979,977</u>	<u>5,044,148</u>

All advances are unsecured but considered good.

## 16. Investment in FDR

This represents short term investment in FDR bearing fixed interest rate varying from 9% to 13% per annum.

Southeast Bank Ltd	50,000,000	50,000,000
Mercantile Bank Ltd	50,000,000	50,000,000
Dutch Bangla Bank Ltd	50,000,000	50,000,000
Shahjalal Islami Bank Ltd	150,000,000	150,000,000
First Security Bank Ltd	500,000,000	100,000,000
Fareast Finance & Investment Co Ltd	-	10,000,000
	<u>800,000,000</u>	<u>410,000,000</u>

## 17. Cash and cash equivalents

Cash in hand	222,030	760,888
Cash at bank:		
Current deposit	225,272	191,617
Short term deposit (STD)	10,863,114	9,034,650
Deposit with Bangladesh Bank	3,181,036	3,112,402
	<u>14,491,452</u>	<u>13,099,557</u>

## 18. Accrued expenses and other payables

Interest payable on FDR	43,438,542	24,578,552
Interest payable on bank loan	13,884,015	10,774,789
Interest payable on security deposit	213,077	309,530
Payable for purchase of share	8,112,000	-
Withholding tax	141,848	1,912
Withholding VAT	78,261	15,787
Sundry creditors	17,549,462	5,395,352
Interest suspense	9,676,009	794,471
Payable others	170,435	-
	<u>93,263,649</u>	<u>41,870,393</u>

Withholding tax and VAT have subsequently been deposited to the Government exchequer.



<b>19. Short term loan</b>	At <u>30-Sep-06</u> Taka	At <u>31-Dec-05</u> Taka
<b>Call money:</b>		
Southeast Bank Ltd	100,000,000	-
Jamuna Bank Ltd.	100,000,000	-
Dutch Bangla Bank Ltd	40,000,000	-
	<u>240,000,000</u>	-
<b>Secured overdraft (SOD):</b>		
Southeast Bank Ltd	739,763	62,238,275
Uttara Bank Ltd	2,698,753	74,847,254
Shahjalal Islami Bank Ltd	1,011,004	100,000,000
Mercantile Bank Ltd.	20,820,890	24,866,302
Dutch Bangla Bank Ltd	877,944	12,630
First Security Bank Ltd	533,565	-
	<u>26,681,919</u>	<u>261,964,461</u>
	<u><u>266,681,919</u></u>	<u><u>261,964,461</u></u>

**20. Deferred tax**

This represents deferred tax liabilities arisen as per temporary difference of tax based assets and liabilities and its carrying amount in the financial statements as per Bangladesh Accounting Standards 12: Income Taxes.

Opening balance	5,800,000	-
Addition during the period/year	<u>3,600,000</u>	<u>5,800,000</u>
	9,400,000	5,800,000
Adjustment during the period	-	-
	<u>9,400,000</u>	<u>5,800,000</u>

**21. Provision for tax**

Balance	<u>1,216,942</u>	<u>1,216,942</u>
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Assessment for the year 2004 (assessment year 2005-2006) has been completed by the assessing officer demanding tax of Tk 998,199. The company filed the first appeal against the demand of the DCT for set off the other operational income against the unabsorbed depreciation loss amount of Tk 10.26 million. The appeal authority directed to the concern DCT to set off the income with the unabsorbed depreciation loss.

Assessment for the year 2003 (assessment year 2004-2005) has been completed by the assessing officer. First appeal filed by the company has been disposed of maintaining the demand of tax of Tk 4,652,659. The company filed second appeal against the order of the 1st appellate authority.

Appeal against the assessment for 2001 (assessment year 2002-2003) is pending with the High Court. The disputed tax for the year is Tk 620,051.





	Period ended <u>30-Sep-06</u> Taka	Period ended <u>30-Sep-05</u> Taka
<b>22. Interest income from lease finance</b>		
Interest from lease finance	67,807,297	52,492,169
Grace period interest	9,357,051	10,243,492
	<u>77,164,348</u>	<u>62,735,661</u>
<b>23. Income from treasury operation</b>		
Interest received from money market operation	7,217,293	5,743,034
Interest on investment in FDR	60,654,338	15,138,659
Less: Interest expenses relating to term deposits	26,677,094	-
	<u>33,977,244</u>	<u>15,138,659</u>
	<u>41,194,537</u>	<u>20,881,693</u>
<b>24. Other operational income</b>		
Service and documentation charge	2,264,465	771,125
Transfer price	367,120	187,508
Penal and prepayment interest	2,826,703	1,201,105
Miscellaneous income	26,657	71,494
	<u>5,484,945</u>	<u>2,231,232</u>
<b>25. Provision for potential losses in investments and advances</b>		
Leased assets	5,622,602	1,675,855
Term finance	154,997	580,210
Loss in value of share	-	74,331
	<u>5,777,599</u>	<u>2,330,396</u>



	Period ended <u>30-Sep-06</u> <u>Taka</u>	Period ended <u>30-Sep-05</u> <u>Taka</u>
<b>26. Management expenses</b>		
Salaries and allowances (Notes 26.1 and 26.2)	7,326,114	5,976,731
Directors' fees (Note 26.3)	284,050	282,175
Audit fees	62,700	52,356
Legal and others professional fees	71,050	98,511
Office rent	1,203,102	954,018
Travelling and conveyance	148,212	270,926
Office maintenance	648,160	497,491
Motor vehicle expenses	571,407	537,113
Printing and stationery	310,671	710,206
Books and periodicals	47,626	7,960
Communication expenses	271,885	197,601
Bank charges, levies, stamps and duties	77,174	249,038
Insurance premium	36,739	-
Advertisement and publicity	251,490	178,153
Membership fess, subscription, donation etc.	223,671	297,740
Entertainment and public relations	255,826	170,514
Business development	34,548	162,699
Commission exchange brokerage	782,271	-
Other operational expenses	233,629	156,267
	<u>12,840,325</u>	<u>10,799,499</u>

**26.1** Salaries and allowances include Tk 1,455,000 paid to Managing Director.

**26.2** The number of employees at the year end who received salary above Tk 36,000 during the period under review was 25 (2005: 21).

**26.3** Directors' fees refers to amount paid to Directors for attending the Board meetings and executive committee meetings.

## 27. Financial expenses

Interest expenses on FDR	35,640,839	29,621,878
Interest expenses on security deposits	14,872	62,501
Interest on call loan	3,963,180	4,328,473
Interest on bank loan	66,464,342	20,911,620
Interest on others	170,435	594,979
	<u>106,253,668</u>	<u>55,519,451</u>



28. Non-operational income	Period ended 30-Sep-06	Period ended 30-Sep-05
	Taka	Taka
Interest received from bank	6,883	-
	6,883	-

### 29. Earning Per Share (EPS)

Basic earning per share has been calculated by dividing the basic earnings by the number of weighted average ordinary shares outstanding during the period ended 30 September 2006 as per Bangladesh Accounting Standards 33: Earnings Per Share.

No diluted EPS is required to be calculated for the period since there was no scope for dilution of share during the period under review. Basic earning per share calculated as follows:

Net profit after tax	30,286,127	25,117,549
No. of ordinary shares at 1 January	2,046,640	1,478,600
No. of bonus shares issued during 2006 out of profit for the year 2005	286,529	286,529
No. of bonus shares issued during 2005 out of profit for year 2004	-	147,860
No. of right shares issued on May 2005 (420,180*5/9)	-	233,433
No. of weighted average shares outstanding during the period	2,333,169	2,146,422
Earnings per share (EPS)	12.98	11.70

### 30. Related party transactions

The Company in normal course of business has entered into transactions with other entities that fall within the definition of related party contained in Bangladesh Accounting Standard 24. The company believes that the terms of related party transactions are not significantly different from those that could have been executed with third parties. Transactions with related parties are as follows:

Name of the related party	Relationship	Nature of transaction	Amount	
			Finance Amount	Outstanding Amount
Mr. Al-Haj Anwar Hossain	Chairman	Term deposits		7,872,667
Mr. Hossain Khaled	Vice Chairman	Term deposits		500,000
Mr. Hossain Akhter	Director	Term deposits		573,145
Mr. Hossain Mehmud	Director	Term deposits		800,000
Mr. Geasuddin Ahmed	Director	Term deposits		1,000,000
Mr. Manwar Hossain	Director	Term deposits		3,718,000
Mr. G.M. Salehuddin Ahmed	Managing Director	Lease finance (Car)	402,819	200,700

### 31. Post balance sheet events

No material event occurring after the Balance Sheet date came to our notice which could materially affect the amounts or disclosures in these financial statements.



### **32. Claim against the company not acknowledged as debt**

The company does not have any claim that has not been acknowledged as debt at the balance sheet date.

### **33. General**

**33.1** During the period under audit 8 (eight) Board meetings were held.

**33.2** The figures in the financial statements represent Bangladesh currency (Taka), which has been rounded off to the nearest Taka.

**33.3** Previous period/year's figures have been rearranged, where necessary, to conform to current period/year's presentation.

**Auditors' report under section 135(1) of Para 24(1) of  
Part – II of Schedule III of Companies Act 1994**

As per section 135(1) of Para 24(1) of Part – II of Schedule III of Companies Act 1994, Bangladesh Finance and Investment Co. Ltd. has prepared the following statement of assets and liabilities and statement of operating result for the years ended 31 December 2001, 2002, 2003, 2004, 2005 and for the period ended 30 September, 2006 to us. Our responsibility is to review the audited financial statements and confirm that related information have been correctly extracted from the relevant financial statements.

We have reviewed the relevant audited financial statements and confirm that in statutory audit reports, the following information have been correctly extracted from those audited financial statements

1. The company was incorporated on 10 May 1999.
2. The statements of assets & liabilities and profit and loss are as follows:

**A) The statements of assets and liabilities of the company are as under:**

	At 30 Sep. 2006	31 Dec. 2005	31 Dec. 2004	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
<b>Sources of Funds</b>						
Share capital	233,316,900	204,664,000	147,860,000	65,000,000	50,000,000	50,000,000
Statutory reserve	20,160,871	14,103,646	6,947,069	3,303,713	1,391,574	65,083
Proposed stock dividend	-	28,652,960	14,786,000	7,800,000	5,000,000	-
Retained earnings	24,404,581	175,619	202,272	414,849	566,294	260,330
Share money deposits	-	-	-	-	1,375,000	-
Term deposits (net of current maturity)	225,350,000	183,053,700	4,300,000	1,943,600	2,858,600	500,000
Lease deposits, security deposits and loan deposits (net of current maturity)	26,958,820	24,098,308	18,487,242	11,057,166	8,307,036	6,290,780
Bank loan (net of current maturity)	328,010,239	223,798,021	51,129,517	49,546,524	8,127,023	-
Re-financing loan from Bangladesh Bank (net of current maturity)	22,044,445	-	-	-	-	-
Deferred tax	9,400,000	5,800,000	-	-	-	-
	<b><u>889,645,856</u></b>	<b><u>684,346,254</u></b>	<b><u>243,712,100</u></b>	<b><u>139,065,852</u></b>	<b><u>77,625,527</u></b>	<b><u>57,116,193</u></b>
<b>Application of Funds</b>						
Fixed assets net of depreciation	9,507,835	8,016,463	8,628,276	8,219,718	3,676,819	4,029,768
Lease assets net of depreciation	-	-	-	255,769,062	160,510,190	67,122,621
Net investment in lease finance (net of current maturity)	370,106,375	436,347,114	271,936,727	-	-	-
Advances against lease finance	128,123,594	-	37,146,000	-	-	-
Term finance (net of current maturity)	147,723,174	111,438,547	36,045,172	-	-	-
Investment in shares (net of current maturity)	13,763,630	13,763,630	12,219,867	13,665,267	2,106,867	5,186,867
Deferred expenditure	-	-	-	-	-	889,469
Provision for potential losses in investments and advances	(17,007,543)	(11,229,944)	(6,935,081)	(3,514,413)	(1,605,102)	(671,226)
Net current assets/(liabilities)	237,428,791	126,010,444	(115,328,861)	(135,073,782)	(87,063,247)	(19,441,306)
	<b><u>889,645,856</u></b>	<b><u>684,346,254</u></b>	<b><u>243,712,100</u></b>	<b><u>139,065,852</u></b>	<b><u>77,625,527</u></b>	<b><u>57,116,193</u></b>

**B) The statements of operating result of the company are as follows:**

	Period ended					
	30 Sep. 2006	31 Dec. 2005	31 Dec. 2004	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001
	Taka	Taka	Taka	Taka	Taka	Taka
Operational revenue	159,875,671	142,582,131	63,522,916	122,205,683	66,344,022	22,975,193
Operational expenses	125,989,544	100,999,247	45,306,137	111,644,989	59,711,567	21,485,434
Profit before tax	33,886,127	41,582,884	18,216,779	10,560,694	6,632,455	1,489,759
Provision for tax:						
Current tax	-	-	-	1,000,000	-	216,942
Deferred tax	3,600,000	5,800,000	-	-	-	-
	3,600,000	5,800,000	-	1,000,000	-	216,942
Net profit after tax	30,286,127	35,782,884	18,216,779	9,560,694	6,632,455	1,272,817
Profit brought forward from previous year	175,679	202,272	414,849	566,294	260,330	(947,404)
Profit available for appropriation	30,461,806	35,985,156	18,631,628	10,126,988	6,892,785	325,413
Appropriations:						
Transfer to statutory reserve	6,057,225	7,156,577	3,643,356	1,912,139	1,326,491	65,083
Proposed stock dividend	-	28,652,960	14,786,000	7,800,000	5,000,000	-
	6,057,225	35,809,537	18,429,356	9,712,139	6,326,491	65,083
Retained earnings carried forward	24,404,581	175,619	202,272	414,849	566,294	260,330

**3. Dividend**

The company declared dividends for the last five years as follows:

	Period ended					
	30 Sep. 2006	31 Dec. 2005	31 Dec. 2004	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001
	%	%	%	%	%	%
Cash dividend	-	-	-	-	-	-
Stock dividend	-	14%	10%	12%	10%	-

- The company did not prepare any accounts for any period subsequent to 30 September, 2006.
- The company has no subsidiary company.
- No proceeds or part of the issue of the shares were applied directly by the Company in the purchase of any business.

**Note:**

With the adoption of Bangladesh Accounting Standard 17: Lease from 1 January 2004, all the lease transactions are accounted for under finance method, whereas in previous years the same was accounted for under operating method.

Dhaka, 20 December 2006

Sd/-  
Hoda Vasi Chowdhury & Co.  
Chartered Accountants

**Auditors' certificate regarding calculation of Ratios and EPS**

We have examined the following Ratios and Earnings Per Share (EPS) of Bangladesh Finance and Investment Co. Ltd. for the period ended 30 September 2006 and for the year ended 31 December 2001, 2002, 2003, 2004 and 2005, which have been produced by the management of Bangladesh Finance and Investment Co. Ltd. to us. The preparation of the Ratios and EPS is the responsibility of the company's management. Our responsibility is to review them and certify as to whether they have been properly prepared using acceptable principles on the basis of the financial statements for the period ended 30 September 2006 and for the year ended 31 December 2001, 2002, 2003, 2004, 2005.

Based on our review, we certify that the company has properly prepared the following Ratios and EPS using acceptable principles on the basis of financial statements for the relevant period/years..

PARTICULARS	FORMULA	Period ended 30 Sep. 2006	31 Dec. 2005	31 Dec. 2004	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001
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**Liquidity Ratio:**

Current Ratio	$\frac{\text{Current Asset}}{\text{Current Liability}}$	1.21	1.18	0.88	0.22	0.98	0.38
Quick Ratio	$\frac{\text{Quick assets}}{\text{Current Liability}}$	0.90	0.70	0.64	0.13	0.27	0.34
Time Interest Earned Ratio	$\frac{\text{Income from Operation} + \text{Finance Cost}}{\text{Finance Cost}}$	1.32	1.52	1.53	1.35	1.83	2.04
Debt Equity Ratio	$\frac{\text{Total Long Term Debt}}{\text{Total Equity}}$	2.17	1.74	0.44	0.82	1.78	0.13

**Operating Ratio**

Accounts Receivable Turnover	$\frac{\text{Sales}}{\text{Receivable}}$	N/A	N/A	N/A	N/A	N/A	N/A
Inventory Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Inventory}}$	N/A	N/A	N/A	N/A	N/A	N/A
Asset Turnover	$\frac{\text{Sales}}{\text{Total Asset}}$	N/A	N/A	N/A	N/A	N/A	N/A

**Profitability Ratio**

Gross Margin Ratio	$\frac{\text{Sales} - \text{Cost of Goods Sold}}{\text{Sales}}$	N/A	N/A	N/A	N/A	N/A	N/A
Operating Income Ratio	$\frac{\text{Operating Profit} \times 100}{\text{Total Operating Revenue}}$	21.19%	29.09%	26.01%	18.32%	29.14%	17.76%
Net Income Ratio	$\frac{\text{Profit After Tax} \times 100}{\text{Total Operating Revenue}}$	18.94%	25.12%	29.75%	22.56%	29.62%	15.19%
Return on Asset	$\frac{\text{Profit Before Tax} \times 100}{\text{Average Total Assets}}$	1.99%	3.27%	2.46%	4.11%	4.74%	2.09%
Return on Equity	$\frac{\text{Profit Before Tax} \times 100}{\text{Average Shareholders' Equity}}$	12.90%	19.93%	14.79%	15.66%	12.21%	4.12%
Return on Equity	$\frac{\text{Profit After Tax} \times 100}{\text{Average Shareholders' Equity}}$	11.53%	17.15%	14.79%	14.18%	12.21%	3.52%
Earning Per Share	$\frac{\text{Profit After Tax}}{\text{No. of Ordinary Shares}}$	12.98	17.48	16.16	16.19	12.06	2.55

Dhaka, 20 December 2006

Sd/-  
Hoda Vasi Chowdhury & Co  
Chartered Accountants



**Special report of the Auditors relating to transactions  
with the Directors and Subscribers to the Memorandum of  
Bangladesh Finance And Investment Company Limited.**

We have examined the transactions with the Directors and Subscribers to the Memorandum, with the books and records produced to us and audited accounts of Bangladesh Finance And Investment Co. Ltd for the period ended 30 September 2006, this is to certify that the Company hired a premises for its head office measuring 5,047.68 square feet at Baitul Hossain Building (2nd floor) 27 Dilkusha C/A, Dhaka @ Tk 21.00 per square feet i.e. Tk 106,00,.28 per month vide lease agreement dated 1st July 2004 executed with the owner of the building Mr. Manwar Hossain, Mr. Hossain Mehmud and Mr. Hossain Khaled who are also the nominated Directors of Bangladesh Finance And Investment Co. Ltd. The particulars of the nominated Directors are given below:

Name of the related party	Relationship	Nature of transaction
Mr. Manwar Hossain	Director Nominated by Hossain Dyeing & Printing Mills Ltd	Payment of rent against head office premises
Mr. Hossain Mehmud	Director Nominated by Mehmud Industries Ltd	do
Mr. Hossain Khaled	Director Nominated by Khaled Iron & Steel Mills Ltd	do

Dhaka, 20 December 2006

Sd/-  
Hoda Vasi Chowdhury & Co  
Chartered Accountants





"Interested persons are entitled to a prospectus, if they so desire, and that copies of prospectus may be obtained from the issuer and the issue manager."

### Bangladesh Finance And Investment Company Limited

#### APPLICATION FORM

#### APPLICATION FOR SHARES BY INVESTORS OTHER THAN NON-RESIDENT BANGLADESHI (S)

**Warning:** Please read the instructions at the back of this form. Incorrectly filled applications may be rejected.

#### The Managing Director

Bangladesh Finance And Investment Company Limited  
Baitul Hossain Building (2<sup>nd</sup> Floor),  
27, Dilkusha C/A,  
Dhaka-1000.

Banker's Sl. No.
Broker's Sl. No.

Dear Sir,

I/we apply for and request you to allot me/us the ..... number of Shares and I/we agree to accept the same or any smaller number that may be allotted to me/us upon the terms of the Company's approved Prospectus and subject to the Memorandum and Articles of Association of the Company. Further, I/we authorize you to place my/our name(s) on the Register of Members of the Company and deposit the said shares to my BO (Beneficiary Owner) Account and/or a Crossed (Account Payee only) Cheque in respect of any application money refundable by post/courier at my/our risk to the first applicant's address stated below:

1. No. of Ordinary Shares ..... of Tk. 100.00 each at par.
2. Amount of Tk. (in figure).....,Taka (inwords).....only deposited vide Cash/Cheque/Draft/Pay Order  
No.....dated.....on.....  
.....Bank .....Branch.

3. Depository (B/O) Account Number

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(If you do not mention your valid BO (Beneficiary Owners) account, your application will be treated as invalid)

4. I/We agree to fully abide by the instruction given herein.
5. Particulars of Applicant(s):

#### a) Sole/First Applicant

Name:
Father's/Husband's name:
Postal address:
Occupation: <span style="float: right;">Nationality:</span>
<b>For refund warrant:</b> Applicant's Bank A/C No.:
Name of the Bank: <span style="float: right;">Branch:</span>

#### b) Second Applicant

Name:
Father's/Husband's name:
Postal address:
Occupation: <span style="float: right;">Nationality:</span>

6. I/we hereby declare that I/we have read the Prospectus of **Bangladesh Finance And Investment Company Limited**, and have willingly subscribed for ..... no. of shares of Tk. 100.00 each on this form.
7. **Specimen Signature(s):**

(i) Name (in block letters):	Signature:
(ii) Name (in block letters):	Signature:

#### BANKER'S ACKNOWLEDGEMENT

Certified that this Bank has received Tk.....(in word) ..... only from Mr./Mrs./Ms. .... being the application money for ..... Nos. of Ordinary Shares of **Bangladesh Finance And Investment Company Limited**.

Banker's Sl. No.

Seal and Date

Authorized Signature  
(Name & Designation)



### Instructions

- As per provision of Depository Act, 1999 and regulations made there under shares will be only be issued in dematerialized condition. Please mention your BO (Beneficiary Owner) Account number in the Application form. If you do not mention your valid BO (Beneficiary Owner) Account, your application will be treated as invalid.
- All information must be typed or written in full (in block letters) in English or in Bengali and must not be abbreviated.
- Application must be made on the Company's printed form/photocopy or on typed copy/hand written form thereof.
- Application must not be for less than 50 ordinary shares and must be for a multiple of 50 ordinary shares. Any application not meeting this criterion will not be considered for allotment purpose.
- Remittance for the full amount of the shares must accompany each application and must be forwarded to any of the Bankers to the Issue. Remittance should be in the form of cash/cheque/bank draft/pay order payable to one of the Bankers to the Issue favoring "Bangladesh Finance And Investment Company Limited" and crossed "A/C Payee only" and must be drawn on a bank in the same town as the bank to which the application form has been sent.
- In the case of a joint application form, the allotment letter will be dispatched to the person whose name appears first on this application form and where any amount is refundable in whole or in part the same will be refunded by account Payee cheque by post/courier service to the person named first on this application form in the manner prescribed in the prospectus.
- Joint application form for more than two persons will not be accepted. In case of joint application, each party must sign the application form.
- Applications must be in the full name of individuals or companies or societies or trusts and not in the name of firms, minors or persons of unsound mind. Applications from financial and market intermediary companies must be accompanied by Memorandum of Association and Articles of Association and Certificate of Incorporation.
- An applicant cannot submit more than two applications, one in his/her own name and another jointly with another person. In case an applicant makes more than two applications, entire application money will be forfeited by the commission.
- No receipt will be issued for the payment made with application, but the bankers will issue a provisional acknowledgement to the issue for application lodged with them.
- Refund will be made only through "Account Payee" cheques with Bank A/C Number and name of Bank Branch as mentioned in the application payable at Dhaka or Chittagong, as the case may be.
- Allotment shall be made solely in accordance with the instructions of the Securities and Exchange Commission (SEC).
- Making of any false statement in the application or supplying of incorrect information therein or suppressing any relevant information shall make the Application liable to rejection and subject to forfeiture of application money and/or forfeiture of share (unit) before or after issuance of the same by the issuer. The said forfeited Application money or share (unit) will be deposited in account specified by the Securities and Exchange Commission (SEC). This may be in addition to any other penalties as may be provided for by the law.
- Applications which do not meet the above requirements, or applications, which are incomplete, shall not be considered for allotment purpose.
- The Bankers to the issue Banks shall be obliged to receive the A/C Payee Cheque (s) on the closing day of the subscription.
- No sale of securities shall be made nor shall any money be taken from any person, in connection with such sale until twenty five days after the prospectus have been published**

### Bankers to the Issue

#### Investment Corporation of Bangladesh

Head Office, Dhaka  
Local Office, Nayapattan, Dhaka  
Chittagong Branch, Chittagong  
Rajshahi Branch, Rajshahi  
Sylhet Branch, Jail Road, Sylhet  
Bogra Branch, Station Road, Bogra  
Khulna Branch, Khulna  
Barishal Branch, Barishal

#### The City Bank Limited

Principal Office, Dhaka  
B.B. Avenue Branch, Dhaka  
Islampur Branch, Dhaka  
Gulshan Branch, Dhaka  
Kawranbazar Branch, Dhaka  
Mirpur Branch, Dhaka  
Dhaka Chamber Branch, Dhaka  
Mouchak Branch, Dhaka  
Islami Banking Branch, Dhaka  
Uttara Branch, Dhaka  
Shaymoli Branch, Dhaka  
Johnson Road Branch, Dhaka  
New Market Branch, Dhaka  
Foreign Exchange Branch, Dhaka  
Imamgonj Branch, Dhaka  
Taan Bazar Branch, Narayangonj  
Dhanmondi Branch, Dhaka  
Tongi Branch, Gazipur  
Agrabad Branch, Chittagong  
Khatungonj Branch, Chittagong  
Bandar Bazar Branch, Sylhet  
Mymensingh Branch, Mymensingh  
Comilla Branch, Comilla  
Barishal Branch, Barishal  
Rajshahi Branch, Rajshahi  
Khulna Branch, Khulna

#### National Bank Limited

Bangshal Road Branch, Dhaka  
Babubazar Branch, Dhaka  
Dilkusha Branch, Dhaka  
Elephant Road Branch, Dhaka  
Foreign Exchange Branch, Dhaka  
Gulshan Branch, Dhaka  
Imamgonj Branch, Dhaka  
Dhanmondi Branch, Dhaka  
Kawran Bazar Branch, Dhaka  
Motijheel Branch, Dhaka  
Mohakhali Branch, Dhaka  
Malibagh Branch, Dhaka  
Mirpur Branch, Dhaka  
Islampur Branch, Dhaka  
Uttara Branch, Dhaka  
North Brook Hall Branch, Dhaka  
Savar Bazar Branch, Savar Dhaka  
Gazipur Branch, Gazipur  
Pagla Bazar Branch, Narayangonj  
Narayangonj Branch, Narayangonj  
Narsingdhi Branch, Narsingdhi  
Comilla Branch, Comilla  
Sylhet Branch, Sylhet  
Agrabad Branch, Chittagong  
Khatungonj Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Sheikh Mujib Road Branch, Chittagong  
Khulna Branch, Khulna  
Rajshahi Branch, Rajshahi

Barishal Branch, Barishal

#### Mutual Trust Bank Limited

Principal Branch, Dhaka  
Dilkusha Branch, Dhaka  
Panthapath Branch, Dhaka  
Uttara Model Town Branch, Dhaka  
Dhanmondi Branch, Dhaka  
Progati Sarani Branch, Dhaka  
Babu Bazar Branch, Dhaka  
Agrabad Branch, Chittagong  
CDA Avenue Branch, Chittagong  
Jubilee Road Branch, Chittagong

#### Prime Bank Limited

Motijheel Branch, Dhaka  
Islamic Banking Branch, Dhaka  
Mohakhali Branch, Dhaka  
Moulovi Bazar Branch, Dhaka  
Kawran Bazar Branch, Dhaka  
Elephant Road Branch, Dhaka  
Mouchak Branch, Dhaka  
Gulshan Branch, Dhaka  
Bangshal Branch, Dhaka  
Gonakbari Branch, Savar, Dhaka  
Uttara Branch, Dhaka  
Foreign Exchange Branch, Dhaka  
Dhanmondi Branch, Dhaka  
Eskaton Branch, Dhaka  
Banani Branch, Dhaka  
IBB Mirpur, Dhaka  
Shymoli Branch, Dhaka  
Panthapath Branch, Dhaka  
Progati Sharanani Branch, Dhaka  
Khulna Branch, Khulna  
Barishal Branch, Barishal  
Rajshahi Branch, Rajshahi  
Islamic Banking Branch, Sylhet  
Sylhet Branch, Laldighirpar, Sylhet  
Court Road Branch, Sylhet  
Narayangonj Branch, Narayangonj  
Khatungonj Branch, Chittagong  
Agrabad Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Jessore Branch, Jessore  
Bogra Branch, Bogra  
IBB OR Nizam Road, Chittagong  
Fatikchari Branch, Chittagong  
Islamic Banking Branch, Paharoli, Chittagong  
Shimrail Branch, Narayangonj  
Tongi Branch, Gazipur  
Madhabdi Branch, Narsingdhi

#### NCC Bank Limited

Motijheel Branch, Dhaka  
Moghbar Branch, Dhaka  
Dilkusha Branch, Dhaka  
Mirpur Branch, Mirpur, Dhaka  
Dhanmondi Branch, Dhaka  
Gulshan Branch, Dhaka  
Malibagh Branch, Dhaka  
Uttara Branch, Dhaka  
Khulna Branch, Khulna  
Khatungonj Branch, Chittagong  
O.R. Nizam Road Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Agrabad Branch, Chittagong  
Rajshahi Branch, Rajshahi  
Laldighir par Branch, Sylhet  
Rangpur Branch, Rangpur

Jessore Branch, Jessore  
Laxmipur Branch, Laxmipur

#### Southeast Bank Limited

Principal Branch, Dhaka  
Imamgonj Branch, Dhaka  
Dhanmondi Branch, Dhaka  
Uttara Branch, Dhaka  
New Elephant Road Branch, Dhaka  
Gulshan Branch, Dhaka  
Motijheel Branch, Dhaka  
Karwan Bazar Branch, Dhaka  
Banani Branch, Dhaka  
Bangshal Branch, Dhaka  
New Eskaton Branch, Dhaka  
Agargaon Branch, Dhaka  
Bandar Bazar Branch, Sylhet  
Shahjalal Uposahar Branch, Sylhet  
Laldighirpar Branch, Sylhet  
Chouhatta Branch, Sylhet  
Moulvibazar Branch, Moulvibazar  
Kulaura Branch, Moulvibazar  
Khulna Branch, Khulna  
Agrabad Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Khatungonj Branch, Chittagong  
Halishahar Branch, Chittagong  
CDA Avenue Branch, Chittagong  
Cow's Bazar Branch, Cow's Bazar  
Chhagalnaiya Branch, Feni  
Feni Branch, Feni

#### EXIM Bank Limited

Pantha Path Branch, Dhaka  
Gazipur Branch, Gazipur  
Gulshan Branch, Dhaka  
Nawabpur Branch, Dhaka  
Rajuk Avenue Branch, Dhaka  
New Eskaton Branch, Dhaka  
Uttara Branch, Dhaka  
Mirpur Branch, Dhaka  
Elephant Road Branch, Dhaka  
Malibagh Branch, Dhaka  
Satmasjid Road Branch, Dhaka  
Imamgonj Branch, Imamgonj, Dhaka  
Agrabad Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Khatungonj Branch, Chittagong  
Sylhet Branch, Sylhet  
Narayangonj Branch, Narayangonj

#### Dhaka Bank Limited

Local office, Dhaka  
Banani Branch, Dhaka  
Uttara Branch, Dhaka  
Islamic Banking Branch, Dhaka  
Bangshal Branch, Dhaka  
Foreign Exchange Branch, Dhaka  
Amin Bazaar Branch, Dhaka  
Imamgonj Branch, Dhaka  
Dhanmondi Branch, Dhaka  
Kawranbazar Branch, Dhaka  
Islampur Branch, Dhaka  
Narayangonj Branch, Narayangonj  
Agrabad Branch, Chittagong  
Khatungonj Branch, Chittagong  
Jubilee Road Branch, Chittagong  
Laldighirpar Branch, Sylhet

"Interested Persons are entitled to a prospectus, if they so desire, and that copies of prospectus may be obtained from the issuer and the issue manager."

**Bangladesh Finance And Investment Company Limited**

APPLICATION FORM

**APPLICATION FOR SHARES BY NON-RESIDENT BANGLADESHI (S)**  
(TO BE SENT DIRECTLY TO THE COMPANY'S CORPORATE OFFICE)

**Warning:** Please read the instructions at the back of this form.

Incorrectly filled applications or failing to comply with any of the instructions there in, applications may be rejected.

**The Managing Director**

Bangladesh Finance And Investment Company Limited  
Baitul Hossain Building (2<sup>nd</sup> Floor),  
27, Dilkusha C/A,  
Dhaka-1000.

Dear Sir,

I/we apply for and request you to allot me/us the ..... number of Shares and I/we agree to accept the same or any smaller number that may be allotted to me/us upon the terms of the Company's approved Prospectus and subject to the Memorandum and Articles of Association of the Company. Further, I/we authorize you to place my/our name(s) on the Register of Members of the Company and deposit the said shares to my BO (Beneficiary Owner) Account and/or a Crossed (Account Payee only) Cheque in respect of any application money refundable by post/courier at my/our risk to the first applicant's address stated below:

- No. of Shares ..... of Tk. 100.00 each at par.
- Amount of Tk. (*in figure*)....., (*in words*) .....only  
Convertible into US Dollar 1.00 = Tk ..... , UK Pound Sterling 1.00 = Tk ..... , and Euro 1.00 = Tk .....  
Payment by cheque/draft no. .... dated ..... for US Dollar or UK Pound Sterling or Euro or TK..... drawn on ..... Bank ..... Branch.

4. Depository (B/O) Account Number 

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

**(If you do not mention your valid BO (Beneficiary Owners) account, your application will be treated as invalid)**

5. I/we fully agree to abide by the instructions given herein.

6. Particulars of Applicant(s):

**a) Sole/First Applicant**

Name:	
Father's/Husband's name:	
Mailing Address:	
Occupation:	Nationality:
Passport No.:	Valid up to:
Date of Birth:	
<b>For refund warrant:</b> Applicant's Bank A/C No.:	
Name of the Bank:	Branch:

**b) Second Applicant**

Name:	
Father's/Husband's name:	
Mailing Address:	
Occupation:	Nationality:
Passport No.:	Valid up to:
Date of Birth:	

**Nominee:**

Name:	
Mailing Address:	

7. I/we hereby declare that I/we have read the Prospectus of **Bangladesh Finance And Investment Company Limited**, and have willingly subscribed for ..... no. of shares of Tk. 100.00 each on this form.

8. **Specimen Signature(s):**

	Name in Block Letters	Signature
Sole/First Applicant:		
Second Applicant:		
Nominee:		



### Instructions

1. As per provision of Depository Act, 1999 and regulations made there under, shares will only be issued in dematerialized condition. Please mention your BO (Beneficiary Owner) Account number in the Application form. If you do not mention your valid BO (Beneficiary Owner) Account, your application will be treated as invalid.
2. All information must be written or typed in block letters in English and must not be abbreviated.
3. Application must not be for less than **50** Ordinary shares and must be for a multiple of **50** ordinary shares. Any application not meeting this criterion will not be considered for allotment purpose.
4. An application must be accompanied by a foreign demand draft drawn on a bank payable at Dhaka or cheque drawn out of foreign currency deposit account maintained in Bangladesh for the full value of shares favoring **"Bangladesh Finance And Investment Company Limited"** and crossed **"Account payee only"**.
5. An application shall be sent by the applicant directly to the Company by **14/06/2007** so as to reach the Company by **23/06/2007** Applications sent after **14/06/2007** or received by the Company after **23/06/2007** will not be considered for allotment purpose.
6. Refund against over-subscription shall be made in the currency in which the value of shares was paid for by the applicant at the same rate as stated on the application form through Account Payee cheque payable at Dhaka with bank account number, Bank's name and Branch as indicated in the securities application form.
7. In case of over-subscription, allotment shall be made by lottery solely in accordance with the instructions by SEC.
8. Money receipt on clearance of draft or cheque, as the case may be, shall be sent by post to the applicant by the Company.
9. Joint application by two persons will be acceptable. In such a case, allotment or refund shall be made by post to the first applicant.
10. Application must be made by an individual, a corporation or company, a trust or a society and not by a firm, minor or persons of unsound mind.
11. Making of any false statement in the application or supplying of incorrect information therein or suppressing any relevant information shall make the Application liable to rejection and subject to forfeiture of application money and/or forfeiture of share (unit) before or after issuance of the same by the issuer. The said forfeited application money or share (unit) will be deposited in account specified by the Securities and Exchange Commission (SEC). This may be in addition to any other penalties as may be provided for by the law.
12. The intending NRB applicants shall deposit share money by US\$ / UK Pound Sterling / Euro draft drawn on any Bank and payable in Dhaka, Bangladesh, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed bank cheque marking **"Account Payee only"**. So that the issuer's collecting bank can clear the proceeds and deposit the same into issuer bank's account in time.
13. The spot buying rate (TT Clean) in US\$, UK Pound Sterling and Euro of Sonali Bank at the day of **subscription opening** will be applicable for the Non Resident Bangladeshi (NRB) applicants.
14. **The applicant shall furnish photocopies of relevant pages of valid passports in support of his being a NRB, dual citizenship or of the foreign passport bearing a endorsement from the concerned Bangladeshi Embassy to the effect that no visa is required for him to travel to Bangladesh.**
15. In case of joint NRB application joint applicant shall also submit supporting papers/documents in supported of their being an NRB as mentioned in para-14.
16. An applicant cannot submit more than two applications, one in his/her own name and another jointly with another person. In case an applicant makes more than two applications, entire application money will be forfeited by the commission.
17. **No sale of securities shall be made nor shall any money be taken from any person, in connection with such sale until twenty five days after the prospectus have been published.**

**The NRB application along with the foreign CURRENCY draft, as above, is to be submitted to the Company's Head Office directly within the stipulated time mentioned in para 5.**

## CREDIT RATING REPORT ON BANGLADESH FINANCE & INVESTMENT COMPANY LIMITED

**REPORT: RR/93/06**

**Address :**  
Nakshi Homes(4<sup>th</sup> floor)  
6/1A, Topkhana Road  
Segunbagicha, Dhaka

	Long Term	Short Term
<b>Entity Rating</b>	<b>BBB-</b>	<b>ST-4</b>
<b>Previous Rating</b>	<b>BB-</b>	<b>ST-4</b>
<b>Date of Rating</b>	December 28, 2006	

**Analysts:**  
Sk. Md. Lutful Kabir  
Bidhan Barua, Shammi Akter  
CRISL, Bangladesh

*This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL's long-term rating is valid for only one year and short term rating is for six months. After expiry of the above periods these ratings will not carry any validity unless the client goes for rating surveillance on voluntary basis. Since Bangladesh Finance and Investment Company Limited has not entered into any surveillance agreement with us, which is not mandatory as per rules, the ratings will carry the validity of the above periods only.*

**Entity Rating:**  
**Long term: BBB-**  
(Triple B minus)

**Short term: ST-4**

**BANGLADESH FINANCE  
AND INVESTMENT  
COMPANY LIMITED**

**PRINCIPAL ACTIVITY**  
Lease Financing

**INCORPORATED ON**  
May 10, 1999

**Board Chairman:**  
Mr. Anwar Hossain

**MANAGING DIRECTOR:**  
Mr. G.M Salehuddin Ahmed

**EQUITY**  
277.88 Million

**LEASE PORTFOLIO**  
989.20 Million

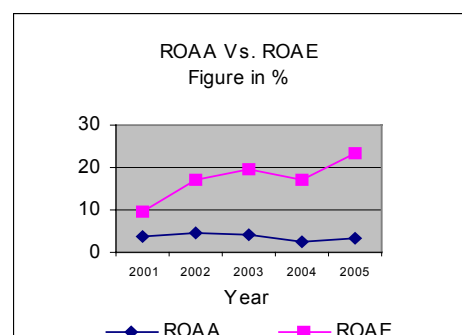
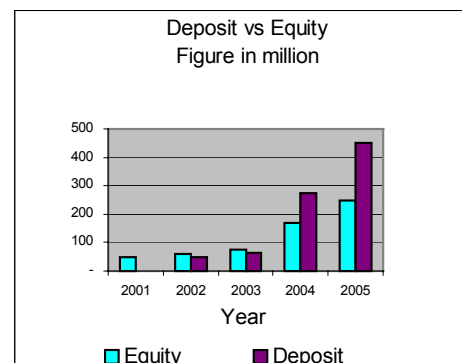
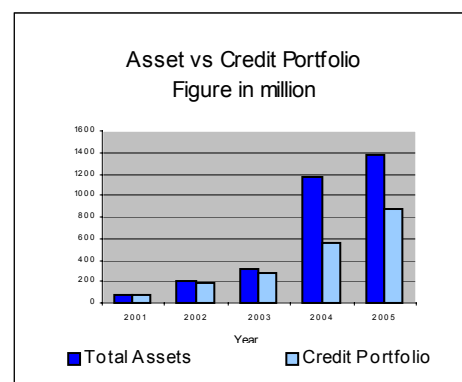
### 1.0 RATIONALE

CRISL assigns BBB- (pronounced as triple B minus) rating to Bangladesh Finance and Investment Company Ltd. (hereinafter called BFI) in the long term and ST- 4 rating in the short term. The above has been done on the basis of its good fundamentals such as satisfactory capital base, average profitability, experienced top management, sound deposit base, satisfactory liquidity position and integrated information system. However, the above factors are constrained by inadequate risk management tools, limited market share, moderate asset quality, unstructured internal control system, noticeable single sector concentration and poor corporate governance.

Financial Institutions, rated in this category, are adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a Financial Institution is under-performing in some areas; however, it has the potentiality to overcome those shortcomings with some extra efforts. Risk factors are more variable in periods of economic stress than those rated in the higher categories. The short-term rating indicates satisfactory liquidity and other protection factors qualify issues as to investment grade. Risk factors are larger and subject to more variation. □

### 2.0 PREVIOUS RATINGS

Credit Rating Information and Services Limited (CRISL) earlier assigned 'BB-' (Double B minus) rating to Bangladesh Finance and Investment Limited in the long term and ST-4 rating in the short term. The above rating was done on the basis of its few strong fundamentals constrained by the weaknesses. Financial Institutions rated in this category are adjudged to lack of key protection factors, which results in an inadequate safety and non investment grade. The current rating is going to supercede the earlier rating. □





## CREDIT RATING REPORT ON BANGLADESH FINANCE & INVESTMENT COMPANY LIMITED

### 3.0 CORPORATE PROFILE

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#### 3.1 The genesis

*A closely held public limited company*

Bangladesh Finance and Investment Company Limited, hereinafter called BFIC, is a Financial Institution (FI), incorporated on 10th May, 1999 under the Companies Act 1994 and operating under the Financial Institution Act, 1993 in the country. The company has been operating as a closely held public limited company with the ownership remaining among the sponsors. The company started its commercial operation on 15th February 2000 with the aim and vision to put the best effort to become one of the visible contributors in the national economy. Initial paid-up capital of the company was Tk. 23.00 million which was subsequently increased to Tk. 233.32 million at the end of third quarter of 2006. In order to comply with BB guideline, the FIs are required to go for public offering of a portion of its share. The recent move of the company for initial public offering is in response to the above requirement and the above move will bring additional capital to increase the existing capital base. The BFIC has been operating profitably since its inception. The credit portfolio of the company has been deployed in diversified business sectors. BFIC offers lease finance and term finance to the customers and has been expanding its business horizon by introducing new products. With this view, the company opened a branch in Chittagong to grasp higher market share. BFIC is a member of the Association of Development Financial Institution (ADFIMI) of OIC. The corporate office of the BFIC is located at 27, .Dilkusha commercial area, the central business hub of the country.

*Membership with ADFIMI of OIC*

#### 3.2 Ownership Pattern

*No single shareholding dominance*

The ownership pattern of BFIC is diversified into institutional and individual shareholding. However individual shareholding holds the highest share of 77.42% while eight institutional shareholders hold 22.58%. All the institutional shareholders are the sister concerns of a local corporate group. In the institutional shareholding, only Anwar Steel Mills Ltd. holds (6.84%) more than 5.00% shares and in the individual shareholding only three shareholders hold more than 5.00% shares. There is no single shareholding dominance in shareholding pattern. The BFIC is still a closely held public limited company planning to go for IPO to enlarge its shareholding base. The existing ownership concentration will be diluted to a great extent after IPO flotation.

#### 3.3 Market Share

*1.41% Market share in 2005*

BFIC has been operating its business with a very small market share. However the market share has increased to 1.41% in 2005 from 1.15% in 2004. The size of the credit portfolio of the company was Tk. 874.65 million as on 31st December 2005 which was increased to 989.20 million as on 30th September 2006. The growth of the credit portfolio of BFIC was 56.15% in 2005 compared to industry growth of 27.64% in 2005. It is notable here that growth in direct financing is higher than lease financing in BFIC.

*Diversified Product Line*

#### 3.4 Product and Services

The product line of the most of the leasing companies in Bangladesh is narrow. BFIC is trying to get out of the trend. BFIC has now extended its credit line through lease finance, term finance, work order finance, syndicate finance, real state finance & home loan, consumer durables, SME financing etc. The company has a vision to further diversify its financing activities in other potential areas of investment in small scale project/ enterprise financing, agro-based manufacturing units and others. BFIC has expanded its business horizon to capital and money market operations and it has planned to introduce merchant banking by 2007.

### 4.0 LEASING SECTOR

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Financial sector of Bangladesh had long been solely confined to banking since its independence. However, with the promulgation of Financial Institutions Act 1993, the sector has entered into a new era of development, which gave rise to 29 Financial Institutions (FIs) in the last 12 years. Alongside banks, leasing companies have been contributing significantly to the country's trade and commerce, housing, transportation and in the information technology in the preceding years of operation. The Bangladesh Bank has been supervising the operation of the FIs. Over the last decade, leasing sector has witnessed a number of changes which eventually made FIs operation more effective and consolidated. Bangladesh Bank, in its effort to streamline the activities of the leasing companies, has enacted the loan classification and provisioning system as a mandatory task for all leasing companies since 2000. Transformation of Operating Lease method of accounting into financial lease method in 2004 was another development of the sector that reduced the confusion between lessor and the lessee, and brought fair presentation in the accounting treatment.



## **CREDIT RATING REPORT ON BANGLADESH FINANCE & INVESTMENT COMPANY LIMITED**

Market size of credit portfolio of the FIs was Tk. 61.90 billion as on 31st December 2005. Along with the banks, FIs enjoy the privilege of issuing shares, debentures and bonds to raise funds. FIs are also allowed to deal with public deposits under special arrangement and to borrow funds from banks. Along with lease financing, FIs are also allowed to extend direct financing. However, with the opening of leasing units by the banks directly, leasing companies have been facing tough competition. In addition, Government has increased corporate tax from 40% to 45% for the financial institutions, which has reduced the after tax profit margin of the above institutions. The sources of alternative funding have also been squeezed for FIs after imposing cap in the money market participation.

### **5.0 CORPORATE GOVERNANCE**

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Corporate governance is a blend of laws, regulations, enforcement and appropriate voluntary practice by the companies as required by law that permits a corporate to attract capital, perform efficiently and generate long term value for its shareholders while respecting the interest of its stakeholders and society as a whole. The specific areas covered are transparency in disclosure of relevant, reliable financial and operational information, information on ownership and control, information on internal processing of management. The exiting corporate governance practice of BFIC needs to be improved. Some of the areas, reviewed by CRISL, are as follows:

#### **5.1 The Board of Directors**

*No Board Committee*

The Board of BFIC consists of 11 Sponsor Directors and Managing Director as ex-officio. Mr. Anwar Hossain, the Chairman of the Board, has controlling shareholding of 23.61% under his different capacities. He has no shareholding in BFIC by his name rather representing Anwar Silk Mills Ltd. Mr. Hossain is also a renowned industrialist of the country having extensive participation in diversified business sectors i.e. Banking, Insurance, Textile, Jute, Cable, Real Estate, Steel, Cement, Services etc. The Board supervises overall operational activities of the company in addition to the policy issues. Delegation of financial and operational power to the operating management is still limited. There is no Board Committee in the company. In an ideal situation, the board should involve itself in policy issues and review of the performances through appropriate delegation to the operating management. The participation of directors in the Board meeting is good. The Board convened 8 meetings up to September 30, 2006, 13 meetings in year 2005 and 15 in year 2004.

#### **5.2 Management**

*Experienced Top-tier Management*

The management team of BFIC is headed by Mr. G.M Salehuddin Ahmed as Managing Director & CEO of the company, who has wide exposure in the financial sector. Mr. Ahmed is a professional banker having 31 years of experience in different financial institutions. He was the acting Managing Director of SABINCO and Managing Director of Bay Leasing & Investment Ltd. Mr. Ahmed is aided by one Additional Managing Director having 40 years of banking experience, two Senior Vice Presidents, two Vice Presidents and two Assistant Vice Presidents. The above team is supported by Mr. Mohammad Faiz who has been working as consultant with 40 years experience in banking sector. The Managing Director is responsible for overall efficiency of the organization. The whole operation of the company has been divided into 4 different departments namely, Board Division & HRD (headed by Senior Vice President & Company Secretary), Operation & Marketing (headed by Vice President), Treasury & Fund Management (headed by AVP) and Accounts & Finance (headed by Vice President). The Board has formed three-member Management Committee (MC) consisting of Managing Director & CEO as Convener, Additional Managing Director and Consultant as member. The MC mainly deals with the evaluation & recommendation of credit proposals as well as monitoring of the overall business performance. There is no audit committee in the company to ensure adequate control and compliance.

#### **5.3 Human Resources Management**

*Structured Service Rules*

The company has formulated structured service rules covering different aspects of human resources policies. However, the company is yet to implement many personnel management issues e.g group insurance, gratuity and others for congenial working environment. The company has established hierarchy for succession plan, however, responsibility in each level is yet to be formulated. The existing compensation package for lower tier executives of the company is average compared to peer companies. The total operations are supervised by experienced top tier executives who have good exposures in the financial sector. The company experienced significant turnover during the last few years though it is common phenomenon in the financial sector. The total employee strength of BFIC is 23 which is currently adequate for its operation. The company is yet to develop structured human resources development training program which is inevitable practice in the present financial sector. Management selects its executives for attending in different outside



## CREDIT RATING REPORT ON BANGLADESH FINANCE & INVESTMENT COMPANY LIMITED

training programs from time to time. The membership of ADFIMI will facilitate the company to improve the quality of its human resources in future.

### 5.4 Management Information System

*Integrated Management Information System*

In order to keep pace with the modern world and to better adopt the challenging scenario of the business sector, BFIC is now using Integrated Software- FIntelligent for recording its day to day operations and generating different statutory reports as well as other relevant reports for the management. The different modules of FIntelligent include Agreement Management, Rental Management, General Ledger, Cheque Manager, Administration and Security, Offer/Pre-sanction Management, Fund Management, CIB Report Generation, Human Resource Management, Budgeting etc. This software has been exclusively designed for the financial institutions of Bangladesh and currently this software has been used by most of the FIs. The work stations are connected with LAN and data are saved with a server.

### 5.5 Compliance with SEC Best Practice Guideline

Since BFIC is a closely held public limited company, its composition of the Board, formation of management structure, style of management, disclosures etc are all based on ownership criterion. In order to comply with the minimum requirement of SEC corporate governance guideline, the company needs to have at least one Independent Director in the Board and a Board Audit Committee with at least three directors including one Independent Director. In addition the company will be required to have a Chief Finance officer, Internal Auditor and a Company Secretary. The Company Secretary is to work as the Compliance Officer. Since the BFIC is planning to go for public offering of shares, this minimum corporate governance guideline will be required to be complied with although the guideline at present has been in operation on the basis of "comply or explain".

### 6.0 Marketing Strategy

*Exposure to Group business*

BFIC formed a separate Operation & Marketing Department. This department consisted of 9 members including the head of Chittagong office. Management expects that the above marketing team will assist the company to achieve its desired business target. Credit market has been getting increasingly competitive due to the presence of too many banks and FIs in comparatively small market, thus creates stiff competition among the companies to increase their market pie. In order to have a group of faithful clients, the company has selected a few large corporate groups which cover 85% of the business of the company. The marketing policy of the company is based on relationship marketing and for the above the BFIC offers competitive interest rate and prompt customer service. Though BFIC achieved higher growth in its credit portfolio than that of the industry with its traditional product lines, the company is yet to formulate any comprehensive marketing plan for their future expansion and operations.

## 7.0 PERFORMANCE

### 7.1 Financial Performance

*Satisfactory Financial Performance in 2005*

The financial performance of the company is in increasing trend over the years. The company reported net a profit after tax of Tk. 35.78 million in year 2005 against Tk. 18.22 million in the preceding year which indicates a significant growth over the previous year.

The income composition as on September 30, 2006 shows that the interest income of lease financing holds 48.27%, while the income from term financing holds 16.14%, income from treasury operation holds 25.77%. It is notable here that Income from term financing and treasury operation registered outstanding growth during 3Q of 2006 and in 2005 due to rapid expansion of direct financing business and investment in FDR. The company has strong participation in call operation which was reflected in the income from treasury operation. Though the company was net lender in the last year but during the year 2006 the company appeared to be in a position of net borrower and they borrowed a large amount with lower interest rate to adjust their secured overdraft (SOD) loan, which ultimately put the company in a gainer position.

Return on average assets (ROAA) has increased in 2005 compared to the performance of 2004. ROAA before tax was 3.27% in 2005 against 2.46% in 2004 compared to peer median of 2.96% in 2005. Again return on average equity (ROAE) has substantially increased in 2005 and also as on September 30, 2006. ROAE before tax was 19.93% in 2005 against 14.79% in 2004 against the peer median of 20.16% in 2005. Return on average earning assets has also increased to 3.26% in 2005 from 2.39% in 2004.





**CREDIT RATING REPORT  
ON  
BANGLADESH FINANCE & INVESTMENT COMPANY LIMITED**

Profitability Ratios	BFIC		Peer Median
	2005	2004	2005
Return on Average Assets before tax (%)	3.27	2.46	2.96
Return on Average Equity before tax (%)	19.93	14.79	20.16
Return on Average Earning Assets (%)	3.26	2.39	2.66
Earnings Per Share (EPS) (in Taka)	17.48	16.16	26.44

Net Asset value per share of Tk. 100 has increased to Tk. 120.98 in 2005 compared to Tk. 114.84 in 2004. Due to capital adequacy restriction of Bangladesh Bank, the company declared only stock divided of 14% in 2005 and 10% in 2004. Earning per share (EPS) has increased to Tk. 17.48 in 2005 from Tk. 16.16 in 2004 and it reached to Tk. 14.80 as on September 30, 2006.

### 7.2 Operating Efficiency

The company operating with better efficiency compared to peer median. The operating income of BFIC in 2005 stood at TK. 142.43 million against operating expenses of Tk. 100.99 million showed operating profit of Tk. 41.44 million. However, as on September 30, 2006 the company earned operating profit of Tk. 33.88 million. Net profit margin has decreased to 25.12% in 2005 from 28.96% in 2004 against peer median of 25.64% in 2005. Net interest margin (NIM) increased to 6.49% in 2005 compared to 4.89% in 2004 whereas peer median was 3.40% in 2005.

*Above peer Operational Efficiency*

Efficiency Ratios	BFIC		Peer Median
	2005	2004	2005
Net Profit Margin (%)	25.12	28.96	25.64
Net Interest Income Margin (NIIM)(%)	6.49	4.89	3.40
Efficiency Ratio (Cost to Income)(%)	70.91	72.06	76.15
Cost Efficiency other than financial expenses (%)	14.51	24.12	14.06
Yield Per 100 Taka Staff Cost (In Taka)	502.00	332.00	435
G&A Expenses/Total Earning Assets (Avg.) (%)	1.28	1.60	1.42

Efficiency related ratios of BFIC showed an improving trend. Efficiency (cost to income) of the company improved to 70.91% in 2005 compared to 72.06% in 2004 against its peer median of 76.15% in 2005. General and administrative expense to average earning assets of the company was 1.28% in 2005 which is marginally lower compared to peer median of 1.42%.

The company is earning lower yield compared to its peer median by incurring 100 Taka for its staffs. However, Yield per 100 Taka staff cost increased to Tk. 502 in 2005 from Tk. 332 in 2004 against peer median of Tk. 435.

### 8.0 RISK MANAGEMENT

Risk management is one of the core operational pillars of Financial institutions. The primary objectives of risk management is to take calculative risk in order to safeguard its capital and to manage financing business efficiently. In order to take care of more risk sensitive financing, Bangladesh Bank formulated Core Risk Management Guidelines on the basis of best practices in the industry and advised the FIs to comply with the above. The risk management modules circulated by the Bangladesh Bank covers 3 (three) core risk areas i.e. credit risk, asset and liability/balance sheet risks, internal control and compliance risks. The risk management functions of BFIC have been reviewed as follows:

#### 8.1 Credit Risk Management

BFIC has been operating financing business without having adequate risk management tools. Ideal credit process suggests the segregation of Credit Marketing, Credit Analysis and Credit Administration which is found to be absent in the company. In BFIC, the assigned dealing or credit officer handles all the issues of credit analysis and documentation, which inhibits a conflict of interest. The company is yet to set limits for sectoral exposure, single client/group exposure and

*No sectoral exposure cap*



## **CREDIT RATING REPORT ON BANGLADESH FINANCE & INVESTMENT COMPANY LIMITED**

investment in portfolio exposure. BFIC is yet to be stepped to adopt credit risk grading system at the pre-sanction stage for proper transparency in credit management which will ensure the lending price, extent of exposure, appropriate credit facility or lending decisions to any client.

The company follows Bangladesh Bank rescheduling or restructuring policy. The credit portfolio is diversified in different sectors. However, sectoral concentration is high in two sectors. The textile & garments sector has the highest concentration of 31.83% followed by transport sector (25.42%) which are considered to be highly risky sectors. The company accepted Bangladesh Bank (BB) guideline in loan loss provisioning policy, and the company made provision for loan loss at required level.

*Traditional Credit  
Appraisal policy*

### **8.2 Credit Appraisal Procedure**

BFIC follows a traditional credit appraisal policy. Operation & Marketing Department is responsible for all credit related functions. Each credit file is handled by one assigned dealing or credit officer. Generally Managing Director receives loan application from the client and dispatches it to the credit officer after primary scrutiny. Credit officer takes necessary steps to prepare Credit Memo and place it to the Head of the Marketing department and Accounts Department for necessary action. All loan proposals with credit memo and necessary documents are submitted to the Management Committee to review and onward placement before the Board. The Management Committee has no financial delegation. After approval from the Board, sanction letters are issued to the clients and requested for necessary documents. All credit applications are analyzed against a documented checklist. The credit officer then issues a disbursement note after ensuring that all the terms and conditions of the fund sanction and security documentation are complied with, and forwards it to the Board. The Board approves the disbursement note after ensuring that all terms and conditions of the sanction.

*Unstructured Internal  
Control System*

### **8.3 Operational Risk Management**

The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Some of the examples of Operational Risks are internal and external frauds, legal risks, damages to clients, diversity, damage to physical assets, business interruptions etc. The global best practice suggests that the financial institutions irrespective of size and business must identify and assess all operational risk against all of its products and services and monitor the same through an operationally independent professional. The BFIC is yet to formulate any guideline to mitigate the operational risk. Internal control system of BFIC has found to be unstructured and insufficient. There is no internal audit department or compliance department in the company. The existing reporting system to the Board is yet to be organized and elaborated. The respective departments of the Head Office supervise the overall activities of branch office and they are reporting through branch manager to MD & CEO. Chittagong branch does not enjoy any financing delegation. Head office approves all financing proposals of the branch and disburses the same from Head office. All expense vouchers of branch and head office are regularly verified by the Head Office authority. However internal periodic evaluation is absent in BFIC. The company has guideline regarding data access policy and only a few selected officials have authorization to access the whole database. The company secretary supervises internal and external compliance issues with different stakeholders.

*Provided for deferred  
tax*

### **8.4 Financial Risk**

The income tax rate applicable for FIs is 45% on the net profit before tax (NPBT). The leasing companies having the ownership title of the lease assets are entitled to practice accelerated/initial depreciation as per NBR rules. Since the accounting depreciation covers a wider accounting period compared to the accelerated/initial depreciation period, the leasing companies are getting a time difference to temporarily defer their tax liabilities by availing accelerated depreciation / initial depreciation. In that case, the companies are required to provide for deferred taxes under BAS 12 to avoid future extra tax burden against the lease portfolio and to match the tax burden with the income. BFIC has been enjoying accelerated/initial depreciation against the assets of its portfolio and has provided for deferred tax. The company has a deferred tax provision of Tk 9.40 million up to September 30, 2006. The actual tax liability of the company is yet to be finalized and some of the income tax cases are at various stages of appeal. CRISL is of opinion that the company does not have substantial financial risk in view of above amount of deferred tax.



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*Cushion against Interest  
Rate Risk*

### 8.5 Interest Rate Risk

Financial market of Bangladesh has been experiencing volatile interest rate in recent years. Pressure of market to reduce the lending rate forced the FIs to rearrange interest rate of financing agreements in many cases, which ultimately squeezed the margin of FIs. However, recently interest rate has been moving up again. Subsequent interest rate adjustment capability of the company plays a vital role in minimizing the interest rate risk. BFIC has recently added a clause in its credit agreement of necessary interest rate adjustment according to the market pressure, which provides flexibilities to the company to adjust interest rate. Funding composition as on September 30, 2006 shows that the company arranged 39.82% of the total fund from deposits and 39.65% from different banks. Therefore, BFIC is at the higher end of the interest rate risk.

*Absence of Asset- Liability  
Management Committee*

### 8.6 Asset Liability Mismatch Risk

BFIC has been operating without having any Asset-Liabilities Management Committee (ALCO) and thus possibility to expose several risks arising from asset-liability maturity gap. BFIC need to address these risks in a structured manner by upgrading their risk management and adopting more comprehensive Asset-Liability Management (ALM) practices. Treasury Department of BFIC supervises overall activities. While analyzing the asset liabilities maturity structure, it has been found that the company has lower mismatch in its maturity buckets. The asset back up was Tk. 3.24 million in below 3 months maturity bucket while it has cumulative asset back up of Tk. 105.56 million in six months bucket which is 5.21% of total assets. In the below 1 year bucket, the company has cumulative asset back up of Tk. 235.26 million which is 11.85% of total assets.

## 9.0 ASSET MANAGEMENT

The total asset footings of BFIC was worth of Tk. 2024.87 million as on September 30, 2006, consisting of Tk. 730.31 million in Lease Assets (36.06% of total assets), Direct Finance of Tk. 258.89 million (12.79% of total assets), cash and cash equivalent of Tk. 814.49 million (40.22% of total assets), net fixed assets of Tk. 9.51 million (0.47% of total assets) and others assets hold of Tk. 211.67 million (10.45% of total assets).

*High Infection rate in  
Credit Portfolio*

### 9.1 Quality of Credit Portfolio

The asset quality of the BFIC has deteriorated. FICL statement submitted to Bangladesh Bank as on September 30, 2006 reveals that the Company has been facing higher growth in non-performing loan and it reached to Tk. 41.19 million as on September 30, 2006 from Tk.7.68 million in 2005 indicating 3.77% gross NPL ratio as on September 30, 2006 against 0.76% in 2005. After considering provision & interest suspense, net NPL ratio stood at 3.03% as on September 30, 2006 (0.31% in 2005). The gross NPL coverage ratio has decreased substantially to 53.84% as on September 30, 2006 over 163.16% in 2005 due to less provisioning compared to the requirement.

Asset infection ratio (considering overdue one and above rental) of the company stood at 53.36% as on September 30, 2006. Lease Asset infection ratio of the company stood at 43.80% of total outstanding portfolio as on September 30, 2006 compared to 39.73% as on December 31, 2005. Again the infection ratio of direct financing increased to 84.17% as on September 30,2006.

The outstanding credit portfolio of top 20 clients (on outstanding basis) of the BFIC stood at Tk. 510.75 million which holds 60.22% of total credit portfolio as on September 30, 2006. The infection ratio of these clients was 37.79% and NPL ratio was 2.23%.

Again, considering the outstanding loan of equal or above 10.00 million, the outstanding amount of these clients stood at Tk. 592.21 Million, which is 62.89% % of total credit portfolio as on September 30,2006. The infection ratio of these clients was 42.21%. So, it is evident from their portfolio statement that more than 91% of the infected clients are in this range. The company planned to recover Tk. 16.14 million out of outstanding amount of Tk. 21.74 million from 6 classified client during this period, however the company is yet to recover any amount from those defaulters.

### 9.2 Quality of Investment Portfolio

The company is yet to formulate any investment policy or guideline in respect to its operation in capital market. The Investment portfolio of BFIC consists of 28 quoted and un-quoted securities. As on September 30, 2006 the total book value and market value of the investment stood at Tk. 109.20 and Tk. 111.64 million respectively. However the company reported its investment at the market price of Tk. 111.64 million which is not in compliant to BAS-25 and thus recognized an unrealized capital gain of Tk. 2.44 million in the income statement.

*No guideline to operate in  
Capital market*



## CREDIT RATING REPORT ON BANGLADESH FINANCE & INVESTMENT COMPANY LIMITED

*Satisfactory rescheduled assets*

### 9.3 Performance of Rescheduled Assets

The Performance of the BFIC's rescheduled portfolio is satisfactory. The outstanding rescheduled statement as on September 30, 2006 shows that the company made reschedule of Tk. 67.79 million for three clients during the last one year period of which Tk. 19.63 million (28.96%) was recovered. It is notable here that the company has no rescheduled agreement during the year 2003 and 2004.

*Noticeable single sector concentration*

### 9.4 Sectoral Exposure

The loan portfolio of BFIC is diversified into eleven different sectors. The total outstanding loan, as on September 30, 2006, is Tk. 848.17 million. The largest portion of the asset portfolio of BFIC is confined to Textile and Garments sector followed by transport sector. Textile and Garments sector holds highest sectoral exposure of 35.31% of total outstanding portfolio and transport sector holds 22.43% as on September 30, 2006. No other sector, other than real state & housing holds more than 10% of total outstanding portfolio. The rest of the loan portfolio is distributed among some sectors like Health Care, Trading, Food and Beverage and other services. It is also notable here that 47% of total classified amount has arisen from transport sector. However, the company is yet to establish single sector exposure cap to match with sectoral risk exposure.

## 10.0 CAPITAL ADEQUACY

*Satisfactory equity base*

BFIC is operating with satisfactory equity base. The shareholders Equity of the company has increased to Tk. 277.88 million as on September 30, 2006 from Tk. 247.59 million in 2005 with a growth rate of 12.23%. The shareholders' equity as on September 30, 2006 includes paid up capital of Tk. 233.31 million and statutory reserve of Tk. 20.16 million and retained earnings of Tk. 24.40 million.

Capital Adequacy Ratios	BFIC		Peer Median
	2005	2004	2005
Internal Capital Generation (%)	17.15	14.79	18.77
Long term Gearing Ratio	1.76	0.44	2.56
Short term Gearing Ratio	2.80	5.43	2.63
Total Gearing Ratio	4.57	5.86	5.77
Shareholders equity to total outside liabilities (%)	21.89	17.05	17.65
Credit portfolio to shareholders' equity ratio	3.53	3.30	5.38

Capital adequacy related indicators of BFIC are satisfactory. The debt to equity ratio of the company stood at 86:14 as on September 30, 2006 which was 82:18 in 2005. Credit portfolio to shareholders' equity has slightly increased to 3.53 times in 2005 from 3.30 times in 2004. Internal capital generation of the company has increased significantly as the company did not paid any cash dividend to the shareholders. This ratio of Internal Capital Generation stood at 17.15% in 2005 from 14.79% in 2004. The gearing ratio shows that the Company has more dependency on long term fund due to countervailing loan. As on September 30, 2006 the company shows short term gearing ratio of 4.09 times whereas long term gearing ratio was 2.20 times.

## 11.0 FUNDING AND LIQUIDITY

*Costly FDR backup financial management*

### 11.1 Fund Management

BFIC mainly depends on loans from different commercial banks and public deposits. Commercial banks' borrowing includes credit lines, overdraft and overnight (call) facilities. Funding composition of BFIC as on September 30, 2006 includes term deposit of Tk 806.36 million (39.82% of total funding), lease and other deposits of Tk 33.73 million (1.65% of total funding), long term bank loan of 511.52 million (25.26% of total funding) and short term loan of Tk. 266.68 million (13.17% of total funding). As on September 30, 2006 the growth of term deposit was 78.86% indicating satisfactory position. The bank borrowing has also increased by 33.59% at the same period.

The company borrowed Tk. 240.00 million from call market to adjust SOD loan as on September 30, 2006. The company was a net lender in 2005. The company took this strategy to save interest margin as interest rate was higher for SOD than call loan during the period of 2006. The outstanding investment in FDR was increased to Tk.800.00 million as on September 30, 2006 from Tk. 410.00 million in 2005 however funding facility availed against this fund was only 33.33% as on



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September 30, 2006 and 63.89% in 2005. The company created FDR @12.% (on average) interest and has been availing funded facility against those FDRs with 14% interest thus incurring a direct loss of 2.00%. The above is a costly financial management. However, it was done in order to enhance the financial flexibility of the company. The weighted average cost of fund was 10.13% and after including management expenses it reached to 12.33% whereas weighted average lending rate was 17.50% as on September 30, 2006.

*Satisfactory liquidity  
Position*

**11.2 Liquidity Management**

While analyzing the liquidity position of BFIC, it has been found that the company has been operating business under satisfactory liquidity position. The company was able to attract fund from public, business institutions and banks for its liquidity issues. Current ratio of the company was 1.21 times as on September 30, 2006 compared to 1.18 times in 2005 against peer median of 1.22 times. Liquid asset to current liabilities ratio rose to 0.72 times as on September 30, 2006 from 0.61 times in 2005.

Time interest earned ratio of the company was also in line with peer median. This ratio was 1.14 times as on September 30, 2006 compared to 1.44 times in 2005 whereas peer median was 1.45 times. Loan to deposit ratio decreased to 1.94 times in 2005 from 2.03 times in 2004, though there is no guideline regarding this ratio for FIs.

**12.0 SWOC ANALYSIS**

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<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• Satisfactory capital base</li> <li>• Experienced top tier management</li> <li>• Average profitability</li> <li>• Satisfactory liquidity position</li> <li>• Integrated information system</li> <li>• Sound deposit base</li> </ul>	<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Inadequate corporate governance</li> <li>• High infection in asset portfolio</li> <li>• Noticeable single sector concentration</li> <li>• Dependency on money market</li> <li>• Costly FDR backup financial management</li> <li>• Inadequate risk management tools</li> <li>• Unstructured internal control system</li> <li>• No Asset Liability Management Committee</li> <li>• Small market share</li> </ul>
<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• Scope to explore fee based products</li> <li>• Scope of exploring cheaper sources of fund</li> <li>• Upcoming merchant banking</li> </ul>	<p><b>Challenges:</b></p> <ul style="list-style-type: none"> <li>• Increased competition in the market for quality products</li> <li>• Commercial banks portfolio expansion to lease financing</li> <li>• Increasing competition compelling reduction in rental rate</li> <li>• Market pressure for overall liquidity crisis in money market.</li> </ul>



## **CREDIT RATING REPORT ON BANGLADESH FINANCE & INVESTMENT COMPANY LIMITED**

### **13.0 PROSPECTS**

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The business prospects of the FIs particularly depend on the stable macroeconomic fundamentals of the country. Macroeconomic indicators of Bangladesh have performed well in recent years and look promising. In FY 2004-05, the economy performed relatively well according to BB, despite some adverse domestic and external shocks, such as sharp increase in the world prices of petroleum products and abolition of textile quota following phase-out of the MFA in January 2005. Despite above setbacks, the Bangladesh Economy registered a modest GDP growth of 5.6% in FY 2004-2005. This was possible due to strong performance in the industrial sector with overall growth of 8.6% compared to 7.6% in last year. The real GDP growth is likely to exceed 6.5% in the current fiscal year. Output in agriculture, industry and service sectors are estimated to have grown by 0.3%, 8.6% and 6.6% respectively in FY 2005. The manufacturing sector witnessed about 8.8% growth in the fourth quarter of FY 2004-05. RMG exports recorded a growth of 12.9%. The strong growth potential of industry and service sectors offers BFIC with increased financing opportunities.

Though macroeconomic forecasts looks promising, the financial industry of Bangladesh is heavily fragmented, with too many banks and FIs (49 banks and 28 FIs) operating in a small economy like Bangladesh. Consequently, the institutions are locked in tough competition to secure market share. On the other hand, the Government increased corporate tax rate to 45% in FY 2002-03 for the financial institutions. Introducing Basel II by Bank of International Settlement (BIS) regarding capital adequacy on the basis of either Standardized Approach (SA) or Internal Rating Based (IRB) approach will remove the present practice of 20% risk weight of financing in financial institutions by the banks. The above capital adequacy advantage of the banks to finance in financial institutions including FIs will reshuffle the exposure according to the rating of the respective institutions. This may decrease the present practice of wholesale funding through banking sector to FIs, unless the FIs carry high investment grade rating. Therefore, extraction of funds from banking system will be dependent on the overall performance (and credit ratings) of the FIs. BB has already introduced mandatory credit rating for scheduled banks.

Presently FIs are allowed to deal with public term deposits and to borrow fund from the Financial Institutions. Along with lease financing FIs are also allowed to extend short and long term direct finance and to enjoy the privilege of issuing shares, debentures and bonds to raise funds. Under the above backdrop, the business volume of the FIs is in ascending trend along with their credit portfolios. BFIC has been showing a steady growth of its asset portfolio over last two years. BFIC has the potential to enhance its market share. However, its viability and sustainable progress depend on timely management action to properly address the weaknesses and to tap growth opportunities.

### **End of the Report**

*Information used herein is obtained from sources believed to be accurate and reliable. However, CRISL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. All rights of this report are reserved by CRISL. Contents may be used by news media and researchers with due acknowledgement.*



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**14.0 CORPORATE INFORMATION**

**Date of Incorporation:** May 10, 1999  
**Date of Commencement of Business:** May 10, 1999

**Board of Directors:**

Mr. Anwar Hossain	Chairman
Mr. Hossain Khaled	Vice-Chairman
Mr. Manwar Hossain	Director
Mr. Hossain Mehmud	Director
Mr. Geasuddin Ahmed	Director
Haji M. A. Taher	Director
Mr. Chowdhury Erteza Ahmed Siddiqui	Director
Haji Md. Yousuf	Director
Haji Md. Imtiaj	Director
Mrs. S.M. Didarul Alam	Director
Mr. Hossain Akhter	Director

**Consultant:** Mr. Mohammad Faiz

**Auditor:** Hoda Vasi Chowdhury & Co.  
Chartered Accountants

**Legal Adviser:** Lee, Khan & Partners  
Hasan & Associates

**Management:**

Mr. G. M. Salehuddin Ahmed	Managing Director
Mr. Nasiruddin Ahmed	Add. Managing Director
Mr. Mufti Mahbubul Jalil	Senior Vice President & Company Secretary
Mr. Mohammad Yahia Khan	Senior Vice President & Manager, Chittagong Branch
Mr. Mahmud Hassan	Vice President
Mr. Dilip Kumar Mandal, ACA	Vice President

**Capital History:**

Year	Authorized Capital (Million Tk.)	Paid-up Capital (Million Tk.)	Rate of Increase	Sources of paid up capital
2001	500	50.00	-	-
2002	500	50.00	-	Issuance of ordinary shares
2003	500	65.00	30%	Issuance of bonus and right shares
2004	500	147.86	126.15%	Issuance of bonus and right shares
2005	500	204.66	38.14%	Issuance of bonus and right shares
30-Sep-06	500	233.32	14%	Issuance of Bonus shares



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**Financials:**

<i>Balance Sheet</i>	<b>Sep 30'06</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Net fixed assets</b>	<b>9.51</b>	<b>8.02</b>	<b>8.63</b>	<b>8.22</b>
Fixed assets-at cost	15.20	12.59	12.00	9.96
Depreciation	<b>5.69</b>	<b>4.57</b>	<b>3.37</b>	<b>1.74</b>
<b>Lease assets:</b>	<b>498.23</b>	<b>436.35</b>	<b>309.08</b>	<b>137.82</b>
Lease receivable (net of current maturity)	370.11	436.35	271.94	137.82
Advance against leasing assets	128.12	-	37.15	-
<b>Direct Finance &amp; Investments:</b>	<b>161.49</b>	<b>125.20</b>	<b>48.08</b>	<b>-</b>
Long term finance and investments	147.72	111.44	36.05	-
Investment In Shares (net of current maturity)	13.76	13.76	12.03	
<b>Provision for Doubtful Accounts:</b>	<b>(17.01)</b>	<b>(11.23)</b>	<b>(6.94)</b>	<b>(3.51)</b>
<b>Current Assets:</b>	<b>1,372.65</b>	<b>820.34</b>	<b>806.62</b>	<b>170.19</b>
Accounts receivables	106.97	57.07	30.73	0.80
Advance, Deposits and Prepayments	9.98	5.04	2.63	
<b>Cash and Cash equivalent:</b>	<b>814.49</b>	<b>423.10</b>	<b>538.39</b>	<b>7.44</b>
Current maturity of investment in lease	232.08	250.16	152.40	117.95
Current maturity of term finance	111.17	76.70	62.19	15.62
Current maturity of Investment in Shares	97.87	8.22	0.19	13.67
Other current assets	0.09	0.05	20.10	14.72
<b>Total Assets</b>	<b>2,024.87</b>	<b>1,378.68</b>	<b>1,165.47</b>	<b>312.72</b>
<b>Shareholders' Equity</b>	<b>277.88</b>	<b>247.60</b>	<b>169.80</b>	<b>76.52</b>
Share capital	233.32	204.66	147.86	65.00
Share premium & others				
<b>Reserves and Surplus:</b>	<b>44.57</b>	<b>42.93</b>	<b>21.94</b>	<b>11.52</b>
Statutory reserve	20.16	14.10	6.95	3.30
Retained earnings	24.40	0.18	0.20	0.41
Proposed stock dividend	-	28.65	14.79	7.80
<b>Long Term Liability -net of current maturity:</b>	<b>611.76</b>	<b>436.75</b>	<b>73.92</b>	<b>62.55</b>
Long term loans	328.01	223.80	51.13	49.55
Lease/ Loan deposits and advance	26.20	22.78	16.93	11.06
Term deposits	225.35	183.05	4.30	1.94
Security and Other Deposits	0.75	1.32	1.55	-
Fund from Bangladesh Bank	22.04	-	-	-
Deferred Liability	9.40	5.80	-	-
<b>Current Liabilities and Provisions:</b>	<b>1,135.22</b>	<b>694.33</b>	<b>921.76</b>	<b>173.65</b>
Current maturity of term loans	183.51	115.32	23.61	37.29
Current maturity term deposits	581.01	267.77	271.60	60.67
Current maturity of lease advances	6.78	6.20	4.55	3.56
Short term loans	266.68	261.96	100.95	36.61
Payable and accrued expenses	93.26	41.87	19.84	9.31
Provision for taxation	1.22	1.22	1.22	1.22
Call Loan	-	-	500.00	25.00
Others	2.76			
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,024.87</b>	<b>1,378.68</b>	<b>1,165.47</b>	<b>312.72</b>





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**Income Statement**

	<b>Sep, 06</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Total Operational Revenue:</b>	<b>159.87</b>	<b>142.44</b>	<b>62.88</b>	<b>42.38</b>
Lease interest income	77.16	93.38	52.03	38.56
Income from term finance	25.81	16.67	5.15	3.36
Income from short term finance	7.22	28.51	0.93	-
Income from sales of securities and dividend	10.22	-	1.65	-
Interest on Deposit	33.98	-	-	-
Other operational income	5.48	3.88	3.13	0.46
<b>Total Operating Expense:</b>	<b>125.99</b>	<b>101.00</b>	<b>45.31</b>	<b>34.62</b>
Salary and allowances	7.33	8.25	5.29	5.11
Depreciation of fixed assets	1.12	1.38	1.63	1.12
Other administrative expense	5.51	6.68	4.82	4.07
Financial expenses	106.25	80.33	30.14	22.40
Provision for bad & doubtful debt	5.78	4.23	3.42	1.91
Provision for investment in shares	-	0.06	0.00	-
Other operating expenses	-	0.06	-	-
<b>Operating Profit</b>	<b>33.88</b>	<b>41.44</b>	<b>17.57</b>	<b>7.76</b>
Non-Operational Income	0.01	0.14	0.64	2.80
<b>Profit before tax</b>	<b>33.89</b>	<b>41.58</b>	<b>18.21</b>	<b>10.56</b>
Provision for taxation	3.60	5.80	-	1.00
<b>Profit after tax</b>	<b>30.29</b>	<b>35.78</b>	<b>18.21</b>	<b>9.56</b>



## CREDIT RATING REPORT ON BANGLADESH FINANCE & INVESTMENT COMPANY LIMITED

### CRISL RATING SCALES AND DEFINITIONS

#### LONG TERM RATINGS

RATING	DEFINITION
<b>AAA</b> Triple A (Highest Safety)	Financial Institutions rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality. Risk factors are negligible and risk free, nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category.
<b>AA+, AA, AA-</b> (Double A) (High Safety)	Financial Institutions rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.
<b>A+, A, A-</b> Single A (Adequate Safety)	Financial Institutions rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
<b>BBB+, BBB, BBB-</b> Triple B (Moderate Safety)	Financial Institutions rated in this category are adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a Financial Institution is under-performing in some areas. Risk factors are more variable in periods of economic stress than those rated in the higher categories. These entities are however considered to have the capability to overcome the above-mentioned limitations.
<b>BB+, BB, BB-</b> Double B (Inadequate Safety)	Financial Institutions rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates a Financial Institution as below investment grade but deemed likely to meet obligations when due. Overall quality may move up or down frequently within this category.
<b>B+, B, B-</b> Single B (High Risk)	Financial Institutions rated in this category are adjudged to be with high risk. Timely repayment of financial obligations is impaired by serious problems which the entity is faced with. Whilst an entity rated in this category might be currently meeting obligations in time, continuance of this would depend upon favorable economic conditions or on some degree of external support.
<b>C</b> <b>(Very High Risk)</b>	Financial Institutions rated in this category are adjudged to be with very high risk of timely repayment of financial obligations. This level of rating indicates entities with very serious problems and unless external support is provided, they would be unable to meet obligations in a timely fashion.
<b>D</b> (Default)	Financial Institutions rated in this category are adjudged to be either currently in default or expected to be in default. This level of rating indicates that the entities are unlikely to meet maturing financial obligations and calls for immediate external support of a high order.

#### SHORT TERM RATINGS

<b>ST-1</b>	<b>Highest Grade</b> Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding, Safety is almost like risk free Government short-term obligations.
<b>ST-2</b>	<b>High Grade</b> High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
<b>ST-3</b>	<b>Good Grade</b> Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.
<b>ST-4</b>	<b>Satisfactory Grade</b> Satisfactory liquidity and other protection factors qualify issues as to investment grade. Risk factors are larger and subject to more variation.
<b>ST-5</b>	<b>Non-Investment Grade</b> Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.
<b>ST-6</b>	<b>Default</b> Issuer failed to meet scheduled principal and/or interest payments.



## Additional disclosure furnished by CRISL

March 1, 2007

Managing Director  
Bangladesh Finance and Investment Company Ltd.  
Baitul Hussain Building (2<sup>nd</sup> Floor)  
27, Dilkusha C/A  
Dhaka – 1000

Dear Sir,

Pursuant to the discussion we had with you on the query of the Securities and Exchange Commission, in order to avoid the confusion, CRISL has decided to modify the EPS mentioned in its report at Tk 12.98 as per audited Financial Statements. Accordingly the EPS at CRISL report may be read as Tk 12.98 instead of Tk 14.80. In view of above, the related page of the rating report is hereby replaced with a revised page.

Thanking you

Yours sincerely

Sd/-  
Muzaffar Ahmed FCMA FCS  
President and CEO

March 25, 2007

CRISL/Rating/30/07

Managing Director  
Bangladesh Finance and Investment Company Ltd.  
Baitul Hussain Building (2<sup>nd</sup> Floor)  
27, Dilkusha C/A  
Dhaka – 1000

### **Sub: Modification of Audit Report and its subsequent impact on CRISL rating report on your esteem organization.**

Dear Sir,

Pursuant to your letter BFIC/0984/07 dated March 25, 2007, and after review of the revised report of the auditors on application of BAS – 25, we have decided to modify our report as appeared at Para 9.2 quality of investment portfolio. The words at the fifth line at page 7 of our report “which is not compliant to BAS – 25” is hereby deleted.

Thanking you

Yours sincerely

Sd/-  
Muzaffar Ahmed FCMA FCS  
President and CEO

## Additional Disclosure by Auditors

### **Re : Audit of Financial Statements for the period ended 30 September 2006.**

Reference has been made to your no. BFIC/0417/2007 dated 14 February 2007 on the above captioned matter. We have examined the statements prepared by you and produced by you to us for examination as per requirements of Securities and Exchange Commission (SEC) and we hereby suggest to amend your notes to the financial statements of Bangladesh Finance and Investment Company Ltd. as follows :

Note Ref	As stated	Proposed
Note 2.6 'Investments in shares'	Investments in marketable ordinary shares has been shown at market price ( <b>valued on an aggregate portfolio basis</b> ). Full provision for diminution in value of shares as on closing of the period, if required, has been taken into account. Investment in non-marketable shares has been valued at cost.	Investments in marketable ordinary shares has been shown at market price. Full provision for diminution in value of shares as on closing of the period, if required, has been taken into account. Investment in non-marketable shares has been valued at cost.
Note 13 'Investments in Securities'	This represents investment made in the shares of both quoted and non-quoted companies, quoted securities held for trading have been shown at market price. Provision for diminution in value of marketable securities have been considered on an <b>aggregate portfolio basis</b> as per BAS.	This represents investment made in the shares of both quoted and non-quoted companies, quoted securities held for trading have been shown at market price. Provision for diminution in value of marketable securities have been considered on the basis of market price of shares as per BAS.
Note 26.2 'Management Expenses'	The number of employees at the <b>year end</b> who received salary above TK.36,000 during the period under review was 25 (2005 :21).	The number of employees at the <b>period end</b> who received salary above TK.36,000 during the period under review was 25 (2005 :21).

Sd/-  
Company Secretary

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Director

22 February 2007

Sd/-  
Hoda Vasi Chowdhury & Co  
Chartered Accountants

## Management disclosure

### **Earnings Per Share (EPS)**

The EPS shown in the Audited Financial Statements as at 30 September 2006 is not annualized. The annualized EPS is Tk.17.31. However, as per audited Financial Statements for the year ended 31 December 2006, it stands at Tk. 19.30, which represents 10.41% higher than the year 2005.

### **Dividend**

The Board of Directors of the company recommended 15% cash dividend at its 85<sup>th</sup> meeting held on 15 February 2007 which has been approved by the shareholders at the its 8<sup>th</sup> Annual General Meeting held on 10 March 2007.