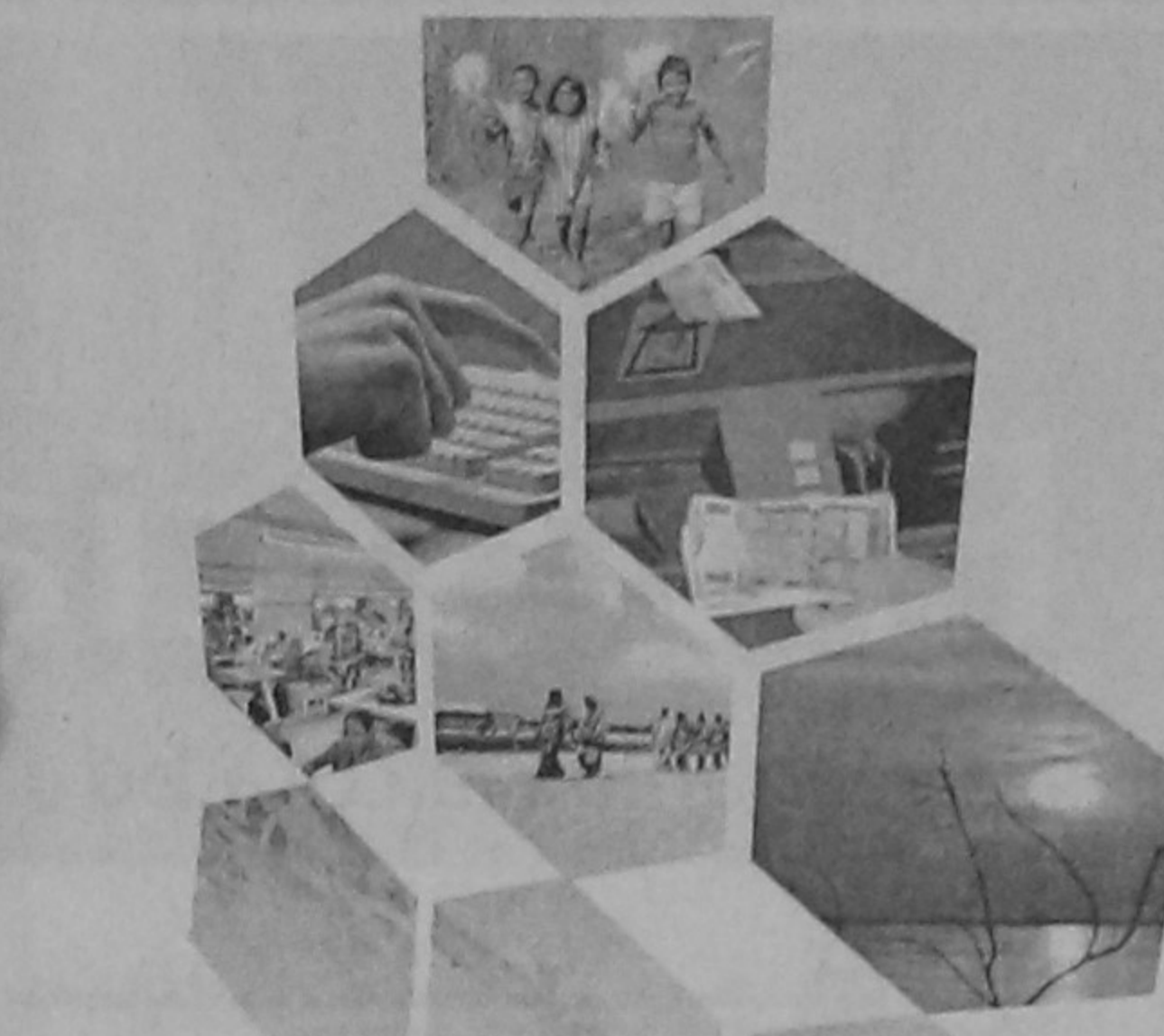


# Bank Asia Limited

## Financial Statements 2008

www.bankasia.com.bd



### Auditors' Report and Financial Statements as at and for the year ended 31 December 2008

We have audited the accompanying balance sheet of Bank Asia Limited (the Bank) as at 31 December 2008 and the related profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes to the financial statements. The preparation of these financial statements is the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements of the Bank for the year ended 31 December 2007 were audited by S. F. Ahmed & Co., Chartered Accountants who issued an unqualified opinion on 23 March 2008.

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

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the Bank's affairs as at 31 December 2008 and of the results of its operations and its cash flows for the year then ended and comply with the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

#### We also report that:

- 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;
- in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- the Bank's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns;
- the expenditure incurred was for the purposes of the Bank's business;
- the financial position of the Bank as at 31 December 2008 and the profit for the year then ended have been properly reflected in the financial statements, and the financial statements have been prepared in accordance with the generally accepted accounting principles;
- the financial statements have been drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- the information and explanations required by us have been received and found satisfactory.

### Profit and Loss Account for the year ended 31 December 2008

Notes	2008 Taka		2007 Taka (Restated)	
	2008	2007	2007	2006
Interest income/profit on investments	4,973,111,163	3,662,378,054	3,739,018,507	(2,705,032,734)
Net interest income/net profit on investments	1,234,094,656	957,345,320	607,148,807	467,160,954
Investment income	22	850,633,162	700,206,728	200,658,932
Commission, exchange and brokerage	24	200,658,932	129,272,049	1,658,440,901
Other operating income	23	1,658,440,901	2,253,985,051	2,892,535,557
<b>Total operating income (A)</b>		<b>2,892,535,557</b>	<b>2,253,985,051</b>	
Salaries and allowances	25	426,820,638	287,802,879	
Rent, taxes, insurance, electricity etc.	26	89,322,577	78,353,609	
Legal expenses	27	3,021,208	4,659,335	
Postage, stamp, telecommunication etc.	28	29,192,002	35,360,879	
Stationery, printing, advertisements etc.	29	36,713,152	28,472,989	
Managing Director's salary and fees	30	6,400,000	6,151,500	
Directors' fees	31	592,000	857,400	
Auditors' fees	32	287,375	250,000	
Depreciation and repair of Bank's assets	33	146,257,188	78,553,075	
Other expenses	33	248,481,016	170,780,411	
<b>Total operating expenses (B)</b>		<b>967,656,984</b>	<b>679,262,277</b>	
Profit before provision (C=A-B)		<b>1,924,878,573</b>	<b>1,574,722,774</b>	
Provision for loans and advances/investments	34			
General provision		175,901,962	52,987,710	
Specific provision		228,805,278	84,500,814	
Provision for off-balance sheet items		404,707,480	137,488,524	
Provision for diminution in value of investments		94,429,051	70,338,140	
Other provisions		-	-	
<b>Total provision (D)</b>		<b>499,136,291</b>	<b>207,826,664</b>	
<b>Total profit before tax (C-D)</b>		<b>1,405,742,282</b>	<b>1,366,896,110</b>	
Provision for tax				
Current	13.5.1	790,000,000	704,871,328	
Deferred	13.5.2	(70,961,763)	(63,619,119)	
		719,038,237	641,252,207	
<b>Net profit after tax</b>		<b>686,704,045</b>	<b>725,643,903</b>	
Appropriations				
Statutory reserve		281,148,456	273,379,222	
General reserve		281,148,456	273,379,222	
<b>Retained surplus</b>		<b>405,555,589</b>	<b>452,264,681</b>	
Earnings per share (par value Taka 100)	37	39.38	41.61	

The annexed notes 1 to 44 form an integral part of these financial statements.

*Md. Masudul Karim* Chairman  
*Md. Masudul Karim* Director  
*Md. Masudul Karim* Director  
*Md. Masudul Karim* Director  
 President and Managing Director (CC)

As per our report of same date.

*Rahman Rahman Huq* Chartered Accountants

### Notes to the Financial Statements as at and for the year ended 31 December 2008

- The Bank and its activities**
  - Reporting entity**  
Bank Asia Limited is one of the three generation private commercial banks (PCBs), incorporated in Bangladesh on 28 September 1999 as a public limited company under the Companies Act 1994, and governed by the Bank Companies Act 1991. The Bank went for public issue of its shares on 23 September 2003 and its shares are listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. At present the Bank has 33 branches and 18 ATM booths.  
Bank Asia Limited acquired the business of Bank of Nova Scotia (incorporated in Canada), Dhaka, in the year 2001 and at the beginning of the year 2002, the Bank also acquired the Bangladesh operations of Muslim Commercial Bank Limited (MCBL), a bank incorporated in Pakistan, having two branches at Dhaka and Chittagong. In taking over the Bangladesh operations, all assets and certain specific liabilities of MCBL were taken over by Bank Asia Limited at book values.  
The registered office of the Bank is located at Tea Board Building (1st floor), 111-113, Mujibheel C/A, Dhaka-1000.
  - Principal activities**  
The principal activities of the Bank are to provide all kinds of commercial banking services to its customers through its branches in Bangladesh.
  - Off-shore banking unit**  
The Bank obtained the Islamic Banking unit permission vide letter no. BRPD(P-3)745(53)2008-404 dated 17 December 2008. The Bank commenced operation of this unit from 24 December 2008 and its office is located at House-79A, Road-07, Sector-4, Uttara Model Town, Uttara. The Islamic banking unit is governed under the rules and regulations of Bangladesh Bank. Distribution of profit on deposit is shown in Annexure-L and separate balance sheet and profit and loss account of Islamic banking unit are shown in Annexure-J and Annexure-K.
  - Off-shore banking unit**  
The Bank obtained off-shore banking unit permission vide letter no. BRPD(P-3)74(94)2007-1853 dated 21 June 2007. It commenced operation of this unit from 28 January 2008 and its office is located at Zone Service Complex, Chittagong Export Processing Zone, Chittagong. Off-shore banking unit is governed under the rules and regulations of Bangladesh Bank. Separate balance sheet and profit and loss account of off-shore banking unit are shown in Annexure-L and Annexure-M.
- Basis of preparation**
  - Statement of compliance**  
The financial statements of the Bank have been prepared in accordance with the First Schedule (para-38) of the Bank Companies Act 1991 as amended by BRPD Circular no. 14, dated 25 June 2003, other Bangladesh Bank Circulars, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other prevailing laws and rules applicable in Bangladesh.
  - Basis of measurement**  
The financial statements of the Bank have been prepared on the historical cost basis except for the following:  
- Government Treasury Bills and Bonds (HTF) at present value using marking to market concept  
- Government Treasury Bills and Bonds (HTM) at present value using amortisation concept  
- Zero Coupon Bond at present value using amortisation concept  
- Quoted ordinary shares at cost or market price whichever is lower at balance sheet date
  - Functional and presentation currency**  
These financial statements are presented in Bangladesh Taka (Tk), which is the Bank's functional currency. Functional currency for Offshore unit is US dollar. Except as indicated, financial information has been rounded off to the nearest Taka.
  - Use of estimates and judgments**  
The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.  
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.
  - Cash flow statement**  
Cash flow statement has been prepared in accordance with the BRPD Circular No. 14, dated 25 June 2003 issued by the Banking Regulation and Policy Department of Bangladesh Bank (The central bank of Bangladesh).
  - Statement of liquidity**  
The liquidity statement of assets and liabilities as at the reporting date has been prepared on residual maturity term as per the following basis:  
a) Balance with other banks and financial institutions, money at call and on short notice are on the basis of their maturity terms  
b) Investments are on the basis of their maturity terms  
c) Loans and advances/investments are on the basis of their repayment schedules  
d) Fixed assets are on the basis of their useful lives  
e) Other assets are on the basis of their realisation/adjustments  
f) Borrowings from other banks, financial institutions and agents as per their maturity/repayment terms  
g) Deposits and other accounts are on the basis of their maturity terms and behavioural past trend  
h) Other liabilities are on the basis of their payment/adjustments schedule

### Statement of Changes in Equity for the year ended 31 December 2008

Particulars	2008 Taka		2007 Taka		2006 Taka	
	2008	2007	2007	2006	2005	2004
Balance as at 1 January 2007	1,118,000,000	540,347,108	330	288,493,368	1,648,211,306	
Less: Prior year adjustments: Dividend income (from share)				(37,930,000)	(37,930,000)	
Retained balance as at 1 January 2007	1,118,000,000	540,347,108	330	250,563,368	1,610,281,306	
Profit for the year	686,704,045	725,643,903		725,643,903	725,643,903	
Less: Prior year adjustments: Dividend income (from share) - Revaluation loss**				(4,500,000)	(4,500,000)	
Retained balance as at 31 December 2008	1,804,704,045	1,265,991,011	330	1,251,707,271	2,335,425,109	
Retained balance as at 1 January 2006	1,305,000,000	814,026,330	330	3,338,535	416,888,110	1,633,843,317
Dividend income		281,148,456		281,148,456		
Less: of bonus share		(342,750,000)		(12,368,320)		
Exchange revaluation reserve		342,750,000		3,338,535		
Retained net profit for the year		943,998,456		271,928,136		
Balance as at 31 December 2005	1,305,000,000	1,068,024,786	330	1,318,356,316	1,633,843,317	

\* Bonus share received as dividend had previously been recognised as income in the profit and loss account in the year 2008 this has been corrected and previous year's balance has been restated as per BAS 8.

\*\* During the year 2007 income on treasury bills and bonds had been recognised as income using day count basis. At the end of 2007 such bills and bonds had been revalued using present value method. Differential amount recognised as revaluation loss has been reversed with opening balance of retained earnings.

\*\*\* During the year 2007 an amount of Tk 357,535,378 and Tk 110,790,658 on account of specific provision for loans and advances and interest receivable respectively had not been considered for deferred tax calculation purpose. In the year 2008 the items have been considered and previous year's balance has been restated as per BAS 8.

Deferred tax on temporary difference of depreciation of fixed assets had been calculated using income statement method. In the year 2008 balance sheet method has been used and previous year's balance has been restated as per BAS 8.

Depreciation on leased assets had been considered as temporary difference in calculating deferred tax although such an item is a permanent difference. In the year 2008 this item has been considered and previous year's balance has been restated as per BAS 8.

\*\*\*\* The Bank had been presenting proposed dividend "both stock and cash" for prior year separately on the face of the balance sheet and statement of changes in equity instead of disclosing by way of a note to the financial statements. From this year comparative figures have been reorganised as per BAS-1 and BAS-10.

### Cash Flow Statement for the year ended 31 December 2008

Notes	2008 Taka		2007 Taka	
	2008	2007	2007	2006
<b>A) Cash flows from operating activities</b>				
Interest receipts	5,395,782,250	4,124,985,009	3,739,018,507	(2,705,032,734)
Interest payments	(2,925,763,855)	(2,705,032,734)	850,259,372	(700,206,728)
Fees and commission receipts	850,259,372	700,206,728	(412,775,235)	(293,954,379)
Cash payment to employees	(34,396,857)	(37,425,636)		
Income tax paid	(748,527,220)	(363,665,748)		
Receipts from other operating activities	35	220,558,092	129,272,049	1,658,440,901
Payments for other operating activities	36	(394,540,871)	(277,955,961)	
Cash generated from operating activities before changes in operating assets and liabilities		<b>2,719,378,158</b>	<b>1,832,341,252</b>	
Increase/(decrease) in operating assets and liabilities:				
Loans and advances to customers	(11,182,803,158)	(6,201,304,145)		
Other assets	(925,830,718)	(162,174,819)		
Deposits from customers	12,423,078,337	4,714,729,362		
Trading liabilities	61,750,000	1,184,000,000		
Other liabilities	554,856,105	713,859,156		
	631,251,110	249,109,755		
Net cash generated from operating activities		<b>3,650,629,288</b>	<b>2,981,451,007</b>	
<b>B) Cash flows from investing activities</b>				
Investments of treasury bills and bonds	(1,536,750,108)	(1,234,440,690)		
Purchase/sale of trading securities	(403,386,240)	177,721,888		
Purchase of fixed assets	(179,004,369)	(24,097,119)		
Net cash used in investing activities		<b>(2,119,140,717)</b>	<b>(1,080,816,921)</b>	
<b>C) Cash flows from financing activities</b>				
Payment for finance lease	(49,856,104)	(6,013,903)		
Net cash used in financing activities		<b>(49,856,104)</b>	<b>(6,013,903)</b>	
<b>D) Net increase in cash and cash equivalents (A+B+C)</b>		<b>1,481,632,467</b>	<b>894,621,083</b>	
E) Effects of exchange rate changes on cash and cash equivalents		4,235,248,045	3,240,824,765	
F) Cash and cash equivalents at beginning of the year		631,251,110	249,109,755	
G) Cash and cash equivalents at end of the year (D+E+F)		<b>5,719,178,495</b>	<b>4,235,248,045</b>	
<b>Cash and cash equivalents at end of the year represents:</b>				
Cash in hand (including foreign currencies)		278,733,998	219,714,704	
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		2,686,675,135	1,990,819,634	
Other banks and financial institutions		1,404,843,498	1,192,464,146	
Money at call and on short notice		1,522,200	335,151,342	
Prize bond		4,374,784,831	3,679,334,128	

The annexed notes 1 to 44 form an integral part of these financial statements.

*Md. Masudul Karim* Chairman  
*Md. Masudul Karim* Director  
*Md. Masudul Karim* Director  
*Md. Masudul Karim* Director  
 President and Managing Director (CC)

As per our report of same date.

*Rahman Rahman Huq* Chartered Accountants

### 3.6.3 Depreciation

No depreciation is charged on land. Depreciation is charged on straight-line method. In case of acquisition of fixed assets, depreciation is charged in the year of acquisition, whereas depreciation on disposed off fixed assets is charged up to the year prior to the year of disposal. Asset category-wise depreciation rates are as follows:

Category of assets	Rate of depreciation
Building	20%
Furniture and fixtures	20%
Equipments	20%
Computer and accessories	20%
Motor vehicles	20%

Gain or loss on sale of fixed assets are recognised in profit and loss account as per provision of BAS 16 "Property, plant and equipment"

### 3.7 Other assets

Other assets include all other financial assets and include fees and other unrealised income receivable, advance for operating and capital expenditure and stocks of stationary and stamps. Details are shown in Note 10.

### 3.8 Liabilities and provisions

**3.8.1 Borrowings from other banks, financial institutions and agents**  
Borrowings from other banks, financial institutions and agents include interest-bearing borrowings redeemable at call. These items are brought to financial statements at the gross value of the outstanding balance. Details are shown in Note 11.

**3.8.2 Deposits and other accounts**  
Deposits and other accounts include non interest-bearing current deposit redeemable at call, interest bearing on demand and short-term deposits, savings deposit and fixed deposit. These items are brought to financial statements at the gross value of the outstanding balance. Details are shown in Note 12.

**3.8.3 Other liabilities**  
As per BAS-37 "Provisions, Contingent Liabilities and Contingent assets" the Bank recognises provisions only when it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Other liabilities comprise items such as provision for loans and advances/investments, provision for taxes, interest payable, interest receivable, accrued expenses, obligation under finance lease etc. Other liabilities are recognised in the balance sheet according to the guidelines of Bangladesh Bank, Income Tax Ordinance-1984 and internal policy of the Bank. Details are shown in Note 13.

### 3.9 Capital/Shareholders' equity

**Authorised capital**  
Authorised capital is the maximum amount of share capital that the bank is authorised by its Memorandum and Articles of Association to issue to shareholders.

**Paid up capital**  
Paid up capital represents total amount of shareholder capital that has been paid in full by the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders' meetings. In the event of a winding-up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation. Details are shown in Note 14.2.

**Statutory reserve**  
Statutory reserve has been maintained @ 20% of profit before tax in accordance with provisions of section 24 of the Bank Companies Act, 1991 units such reserve equal to its paid up capital together with amount in the share premium account.

**Revaluation reserve**  
Revaluation reserve arises from the revaluation of Treasury bills and bonds (HTF & HTM) in accordance with the DOS circular no. 5 dated 28 May 2008.

**3.10 Contingent liabilities**  
Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or  
Any present obligation that arises from past events but is not recognised because:  
\* It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;  
\* The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.  
Contingent assets are not recognised in the financial statements as this may result in the recognition of income which may never be realised.

**3.11 Revenue recognition**  
**Interest income**  
Interest on loans and advances is calculated on daily product basis, but charged and accounted for on quarterly basis. Interest on loans and advances ceases to be taken into income when such advances fall into SMA and under classification. When such advances fall into SMA and under classification, interest is kept in interest suspense account. Interest on SMA and classified advances is accounted for on a cash receipt basis.

**Profit on investment (Islamic Banking)**  
Mark-up on investment is taken into income account proportionately from profit receivable account. Overdue charge/compensation on classified investments is transferred to profit suspense account instead of income account.

**Investment income**  
Income on investments is recognised on accrual basis. Investment income includes discount on treasury bills and zero coupon bonds, interest on treasury bonds, debentures and fixed deposit with other banks.

**Interest and fees receivable on credit cards**  
Interest and fees receivable on credit cards are recognised on accrual basis. Interest and fees are to be taken into income when such advances fall into SMA and under classification. When such advances fall into SMA and under classification, interest is kept in interest suspense account. Interest on SMA and classified advances is accounted for on a cash receipt basis.

**Fees and commission income**  
The Bank earns fees and commissions from diverse range of services provided to its customers. This includes fees and commission income arising from financial and other services provided by the bank including trade finance, credit cards, debit cards, passport endorsement, loan processing, loan syndication and locker facilities etc. Fees and commission income arises on services rendered by the Bank recognised on a realisation basis.

**Interest paid on borrowing and other deposits (Conventional banking)**  
Interest paid on borrowing and other deposits is recognised on accrual basis.

**Profit paid on deposits (Islamic Banking)**  
Profit paid to musaraba deposit is recognised on accrual basis as per provisional rate. However, the final profit is determined and to be paid to the depositors as per Annexure-L.

### 3.12 Employee benefits

**3.12.1 Provident Fund**  
Provident fund benefits are given to the staff of the bank in accordance with the approved Provident fund rules. The fund is operated by a Board of Trustees. All confirmed employees of the bank are contributing 10% of their basic salary as subscription of the fund. The bank also contributes equal amount of the employees' contribution to the fund.

**3.1**