



# 2012

ANNUAL REPORT



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## NOTICE OF THE AGM

Date: April 25, 2013

### NOTICE OF THE 17TH ANNUAL GENERAL MEETING

Notice is hereby given that the **17th Annual General Meeting** of the Shareholders of International Leasing And Financial Services Limited will be held on **Thursday, May 16, 2013 at 10.30 a.m.** at Spectra Convention Centre Limited, House # 19, Road # 07, Gulshan -01, Dhaka -1212 to transact the following business:

#### AGENDA

<b>A 2013-17-01 :</b>	To receive and adopt the Directors' Report, Auditors' Report and Audited Financial Statements of the Company for the year ended December 31, 2012.
<b>A 2013-17-02 :</b>	To declare dividend for the year ended December 31, 2012.
<b>A 2013-17-03 :</b>	To elect Directors in place of those who shall retire by rotation in accordance with the provision of Articles of Association of the Company and to approve appointment of Independent Directors as per regulation of Bangladesh Securities and Exchange Commission (BSEC).
<b>A 2013-17-04 :</b>	To appoint Auditors of the Company for the year 2013 and to fix their remuneration.

By order of the Board



**Nehal Ahmed** FCA  
Company Secretary

#### Notes:

- The record date is fixed on **Thursday, April 11, 2013**. The Shareholders, whose name will be appeared in the Share Register of the company (certificated and depository) at the close of business on the 'Record Date' will be eligible to attend the 17th AGM and entitled to get dividend.
- A member eligible to attend and vote in the AGM may appoint a proxy to attend and vote in his/her behalf. The Proxy Form duly completed and stamped must be deposited at the registered office of the Company not later than 48 hours before the time of the meeting.
- Admission into the Meeting room will be allowed on production of the Attendance Slip attached with the Proxy Form.

## **OUR VISION**

To rise high with our stakeholders.

To serve with flexibility and care.

## **OUR MISSION**

Commitment towards the development of industrial and financial sectors by offering diverse and innovative financial products and solutions.

Continuous drive in improving our services tailored to clients' needs.

Pursue proactive approach for reaping maximum benefits for all the stakeholders.

Attach importance to Human Resource Management and provide job satisfaction for all with equal opportunities for career development.

Serve for well-being of the society.





## STRATEGIC OBJECTIVES

Continuous Diversification for maximization of shareholders' value.

Creating Synergy through symbiosis of Dynamic Management and Board.

Serving and sustaining individual and institutional clients having high Integrity.

Focusing intensely on maintaining a sound asset portfolio.

Finding out Diversified Sources of Fund and exercising good Fund Management practices.

Providing flexible and customized service to clients to build a long-term relationship.

Retaining most dynamic people with good Aptitude.

Achieving a Leadership Position with distinction in the Market.



## CORE VALUES

### Clients First

Our priority is to serve the clients' financial needs properly

### Flexible Care

Harness friendliness with caring mindset.

### Leadership

We inculcate Leadership on both individual and corporate level.

### Think Long Term

We believe in long-term prosperity and solid position.

### Identifying Opportunities

In our service, in strategic planning and in the market, find out the opportunities befitting our clients as well as our business.

### Synergy

We always believe that it is the combination of good owners and management that produce values more than the total of isolated entities.



## KEY MILESTONES

- January 15, 1996 : Promoters Agreement signed
- January 15, 1996 : Incorporation of the company
- February 19, 1996 : Licensed by Bangladesh Bank
- March 24, 1996 : Commencement of Business
- May 19, 1996 : First Lease Agreement signed
- December 19, 1996 : First Credit Line Agreement signed
- July 7, 1997 : First Dividend declared
- August 22, 2001 : First syndication Lease Agreement signed
- October 30, 2001 : First Term Loan Agreement signed
- March 10, 2002 : First Work Order Financing Agreement signed
- December 11, 2003 : Licensed by Bangladesh Bank as Primary Dealer.
- September 19, 2004 : Capital Market Operation commenced
- May 29, 2005 : First Factoring Agreement signed
- December 20, 2005 : Management Agreement signed with First Capital Ltd. of Sri Lanka for Primary Dealership Operations
- April 13, 2006 : Agreement signed with Equity Partners Ltd. to act as Issue Manager for Initial Public Offering (IPO) of International Leasing.
- July 02 to July 16, 2007 : Subscription for Initial Public Offering (IPO) of shares of the Company held for issuance of 0.5 million shares for Tk. 112.50 million.
- September 16, 2007 : Became enlisted with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd.
- October 6, 2007 : Purchased Membership of Dhaka Stock Exchange Ltd. from public auction offered by DSE.
- April 07, 2008 : First Real Estate Loan Agreement signed
- June 24, 2008 : Inauguration of Chittagong Branch
- August 31, 2008 : Inauguration of International Leasing Securities Ltd., fully owned subsidiary Company of ILFSL.
- October 25, 2009 : Acquisition of 100% shares of Hongkong Bangladesh Securities Ltd., a member Brokerage House of Chittagong Stock Exchange Ltd. by International Leasing Securities Ltd.
- September 28, 2010 : Commencement of stock dealer and brokerage operation under membership of Chittagong Stock Exchange
- November 7, 2010 : Commencement of Stock Brokerage Operation at Khatunganj Branch
- December 12, 2010 : Commencement of Stock Brokerage Operation at Sylhet Branch
- April 4, 2012 : License to operate as a Merchant Banker in favor of IL Capital Limited, fully owned subsidiary Company of ILFSL.



## About the Company

**International Leasing And Financial Services Limited (ILFSL)** is a multi-product Financial Institution having its 17 years' record of innovative and customer-driven financial services. Starting from single-product Lease Financing services, the Company is now an established market leader in the financial services industry.

We are the first-generation licensee of Primary Dealership (PD) from Bangladesh Bank to buy and sell government treasury bonds and bills in the secondary market. Our new product range includes Merchant Banking Services (through our subsidiary company, IL Capital Limited), Stock Brokerage (through our subsidiary company, International Leasing Securities Limited), Real Estate Finance & SME Finance. We also offer various attractive Deposit Schemes. Over the years, through proactive marketing and services, the company has been able to establish itself as a leading financial institution of the country. Our client and market focus will continue as we march ahead with our growth momentum.



## SHAREHOLDERS AND SHAREHOLDING STRUCTURE

As on 31.12.2012

Particulars	No. of shares	% of holding
<b>a) Corporate</b>	<b>45,792,771</b>	<b>26.77</b>
1. Shaw Wallace Bangladesh Limited	29,706,570	17.36
2. PHP Float Glass Industries Ltd.	3,422,049	2.00
3. Z.N. Enterprise	3,422,000	2.00
4. Eastern Bank Limited	3,421,572	2.00
5. Reliance Brokerage Services Limited	5,820,580	3.40
<b>b) Individual</b>	<b>55,989,546</b>	<b>32.73</b>
6. Mrs. Rosy Ahmad	3,288,452	1.92
7. Mr. Jamal Uddin Ahmad	5,320,308	3.11
8. Mr. Mahbub Jamil	244,776	0.14
9. Mrs. Tasmia Ambereen	30,848,160	18.03
10. Mrs. Anika Tehzeeb	14,727,250	8.61
11. Mr. Mohamed Ali Hossain	1,560,600	0.91
<b>c) General Shareholders</b>	<b>69,296,283</b>	<b>40.51</b>
12. Institutions/corporate	27,751,183	16.22
13. Individual	40,719,658	23.80
14. Non-resident Bangladeshi	825,442	0.48
<b>Total (a+b+c)</b>	<b>171,078,600</b>	<b>100</b>





## PRODUCT RANGE

- Lease Finance
- Term Finance
- SME Finance
- Work Order Finance
- Project Finance
- Real Estate Finance
- Syndicated Finance
- Primary Dealership (of Government Treasury Bills and Bonds)
- Deposit Schemes
- Stock Brokerage Services (through subsidiary company - ILSL)
- Merchant Banking Services (through subsidiary company - ILCL)



**Mr. Mahbub Jamil**  
Chairman

Founder Board Member of International Leasing And Financial Services Limited (ILFSL) who joined the Board on March 5, 1996 and subsequently elected Chairman of ILFSL on June 21, 2000.

Presently, Mr. Jamil is the Chairman of Singer Bangladesh Limited. He joined the Board of Singer Bangladesh on September 1984. He is also the Chairman of ICE Retail Initiative Ltd and Advisor - Robi Axiata Ltd.

Mr. Jamil has been serving as the Chairman of Singer Bangladesh Limited since October 4, 1987. He also served as Managing Director of Singer Bangladesh Limited for over 24 years and as Senior Regional Vice President, Singer Asia and Retail Holdings N.V.

He was the Special Assistant to the Chief Advisor of the Caretaker Government of Bangladesh in 2008 with the rank of Cabinet Minister in charge of Ministry of Industries, Ministry of Civil Aviation & Tourism and Ministry of Youth & Sports.

In his long illustrious career, he was a Director of Micro Industries Development Assistance Services (MIDAS), President of the Foreign Investors' Chamber of Commerce and Industry for 3 terms, President of Metropolitan Chamber of Commerce and Industry, Committee Member of Bangladesh Employers' Federation, Founder Member of American Chamber of Commerce, a Rotarian Past-President of Rotary Club of Metropolitan Dhaka, and Senior Active Rotarian in the Rotary Club of Dhaka New City.

For his distinguished contribution to different areas of business and management, Mr. Jamil was adjudged Man of the Year in the Field of Business by Arthokatha in 1993, received Sir Jagadis Chandra Bose Gold Medal for Business Management in 1994, Bangladesh Education Management Trust Gold Medal for Management Excellence in 1995 and the Industry-Southeast Bank Award for Management Excellence in 2002, and Arthokatha Life Time Achievement Award in 2005.

Presently, Mr. Jamil is the Board Member of International Chamber of Commerce - Bangladesh, Member of the Trustee Board of Bishwa Sahittaya Kendro, Member Advisory Board of Faria Lara Foundation and Member Eisenhower Fellowship Bangladesh Nomination Committee. In addition, he discharged his responsibilities as a member of different Government Committees like Strategic Country Promotional Council, Private Infrastructure Committee, Private Sector Consultative Group, Policy Steering Committee of DBSM and Better Business Forum.



**Mr. Jamal Uddin Ahmad, FCA**  
Director

A reputed practicing Chartered Accountant of the country, Mr. Ahmad is the Managing Partner of Ahmad and Akhtar, Chartered Accountants. He is also the Chairman of Jaroms Industries Limited. He has working experience with leading business houses at home and abroad, like British American Tobacco Ltd., the Burma Eastern Ltd., KPMG, PricewaterhouseCoopers and A. F. Ferguson & Co. Mr. Ahmad is former Deputy Prime Minister of the Government of the Peoples' Republic of Bangladesh, former President of the Institute of Chartered Accountants of Bangladesh (ICAB), a Board Member of the International Federation of Accountants (IFAC), Member of Public Sector Committee of IFAC and former President for the South Asian Federation of Accountants (SAFA).



**Mr. M Nurul Alam**  
Director

Mr. M Nurul Alam is the Managing Director of Shaw Wallace Bangladesh Limited and nominated Director of Shaw Wallace Bangladesh Limited in the Board of International Leasing And Financial Services Limited. He is also the Managing Director of SW Shipping and Director of SW Multimedia Limited.

Mr. Alam had previously served various foreign and multinational companies including James Finlay PLC, P&O Nedlloyd Bangladesh Limited and Maersk Bangladesh Limited before joining Shaw Wallace in February 2008.

Mr. Alam took his Honours and Masters degrees in Economics from Chittagong University and later did MBA (major in Finance) from Institute of Business Administration, Dhaka University. He is the Treasurer of International Container Shipping Association.

# BOARD OF DIRECTORS



**Mr. Md. Mahfuzur Rahman Bhuiyan FCA**  
Director

Mr. Md. Mahfuzur Rahman Bhuiyan FCA joined the Board of ILFSL on November 12, 2012 as Nominated Director of PHP Float Glass Industries Limited.

Mr. Md. Mahfuzur Rahman Bhuiyan is a Fellow Member of the Institute of Chartered Accountants of Bangladesh and Executive Director – Business Development of PHP Group. Prior to his present position, he was the Chief Financial Officer of PHP Group. Prior to joining PHP Group, he was Country CFO of GE Healthcare Bangladesh Limited, a subsidiary of GE, USA and Head of Finance of Novartis Bangladesh Limited, a subsidiary of Novartis AG, Switzerland. In his long and illustrious career, he also served in BOC Bangladesh Limited (a subsidiary of BOC, UK, presently known as Linde AG), Partex Beverage Limited and Bangladesh Power Development Board.

Mr. Bhuiyan obtained both his Master of Commerce (Accounting) Degree and Bachelor of Commerce with Honours (Accounting) degree from Chittagong University. He completed his Chartered Accountancy final examination in May 1998 and became a fellow member of the Institute of Chartered Accountants of Bangladesh in 2008.



**Mr. A. Q. I. Chowdhury, OBE**  
Director

Mr. A. Q. I. Chowdhury, OBE joined the Board of International Leasing on August 10, 2010 as Nominated Director of Z.N. Enterprise Limited.

Mr. A. Q. I. Chowdhury, OBE was the Chief Executive Officer (CEO) in Bangladesh of the renowned multinational British company James Finlay. Presently, Mr. Chowdhury is the CEO and Managing Director of JF (Bangladesh) Limited and Consolidated Tea and Plantation Limited. Mr. Chowdhury has been awarded the Order of British Empire (OBE) by her Majesty, the Queen of England for his outstanding contributions in the field of Trade and Commerce as a high-profile Business Executive.

Under his aegis, James Finlay received National Export Trophy a number of times and won the prestigious British Monarchy accredited RIO Tinto Award. In his wide professional affiliations, Mr. Chowdhury held a number of positions in different capacities during his 36 years tenure with James Finlay which includes offices as Chairman of Eastern Bank Limited, Bangladesh Tea Association, Vice President of Bangladesh Employers' Federation, Member of Bangladesh Tea Board, Representative of the Tripartite Labour Consultative Committee & many others. He is the Chairman of Royal Capital Limited & he is the Former Vice President of Chittagong Stock Exchange.

Besides being involved on various chamber and trade bodies, Mr. Chowdhury is also associated with World Forum like UN Private Sector Forum - Millennium Development Goals and Food sustainability & LCD-IV and CEO Water Mandate of UN Global Compact. He is a member of the Steering Committee of the CEO Water Mandate of UN Global Compact. He also represented South Asia Region in International Labour Organisation (ILO) in Geneva.



**Mr. C.K. Hyder**  
Independent Director

Joined the Board of International Leasing on December 5, 2007 as an Independent Director. He resigned from the Board on July 4, 2010 and rejoined on October 25, 2010.

Mr. Hyder served the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) and Bangladesh Employers' Federation (BEF) for more than 44 years as the Secretary-General. Formerly, he was the Adviser to the Committee (Board) of MCCI and BEF, with the status of a member of the Committee. With his long experience on trade and employment related issues, Mr. Hyder was represented on many advisory/implementation committees of the Government relating to trade and commerce and industrial relations. He was a Member of successive Pay and Service Commissions and Wages and Productivity Commissions of the Government of Bangladesh. Educated in Kolkata and London, Mr. Hyder holds postgraduate degrees in Commerce and Law. He also obtained postgraduate diplomas from several renowned institutions like Harvard Business School, Australian Graduate School of Management, International Institute for Labour Studies.

Mr. Hyder represented the Bangladesh Employers' Association in over 22 annual conferences of the International Labour Organisation (ILO) and headed several Technical Committees of the same.



**Mr. Ali Reza Iftekhar**  
Director

Mr. Ali Reza Iftekhar joined the Board of International Leasing on August 10, 2010 as Nominated Director of Eastern Bank Limited (EBL).

He is the Managing Director & Chief Executive Officer (CEO) of Eastern Bank Limited (EBL). He joined EBL as Deputy Managing Director (DMD) and prior to assuming the office of MD and CEO in 2007, he was Additional Managing Director of the Bank.

In this 27 years of chequered banking career both in foreign and local banks, he held many important positions. Prior to joining EBL, he served at AB Bank Limited in various capacities including Deputy Managing Director. He also served Banque Indosuez, Standard Chartered Bank (SCB) and Standard Chartered Grindlay's Bank in different senior positions. He was also posted abroad in Standard Chartered Bank, Dubai and worked in Regional Credit Management.

Mr. Iftekhar was one of the members of the Focus Group formed by Bangladesh Bank which recommended best practices on Credit Risk Management in Bangladesh. He is certified as "Credit Professional" by Omega of UK and also certified as "Trade Professional" by Standard Chartered Bank, UK.

Mr. Iftekhar graduated from University of Dhaka in Marketing in 1982. He attended the Harvard Business School program on Leadership in Financial Organization in 2012. He got memberships and affiliations with BASEL – II Implementation and Coordination Steering Committee, Alliance Francaise De Dhaka, Chittagong Club, Uttara Club Limited, Gulshan Club Limited and Old Remains Welfare Association.

Mr. Iftekhar is a widely traveled person across the Globe on official trips on different occasions including attending high level international conference, seminar, symposium, etc. on Global banking and finance.

# BOARD OF DIRECTORS



**Mr. A.K.M. Nozmul Haque**  
Director

Mr. A K M Nozmul Haque joined the Board of International Leasing on January 31, 2012 as Nominated Director of Mr. M. Matiul Islam and Mrs. Zohra Islam. Later, he became nominated Director of Reliance Brokerage Services Limited on acquisition of total shareholding of Mr. M. Matiul Islam & Mrs. Zohra Islam.

Mr. A K M Nozmul Haque is a senior banker of the country with over 40 years of career in public and private commercial banks and financial institutions. In his long illustrious career, he held various important positions of different banks and financial institutions including the positions of Managing Director of Agrani Bank Limited, Prime Finance & Investments Ltd. (PFIL) and Industrial and Infrastructure Development Finance Company Ltd. (IIDFC) and Deputy Managing Director of Sonali Bank Limited. Currently, he is an Independent Director of the Board of Prime Insurance Co. Ltd and Head of Research & Development Department of Prime Finance & Investments Limited. Earlier, he also served as Director of Sonali Bank Limited, advisor to Bank Asia Limited, consultant to Prime Finance & Investments Limited.

He started his career as a lecturer of Rajshahi University in 1965 and then joined State Bank of Pakistan in 1967. He served Bangladesh Bank for almost fifteen years. Mr. Haque proved his academic feat all through his academic life. He completed his M.Sc. in Statistics from Rajshahi University, securing first class first position in 1965. Later, he did his MA in Economics from New York University, USA. Besides, he also published articles in a number of journals, books and newspapers.



**Mr. Mizanur Rahman**  
Director

Mr. Mizanur Rahman is Former Managing Director of Shaw Wallace Bangladesh Ltd and Nominated Director of Shaw Wallace Bangladesh Limited in the Board of International Leasing And Financial Services Ltd. He is also Director of SW Shipping Ltd.

Mr. Rahman holds a BA (Hons) degree in Economics from University of Dhaka and is an Associate of the Institute of Bankers (UK). He is also Honorary Advisor to the International Container Shipping Association and Trustee of the NBR-registered charity, A F Mujibur Rahman Foundation.

Mr. Mizanur Rahman is son of the late A F Mujibur Rahman ICS of Gerda, Faridpur



**Mr. Masudul Hoque Sardar**  
Director

Mr. Masudul Hoque Sardar joined the Board of ILFSL on July 30, 2012 as Nominated Director of Z. N. Enterprise Limited.

Mr. Masudul Hoque Sardar, Head of Financial Reporting, Planning & Analysis of Eastern Bank Limited, has been in the Bank and Non-Bank Financial Institutions (NBFIs) for the last 12 years or so. He is a member of two important management committees of EBL i.e. Bank Risk Management Committee (BRMC), an apex overall risk oversight and management body and Expanded Management Team (EMT), a team of mid level management to supervise overall functions of the bank. Before joining EBL in August 2005, he was working for United Leasing Company Limited for more than four years.

He has been involved in the areas of financial reporting and analysis, asset liability management, tax and financial management, regulatory reporting and compliance, Basel II and capital adequacy assessment, review and supervision of risk management, asset finance and leasing etc.

Mr. Hoque obtained his MBA from Institute of Business Administration (IBA) and BBA (Major in Accounting) from Department of Accounting, both under University of Dhaka. He attended training, workshops, seminars on the above mentioned areas both at home and abroad. Competing on the international '4th Online ALM Competition', he along with his team from EBL, reached to the final round held in Paris in January 2011 and secured third position along 28 competing banks around the world.

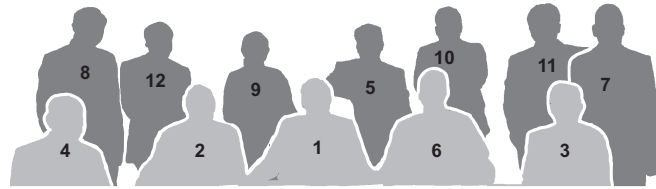


**Mr. Mustafizur Rahman**  
Managing Director

Mr. Mustafizur Rahman has been working as Managing Director of International Leasing since June-2006. He joined the company in August 2003 and worked as Senior Vice President and Head of Operations of the Company. Mr. Rahman started his career in IDLC of Bangladesh Ltd. He also worked with Vanik Bangladesh Ltd. and Union Capital Ltd. He has over 25 years' experience in the leasing industry in the country. He is an MBA from IBA, Dhaka University. He is also member of IBA Alumni Association and Dhaka University Economics Department Alumni Association (DUEAAA).

## MANAGEMENT TEAM

### INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED (ILFSL)



1. **Mustafizur Rahman**  
Managing Director
2. **Nehal Ahmed FCA**  
Deputy Managing Director & Company Secretary
3. **Md. Monirul Islam**  
Executive Vice President & Head of Business
4. **Md. Muktadir Hossain**  
Senior Vice President & Head of Risk Management
5. **Md. Saiful Islam Akhand**  
Vice President & Chief Financial Officer
6. **Abul Kalam Azad**  
Vice President And Head of Special Asset Management And Legal Affairs

7. **Mohammed Ibrahim**  
Assistant Vice President & Head of Chittagong Branch
8. **Mohammad Hossain Khan**  
Assistant Vice President & Head of Treasury
9. **Ms. Nafisa Jareen**  
Senior Manager & Head of HR
10. **Md. Golam Shaugathul Karim**  
Senior Manager & head of Internal Audit & Compliance
11. **Mr. Anwar Hossain Chowdhury**  
Manager & Head of IT
12. **Md. Rafiqul Islam ACS**  
Manager - Corporate Affairs & Assistant Company Secretary

### INTERNATIONAL LEASING SECURITIES LIMITED (ILSL)



1. **Md. Humayan Kabir, ACA**  
Vice President & Chief Operating Officer
2. **Md. Rafiqul Islam, ACS**  
Company Secretary
3. **Mr. Md. Moslem Uddin**  
Manager & Head of Operations

### IL CAPITAL LIMITED (ILCL)



1. **Nehal Ahmed FCA**  
Managing Director
2. **Saad Muhammad Faisal**  
Chief Operating Officer
3. **Md. Rafiqul Islam, ACS**  
Company Secretary
4. **Muhammad Nasimur Rahman**  
Manager, Accounts & Finance

**MEMBER OF INTERNATIONAL LEASING & FINANCIAL SERVICES LIMITED  
& IT'S SUBSIDIARIES**

**ILFSL**



**ILSL**



**ILCL**



## About subsidiary company International Leasing Securities Limited (ILSL)

International Leasing Securities Limited (ILSL), a fully owned subsidiary company of ILFSL. The Head Office & Main Branch of ILSL is housed in a sprawling 6,500 square feet office space to provide a conducive work environment. With a team of highly qualified and dedicated professional people providing best possible services to our clients, we are all set to make it big in the capital market.

### RANGE OF SERVICES

#### Brokerage Services

- Executing Online Trade for all types of clients in Dhaka Stock Exchange and Chittagong Stock Exchange

#### Custodial Services

- Services of Central Depository System (CDS) like Beneficiary Owners (BO) account opening and maintenance, Dematerialization and Re-materialization of securities, Transfer and Transmission of securities, Pledging, Un-pledging and confiscation of securities etc.
- Fire-proof locker facilities to keep customers' physical securities in safe vault

#### Margin Loan facilities

- Margin loan facilities to clients through margin trading

#### Value Added Services

ILSL has established a state-of-the-art technological system enabling clients to receive maximum technological advantage in managing their investment accounts. Some unique features of value added services offered to our clients include:

- **Phone Banking** - 24 hour access to a clients' account to enable him/her to know details of investment like stock position, purchase power, value of investments etc.
- **SMS Service** - SMS message confirming execution of trade with stock, quantity and rates, Alert message for additional margin deposit, Alert message about execution of Trigger Sale
- **E-mail Service** - Daily e-mail (end of day) to each BO account holder's address containing summarized Trade Confirmation and Portfolio Statement
- **Fax** - Fax message (end of day) to each BO account holders' number containing summarized Trade

## About Subsidiary company IL Capital Limited (ILCL)

IL Capital Limited is a full-fledged merchant bank registered in Bangladesh. It is 100% owned by International Leasing and Financial Services Limited (ILFSL). The company was incorporated on November 04, 2010 and awarded with the merchant bank license on April 04, 2012.

IL Capital management team comprises professionals from different area of capital market with strong academic background. Each of the members is committed in leveraging their experiences to take IL Capital to greater heights. Since we take our fiduciary obligations very seriously, we have established and adopted various policies that we believe will set new benchmarks in the investment management and investment banking arena of Bangladesh.

Our Investment Team believes in continuous improvement to discover profit making opportunities at tolerance risk level with detailed research and analytical approaches. Our team follows the economic trend, industry trend and individual companies so that we can identify the profitable investment opportunity for our clients before other market participants can do.

#### INVESTMENT MANAGEMENT

Discretionary/ Non- Discretionary Investment Management: We have a plan to offer both Discretionary and Non-Discretionary investment management services to our clients. Discretionary account means an account in which the client gives discretion to his/her fund manger to the purchase and sale of securities including selection, timing and price to be paid or received. On the other hand, Non-Discretionary account means an account in which the client takes investment decision by himself/herself regarding the purchase and sale

of securities including selection, timing and price to be paid or received.

#### INVESTMENT BANKING

##### Margin Lending

We have a plan to offer margin lending services to our clients to facilitate the portfolio management with leverage. The leverage allows an individual to invest more than the amount owned by him/her and thereby enhances the return potentials on investment. This service is for the clients who have the risk tolerance to cater the enhanced return potentials with higher risk.

#### UNDERWRITING

We are offering underwriting facilities to public issues as per the SEC regulations. We underwrites the securities as a guarantee to fill up any deficiency in capital/fund raising from investors.

#### ISSUE MANAGEMENT

We are offering issue management for capital raising, debt securities, right issue and public issue. We work in a proactive manner by anticipating, identifying, evaluating the value of the issue and responding to public policy considering the investors behavior to make a bridge over the issuer and the investor.

#### CORPORATE ADVISORY

We are offering financial advisory to cater the strategic niche for its client base. Our team has experience in merger and acquisition and private equity. We are also capable to work as an agent for capital rising through both private and public channels.

## BOARD OF DIRECTORS OF INTERNATIONAL LEASING SECURITIES LIMITED

Mr. C. K. Hyder - Chairman  
Mr. M. Nurul Alam - Director  
Mr. Md. Fakhru Alam - Director  
Mr. Md. Sayadur Rahman - Director

## BOARD OF DIRECTORS OF IL CAPITAL LIMITED

Mr. Mahbub Jamil - Chairman  
Mr. Mizanur Rahman - Director  
Mr. A. K. M. Morshed Ahmed Chowdhury - Director  
Mr. Mohamed Moniruzzaman - Director

## DIFFERENT COMMITTEES OF THE COMPANY

### 1. EXECUTIVE COMMITTEE

Mr. A. Q. I. Chowdhury OBE - Chairman  
Mr. C. K. Hyder - Member  
Mr. Mahfuzur Rahman Bhuiyan FCA - Member  
Mr. Ali Reza Iftekhar - Member  
Mr. Mizanur Rahman - Member

### 2. AUDIT COMMITTEE

Mr. C. K. Hyder - Chairman  
Mr. M. Nurul Alam - Member  
Mr. Mahfuzur Rahman Bhuiyan FCA - Member  
Mr. A. Q. I. Chowdhury OBE - Member  
Mr. Mizanur Rahman - Member

### MANAGEMENT COMMITTEES

#### 1. MANAGEMENT COMMITTEE (MANCOM)

Mr. Mustafizur Rahman - Chairman  
Mr. Nehal Ahmed FCA - Member Secretary  
Mr. Md. Monirul Islam - Member  
Mr. Md. Moktadir Hossain - Member  
Mr. Md. Saiful Islam Akhand - Member  
Mr. Abul Kalam Azad - Member  
Mohammad Hossain Khan - Member  
Mr. Md. Golam Shaugatul Karim - Member  
Ms. Nafisa Jareen - Member  
Mr. Anwar Hossain Chowdhury - Member  
Mr. Md. Rafiqul Islam ACS - Member

#### 2. ASSET-LIABILITY COMMITTEE (ALCO)

Mr. Mustafizur Rahman - Chairman  
Mr. Nehal Ahmed FCA - Member  
Mr. Md. Monirul Islam - Member  
Mr. Md. Moktadir Hossain - Member  
Mr. Md. Saiful Islam Akhand - Member Secretary

#### 3. ANTI-MONEY LAUNDERING COMMITTEE (AMLC)

Mr. Nehal Ahmed FCA - Chairman  
Mr. Md. Saiful Islam Akhand - Member  
Mr. Md. Golam Shaugatul Karim - Member Secretary

#### 4. BASEL II IMPLEMENTATION COMMITTEE (BIC)

Mr. Nehal Ahmed FCA - Chairman  
Mr. Md. Monirul Islam - Member  
Mr. Md. Moktadir Hossain - Member Secretary  
Mr. Md. Saiful Islam Akhand - Member  
Mr. Abul Kalam Azad - Member  
Mr. Md. Golam Shaugatul Karim - Member  
Mr. Khandaker Amir Entezam - Member

## VALUE ADDED STATEMENT

The value added statement provides a detailed account of the distribution of the value created by an organization. The following table indicates how much value International Leasing And Financial Services Ltd. added for the shareholders, employees, government and how much retained within the company for further investment.

(Figures in BDT)

Value Added	2012		2011	
	Amount	Percentage	Amount	Percentage
<b>Value added</b>				
Operating revenue	2,236,860,341		2,057,232,560	
Cost of borrowing	(2,005,521,742)		(1,762,926,692)	
	<b>231,338,599</b>		<b>294,305,868</b>	
Other income	3,862,565		26,503,666	
	<b>235,201,164</b>		<b>320,809,533</b>	
Provision for future losses	50,676,202		(85,548,889)	
Operating expenses (excluding staff cost & depreciation)	(67,030,541)		(62,385,526)	
	<b>218,846,824</b>	<b>100%</b>	<b>172,875,117</b>	<b>100%</b>
<b>Distribution of value addition</b>				
Shareholders as dividend	85,539,300	39.09	81,466,000	47.12
Employees as salaries and other benefits	82,304,821	37.61	87,351,894	50.53
Government as income tax	56,174,621	25.67	121,756,345	70.43
	<b>224,018,742</b>	<b>102.37</b>	<b>290,574,239</b>	<b>168.08</b>
<b>Retained for reinvestment</b>				
Depreciation & amortization	21,084,447	9.63	20,343,561	11.77
Retained earnings and other reserves	(26,256,365)	(12.00)	(138,042,683)	(79.85)
	<b>80,367,382</b>	<b>(2.37)</b>	<b>(117,699,122)</b>	<b>(68.08)</b>
	<b>218,846,824</b>	<b>100.00</b>	<b>172,875,117</b>	<b>100.00</b>
<b>Employees' statistics</b>				
Number of employees at year end*	57		58	
Operational income per employee	39,243,164		35,469,527	
Value added per employee	3,839,418		2,980,605	



## SNAPSHOTS OF 16TH ANNUAL GENERAL MEETING 2012



## OPERATIONAL PERFORMANCE

Taka in million

Year	2008	2009	2010	2011	2012
<b>A. Business Performance</b>					
Contract	3,186.30	3,428.00	3,820.65	3,311.94	2,565.94
Growth (%)	-2.17%	7.59%	11.45%	-13.31%	-22.52%
Disbursement	3,122.13	3,421.00	3,010.00	2,729.64	2,230.65
Growth (%)	-8.03%	9.57%	-12.0%	-9.31%	-19.00%
<b>B. Financial Performance</b>					
Total Revenue	1,264.19	1,591.32	2,273.37	2,083.74	2,240.72
Total Expenses	1,083.32	1,284.05	1,436.85	1,933.01	2,175.94
Operating Profit	180.87	307.27	836.52	150.73	64.78
Financial Expenses	1,037.39	1,205.14	1,295.64	1,762.93	2,005.52
Profit Before Tax	125.02	258.12	603.55	65.18	115.46
Provision/Deferral of Tax	11.97	53.03	260.44	121.76	56.17
Net Profit After Tax	113.05	205.08	343.11	(56.58)	59.28
Portfolio	10,044.22	12,291.95	14,851.42	14,969.82	15,029.17
Long Term Debt	2,283.40	2,943.72	2,262.81	2,997.16	6,754.86
Paid Up Capital	253.00	290.95	509.16	1,629.32	1,710.79
Shareholders' Equity	757.24	924.38	1,267.49	1,968.57	2,084.85
Dividend (%)	15 C, 15 B	75 B	60 B	5 B	5 C
<b>C. Financial Ratios</b>					
Return on Equity	14.93%	22.19%	27.07%	-2.87%	2.84%
Earning Per Share (In Tk.)	3.89	4.03	3.37	-0.33	0.35
Debt Equity Ratio	3.02	3.18	1.79	1.15	3.24
Fin. Expense Coverage Ratio	1.17	1.25	1.65	1.09	1.03
Net Asset Value	29.93	18.15	7.78	12.08	12.19
Dividend Payout Ratio	77.20%	186.20%	178.08%	-89.28%	142.86%

- Net profit figure significantly improved as a result of fall of provision expense due to recovery of loans
- Figures as stated above are on consolidated basis.
- Asset liability maturity matching resulted in conversion of a part of short term liability into term long term liability causing debt to equity ratio to escalate.

## RISK MANAGEMENT

Risk is an integral part of financing business and thus every financial institution is exposed to risk of different type and magnitude. So, the prime responsibility of every financial institution is to manage its risk such that its return from business can be maximized. As a prudent and responsible financial institution, the Company attaches top priority to ensuring safety and security of the finances that are being extended.

### Credit Risk

It arises mainly from lending and treasury businesses. This is the potential loss arising from the failure of the counterparty to perform as per contractual agreement with the Financial Institution. The failure may result from unwillingness of the counterparty or deterioration in his/her financial condition. Therefore, the Company's Credit Risk Management guidelines have been formulated to address this risk.

The company has segregated the duties of the officers/executives involved in credit activities. Marketing and Disbursement activities are performed by Business Development Department. In between, Credit Risk Management Department reviews the risk aspects of the financing proposals. After Execution of the loan, the client account is monitored by both Business Development Department and the Special Asset Management And Legal Affairs Department (SAMLAD). Both the said departments are responsible for monitoring clients' repayment track records and ensuring adequate follow-up and recovery.

For initial credit assessment, the company has formed a Management Committee (MC) comprising senior personnel of both Operations and Finance departments. After initial scrutiny, if proposal is found viable, then the MC sends the proposal to the Board Executive Committee (EC) which finally approves all credit proposals, with whom lie the final approval.

Rigorous Credit Appraisal is carried out by the Credit Risk Management Department to assess viability of the proposal from all standard aspects like Marketing, Economic, Technical, Management and Financial. A set of standard operating practices is already in place to ensure exercise of Due Diligence during the evaluation process.

For assessing the credit risks, the following measures are followed:

- Multilayer approval process
- Strict adherence to Bangladesh Bank guideline on credit ceiling on any single borrower/group
- Mandatory collection of credit report from Credit Information Bureau (CIB)
- Evaluating payment performance of a borrower (both with the company and outside financial institution/banks) before financing
- Adequate insurance coverage for leased assets
- Intensive monitoring and follow-up actions by Business Development Department (BDD) and Special Asset Management And Legal Affairs Department (SAMLAD)

- Strong scrutiny of the compliance of credit policies by Internal Audit Department

### Market Risk

Market Risk refers to the risk of fluctuation of various market variables like interest rate, exchange rate, availability of liquidity with the lenders/depositors, prices of securities in the stock exchanges. The year 2012 was a challenging year as far as market risk was concerned. The overall rate of interest has all along been on the higher side significantly raising our overall of cost of fund. The said interest rate regime emerged due to Central Bank's conservative monetary stance.

To combat these market risks, we have taken measures to diversify our financing sources. We have laid strong emphasis on mobilizing retail and institutional deposits. We have also adjusted our lending rates to cope with market interest rate condition. Our Treasury department continually monitors market interest rate regime and liquidity position and provides feedback to the Management. Besides, there is a separate ALCO committee which is always watchful on the adverse movements of the different market variables. The committee updates prepares liquidity profiles regularly and submits a copy of the same to Bangladesh Bank on a monthly basis.

### Liquidity Risk

Liquidity Risk arises out of the company's inability to meet short term obligations to its lenders/creditors. It arises from the adverse mismatch of maturities between assets and liabilities.

Liquidity requirements are managed on day-to-day basis by the Treasury Department. It is responsible for ensuring that sufficient funds are available to meet short term obligations, even in crisis situations, and for maintaining diverse funding sources. The Treasury also oversees the asset liability maturity position, recommend and implement appropriate measures to encounter liquidity risk. There is also an ALCO committee to continuously keep tab on the liquidity position of the company.

### Operational Risk

Operational Risk is the potential loss that may arise due to ineffective Internal Control which may result in errors, frauds and other lapses in operational activities and thereby ignoring the compliance requirements of the regulators or non-compliance of corporate governance practices.

To address the operational risks, an appropriate internal control system is in place within the Organization. A separate Internal Audit Department oversees the compliance of approved operational guidelines and procedures in all activities. It also oversees the compliance of regulatory requirements. The Internal Auditor is directly reportable to the Board Audit Committee and to the Chief Executive regarding the state of compliance of different operational activities and also different observations regarding operational issues and/or lapses/shortfall.

## STATEMENT OF CORPORATE GOVERNANCE

Corporate governance is the system of internal controls and procedures by which an individual Company is managed. It provides a framework that defines the rights, roles and responsibilities of different groups—Management, Board and Shareholders—within an organization.

The primary role of corporate governance is played by the Board of Directors. It is the Board that formulates the vision, objectives and strategic goals. The Board's dynamism, guidance and stewardship are all that drives the company towards sustainable growth. The Management's role is to execute those directives in a professional, proactive and, at the same time, ethical manner.

ILFSL believes that the guidelines and procedures as exercised by the Company comply mostly with the Corporate Governance related notification no. BSEC notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 of BSEC and DFIM Circular no. 7 dated September 25, 2007 of Bangladesh Bank.

### BOARD AND ITS DIFFERENT COMMITTEES

The Board of ILFSL comprises of members from renowned corporate houses as well as individuals. It is the Board members' dynamism, foresightedness and wisdom that deliver the appropriate policies, strategies and guideline to run the Company.

The Board ensures that the company achieves superior financial results and stewards its leadership position in the industry.

The Board consists of eleven members, who bring in wide range of expertise and perspectives. Most of the directors are nominated directors, except one individual director and two independent directors. The Board members perform the following major tasks:

- Addressing the major policy, regulatory and strategic issues and providing proper guidelines
- Monitoring the financial performance, assets quality and overdue position of the company periodically
- Evaluating and approving the Annual Budget of the company including major capital expenditure proposals
- Evaluating annual performance and approving the Financial Audit Report.
- Appointment and evaluation of the performance of the Managing Director and Senior Management Team
- Ensuring that the Senior Management Team has the requisite skills and experiences to perform their

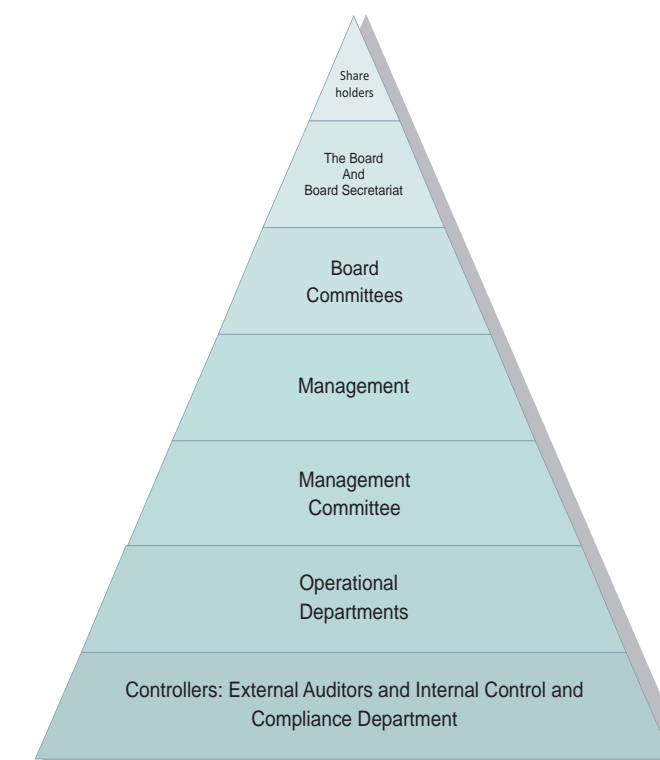
functions effectively for maximizing shareholders' value

- Monitoring the adequacy, appropriateness and operations of Internal Control
- Monitoring significant business risks and reviewing how they are managed
- Delegation to Board Committees and Management of financial and operational authorities
- Periodic and timely reporting to the shareholders about the affairs and performance of the company
- Ensuring appropriate Organizing and Staffing with appropriate delegation and accountability

### Independent Director

Independent Director Acts as a third party for having a "neutral perspective" over policy-related issues of the Company. Having no share-based interest with the company and having no attachment with the non-executive directors and management, the Independent Director aids in ensuring neutrality and fairness over policies formulated by the Board.

Mr. Mahbub Jamil, Chairman of the Board of Eleven, is an Independent Director. Besides, Mr. C. K. Hyder is also an Independent Director. Both of them possess extensive business knowledge and experience.



## Board Meetings

During the year under review, the Board of Directors held seventeen meetings.

There is extensive staff participation in the decision making at all levels of the Company and strategic recommendations of material value flow to the Board for decision.

## Directors' Composition

The Board is composed of sound professional people, each carrying wealth of experience in corporate and business level. Most of the directors (excluding one individual director and two independent directors) are representative directors and they attach their first priority to the interest of the company above any personal interest. In formulating Board Committees, utmost care is taken that the members of committees have requisite level of expertise to discharge their responsibilities in respective areas.

## Directors' Compensation

For attending Board and Committee meetings each director receives Tk.5,000 as honorarium. Other than that, no director receives or draws any salary/allowance.

## Related party transactions

Details of related party transactions are given in note # 39, page # 114 of Audited Accounts of this Annual Report.

## Role of Chairman and Managing Director

The Chairman and the Chief Executive of the Company are separate persons. The role of Chairman and Managing Director are independent and separate. The Chairman oversees the policy related matters and the Managing Director oversees the operational matters as per directives of the Board.

## Audit Committee

The Audit Committee is formed with members having relevant experience in finance and accounting to oversee the audit of Company's financial reports as well as adequacy of company's internal control. The audit committee comprises of members of the Board.

The Committee is empowered, among other things, to examine any matter relating to the financial affairs of the Company and to review all audit and inspection programs, internal control systems and procedures, accounting policies and adherence to compliance requirements. This would ensure that a sound financial reporting system is in place, which is well managed providing accurate,

appropriate and timely information to the Board of Directors and stakeholders.

The Head of Internal Audit and Compliance has direct access to the Committee. The Committee is directly reportable to the Board.

## Internal Control

The Board of Directors is primarily responsible for ensuring that a proper and effective control system is in place to run the operations of the Company. It is meant to ensure smooth functioning of the company along with compliance of all internal and external rules and regulations.

An effective internal control also ensures that measures taken to minimize operational risks and detect errors in various operational areas to ensure timely rectification. Although a full scale control system is not possible to establish, but it helps the Management to keep effective control over operations and minimize deviations as far as possible.

Key measure taken for ensuring effective internal control includes:

- Regular Board meetings held with core strategic issues dealt and resolved
- Regular Executive Committee meetings held to consider all Credit Proposals and approve/decide on the proposals. As an extended arm of the Board, the EC also takes up other important operational issues.
- An Internal Audit and Compliance department, reporting directly to the Chief Executive and Board Audit Committee about the state of compliance with the standard operating procedures of different operational departments.
- A comprehensive annual budgetary system, directly approved by the Board to keep track of progressive performances of various operational parameters throughout the year.
- Monthly Business Report generated upon making Variance Analysis of the actual performance in various operational areas with the proportionate budgetary targets
- Review and analysis of fund position on a daily basis
- Well-developed and well-defined Service Rules and regulations relating to personnel issues
- Operational Manual for guiding Credit and Investment Management.
- Regular meeting of the Management with all Department Heads to address operational issues and devise appropriate action plans

## COMMITTEES OF THE MANAGEMENT

### Management Committee

This is the core committee of the Management, empowered to deal with all operational issues of the company. The Committee also scrutinizes all credit/investment proposals before placing them before the Executive Committee/Board. The MC does have a credit/investment proposal authority, which is Tk.1.00 -2.00 million. However, all proposals are sent to the EC for post-facto approval.

### Asset-Liability Committee

This committee is responsible for managing balance sheet risks viz. risks inherent in our assets and liabilities. It addresses mainly liquidity and interest rate risks, which impact our balance sheet positions and ultimately our asset quality and profitability.

### Anti Money-Laundering Committee

The Committee is formed to monitor, coordinate and implement the directives and guidelines relating to preventing the incidence of money-laundering with different client accounts in our company. The Committee acts as a Central Compliance Unit (CCU) for prevention of money laundering of our company headed by a Chief of Anti-money Laundering Committee (CAMLCO).

### Basel II Implementation Committee

The Basel II Implementation Committee has been formed in line with the directives given by Bangladesh Bank for adoption of Prudential Guidelines on Capital Adequacy and Market Discipline (CAMD) for financial institutions. The committee comprises of member of Senior Management chaired by the Managing Director himself. The committee is working as per the agreed road map for implementation of Basel framework for FIs. The major responsibilities of the committee in connection with implementation of the said accord broadly include Minimum Capital Requirement (MCR), Adequate Capital and Review of Disclosure Requirements. Under the supervision of the committee, we have submitted CAMD reports and Stress Testing reports for the four quarters of 2012.

### Board and Committee Charters

Given in page # 39 of this Annual Report

## Financial Report and Transparency

Financial statements have been prepared as per Bangladesh Accounting Standards (BIS) as laid down by the Institute of Chartered Accountants of Bangladesh.

Financial Reports are circulated as appropriate within and outside the organization. The Management Report is sent quarterly to the Board of Directors containing Financial and Management Accounting reports. The Quarterly Reports and Annual Reports are sent to all shareholders with comprehensive details beyond statutory requirements. The Board of Directors accepts the responsibility for preparation of financial report, maintaining adequate records for safeguarding the assets of the Company, preventing and detecting fraud or irregularities, selecting suitable accounting policies, applying those policies consistently and making reasonable, prudent judgments and estimates where necessary.

The Board of Directors confirms that the applicable Bangladesh Accounting Standards have been adhered to, subject to any material departure being disclosed and explained in the notes to the accounts. The Board also confirms the Company maintains accounting records, which disclose with reasonable accuracy, the financial position of the Company and which enable them to ensure that the financial statements comply with the requirements of the Companies Act 1994, Securities and Exchange Rules 1987 and Financial Institutions Act 1993 and all amendments thereto.

## Shareholders' Role

ILFSL strongly believes that all stakeholders should have access to complete information on its activities, performance and product initiatives. The shareholders play an important role in assisting the Board in implementing proper Corporate Governance.

The Company welcomes the active participation of the shareholders at Annual General Meeting and solicits their views at all times for promoting healthy dialogue. Whenever possible, the Company has also implemented shareholders' suggestions. Through the quarterly and annual reports of financial statements, meetings and other forms of communications, the Board and the Management continuously interacts with the valued shareholders of the Company.



Workers in a garment factory financed by ILFSL

## CHARTER OF THE BOARD AND ITS DIFFERENT COMMITTEES

The Board of ILFSL comprises of members from corporate as well as individual shareholders. It also comprises of Independent Directors.

To ensure proper running of business of the company and to oversee different operational aspects of the Company, the Board has formulated different committees to represent the Board in different strategic areas. Different committees and their charters controlling their scope of works are delineated below:

### Executive Committee

Executive Committee (EC) is the proxy entity of the Board of Directors to carry out vital decision-making on behalf of the Board. The committee sits regularly (typically every month) to make decisions about all credit & investments related issues and other operational matters. The purview of its works includes:

- Evaluation of all credit proposals and make decisions regarding final approval of any proposal.
- Evaluation of any operations-related proposals put forth by the Management for decision.
- Evaluation and solicitation of pre-approval of any policy-related issue for the Company for final evaluation of the Board.

### Audit Committee

The Audit Committee is formed with board members having relevant experience in finance and accounting to oversee the audit of Company's financial reports as well as the adequacy of company's Internal Control and Compliance Issues.

The Committee is empowered, among other things, to examine any matter relating to the financial affairs of the Company and to review all audit and inspection programs, internal control systems and procedures, accounting policies and adherence to compliance requirements. This would ensure that a sound financial reporting system is in place, which is well managed, providing accurate, appropriate and timely information to the Board of Directors and stakeholders.

The duties of the Committee shall be:

- To consider the appointment of the external auditor, the audit fee, and any questions of their resignations or dismissal;
- To discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure co-ordinations where more than one audit firm is involved;
- To review the half yearly and annual financial statements before submission to the Board, focusing particularly on:
  - (i) Any changes in accounting policies and practices;
  - (ii) Major judgmental areas;
  - (iii) Significant adjustments resulting from the audit;
  - (iv) The going concern assumptions;
  - (v) Compliance with accounting standards; and
  - (vi) Compliance with stock exchange and legal requirements.
- To discuss problems and reservations arising from the interim and final auditors and any matter the auditor may wish to discuss (in the absence of management where necessary).
- To review the external auditors' management letter and management's response.
- To review the Company's statement on internal control systems prior to endorsement by the Board.
- To review the internal audit programme. Ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- To consider the major findings of internal investigations and management's response.
- To consider other topics as defined by the Board.
- To meet with the Head of Internal Audit and Compliance and learn about state of internal compliance first-hand.

### COMMITTEES OF THE MANAGEMENT

#### Management Committee

The Management Committee comprises of members of senior management from both operations and finance departments. The committee primarily scrutinizes initial credit proposals before placing them to the EC of the Board for final approval/decision. It also monitors the fund position of the company to ensure matching

between assets and liabilities and make funding available for investments.

#### Asset-Liability Committee

ALCO is responsible for addressing the Balance Sheet related risks, viz. Interest Rate Risk and Liquidity Risk. It evaluates the critical components of assets and liabilities which affect the cash flow position as well as the profitability out of the business activities of the Company. Main responsibilities include:

- To review the balance sheet components and ascertain the position of the Balance Sheet in terms of liquidity and interest rates.
- To take appropriate corrective measures to mitigate any risk/drawback inherent in the balance sheet.
- To provide policy guidelines to take courses of actions about Balance Sheet management.

The ALCO sits at every quarter-end to review the balance sheet positions, market conditions and recommend corrective actions.

#### Anti Money-Laundering Committee

The committee is formed to monitor, coordinate and implement the directives and guidelines relating to preventing the incidence of money-laundering with different client accounts in our company. The Committee acts as a Central Compliance Unit (CCU) for prevention of money laundering of our company. Functions of the Committee include:

- To develop a Policy for the sake of Anti Money Laundering for the Company.
- To develop an in-house system for ensuring compliance with Know-Your-Client (KYC) requirement.
- To develop a system to screen out any Fictitious Transactions in clients' accounts.
- To ensure reporting of Suspicious Transaction Report (STR) (if any) to the Anti Money-Laundering Department of Bangladesh Bank on a regular basis.
- To keep the employees acquainted and updated regarding different forms of money laundering and modes of prevention thereof.

#### Basel II Implementation Committee

The Basel II Implementation Committee has been formed in line with the directive given by Bangladesh Bank for adoption of Prudential Guidelines on Capital Adequacy and Market Discipline (CAMD) for financial institutions. The Committee comprises of members of Senior Management chaired by the Managing Director himself. The Committee is working as per the agreed Road Map for implementation of Basel framework for FIs. The major responsibilities of the Committee in connection with implementation of the said accord broadly include calculation of Minimum Capital Requirement (MCR), Adequate Capital and Review of Disclosure Requirements. The committee has been reviewing the Basel II reports submitted to the Bangladesh Bank on quarterly basis. At this point, the major tasks of Basel Committee include:

- Calculation of Minimum Capital Requirement (MCR) under Basel II as per the framework delineated in Prudential Guidelines on Capital Adequacy and Market Discipline (CAMD) for financial institutions of Bangladesh Bank.
- Assessment of risk management conditions and requirement of additional capital to be maintained by FIs covering market and operational risk along with credit risk (unrated position) under Basel II.
- Discussion with Bangladesh Bank on one-to-one basis for their feedback on reporting format and disclosure requirements.
- Calculation of MCR under Basel II using Standardized Approach for Credit Risk, Standardized Rule Based Approach for Market Risk and Basic Indicator Approach for Operational Risk.
- Calculation of MCR under Basel II using Foundation IRB Approach for determining Probability of Default (PD) on the basis of own database and seek figure on Loss Given to Default (LGD), Exposure at Default (EAD) and Maturity (M) of Credit Exposure for Bangladesh Bank.
- Implementation of Internal Rating Based Approach (IRBA) along with internal database
- Review and monitoring of the proceedings and compliances as well as taking necessary actions thereof.

## STATEMENT OF DIRECTORS' RESPONSIBILITY

### Supervisory

The Board of Directors assures that it has performed its proper role of reflecting true state of affairs of the company's performance. The Board has formed various committees to supervise and make policy-related decisions of different affairs of the committee, namely

<b>EXECUTIVE COMMITTEE</b>	To control all the investment-related issues, to evaluate and make approval for all credit proposals, to evaluate and make decisions on all operational issues where new approval is required to be taken.
<b>AUDIT COMMITTEE</b>	To evaluate the Financial Reports prepared by the Management, evaluate their objectivity and accuracy; evaluate the Internal Control procedure of the company; assess the reports as prepared by the Internal Audit and Compliance department of the Company, Consideration of the Bangladesh Bank's Annual Inspection Reports and its compliance and Review of the strategies, methodologies, plans, manning and organization for internal auditing and the extent of co-ordination with external auditors.

### Internal Control

The Board ensures that a system of internal control within the organization is in place, which is effective and adequate. To ensure smooth and systematic operational procedure in running the business of the company, a comprehensive Internal Control has been established. It comprise of job allocations, proper hierarchy of authority, proper approval authority and standard operating procedure. It also has a functional Internal Control and Compliance department staffed with people having requisite qualifications. It makes internal audits of different functional business areas to ensure compliance of all statutory and standard rules and procedures. The Audit Committee of the Board reviews the system of internal control and its different aspects on an ongoing basis to ensure its efficacy.

### Financial Reporting

The Board accepts the responsibility for the integrity and objectivity of the financial reports. It assures that the estimates and judgments relating to the financial statements were made on a prudent and reasonable basis, so that they reflect in a true and fair manner, the form and substance of the transactions and reasonably present the Company's true financial state of affairs.

The Board confirms that the International Financial Reporting Standards (IFRS) and International Accounting Standards, as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh, have been adhered to, subject to any material departure being disclosed and explained in the notes to the accounts. The Board also confirms that the Company keeps accounting records, which disclose, with reasonable accuracy, the financial position of the Company and which enables it (company) to ensure that the financial statements comply with the requirements of the Companies Act 1994, Securities and Exchange Commission (Public Issue) Rules 2006, Financial Institution Act 1993 and Listing Regulations of Dhaka and Chittagong Stock Exchanges and amendments thereto.

The Auditor of the Company, **M/s S. F. Ahmed & Co (SFAO)**, Chartered Accountants have carried out the annual audits to review the system of financial control, as they consider appropriate and necessary, for expressing their opinion on the financial statements. They have also examined the financial statements made available by the Management together with all the financial records, related data, minutes of the shareholders and Board meetings, relevant policies and finally expressed their opinions. In doing so, they have been independent throughout, and the Management, the Board or the Audit Committee did not attempt to show any influence or affect their opinions whatsoever.

## REPORT ON THE ACTIVITIES OF THE AUDIT COMMITTEE OF THE BOARD FOR THE YEAR 2012

### Formation of the Audit Committee

The Audit Committee of ILFSL was formed by the Board of Directors in February 2008 as per the Notification No.SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 of the Bangladesh Securities and Exchange Commission. Subsequently, the terms of reference were amended in line with the revised Corporate Governance guidelines issued by the BSEC vide Notification No.SEC/CMRRCD/2006-158/134/Admin/44, dated August 07, 2012 and guidelines on formation of Audit Committee issued by the Bangladesh Bank vide Circular No. DFIM-13, dated October 26, 2011.

### Composition

At present, the Audit Committee comprises of 5 (five) members, all of whom are members of the Board of Directors and is chaired by an Independent Director.

Members of the Audit Committee as on the 31 December 2012 were, Mr. M. Nurul Alam, Director, Mr. A.Q.I Chowdhury, OBE, Director, Mr. Md. Mahfuzur Rahman Bhuiyan FCA, Director, Mr. Mizanur Rahman, Director and the undersigned, as the Chairman.

### Scope of Work

As delegated by the Board, the Audit Committee seeks to satisfy itself, through appropriate information that proper and satisfactory internal control systems are in place and relevant legal requirements, rules and regulations are complied with.

Specific areas of works are to ensure that there is due process for:

- efficiency and effectiveness of operational controls;
- safeguarding of assets;
- reliability of financial and other management information.

### Authority

The Audit Committee is authorized by the Board to seek and review any business activity of the Company and its subsidiaries for making appropriate recommendations to the Board.

### Responsibility

- Periodic review of the effectiveness of the financial reporting process.
- Monitor choice of accounting policies and principles.
- Monitor and evaluate Internal Control function and Risk management process of the company and its subsidiaries.

- Verification of the reliability of Management Information System (MIS) in the organization.
- Review of the reports of the Internal Auditor, External Auditors.
- Review along with the management, the financial statements of the Company before submission to the Board for approval.
- Consultation with the external auditors of the company on the adequacy of the accounting and internal controls of the Company.
- Review statement of significant related party transactions submitted by the management.
- Review and ensure due compliance with the relevant laws, rules and regulations.
- Review of the strategies, methodologies, plans, manning and organization for internal auditing and the extent of co-ordination with the external auditors.
- Oversee hiring and performance of external auditors.
- Consideration of the Bangladesh Bank's Annual Inspection Reports and its compliance.
- Discharge any other responsibilities entrusted to it by the Board from time to time.

### Activities

During 2012, the Audit Committee had 7 (seven) meetings which considered the following:

- Reviewed the draft audited financial statements for the year ended 31 December 2011.
- Reviewed the un-audited Quarterly and Half Yearly financial statements of 2012.
- Reviewed and approved Internal Audit plan for the year 2012.
- Reviewed internal audit work performed by Internal Audit & Compliance Department as per approved audit plan of 2012.
- Reviewed and discussed on the comprehensive inspection report of Bangladesh Bank for the year 2011.
- Reviewed the guideline on "Prevention of Money Laundering and Terrorist Financing".
- Reviewed the appointment of external auditor.



**C. K. Hyder**  
Chairman  
Audit Committee



A production chain of a pharmaceutical project financed by ILFSL

## MESSAGE FROM THE CHAIRMAN



**Dear Valued Shareholders,**

I am delighted in welcoming you all to the 17th Annual General Meeting (AGM) of your Company, International Leasing And Financial Services Limited (ILFSL). This AGM marks completion of 17 years of operation of the Company. I thank you all for reposing your trust and confidence in the Board and Management Team of your Company throughout these years.

You are aware that the year 2012 was no less challenging than the year 2011. Continuing restrictive monetary policies, rising interest rates, liquidity crunch, currency devaluation and rising inflation signaled a prolonging bearish trend from the very beginning of 2012. However, credit goes to our government for successfully tackling the crisis at national and international level. Owing to the supportive policies of the Government and Bangladesh Bank, GDP growth rate of Bangladesh stood at 6.3 percent in 2012 as per provisional estimate. Besides, export registered a growth rate of 7.01 percent in 2012 while import came down owing to strict monitoring and controlling of non-essential import items by regulatory authorities. The growth of 9.5 percent in industries sector witnessed in 2012 was mainly boosted by construction and small scale manufacturing for the domestic market. However, overall downward trend in the Capital Market continued to persist. Market capitalization stood at Tk. 2,403.55 billion while turnover declined by 35.87 percent compared to 2011, reducing market liquidity and hindering secondary market performance. However, the primary market got some respite after listing of 14 IPOs at DSE and declaration of a 20 percent provision by Bangladesh Securities and Exchange Commission (BSEC) in most of these IPOs. Against this scenario, your Company put in its best efforts at harnessing best possible return from its core business through prudent cost control and recovery drive. Besides, the Company also undertook vigorous deposit mobilization drive in order to have

better grip on its funding operation and more stable funding base. All these initiatives proved to be timely in the right direction. In year 2012, the Company posted a net profit of Tk. 111.87 million against Tk. 98.83 million in the year 2011 registering a 13 percent growth. On consolidated basis, the net profit of the Company stood at Tk. 59.28 million in the year 2012 against the net loss of Tk. 56.58 million in the year 2011.

You will be happy to know that your Company has successfully launched its Merchant Banking wing IL Capital Limited (ILCL) from the second half of 2012 upon fulfillment of all regulatory requirements and compliances. ILCL is all set to commence its services from January, 2013.

I once again thank all esteemed shareholders for their confidence on the Members of the Board and Management and it is my firm expectation that such confidence will remain unflinching in the coming years also. I also take this opportunity in thanking my colleagues in the Board of Directors and the Management for their wise leadership, relentless efforts and dedicated services for the welfare of the Company and shareholders.

Thank you all.

**Mahbub Jamil**  
Chairman  
Dated: April 25, 2013

## MANAGING DIRECTOR'S ROUND-UP



I am glad to state that we have witnessed a successful year in 2012 despite a host of challenges faced in the overall business investment climate of the country in the wake of the prolonged slump in the overall level of business activities amid tight credit market as well as capital market. During the period under report, we tried our level best to harness our best possible return from our core business through prudent cost control and recovery drive. In view of the liquidity scenario of the market, we undertook vigorous deposit mobilization drive in order to have better grip on our funding operation and have more stable funding base.

Financial sector is said to be the barometer of economic condition of any country. As a player of this industry, we are also not insulated from the challenges faced at the global level, national level and enterprise level. As a financial institution, we have always been vigilant and successful in addressing these challenges through our long industry experience and prompt strategic moves. But, we have always been committed to our vision and mission in conduct of our business. Our image in the industry is of great value to us. At the cornerstone of our business, we try to offer highest level of care and customized services to our clients. As per our policy, we are not unnecessarily aggressive. We intend to conduct and grow our business within our guiding

principles, which, we believe, will bring about positive results in the long run for the company as well as the society at large.

At International Leasing, we are committed to offering the highest level of service to our clients while generating sustainable values and benefits for our shareholders. The Management Team is pledge-bound to maintain highest level of ethical standards, professionalism and transparency. We firmly believe that our annual report aptly reflects our openness and transparency in reporting our company's business affairs.

Our sincere note of gratitude goes out to our valued shareholders, our distinguished Chairman and honourable members of the Board of Directors for their continuous guidance, encouragement and empowerment, which is unique in the history of corporate governance in the country. In fine, we reiterate our commitment to drive your company towards bigger destinations.

**Mustafizur Rahman**  
Managing Director  
Dated: April 25, 2013

Interior of a beverage production line financed by ILFSL



## DIRECTORS' REPORT

### Dear Shareholders,

The Board of Directors has the pleasure in submitting the Annual Report for International Leasing And Financial Services Limited for the year 2012 at the Company's 17th Annual General Meeting (AGM).

The year 2012 was no less challenging than the year 2011. The slump in the overall level of business activities coupled with tight liquidity condition severely affected the financial sector, of which your company is no exception. The capital market also met a similar fate. Although there were several intermediate upswings noticeable in the price patterns in the bourses, the overall trend continued in the downward direction. Your company put in its best efforts at harnessing best possible return from its core business through prudent cost control and recovery drive. Besides, your company also undertook vigorous deposit mobilization drive in order to have better grip on its funding operation and more stable funding base. All these initiatives proved to be timely in the right direction. In year 2012, your company posted a net profit of Tk.111.87 million against Tk.98.83 million in year 2011 registering a 13 percent growth. On consolidated basis, the net profit of your company stood at Tk.59.28 million in year 2012 against the net loss of Tk.56.58 million in year 2011.

### GLOBAL ECONOMY

The global economy appeared to have been able to partially overcome the crisis that emerged owing to intensification of sovereign debt problem in some of the countries of euro-zone following their recovery from the economic recession of 2010 and the concern that developed owing to double dip recession following the downgrade of sovereign rating of the United States of America. Although the pace of GDP growth slowed down in the advanced economies, the economies of most of the developing and emerging countries fared well in 2012.

### OVERALL MACROECONOMIC CONDITION

Bangladesh succeeded in sustaining its trend of economic growth during recessionary period of global economy. The average growth rate of GDP for the last three years has been over 6 percent. As per the final calculation, the growth rate of GDP stood at 6.71 percent in year 2010-2011 and as per provisional calculation, the growth rate of GDP has been estimated to be 6.32 percent in year 2011-12. The macroeconomic condition faced some challenges in the second half of the fiscal year arising out of budgetary pressure of too much subsidy, hike of demand for fuel and price hike of fuel in the internal sector alongside the fall of export growth in the external sector against the backdrop of impact of sovereign debt problem

of the European region. During this period, the inflationary pressure was building up and the exchange rate quickly depreciated. The currency exchange rate scenario improved subsequently due to adoption of coordinated monetary and fiscal policies. Since food production has been good, the food inflation started showing signs of abating and the overall inflation has come down to single digit in the later part of 2012.

### Money and fiscal sector

Against the changed scenario of global and local economies, necessary adjustments were made in the monetary policy so as to make it more accommodative. The 2011-2012 monetary policy was formulated in order to tackle the rising inflationary pressure arising out of rise in prices of day-to-day necessities in the global market including food stuffs and to assuage downward pressure in the exchange rate arising out of fall in the inflow of the foreign currency from external sector. The monetary policy laid its emphasis on ensuring adequate flow of loan to productive and priority sectors. In order to bring down the inflation at a tolerable level, Bangladesh bank re-fixed the base of REPO and reverse REPO rate through raising them by 100 basis points to 7.57 percent and 5.57 percent respectively in two phases up to March of current fiscal year. It is to be mentioned here that since last FY 2010-2011, the base rate has been raised by 225 basis points in a total of four phases.

### Interest rate

Although the highest ceiling for rate of interest in certain sectors has been fixed alongside empowerment of banks in determining the rate of interest to offer under flexible interest rate policy introduced under the fiscal sector reform program, it has been decided to allow banks to determine its interest rate ceiling except for pre-shipment export credit (7 percent) and agricultural credit in view of overall scenario at recent times. This has resulted in a competitive environment among banks in determination of rate of interest. The banks were asked to change their rates of interest on deposits and loans only once in a month and publish the same instantly on the websites alongside informing Bangladesh Bank. It has been decided that the intermediate spread between rates of interest on loans and deposits will be confined within lower single digit except for high risk consumer credit (including credit card loans) and SME loans. The weighted average rate of interest rose to 14.56 percent in January 2012 from 13.39 percent in June 2011. On the contrary, the rate on interest on deposits rose to 10.28 percent in January 2012 from 8.85 percent in June 2011. As a result, interest rate spread shrank to 4.28 percent in January 2012 from 4.54 percent in June 2011.

### Stock market

The massive boom in the first half of 2009-2010, which continued till December 2010 went for further price corrections in the year under report. Although there were several intermediate upswings in the interim period, the overall trend of the stock market remained in the downward direction. In 2012, the total turnover of Dhaka Stock Exchange was Tk.1,001,085 million against Tk.1,560,912 million registering a decline of 35.87 percent. In the same vein, DSE General Index fell from 5,252.61 points in December 2011 to 4,219.31 points in December 2012. The market capitalization of Dhaka Stock Exchange came down from Tk.2,616,730.54 million in December 2011 to Tk.2,403,555.62 in December 2012. Similarly, Price earning (PE) ratio of Dhaka Stock Exchange came down from 13.68 times in December 2011 to 12.07 times in December 2012.

### OPERATIONAL PERFORMANCE IN 2012

#### Lease Finance and Term Loan

The traditional debt products viz. lease finance and term finance continued to be major and steady income generating investments, although growth prospects shrunk to some extent. Total disbursement in debt products stood at Tk.2,230.65 million, which was 18.27 percent lower than that of 2011 (Tk.2,729.64 million). The key reason for fall of disbursement is attributable to the ongoing liquidity crisis that prevailed in the whole of 2012. The company made term finance disbursement and contract of Tk.1,883.67 million and Tk.1,952.02 million respectively. Efforts were continued towards sustaining quality of the company's assets and keeping its classification ratio to a reasonable level.

	In Million Tk.		
Disbursements	2011	2012	% Changed
Lease	545.51	583.63	6.99
Term Loan	1,883.67	1,523.42	(19.12)
Work Order	2.70	-	(100.00)
Real Estate Finance	297.76	123.60	(58.49)
<b>Total</b>	<b>2,729.64</b>	<b>2,230.65</b>	-

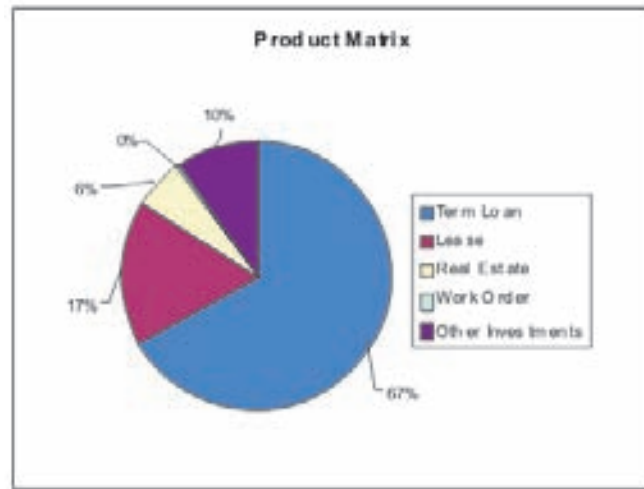
#### Real Estate Finance

In view of the ongoing crisis in the real estate sector during the year under review, the Company shifted its focus on financing purchase of floor space and was selective in financing the real estate developers. During the year, a gross disbursement of Tk.123.60 million went to real estate finance, which is 5.54 percent of total disbursement made during the year.

#### Capital Market operations

The continued decline and fall of turnover in DSE and CSE left an adverse effect on the profitability from the capital market operations. The scenario is common to all the

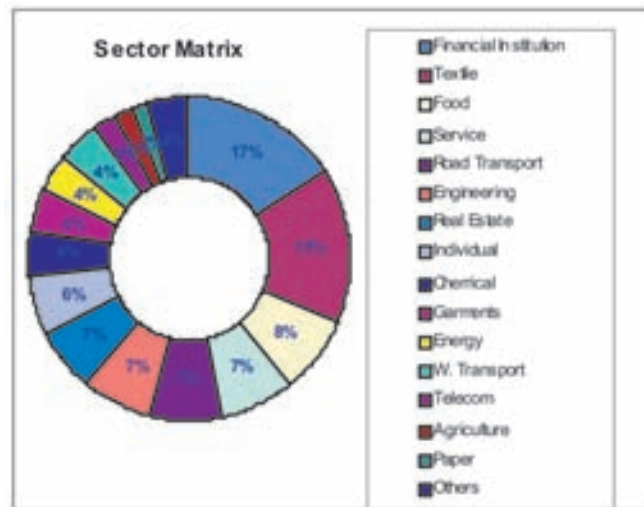




entities involved in capital market operations. During the year under report, the Company incurred a net loss of Tk.40.80 million and had to make a provision of Tk.20.89 million against a portfolio investment of Tk.112.87 million. However, we earned a dividend income of Tk.3.08 million during the year.

#### Product Matrix

Total portfolio of ILFSL for the year 2012 stood at Tk.14,206.74 million. Product-wise maximum contribution



comes from Term Financing, comprising of 67 percent of total business. Product-wise matrix is shown below:

#### Sectoral Exposure

Major six sectors of our investments are Financial Institutions (15.93 percent), Textile (15.41 percent), Transport (15 percent) and Housing (7.12 percent), Food Production and Processing (7.91 percent) and Service (7.44 percent). Major sectoral exposure is shown below:

## SUBSIDIARY OPERATIONS

### Stock Brokerage Operations

The company operates Stock Brokerage operations through its fully-owned subsidiary company, International Leasing Securities Ltd. (ILSL). Over these years, ILSL has established itself as a leading stock brokerage house at Dhaka Stock Exchange Limited (DSE). In terms of turnover in December 2012, it achieved 4th position in DSE among all the brokerage houses in Bangladesh. ILSL's operating performance is outlined below:

Particulars	In Million Taka	
	2011	2012
Turnover in DSE	1,560,912.09	1,001,084.90
Total Turnover of ILSL	46,964.27	36,403.71
Market share in DSE	3.01%	3.64%
Market position as per DSE	11th	4th

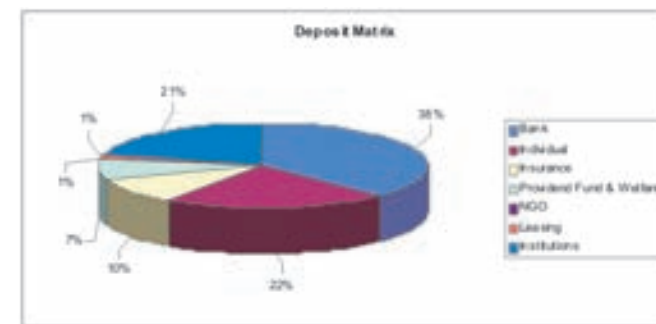
ILSL has some value added services like 24 hour phone banking (first time in Bangladesh), electronic statements, SMS service, etc. Margin loans are provided to the clients as per margin rules set forth by the Bangladesh Securities and Exchange Commission (BSEC). Recently, ILSL has also launched a very dynamic website for its clients with state-of-the-art technology.

### New Subsidiary Company

Your company has successfully launched its merchant banking wing IL Capital Limited (ILCL) from the second half of 2012 upon fulfillment of all regulatory requirements and compliances. ILCL is all set to commence its services from January 2013.

### Deposit Matrix

By the end of year, total outstanding deposit amount was Tk.8,532.89 million. Out of that, Tk.3,200.00 million (38 percent) has come from bank placements. Total deposit matrix is shown below:



## HUMAN CAPITAL

### Ethical standards

At our Company, we are committed to maintaining highest ethical standards and standard code of doing business. It is following an ethical corporate culture where all key personnel are responsible in respective areas of operations for maintaining their due ethical standards.

### Training

The Company attaches great importance to equipping its manpower with technical and leadership skills. The company trains up its personnel in all tiers - entry level, mid level as well as senior level. The regularly available regulatory, financial and managerial workshops, seminars and training programs-both at home and abroad, are utilized in training up the employees. During the year, our staff attended twenty different training programs spanning different functional areas of business.

### Compensation and Rewards

It is of utmost importance to provide proper incentives to each employee to ensure his/her uninterrupted motivation towards organizational growth. Your company, from the very beginning, has taken up incentive programs to ensure employee satisfaction. Your company has in place all types of traditional incentive systems for all levels of employees. Even its support-staff receive proper incentives like leave fare assistance and others. It also takes care to fulfill basic employee needs like home loan or car loans from mid-levels.

### Work Place

The Company takes great care in making sure that its work environment is ergonomically designed and proper work atmosphere prevails. It is important to create an impression of the company brand also in work places. Proper environment is also important in order to provide exclusive services to the clients.

### Non-discretionary policy and Equal Opportunity

In its recruitments and annual assessments, your company always strives to be fair and select the best candidates. Fairness towards employees is also important to create an ethical organizational culture.

### Succession Plan

In today's dynamic and competitive work environment, an effective succession plan is required for every tier of Management. It ensures the continuity of operations and unhindered growth of the organization. Keeping this in mind, your company is careful about developing second line of leadership in every possible position. Your company also takes care about:

- Giving an employee cross-functional responsibilities to train an employee on a different areas of operations.
- Inter-departmental transfers especially at senior levels to swap one's efficiency in different strategically import areas.
- While making new recruitments or devising departmental objectives, taking care about balancing and re-aligning job descriptions to ensure that everybody makes equally important contributions and reduce dependence particularly on others.
- Making strategic decisions for future placements from among existing work-force to crucial positions.

## INFORMATION TECHNOLOGY

For a financial institution, which requires preserving and analyzing voluminous amount of data and other information, proper IT infrastructure is imperative. In the context of these facts, your company has taken proper measures to ensure seamless logistics and operations. In this connection, your company procured an integrated financial institution solution namely FIntelligent+ in 2012, which is at its final stage of implementation. We are hopeful that your company will be able to fully operationalize the said software in the organization by March 2013. Implementation of this software is expected to enhance the productivity and efficiency of your company's operational activities and enable it to provide smooth services to its clients.

## RISK MANAGEMENT

Being an active player in the financial market, your company is exposed to the different business and market risks. Crucial risks include Interest Rate Risk, Credit Risk, Liquidity Risk and other business risks. A sound risk management system is crucial for ensuring sustainable operations of financial institutions. It entails continuous market monitoring, addressing various risks involved in course of different operations and developing appropriate risk mitigation system.

In line with this objective, your company has been carrying out BASEL II reporting and Stress Testing Reporting to Bangladesh Bank on a quarterly basis. As per BASEL II framework, your company has been able to maintain a Minimum Capital Requirement (MCR) of 13.76 percent against the statutory requirement of 10.00 percent.

Your Company has set up different committees to deal with different aspects of risks. The Management Committee (MC) deals with all credit risks while evaluating all credit proposals and suggest proper measures. The Asset Liability Committee (ALCO) deals with all interest rate and liquidity risks inherent in its funding and investment activities.

An independent Internal Audit department deals with all operational risk-related issues while scrutinizing all pre-disbursement formalities of sanctioned credits.

Recently, the function of credit risk management has been segregated from business development unit and a separate department has been formed in the name of Credit Risk Management (CRM) department headed by a senior official.

A detailed description of Risk related issues are described in a separate section of this Annual Report.

#### FUTURE PROSPECTS

We are quite confident about resilience of our economy and business leadership of our entrepreneurs. This has been amply proved in our capacity to withstand the worst global financial crisis since the Great Depression of 1930s. We expect that the country's economic growth will continue to exhibit similar resilience and success in its growth momentum.

During last 17 years, your Company proved its competence and leadership solidly. We are confident about maintaining our leadership position in the industry in future years also. With this outlook, we have chalked out elaborate plans to further consolidate and grow our business. We will surely continue with our other diversification plans and materialize them gradually to ensure our business growth. We are gradually becoming an umbrella organization/business group with different subsidiary companies offering diverse financial services.

In order to cope up with the rising cost of fund which poses itself to be the major deterrent to our business growth, we are continuing to lay more and more emphasis on retail deposit mobilization drive through deployment of a much bigger sales force. We envisage that once our money market conditions ease up further, we will start focusing on a number of diversification initiatives which we are putting on hold for the moment. As per our plan, we intend to engage an even bigger sales force for deposit mobilization. The said program will not only help us to get access to less volatile and cheaper retail deposit but also enable us to reduce our reliance on bank credit lines. In the wake of this high interest rate regime, we are confident that prudent management of our funding cost will give us competitive advantage in sustaining our growth.

Our merchant banking wing IL Capital Limited which has started its services from January 2013 is likely to open up a new avenue of fee-based income for us. Although the capital market scenario is not very favorable at the moment, we are hopeful that situation will improve in 2013.

#### ENVIRONMENTAL ISSUES AND CORPORATE SOCIAL RESPONSIBILITY

As a socially responsible company, International Leasing is committed to address environmental issues while assessing credit propositions. Presently, CNG driven vehicle are gaining importance due to their environmental friendliness. You will be glad to know that your company has been nominated to be one of recipients of Dhaka Clean Fuel Project, an Asian Development Bank funded project to finance procurement of CNG driven vehicles and CNG stations. This is in recognition of your company's contribution in financing in CNG sector. Our concern for society and people will continue as we move along with our growth spurt. Besides, we are in process of fully implementing the Environmental Risk Management (ERM) Guidelines provided by Bangladesh Bank for Banks and Financial Institutions.

#### CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The directors, in compliance with BSEC notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 affirm that:

- The financial statements, prepared by the management of ILFSL present fairly its state of affairs, its results of operations, cash-flow and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been applied consistently, except for the changes disclosed in the financial statements in preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.
- Bangladesh Accounting Standards have been followed in preparing financial statements and any departure therefrom has been disclosed.
- The system of Internal Control is sound, effectively monitored and executed.
- There are no significant doubts on the company's ability to continue as a going concern.

#### KEY OPERATIONAL AND FINANCIAL DATA

The company's key operating and financial data along-with explanations for significant deviations for the last five years are presented in page # 33 as per SEC requirement.

#### RELATED PARTY TRANSACTION

Disclosure of all Related Party Transactions, including basis for such transactions, has been provided in Page # 114 as per SEC requirement.

#### SHAREHOLDING PATTERN

We are pleased to inform you that there has been inclusion of Reliance Brokerage Services Limited (RBSL) as a corporate shareholder of your company upon purchase of

entire shareholding of Mr. M Matiul Islam and Mrs. Zohra Islam by RBSL.

Pattern of shareholding of the Company at the end of 2012 is shown in Annexure-1, page # 57 of this report.

#### BOARD MEETING AND ATTENDANCE

During the year 2012, 17 (seventeen) meetings of the Board of Directors were held. Attendance by respective directors is shown in Annexure-2, page # 57.

#### PROPOSED DIVIDENDS, RESULTS AND APPROPRIATION

The company posted a net profit of Tk.111.87 million in 2012. Financial results of the company for the year 2012 and recommended appropriations are summarized below:

Operating Revenue	Tk.2,101,303,200
Operating Expenses	Tk.2,034,022,318
Operational Profit before provisions	Tk.67,280,882
Provision for doubtful accounts	Tk.(65,201,822)
Profit before taxes	Tk.132,482,704
Tax Expense	Tk.20,616,885
<b>Profit After Tax</b>	<b>Tk.111,865,819</b>
Transferred to Statutory Reserve	Tk.22,374,000
<b>Net surplus in Profit and Loss Account</b>	<b>Tk.89,491,819</b>
Retained Earning Brought forward	Tk.2,208,672
<b>Profit Available for Distribution</b>	<b>Tk.91,700,491</b>
Dividend – Cash @ 5 percent	Tk.85,539,300
<b>Retained Earnings Carried Forward</b>	<b>Tk.6,161,191</b>

#### PLAN FOR UTILIZATION OF UNDISTRIBUTED PROFIT FOR THE YEAR 2012

The company has to keep a mandatory reserve of 20 percent out of its profit as per statutory requirement of Bangladesh Bank. This is done to enhance the capital adequacy of the Company. The remaining part of the earnings are retained and injected into equity. This is used as an added source of fund for the company to carry out its financing business and other investments. This also helps to maintain a balanced proportion of debt and equity.

#### CONTRIBUTION TO THE NATIONAL ECONOMY

During the year the company paid Tk.20.62 million as Tax to the government.

#### DIRECTORS

As per section no. 91(2) of The Companies Act (Bangladesh), 1994, Mr. Jamal Uddin Ahmad, Mr. A. Q. I. Chowdhury, OBE and Mr. Ali Reza Iftekhar are due to retire and being eligible, offer themselves for re-election.

Following the 16th AGM, Mr. Masudul Hoque Sardar and Mr. Mahfuzur Rahman Bhuiyan have been inducted in the

Board of International Leasing. Both of them will retire in the forthcoming AGM and being eligible, offer themselves for re-election.

#### APPOINTMENT OF INDEPENDENT DIRECTORS

As per the criteria set by the Bangladesh Securities and Exchange Commission (BSEC) Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012, the Board appointed Mr. Mahbub Jamil and Mr. C. K. Hyder as Independent Directors of the Company for a period of three years subject to approval of the Shareholders at the upcoming Annual General Meeting.

#### AUDITORS

M/s S. F. Ahmed & Co (SFACO), Chartered Accountants, carried out the audit of the Company for the FY2012. Being eligible, they have offered their services for the year 2013 also.

In this connection, the Board of Directors endorses recommendation of the Audit Committee for appointment of S. F. Ahmed & Co (SFACO), Chartered Accountants as the auditors of the company for the year 2013 at a fee of Tk.220,000 plus VAT.

#### STATUS OF COMPLIANCE

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 is enclosed in Annexure-3, page no. 58.

#### ACKNOWLEDGMENT

The Directors take the opportunity to thank the valued Shareholders, Clients, Bangladesh Bank, all our Financing Partners, Government Agencies and other stakeholders for their contribution to the company's successful performance and for their continued support and confidence in the company. The directors express their appreciation of the continued hard work and dedicated services of the employees, which enabled the company to render quality services and through the same, achieve business success.

For & On behalf of Board of Directors



**Mahbub Jamil**

Chairman

Dated : April 1, 2013





উৎস হিসেবে কাজে লাগে। এছাড়াও এটি কোম্পানির ভারসাম্য ঋণ-ইকুইটি অনুপাত বজায় রাখতে সাহায্য করে।

#### জাতীয় অর্থনীতিতে অবদান

২০১২ সালে কোম্পানি সরকারকে কর হিসেবে ২০.৬০ মিলিয়ন টাকা প্রদান করেছে।

#### পরিচালকবৃন্দ

কোম্পানি আইন ১৯৯৪ এর ধারা ৯১(২) মোতাবেক জনাব জামাল উদ্দিন আহমাদ, জনাব এ কিউ আই চৌধুরী, ও বি ই এবং জনাব আলী রেজা ইফতেখার সাহেবের অবসরপ্রাপ্ত হবার কথা কিন্তু যোগ্য হওয়ায় এবং রাজী থাকায় উনারা পুনঃ নির্বাচিত হতে পারেন।

১৬তম এজিএম এর পর জনাব মাসুদুল হক সরদার এবং জনাব মাহফুজুর রহমান ভূইয়া ইন্টারন্যাশনাল লিজিং এর বোর্ডে প্রবেশ করেন। আসন্ন এজিএম এ উনারদের সকলেই অবসরে যাবেন এবং যোগ্য নির্বাচিত হওয়ায় আসন্ন এজিএম এ পুনঃ নির্বাচিত হতে পারবেন।

#### স্বতন্ত্র পরিচালকের নিয়োগ

আগস্ট ২০১২ এর বাংলাদেশ সিকিউরিটি এক্সচেঞ্জ কমিশনের নোটিফিকেশন নম্বর SEC/CM RRCD/2006-158/134/Admin/44 আগস্ট ৭, ২০১২ অনুসারে স্বতন্ত্র পরিচালক বৃন্দ আসন্ন এজিএম এ শেয়ারহোল্ডারদের অনুমোদন স্বাপেক্ষে জনাব মাহবুব জামিল এবং জনাব সি কে হায়দার কে তিন বছর মেয়াদের জন্য স্বতন্ত্র পরিচালক হিসেবে নিযুক্ত করেছে।

#### অডিটরবৃন্দ

মেসার্স এস এফ আহমেদ এন্ড কোং, চার্টার্ড একাউন্টেন্টস, ২০১২ অর্থ বছরের জন্য কোম্পানীর অডিট কার্য সম্পন্ন করেছেন। যোগ্য বিবেচিত হওয়া সাপেক্ষে, তাঁরা আপনাদের কোম্পানীর ২০১৩ সালের অডিট কার্যক্রম পরিচালনা করার জন্য আবেদন করেছেন।

অডিট কমিটির সুপারিশক্রমে মেসার্স এস এফ আহমেদ এন্ড কোং, চার্টার্ড একাউন্টেন্টস ফার্মকে ২০১৩ সালের জন্য অডিটর হিসেবে ২২০,০০০ টাকা ফি-তে নিয়োগ অনুমোদন করেছেন।

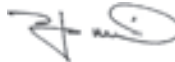
#### কমপ্রায়েল

বিএসইসি দ্বারা আরোপিত নোটিফিকেশন নং EC/CMRRCD/2006-158/Admin/02-08 dated August 07, 2012 কমপ্রায়েল স্ট্যাটাস পরিচালকবৃন্দের বিবরণীতে সংযুক্তি-৩, পৃষ্ঠা নম্বর ৫৮ এ দেয়া আছে।

#### কৃতজ্ঞতা

পরিচালকবৃন্দ, সকল গ্রাহক, ব্যাংকারবৃন্দ, বাংলাদেশ ব্যাংক, সরকারী সংস্থা সমূহ এবং ব্যবসায় সহযোগীদের কোম্পানির সার্বিক কার্যক্রমে চমৎকার অবদান রাখার জন্য ধন্যবাদ জানাচ্ছন এবং সার্বিক সহযোগিতাও আস্থার জন্য শেয়ার হোল্ডারদের ধন্যবাদ জানাচ্ছন। পরিচালকবৃন্দ কোম্পানির সকল কর্মীদের কঠোর পরিশ্রম এবং নিরলস প্রচেষ্টার জন্য কৃতজ্ঞতা জ্ঞাপন করছে।

পরিচালনা পর্ষদের পক্ষে



মাহবুব জামিল

চেয়ারম্যান

তারিখঃ ১ এপ্রিল, ২০১৩ ইং

## Annexure-I

### SHAREHOLDING BY COMPANY'S PARENTS/SUBSIDIARY/ASSOCIATE COMPANIES/RELATED PARTIES/

	Related party relationship	No. of shares owned	%
Shaw Wallace Bangladesh Ltd.	Shareholder	29,706,570	17.36
Jaroms Industries Ltd.	Client/Creditor whose Director Mr. Jamal Uddin Ahmad is shareholder of ILFSL	5,320,308	3.11

### PATTERN OF SHAREHOLDING BY DIRECTORS, CEO, CS, CFO, HIA AND THEIR SPOUSES AND MINOR CHILDREN

Name	Designation	No. of shares owned	%
Mr. Jamal Uddin Ahmad	Individual Director	5,320,308	3.11
Mr. Mahbub Jamil	Individual Director	244,776	0.14
Mr. Mustafizur Rahman	Chief Executive Officer	0	0.00
Mr. Nehal Ahmed	Company Secretary (CS)	0	0.00
Mr. Md. Saiful Islam Akhand	Chief Financial Officer (CFO)	0	0.00
Md. Golam Shaugatul Karim	Head of Internal Audit (HIA)	0	0.00

### PATTERN OF SHAREHOLDING BY TOP 5 EXECUTIVES (OTHER THAN CEO, CFO, CS AND HIA)

Mr. Md. Monirul Islam	Executive Vice President	0	0.00
Mr. Md. Moktadir Hossain	Senior Vice President	0	0.00
Mr. Md. Saiful Islam Akhand	Vice President	0	0.00
Mr. Abul Kalam Azad	Asst. Vice President	0	0.00
Mr. Mohammed Ibrahim	Senior Manager	0	0.00

### SHAREHOLDERS HOLDING 10% OR MORE VOTING RIGHTS

Name	Related party relationship	No. of shares owned	%
Shaw Wallace Bangladesh Ltd.	Shareholder	29,706,570	17.36
Ms. Tasmia Ambereen	Shareholder	918,000	18.03

## Annexure-2

### ATTENDANCE TO BOARD OF DIRECTORS

Name	Represented By	No. of Board Meetings	No. of Meetings due after becoming the Director	No. of Meetings attended	Percentage Attendance
Mr. Mahbub Jamil	Independent Director	17	17	17	100.00
Mr. Jamal Uddin Ahmad	Individual Director	17	17	05	29.41
Mr. Mizanur Rahman	Shaw Wallace Bd. Ltd.	17	17	12	70.59
Mr. M. Nurul Alam	Shaw Wallace Bd. Ltd.	17	17	17	100.00
Mr. A. Q. I. Chowdhury, OBE	Z. N. Enterprise Limited	17	17	09	52.94
Mr. Masudul Hoque Sardar	Z. N. Enterprise Limited	17	06	06	100.00
Mr. Ali Reza Iftekhar	Eastern Bank Limited	17	17	12	70.59
Mr. A. K. M. Nozmul Haque	Reliance Brokerage Services Ltd.	17	17	10	58.82
Mr. Mahfuzur Rahman Bhuiyan	PHP Float Glass Industries Limited	17	03	03	100.00
Mr. C.K. Hyder	Independent Director	17	17	17	100.00
Mr. Mustafizur Rahman	Ex-Officio Director	17	17	16	94.12

**Certificate on the Compliance with Corporate Governance of International Leasing and Financial Services Limited**

We have examined the compliance with Corporate Governance by International Leasing and Financial Services Limited (the Company) for the year ended 31 December 2012 as stipulated in notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 of Bangladesh Securities and Exchange Commission.

The compliance with Corporate Governance is the responsibility of the management of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Company for ensuring the compliance with Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned notification. Status of compliance is enclosed along with this certificate.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.



House 25, Road 13A, Block D  
Banani, Dhaka 1213, Bangladesh  
Dated, 24 April 2013

  
S. F. AHMED & CO  
Chartered Accountants

**Annexure-3**

**Status of compliance with the conditions imposed by the Commission's Notification of. No. SEC/CMRRCD/2006-158/134/Admin/44: dated August 7, 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:**

**(Report under Condition No. 7.00)**

Condition No.	Title	Compliance Status (Put in the appropriate if any column )		Remarks
		Complied	Not Complied	
1.1	Board's Size: Board members should not be less than 5 (five) and more than 20 (twenty)	Complied		
1.2(i)	Appointment of Independent Directors: at least 1/5th	Complied		
1.2 (ii) a)	Independent Director should not hold any share in the company or hold less than one percent (1%) shares of the total paid-up shares of the Company	Complied		
1.2 (ii) b)	Independent Director should not be a sponsor of the company and is not connected with the company's sponsors or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company.	Complied		
1.2 (ii) c)	Independent Director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	Complied		
1.2 (ii) d)	Independent Director is not a member, director or officer of any Stock Exchange	Complied		
1.2 (ii) e)	Independent Director is not a shareholder, director or officer of any member of Stock Exchange or an intermediary of the Capital Market	Complied		
1.2 (ii) f)	Independent Director is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm	Complied		
1.2 (ii) g)	Independent Director shall not be an independent director in more than 3 (three) listed Companies	Complied		
1.2 (ii) h)	Independent Director has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFIs)	Complied		
1.2 (ii) i)	Independent Director has not been convicted for a criminal offence involving moral turpitude	Complied		
1.2 (iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).	Complied		
1.2 (iv)	Post of independent director(s) can not remain vacant for more than 90 (ninety) days	Complied		
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	Complied		
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.	Complied		
1.3	Qualification of Independent Director (ID)			
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	Complied		
1.3 (ii)	The person should be a Business Leader/ Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/ Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/			

1.3 (iii)	professional experiences. In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	Complied Complied
1.4	Chairman of the Board and Chief Executive Officer The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	Complied
1.5	The Directors' Report to Shareholders	
1.5 (i)	Industry outlook and possible future developments in the industry	Complied
1.5 (ii)	Segment-wise or product-wise performance	Complied
1.5 (iii)	Risks and concerns.	Complied
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	Complied
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	Complied
1.5 (vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report	Complied
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	Complied
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.	Complied
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	Not Applicable
1.5 (x)	Remuneration to directors including independent directors.	Complied
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	Complied
1.5 (xii)	Proper books of account of the issuer company have been maintained.	Complied
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	Complied
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	Complied
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	Complied
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	Complied
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	Complied
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	Complied
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	Not Applicable
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	Complied
1.5 (xxi) a)	The pattern of shareholding shall be reported to	

	disclose the aggregate number of shares (along with name wise details where stated below) held by:- a) Parent/Subsidiary/Associated Companies and other related parties (name wise details);	Complied
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	Complied
1.5 (xxi) c)	Executives;	Complied
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	Complied
1.5 (xxii) a)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:- A brief resume of the director;	Complied
1.5 (xxii) b)	Nature of his/her expertise in specific functional areas;	Complied
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	Complied
2.	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS):	
2.1	<b>Appointment</b> The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	Complied
2.2	Requirement to attend the Board Meetings The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	Complied
3.	AUDIT COMMITTEE:	
3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	Complied
3(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	Complied
3(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	Complied
3.1	Constitution of the Audit Committee	
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	Complied
3.1(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.	Complied
3.1(iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	Complied
3.1(iv)	When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.	Complied

3.1(v)	The company secretary shall act as the secretary of the Committee.	Complied
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	Complied
3.2	Chairman of the Audit Committee	
3.2 (i)	(i) The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	Complied
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	Complied
3.3	Role of Audit Committee	
3.3 (i)	Oversee the financial reporting process	Complied
3.3 (ii)	Monitor choice of accounting policies and principles.	Complied
3.3 (iii)	Monitor Internal Control Risk management process.	Complied
3.3 (iv)	Oversee hiring and performance of external auditors.	Complied
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	Complied
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	Complied
3.3 (vii)	Review the adequacy of internal audit function.	Complied
3.3 (viii)	Review statement of significant related party transactions submitted by the management	Complied
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	Complied
3.3 (x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.	Complied
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors	Complied
3.4.1 (ii) a)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:- a) report on conflicts of interests	Complied
3.4.1 (ii) b)	suspected or presumed fraud or irregularity or material defect in the internal control system	Complied
3.4.1 (ii) c)	suspected infringement of laws, including securities related laws, rules and regulations	Complied
3.4.1 (ii) d)	any other matter which shall be disclosed to the Board of Directors immediately	Complied
3.4.2	<b>Reporting to the Authorities</b> If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.	Not Applicable
3.5	Reporting to the Shareholders and General Investors Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.	Complied

<b>4.</b>	<b>EXTERNAL/STATUTORY AUDITORS:</b>	
4(i)	The issuer company should not engage its external/ statutory auditors to perform the following services of the company; namely:- (i) Appraisal or valuation services or fairness opinions.	Complied
4(ii)	Financial information systems design and implementation.	Complied
4(iii)	Book-keeping or other services related to the accounting records or financial statements.	Complied
4(iv)	Broker-dealer services.	Complied
4(v)	Actuarial services.	Complied
4(vi)	Internal audit services.	Complied
4(vii)	Any other service that the Audit Committee determines.	Complied
4(viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	Complied
<b>5.</b>	<b>SUBSIDIARY COMPANY:</b>	
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	Complied
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	Complied
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	Complied
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	Complied
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	Complied
<b>6.</b>	<b>DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO):</b>	
6 (i) a)	The CEO and CFO shall certify to the Board that:- (i) They have reviewed financial statements for the year and that to the best of their knowledge and belief: a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	Complied
6 (i) b)	b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	Complied
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct	Complied
7.	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE	
7 (i)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	Complied
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	Complied



## STATEMENT OF RESPONSIBILITY OF CEO AND CFO

In preparation of the Annual Report of the Company for the year 2012, we hereby state that:

1. All the Financial Statements & Reports presented here comply with the International Financial Reporting Standards (IFRS), as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). These also comply with the relevant laws of Bangladesh Bank, Securities and Exchange Commission, Registrar of Joint Stock Companies, National Board of Revenue and other regulatory authorities. There is no significant deviation from the relevant and applicable laws, regulations and guidance, after exercising Due Diligence.
2. To represent the true state of the Company's affairs, reasonable care and prudence have been applied. The Management accepts the responsibility about the integrity and objectivity of the Reports.
3. To ensure fair representation, safeguard the Assets and detect and prevent any fraud and/or irregularities, the Company has adopted a comprehensive system of Internal Control as well as system of Accounting records. These procedures and practices are monitored and reviewed regularly and necessary measures are adopted as and when required.
4. The Audit Committee of the Board reviews the system of Internal Control and Accounting System to ensure the efficacy of those systems and ensure proper accountability. The Committee sits with the Internal Auditor and External Auditor as and when required to ensure that proper internal control procedures are observed and verify their procedure and findings. The Committee learns first hand about the efficacy of the system and specific findings about operational aspects of the company as well as outcome of audits.

5. The Internal Compliance Manager has full access to the Committee and objectively reports about the activities and/or any irregularities.
6. The external Auditor has audited and verified all the financial records and certified the reports. The External Auditor has carried out its job independently and objectively. We also hereby declare that we have complied with their observations and suggestions.
7. We as member of Asset Liability Committee (ALCO) of the Company, have been careful about proper evaluation of all components of assets and liabilities of the company and ensured due diligence to reflect their fair position in the Balance Sheet and control their value in the best interest of the company.
8. Finally, as the main responsible persons from the Management regarding maintaining the system of financial records as well as Financial Management of the Company, we have performed our due diligence to ensure objectivity and fairness. We have exercised our objectivity, integrity and best judgments to render proper value of the financial records.



**Md. Saiful Islam Akhand**  
Chief Financial Officer

Dated : April 1, 2013



**Mustafizur Rahman**  
Managing Director



## AUDITORS' REPORT & AUDITED FINANCIAL STATEMENTS OF INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED & ITS SUBSIDIARIES

FOR THE YEAR ENDED DECEMBER 31, 2012

## Auditors' Report to the Shareholders of International Leasing And Financial Services Limited

We have audited the accompanying consolidated financial statements of International Leasing and Financial Services Limited (the Company) and its subsidiaries, namely, IL Capital Limited (ILCL), International Leasing Securities Limited (ILSL) and Hongkong Bangladesh Securities Limited (HBSL), a subsidiary of International Leasing Securities Limited (ILSL), which comprise the consolidated and separate Statements of Financial Position (Balance Sheets) as at 31 December 2012 and consolidated and separate Statements of Comprehensive Income (Profit and Loss Statements), Consolidated Cash Flow Statements, Consolidated Statements of Changes in Equity, Statement of Liquidity Analysis and notes thereon for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards and for such internal control as management considers necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud and error. Our responsibility is to express an 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 comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatements.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain a reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Accordingly, in our opinion, the consolidated financial statements, prepared in accordance with Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards, give a true and fair view of the state of affairs of the Company as at 31 December 2012 and of the results of its operations and its cash flows for the year then ended and comply with the requirements of Companies Act 1994, the Financial Institution Act 1993, the Bangladesh Securities and Exchange Rules 1987, the rules and regulations issued by the Bangladesh Bank and other applicable laws and regulations.

### Opinion

In our opinion, the consolidated financial statements, prepared in accordance with Bangladesh Financial Reporting Standards / Bangladesh Accounting Standards give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of the results of its operations and its cash flows for the year ended 31 December 2012 and comply with the Companies Act 1994, Bangladesh Securities and Exchange Rules 1987 and other applicable laws and regulations.

### We also report that:

- (i) we have obtained all 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 and found them satisfactory;
- (ii) in our opinion, proper books of account as required by law were kept by the Company 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;
- (iii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (iv) the Statement of Financial Position (Balance Sheet), Statement of Comprehensive Income (Profit and Loss Statement), Cash Flow Statement, Statement of Changes in Equity and Statement of Liquidity Analysis of the Company dealt with by this report are in agreement with the books of account maintained by the Company;
- (v) the financial position of the Company at 31 December 2012 and its operating result for the year then ended have been properly reflected in the financial statements and these were prepared in accordance with generally accepted accounting principles and said accounting/financial reporting standards;
- (vi) adequate provisions have been made for leases and other assets which are, in our opinion, doubtful of recovery; and
- (vii) the expenditures incurred during the year were for the purposes of the business of the Company.

  
**S. F. AHMED & CO**  
Chartered Accountants

House 25, Road 13A, Block D  
Banani, Dhaka 1213, Bangladesh  
April 01, 2013

## INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES Consolidated Statement of Financial Position (Balance Sheet) as at December 31, 2012

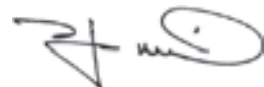
	Notes	2012	2011
(Figures in BDT)			
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	3(a)	<b>145,805,646</b>	<b>134,840,964</b>
In hand (including foreign currencies)		252,996	219,292
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		145,552,650	134,621,672
<b>Balance with banks and other financial institutions</b>	4(a)	<b>934,085,372</b>	<b>735,483,512</b>
In Bangladesh		934,085,372	735,483,512
Outside Bangladesh		-	-
<b>Money at call and short notice</b>		<b>-</b>	<b>-</b>
<b>Investments</b>	5(a)	<b>987,531,104</b>	<b>1,098,834,757</b>
Government		657,365,245	657,477,419
Others		330,165,859	441,357,338
<b>Leases, loans and advances</b>	6(a)	<b>14,041,637,394</b>	<b>13,870,984,147</b>
Leases		3,232,163,353	3,351,981,340
Loans, cash credits, overdrafts, etc.		10,809,474,041	10,519,002,807
Bills purchased and discounted		-	-
<b>Fixed assets including premises, furniture and fixtures</b>	7(a)	<b>60,492,699</b>	<b>40,876,782</b>
<b>Other assets</b>	8(a)	<b>421,286,844</b>	<b>407,104,171</b>
<b>Non - financial institutional assets</b>		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>16,590,839,058</b>	<b>16,288,124,334</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowing from banks, other financial institutions and agents</b>	9(a)	<b>3,878,634,064</b>	<b>4,139,112,255</b>
<b>Deposits and other accounts</b>		<b>9,128,539,313</b>	<b>8,425,124,666</b>
Current deposits		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits	10.1(a)	8,437,487,195	7,829,809,531
Bearer certificates of deposit		-	-
Other deposits	10.2	691,052,118	595,315,134
<b>Other liabilities</b>	11(a)	<b>1,498,793,757</b>	<b>1,755,298,273</b>
<b>Total liabilities</b>		<b>14,505,967,133</b>	<b>14,319,535,194</b>

	Notes	2012	2011
(Figures in BDT)			
<b>Capital / Shareholders' equity</b>		<b>2,084,850,602</b>	<b>1,968,568,349</b>
Paid- up capital	12.2	1,710,786,000	1,629,320,000
Statutory reserve	13	276,077,000	253,703,000
Retained earnings/surplus	14(a)	97,987,602	85,545,349
<b>Minority interest</b>	15	<b>21,324</b>	<b>20,791</b>
<b>Total liabilities and Shareholders' equity</b>		<b>16,590,839,058</b>	<b>16,288,124,334</b>
<b>Net asset value per share</b>	16(a)	<b>12.19</b>	<b>11.51</b>

CONSOLIDATED OFF-BALANCE SHEET ITEMS

	Notes	2012	2011
<b>Contingent liabilities</b>	17	<b>611,577,041</b>	<b>564,046,821</b>
Acceptances and endorsements		-	-
Letters of guarantee	17.1	611,577,041	564,046,821
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
<b>Other commitments</b>		<b>-</b>	<b>-</b>
Documentary credits and short term trade -related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities , credit lines and other commitments		-	-
<b>Total Off-Balance Sheet items including contingent liabilities</b>		<b>611,577,041</b>	<b>564,046,821</b>

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



**Mahbub Jamil**  
Chairman



**Mustafizur Rahman**  
Managing Director



**Nehal Ahmed FCA**  
Company Secretary

Signed in terms of our separate report of even date

House 25, Road 13A, Block D  
Banani, Dhaka 1213, Bangladesh  
April 01, 2013



**S. F. AHMED & CO.**  
Chartered Accountants

**INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED**  
**Statement of Financial Position (Balance Sheet)**  
**as at December 31, 2012**

	Notes	2012	2011
(Figures in BDT)			
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	3	<b>145,573,535</b>	<b>134,710,284</b>
In hand (including foreign currencies)	3.1	20,885	88,612
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	3.2	145,552,650	134,621,672
<b>Balance with banks and other financial institutions</b>	4	<b>926,186,412</b>	<b>656,056,900</b>
In Bangladesh	4.1	926,186,412	656,056,900
Outside Bangladesh		-	-
<b>Money at call and short notice</b>		<b>-</b>	<b>-</b>
<b>Investments</b>	5	<b>770,238,412</b>	<b>882,784,696</b>
Government	5(i)	657,365,245	657,477,419
Others	5(ii)	112,873,167	225,307,277
<b>Leases, loans and advances</b>	6	<b>13,436,500,636</b>	<b>13,490,816,984</b>
Leases	6.1.1	3,232,163,353	3,351,981,340
Loans, cash credits, overdrafts, etc.	6.1.2	10,204,337,283	10,138,835,644
Bills purchased and discounted		-	-
<b>Fixed assets including premises, furniture and fixtures</b>	7	<b>26,447,295</b>	<b>17,087,728</b>
<b>Other assets</b>	8	<b>653,404,910</b>	<b>593,119,043</b>
<b>Non - financial institutional assets</b>		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>15,958,351,199</b>	<b>15,774,575,636</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowing from banks, other financial institutions and agents</b>	9	<b>3,321,408,050</b>	<b>3,799,224,339</b>
<b>Deposits and other accounts</b>	10	<b>9,240,519,557</b>	<b>8,534,635,790</b>
Current deposits		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits	10.1	8,549,467,439	7,939,320,655
Bearer certificates of deposit		-	-
Other deposits	10.2	691,052,118	595,315,134
<b>Other liabilities</b>	11	<b>1,317,860,100</b>	<b>1,474,017,835</b>
<b>Total liabilities</b>		<b>13,879,787,707</b>	<b>13,807,877,963</b>

Statement of Financial Position - Continued

	Notes	2012	2011
(Figures in BDT)			
<b>Capital / Shareholders' equity</b>		<b>2,078,563,491</b>	<b>1,966,697,673</b>
Paid- up capital	12.2	1,710,786,000	1,629,320,000
Statutory reserve	13	276,077,000	253,703,000
Retained earnings/surplus	14	91,700,491	83,674,673
<b>Total liabilities and Shareholders' equity</b>		<b>15,958,351,199</b>	<b>15,774,575,636</b>
<b>Net asset value per share</b>	16	<b>12.15</b>	<b>11.50</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>	17	<b>611,577,041</b>	<b>564,046,821</b>
Acceptances and endorsements		-	-
Letters of guarantee	17.1	611,577,041	564,046,821
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
<b>Other commitments</b>		-	-
Documentary credits and short term trade -related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities , credit lines and other commitments		-	-
<b>Total Off-Balance Sheet items including contingent liabilities</b>		<b>611,577,041</b>	<b>564,046,821</b>

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



**Mahbub Jamil**  
Chairman



**Mustafizur Rahman**  
Managing Director



**Nehal Ahmed FCA**  
Company Secretary

Signed in terms of our separate report of even date

House 25, Road 13A, Block D  
Banani, Dhaka 1213, Bangladesh  
April 01, 2013

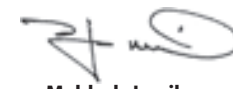


**S. F. AHMED & CO.**  
Chartered Accountants

**INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES**  
**Consolidated Statement of Comprehensive Income (Profit and Loss Statement)**  
**for the year ended December 31, 2012**

	Notes	2012	2011
(Figures in BDT)			
<b>OPERATING INCOME</b>			
Interest income	19(a)	2,148,099,375	1,935,483,464
Interest expense on deposits and borrowings etc.	20(a)	(2,005,521,742)	(1,762,926,692)
<b>Net interest income</b>		<b>142,577,633</b>	<b>172,556,772</b>
Investment income	21(a)	(34,987,841)	(42,691,436)
Commission, fees, exchange and brokerage	22(a)	123,748,807	164,440,532
Other operating income	23(a)	3,862,565	26,503,666
<b>Total operating income (A)</b>		<b>235,201,164</b>	<b>320,809,533</b>
<b>OPERATING EXPENSES</b>			
Salaries and allowances	24(a)	75,144,821	80,824,394
Rent, taxes, insurance & electricity	25(a)	27,055,570	25,340,250
Legal expenses	26(a)	2,322,267	2,108,249
Postage, stamp & telecommunication	27(a)	2,265,844	2,297,924
Stationery, printing & advertisements	28(a)	5,979,657	8,460,098
Managing Director's salary and benefits	29	7,160,000	6,527,500
Directors' fees & meeting expenses	30(a)	1,481,964	1,259,250
Auditors' fees	31(a)	401,450	275,880
Charges on loan losses		-	-
Depreciation, amortization and repair of assets	32(a)	25,502,719	23,701,377
Other expenses	33(a)	23,105,516	19,286,061
<b>Total operating expenses (B)</b>		<b>170,419,809</b>	<b>170,080,981</b>
<b>Profit before provision (C=A-B)</b>		<b>64,781,355</b>	<b>150,728,552</b>
Provision against leases, loans and advances	34	(47,699,509)	57,359,266
Provision for diminution in value of investments	35(a)	(2,976,694)	28,189,623
<b>Total provision (D)</b>		<b>(50,676,202)</b>	<b>85,548,889</b>
<b>Total profit before tax (C-D)</b>		<b>115,457,557</b>	<b>65,179,663</b>
Provision for tax	36(a)	56,174,621	121,756,345
<b>Net profit after tax</b>		<b>59,282,935</b>	<b>(56,576,683)</b>
<b>Minority interest</b>		<b>569</b>	<b>236</b>
<b>Net profit attributable to shareholders of the Company</b>		<b>59,282,366</b>	<b>(56,576,919)</b>
<b>Appropriations</b>		<b>22,374,000</b>	<b>19,767,000</b>
Statutory reserve		22,374,000	19,767,000
General reserve		-	-
<b>Retained surplus</b>		<b>36,908,366</b>	<b>(76,343,919)</b>
<b>Earnings per share (EPS)</b>	37(a)	<b>0.35</b>	<b>(0.33)</b>

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



**Mahbub Jamil**  
Chairman



**Mustafizur Rahman**  
Managing Director



**Nehal Ahmed FCA**  
Company Secretary

Signed in terms of our separate report of even date

House 25, Road 13A, Block D  
Banani, Dhaka 1213, Bangladesh  
April 01, 2013



**S. F. AHMED & CO.**  
Chartered Accountants

**INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED**  
**Statement of Comprehensive Income (Profit and Loss Statement)**  
**for the year ended December 31, 2012**

	Notes	2012	2011
(Figures in BDT)			
<b>OPERATING INCOME</b>			
Interest income	19	2,034,080,769	1,823,778,487
Interest expense on deposits and borrowings etc.	20	(1,932,970,585)	(1,733,265,684)
<b>Net interest income</b>		<b>101,110,184</b>	<b>90,512,802</b>
Investment income	21	61,867,914	222,275,057
Commission, fees, exchange and brokerage	22	4,023,188	4,822,016
Other operating income	23	1,331,329	13,094,972
<b>Total operating income (A)</b>		<b>168,332,616</b>	<b>330,704,847</b>
<b>OPERATING EXPENSES</b>			
Salaries and allowances	24	45,663,527	48,985,442
Rent, taxes, insurance & electricity	25	11,015,210	10,130,850
Legal expenses	26	2,041,787	2,063,698
Postage, stamp & telecommunication	27	1,339,166	1,444,618
Stationery, printing & advertisements	28	4,577,189	6,906,545
Managing Director's salary and benefits	29	7,160,000	6,527,500
Directors' fees & meeting expenses	30	914,250	983,250
Auditors' fees	31	230,000	156,750
Charges on loan losses		-	-
Depreciation, amortization and repair of assets	32	13,225,727	9,542,098
Other expenses	33	14,884,877	10,713,674
<b>Total operating expenses (B)</b>		<b>101,051,734</b>	<b>97,454,426</b>
<b>Profit before provision (C=A-B)</b>		<b>67,280,882</b>	<b>233,250,422</b>
Provision against leases, loans and advances	34	(47,699,509)	57,359,266
Provision for diminution in value of investments	35	(17,502,313)	24,190,000
<b>Total provision (D)</b>		<b>(65,201,822)</b>	<b>81,549,266</b>
<b>Total profit before tax (C-D)</b>		<b>132,482,704</b>	<b>151,701,155</b>
Provision for tax	36	20,616,885	52,872,959
<b>Net profit after tax</b>		<b>111,865,819</b>	<b>98,828,196</b>
<b>Appropriations</b>		<b>22,374,000</b>	<b>19,767,000</b>
Statutory reserve		22,374,000	19,767,000
General reserve		-	-
<b>Retained surplus</b>		<b>89,491,819</b>	<b>79,061,196</b>
<b>Earnings per share (EPS)</b>	37	<b>0.65</b>	<b>0.58</b>

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

  
**Mahbub Jamil**  
Chairman

  
**Mustafizur Rahman**  
Managing Director

  
**Nehal Ahmed FCA**  
Company Secretary

Signed in terms of our separate report of even date

House 25, Road 13A, Block D  
Banani, Dhaka 1213, Bangladesh  
April 01, 2013

  
**S. F. AHMED & CO.**  
Chartered Accountants

**INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES**  
**Consolidated Statement of Cash Flows**  
**for the year ended December 31, 2012**

	2012	2011
(Figures in BDT)		
<b>A) Cash flows from operating activities</b>		
Interest receipts in cash	2,316,798,320	1,778,439,394
Interest payments	(1,909,922,726)	(1,862,236,596)
Dividend receipts	3,084,575	1,914,550
Fees and commission & brokerage receipts in cash	123,748,808	165,101,282
Recoveries of loans previously written off	-	-
Cash payments to employees	(80,107,363)	(84,332,564)
Cash payments to suppliers	-	-
Income taxes paid	(178,934,448)	(193,029,101)
Receipts from other operating activities	(35,951,046)	(18,102,321)
Payments for other operating activities	(69,892,108)	(67,439,720)
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>	<b>168,824,011</b>	<b>(279,685,074)</b>
<b>Increase / (decrease) in operating assets and liabilities</b>		
Leases, loans and advances to banks and other FIs	(64,767,723)	556,013,646
Leases, loans and advances to customers	(371,516,937)	(1,241,333,904)
Other assets	1,931,587	26,881,146
Deposits from other banks / borrowings	820,000,000	(1,106,300,000)
Deposits from customers	(204,853,216)	935,470,173
Other liabilities account of customers	84,151,117	51,229,838
Other liabilities	(50,256,380)	241,315,869
<b>Net Increase / (decrease) in operating assets and liabilities</b>	<b>214,688,449</b>	<b>(536,723,233)</b>
<b>Net cash from operating activities</b>	<b>383,512,460</b>	<b>(816,408,307)</b>
<b>B) Cash flows from investing activities</b>		
Proceeds from sale of securities	175,598,041	3,012,739,740
Payments for purchases of securities	(64,294,388)	(2,345,089,184)
Payments for purchases of DSE & CSE Membership	-	-
Net change against purchase/sale of property, plant and equipment	(24,079,255)	(656,740)
Receipts/(Payments) against lease obligation	(691,975)	(609,875)
<b>Net cash used in investing activities</b>	<b>86,532,424</b>	<b>666,383,942</b>
<b>C) Cash flows from financing activities</b>		
Receipts of long term loan	1,305,953,151	1,523,780,468
Repayment of long term loan	(1,264,183,177)	(1,260,787,403)
Net draw down/(payment) of short term loan	(302,248,167)	(1,086,757,399)
Share capital of minority	-	20,100
Receipts of ordinary share capital through right offer	-	814,660,000
Dividend paid	(150)	(3,878)
<b>Net Cash from financing activities</b>	<b>(260,478,343)</b>	<b>(9,088,111)</b>
<b>D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)</b>	<b>209,566,541</b>	<b>(159,112,476)</b>
<b>E) Effects of exchange rate changes on cash and cash equivalents</b>	-	-
<b>F) Cash and cash equivalents at beginning of the year</b>	<b>870,324,476</b>	<b>1,029,436,952</b>
<b>G) Cash and cash equivalents at end of the year (D+E+F)</b>	<b>1,079,891,018</b>	<b>870,324,476</b>
<b>Cash and cash equivalents at end of the year represents</b>		
Cash in hand (including foreign currencies)	252,996	219,292
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	145,552,650	134,621,672
Balance with banks and other financial institutions	934,085,372	735,483,512
Money at call and short notice	-	-
Prize bonds	-	-
<b>Total Cash and cash equivalents as of December 31, 2012</b>	<b>1,079,891,018</b>	<b>870,324,476</b>
<b>Net Operating Cash Flows Per Share (NOCFPS) (2011 - Restated)</b>	<b>2.24</b>	<b>(4.77)</b>

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

  
**Mahbub Jamil**  
Chairman

  
**Mustafizur Rahman**  
Managing Director

  
**Nehal Ahmed FCA**  
Company Secretary

Signed in terms of our separate report of even date

House 25, Road 13A, Block D  
Banani, Dhaka 1213, Bangladesh  
April 01, 2013

  
**S. F. AHMED & CO.**  
Chartered Accountants



House 25, Road 13A, Block D  
Banani, Dhaka 1213, Bangladesh  
April 01, 2013

S. F. AHMED & CO.  
Chartered Accountants

Signed in terms of our separate report of even date

**Mahbub Jamil**  
Chairman

**Mustafizur Rahman**  
Managing Director

**Nehal Ahmed FCA**  
Company Secretary

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

**Net liquidity gap (A - B) 784,733,655 (467,834,940) (2,064,762,553) 3,104,625,208 721,802,122 2,078,563,491**

**Total liabilities (B) 933,604,850 1,366,453,018 4,824,869,456 5,992,269,926 762,590,457 13,879,787,707**

**Liabilities:**

Borrowings from banks, other financial institutions and agents	499,771,036	336,005,779	1,094,087,877	818,126,230	573,017,128	3,321,408,050
Term deposits	416,927,020	1,024,584,904	3,095,483,688	3,981,722,432	30,749,396	8,549,467,439
Other deposits	16,906,795	5,462,335	28,118,160	481,740,895	158,823,933	691,052,118
Provision and other liabilities	-	-	607,179,732	710,680,368	1,317,860,100	1,317,860,100

**Total assets (A) 1,718,338,505 898,618,077 2,760,106,903 9,096,895,134 1,484,392,578 15,958,351,199**

**Assets:**

Cash in hand	20,885	-	-	-	-	20,885
Balance with Bangladesh Bank and its tuge	145,552,650	-	-	-	-	145,552,650
Balance with banks and other financial institutions	114,787,019	250,000,000	561,399,393	-	-	926,186,412
Money at call and short notice	-	-	-	-	-	-
Investments	112,873,167	-	-	-	657,365,245	770,238,412
Leases, loans and advances	1,344,351,301	585,323,417	2,184,468,669	8,796,559,852	525,797,398	13,436,500,636
Fixed assets including premises, furniture and fixtures	753,484	1,506,996	6,473,944	16,462,535	1,250,336	26,447,295
Other assets	-	61,787,664	7,764,897	283,872,748	299,979,600	653,404,910
Non banking assets	-	-	-	-	-	-

(Figures in BDT )  
**Particulars**      **Up to 1 month**      **1-3 months**      **3-12 months**      **1-5 years**      **Above 5 years**      **Total**

**INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED**  
**LIQUIDITY STATEMENT**  
**(Analysis of maturity of assets and liabilities)**  
**as at December 31, 2012**

**INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED**  
**Statement of Changes in Shareholders' Equity**  
**for the year ended December 31, 2012**

Particulars	Share Capital	Statutory Reserve	Retained Earnings	Total
<b>Balance as at January 01, 2012</b>	<b>1,629,320,000</b>	<b>253,703,000</b>	<b>83,674,673</b>	<b>1,966,697,673</b>
<b>Changes during the year - 2012</b>				
Surplus / deficit on account of revaluation of properties	-	-	-	-
Surplus / deficit on account of revaluation of investments	-	-	-	-
Currency translation differences	-	-	-	-
Net gains and losses not recognized in the income statement	-	-	(81,466,000)	-
Issuance of bonus shares for the year - 2011	81,466,000	-	-	81,466,000
Profit transferred to reserves	-	-	89,491,819	89,491,819
Retained surplus for the year - 2012	81,466,000	22,374,000	8,025,819	111,865,819
<b>Balance as at December 31, 2012</b>	<b>1,710,786,000</b>	<b>276,077,000</b>	<b>91,700,491</b>	<b>2,078,563,491</b>
<b>Balance as at January 01, 2011</b>	<b>509,162,500</b>	<b>233,936,000</b>	<b>310,110,976</b>	<b>1,053,209,476</b>
<b>Changes during the year - 2011</b>				
Surplus / deficit on account of revaluation of properties	-	-	-	-
Surplus / deficit on account of revaluation of investments	-	-	-	-
Currency translation differences	-	-	-	-
Net gains and losses not recognized in the income statement	-	-	(305,497,500)	-
Issuance of bonus shares for the year - 2010	305,497,500	-	-	305,497,500
Issuance of ordinary shares through right offer	814,660,000	-	-	814,660,000
Profit transferred to reserves	-	19,767,000	-	19,767,000
Retained surplus for the year - 2011	-	-	79,061,196	79,061,196
<b>Balance as at December 31, 2011</b>	<b>1,120,157,500</b>	<b>19,767,000</b>	<b>(226,436,304)</b>	<b>913,488,196</b>
<b>Balance as at December 31, 2011</b>	<b>1,629,320,000</b>	<b>253,703,000</b>	<b>83,674,673</b>	<b>1,966,697,673</b>

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

**Mahbub Jamil**  
Chairman

**Mustafizur Rahman**  
Managing Director

**Nehal Ahmed FCA**  
Company Secretary

Signed in terms of our separate report of even date

House 25, Road 13A, Block D  
Banani, Dhaka 1213, Bangladesh  
April 01, 2013

S. F. AHMED & CO.  
Chartered Accountants

**INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES**  
**Notes to the consolidated financial statements**  
**for the year ended December 31, 2012**

**1 Company and its activities**

**1.1 Corporate information**

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED (ILFSL), a Non-Banking Financial Institution (now called as Financial Institution) having its registered office at Printers Building, 14th floor, 5, Rajuk Avenue, Dhaka-1000, Bangladesh, was incorporated in Bangladesh on January 15, 1996 as a Public Limited Company under the companies Act, 1994. The company obtained its license from Bangladesh Bank on February 19, 1996 as a Non-Banking Financial Institution under the Financial Institutions Act, 1993 and commenced business on March 24, 1996. The company also obtained licence from Bangladesh Bank as Primary Dealer to buy and sell Government Treasury Bonds and Bills on December 11, 2003. The company went for Initial Public Offering (IPO) in July 2007 and its shares were listed in both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on September 16, 2007.

**1.2 Principal activities**

The company provides lease finance, term finance, work order finance, project finance, real estate finance, factoring of accounts receivables, syndication finance, stock brokerage, primary dealership of government treasury bonds/bills and term deposit schemes.

**1.3 Subsidiary companies**

**International Leasing Securities Limited**

International Leasing Securities Limited, a wholly owned subsidiary company of International Leasing and Financial services Limited, was incorporated on April 09, 2008 as a private limited company bearing registration No. C-70738 (3247)/08 under Companies Act 1994 with an authorised share capital of Tk. 250,000,000.00 International Leasing and Financial Services Limited holds 99.9995% share of this company (1,999,997 nos. of shares of Tk. 100 each). The company started its operation from August 31, 2008. The main business of the Company is to carry on the business as a broker, dealer in stocks and securities, commercial papers, bonds, debentures, debenture stocks, foreign currencies, treasury bills/bonds and/or any financial instruments.

**Hong Kong Bangladesh Securities Limited**

International Leasing Securities Limited acquired 99,997 no. of shares of Hong Kong Bangladesh Securities Limited as per terms set forth in vendors' agreement dated October 25, 2009 between previous shareholders of Hong Kong Bangladesh securities Limited and International Leasing Securities Limited. Upon acquisition of 99,997 no. of shares, Hong Kong Bangladesh Securities Limited becomes a wholly owned subsidiary company of ILSL from October 25, 2009.

International Leasing and Financial Services Limited is the owner of 99.9995% shares of International Leasing Securities Limited and International Leasing Securities Limited is the owner of 99.997% shares of Hong Kong Bangladesh securities Limited. By virtue of this ownership of International Leasing Securities Limited, International Leasing and Financial Services Limited is also the owner of 99.996% shares of Hong Kong Bangladesh securities Limited.

The main business of Hong Kong Bangladesh securities Limited is to carry on the business as a broker, dealer in stocks and securities, commercial papers, bonds, debentures, debenture stocks, foreign currencies, treasury bills/bonds and/or any financial instruments

The Board of Directors of the Company in its 16th meeting held on October 07, 2012 decided to wind up the company voluntarily and necessary formalities have been done and are in process of formal winding up.

**IL Capital Limited**

International Leasing and Financial Services Limited is the owner of 99.979% shares (999,799 nos. of shares of Tk. 100 each) of IL Capital Limited. IL Capital Limited is a private limited company and incorporated under the Companies Act 1994 on March 07, 2011 bearing Registration No C-88312 with an authorised share capital of Tk 2,000,000,000. The registration office of the company is Printers Building (14th Floor), 5 Rajuk Avenue, Dhaka-1000. ILCL is set to commence its services from January 01, 2013.

The main business of the company is to carry full fledge merchant bank and engage in all kind of merchant banking activities such as providing service as issue manager, underwriting of securities, portfolio management, margin loan facilitator, portfolio investment, investment advisory services etc.

**Notes to the financial statements - continued**

**1.4 Chittagong branch**

The company opened its branch in Chittagong on June 24, 2008. The approval of opening of this branch was obtained from Bangladesh Bank on November 11, 2007 vide approval letter no. DFIM (L)/1053/38(1)/2007.

**2 Basis of preparation and significant accounting policies**

**2.1 Statement of compliance**

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business following accrual basis of accounting except for cash flow statement. In preparation of these financial statements the company followed respective provisions of The Companies Act, 1994, The Financial Institutions Act, 1993, The Securities and Exchange Rules, 1987, the listing rules of Dhaka and Chittagong Stock Exchanges, Guidelines from Bangladesh Bank and Bangladesh Accounting Standards (BAS) and/or Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations. In cases the requirement of provisions and circulars issued by Bangladesh Bank differ with those of other regulatory authorities and accounting standards, the provisions and circulars issued by Bangladesh Bank shall prevail.

The presentation of these financial statements has been made as per requirement of DFIM Circular No. 11, dated December 23, 2009 issued by the Department of Financial Institutions and Markets of Bangladesh Bank. The activities and accounting heads mentioned that prescribed formats which are not related to the institutions have been excluded in preparation of these financial statements.

**2.2 Disclosure of deviations from few requirements of BAS/BFRS due to mandatory compliance of Bangladesh Bank's requirements**

Bangladesh Bank is the prime regulatory body for Financial Institutions (FIs) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provision standards of BAS and BFRS. As such the Company has departed from those contradictory requirements of BAS / BFRS in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below.

**2.2.1** As per FID circular no.08 dated August 3, 2002 investment in quoted and unquoted shares are re-valued at the year end at market price and as per book value of last audited balance sheet respectively. Provision has to be made for any loss arising from diminution in value of such investment; otherwise investments are recognized at cost. However as per requirements of BAS 39 investment in shares falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year-end is taken to profit and loss account or revaluation reserve respectively.

**2.2.2** As per FID circular no.08, dated August 3, 2002, and FID circular no.03, dated May 3, 2006, a general provision at 1% to 5% under different categories of unclassified loans (standard/SMA) has to be maintained. However, such general provision cannot satisfy the conditions of provisioning as per BAS 39.

**2.2.3** Bangladesh Bank has issued templates for financial statements which will strictly be followed by all banks and financial institutions. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) not are the elements of Other Comprehensive Income allowed to be included in the Single Comprehensive Income Statement. As such the company does not prepare the Other Comprehensive Income Statement. However, the company does not have any elements of OCI to be presented.

**2.2.4** As per Bangladesh Bank guidelines financial instruments are categorized, recognized and measured differently from those prescribed in BAS 39. As such some disclosures and presentation requirements of BFRS 7 and BAS 32 have not been made in the accounts.

**2.3 Basis of preparation and presentation of the financial statements**

The financial statements have been prepared under the historical cost convention in accordance with Bangladesh Financial Reporting Standard (BFRS) as practised in Bangladesh. No adjustment has been made for inflationary factor affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently being applied by the company and are consistent with those of the previous year.



**2.4 Use of estimates and judgement**

Preparation of the financial statements in conformity with BAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies that affect the reported amounts of revenue and expenses, assets and liabilities. Due to involvement of inherent uncertainty in making estimates, actual results could be different from those estimates.

**2.5 Consolidation of operations of subsidiary**

The financial statements of the company and its subsidiary, as mentioned in note no. 1.3 have been consolidated in accordance with Bangladesh Accounting Standard no. 27 "Consolidated and Separate Financial Statements". The consolidation of the financial statements has been made after eliminating all material inter-company transactions.

The total profits of the company and its subsidiary are shown in the consolidated profit and loss account, with the proportion of profit after tax pertaining to minority shareholders being deducted as "Minority Interest".

All assets and liabilities of the company and its subsidiary are shown in the consolidated balance sheet. The interest of minority shareholders of the subsidiary are shown in the consolidated balance sheet under the heading "Minority Interest".

**2.6 Branch accounting**

The company has only one branch at Chittagong and no overseas branch as on December 31, 2012. Accounts of the branch are maintained at head office from which these accounts are drawn up.

**2.7 Cash flow statements**

The cash flow statement is prepared in accordance with Bangladesh Accounting Standard (BAS) 7 – "Cash Flow Statements" under the guideline of DFIM Circular No. 11, dated December 23, 2009. Cash and cash equivalents for cash flow statement comprises mainly of cash in hand and balances at banks.

**2.8 Foreign currency transactions**

Transactions denominated in foreign currencies are converted into taka at rate prevailing at the respective date. Assets and liabilities denominated in foreign currencies are converted into taka at the rate of exchange prevailing at the date of the balance sheet. Profit or loss arising on conversion is credited or debited to profit & loss account. However, there was no foreign currency transaction during the year 2012.

**2.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand; balance with Bangladesh Bank and with other Banks & Financial Institutions. Cash equivalents are short term, highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value.

**2.10 Investments**

Investments represent investment in Government Securities (Bills & Bonds) and investment in shares. Investment in Government Treasury Bills and Bonds are accounted for at their present value. Premiums are amortised and discount accredited, using the effective or historical yield method.

Investment in quoted shares has been shown at cost or market price whichever is lower, on an aggregate portfolio basis. Full provision for diminution in value of shares as of December 31, 2012 on an aggregate portfolio basis has been made in the financial statements as required by DFIM Circular No. 02, dated January 31, 2012. Investment in non-quoted shares is valued at cost.

**2.11 Leases**

As per BAS 17 "Leases", leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership, other than legal title, to the lessees. All other leases are classified as operating leases.

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 amortized to revenue on a monthly basis over the lease term yielding a constant rate of return over the period. Rental due from the clients but not received as well as interest accrued (IDCP) but not due are shown as accounts receivable.

**2.12 Loans and advances**

Loans and advances represent time loan, work order loan, home loan, short-term loan and staff loan. Books of accounts for these loans and advances are maintained based on the accrual basis of accounting. Un-amortised principal amount, along with the accrued interest (where capitalized) thereon are accounted for as principal outstanding of loans and advances. Instalments due from the clients but not received as well as interest accrued but not due are shown as accounts receivable.

**2.13 Recognition of fixed assets and depreciation (BAS 16 "Property, Plant & Equipment")****Recognition**

An item of fixed assets is recognized as an asset when it is probable that future economic benefits associated with the asset will flow to the enterprise and the cost of the asset to the enterprise can be measured reliably. The cost of an item of fixed assets is its purchase price (net of discounts and rebates), including import duties and taxes, and any directly attributable cost of bringing the asset to working condition for its intended use.

**Measurement**

Fixed assets for own use are stated initially at cost and subsequently at cost less accumulated depreciation and any accumulated impairment losses or at a re-valued amount less any accumulated depreciation and subsequent accumulated impairment losses.

**Subsequent expenditure**

Subsequent expenditures relating to any item of fixed assets are added to the carrying amount of the asset when it is probable that future economic benefits, exceeding its present standard of performance, will flow to the company and the cost of the item can be measured reliably. All other costs are recognised in profit and loss account as expense.

**Depreciation**

Components of an asset with differing patterns of benefits are depreciated separately.

Depreciation on own fixed assets is charged systematically over the asset's useful life. Full year depreciation is charged on additions irrespective of date when the related assets are put into use. On the other hand, no depreciation has been charged on the month of disposal.

The company follows the straight-line method of depreciation applying annual rates stated as follows:

■ Furniture and fixtures	15%
■ Office equipment	20%
■ Office decoration	15%
■ Motor vehicles	20%
■ Computer Accessories	20%

**Disposal or retirement**

The gain or loss arising out of disposal or retirement of fixed assets is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit and loss account.

**Assets acquired under finance lease**

Assets acquired under finance lease is recognized as fixed asset of the Company at the fair value of the asset at the inception of the lease or, the present value of the minimum lease payments whichever is lower. The related obligation under the lease is recognized as liability.

Lease payments consist of finance charge and redemption payments where finance charge is recognized as interest expenses and the redemption payment as depreciation.

**2.14 Intangible assets (BAS- 38)**

Costs incurred to procure softwares represent as intangible assets (note- 8.4.1), once fully operational, will be amortised on a systematic basis over the best estimate of its useful life as per decision of the Board of Directors.

**2.15 Revenue recognition (BAS 18, "Revenue")**

BAS 18 is a general revenue recognition standard, which states that revenue should be measured at the fair value of the consideration received or receivable. This is usually the amount of cash or cash equivalents received or receivable and recognized when it is probable that economic benefits will flow to the entity.

**2.15.1 Income from lease (BAS 17, "Leases")**

The excess of gross lease rental receivables over the cost of the leased assets constitutes the total unearned lease income at the commencement of the lease. This income from leases is recognized based on a pattern reflecting a constant periodic rate of return on the net investment in the leases. The pattern of the periodic return however, differs in case of structured lease finance depending on the structure of the particular lease contract.

Unrealised income is suspended where necessary in accordance with the requirements of relevant circular issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank. Incomes suspended are taken into account on realization basis.

Interest on advance against leases is recognized on an accrual basis, which is calculated on advances from the date of respective disbursement to the date of execution of lease. On execution of lease, advance including capitalized portion of accrued interest is transferred to gross lease receivables.

**2.15.2 Income from time loan**

Income from time loan finance is recognized on a time proportion basis that takes into account the effective yield on the asset. Unrealised income is suspended where necessary in accordance with the requirements of relevant circular issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank. Such suspended income is taken into profit and loss account on realization basis.

**2.15.3 Income from home loan**

Interest income from home loan is recognized on an accrual basis. Instalment comprises both interest and principal. Interest portion of instalments that become receivable is recognized as income in the financial statements. Interest on such finance ceases to be taken into account as income and kept in interest suspense account where necessary in accordance with the requirements of relevant circular issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank. Interest suspended is taken into profit and loss account on realization basis.

**2.15.4 Income from short-term loan**

Income from short-term loan is recognized on accrual basis. Such interest income is calculated on daily loan balance of the respective accounts.

**2.15.5 Income from investment in shares****Dividends (BAS 18, "Revenue")**

Dividend income is recognized when the legal rights to receive the payments have been established i.e. during the period in which dividend is declared in the Annual General Meeting.

**Gain/loss on sale**

Gain or loss on sale of shares listed in stock exchanges is recognized when those are sold in the market. Un-realized capital gains are not accounted for in the profit and loss account.

**2.15.6 Income from PD & treasury operations****Coupon income**

Coupon income from Government treasury bonds is recognized on an accrual basis at a constant rate determined in respective auction, which is realized from Bangladesh Bank on half yearly basis.

**Discount income**

Discount income (excess of face value over purchase price) from government treasury bonds and bills are recognized periodically on an accrual basis.

**Capital gain/loss**

Gain or loss on sale of Government treasury bonds and bills is determined /recognized as the difference between the sale proceeds and aggregate of present value and accrued coupon income of respective bonds and bills are recognized when those are sold.

**2.15.7 Fee based income**

Fee based income are recognized as income at the stage of completion of the transaction when the

amount of revenue can be reliably measured and economic benefits associated with the transaction will flow to the company.

**2.16 Interest suspense account**

Lease income earned and income from direct finance, overdue for three months (or equivalent, i.e. 90 days) or more for lease/term finance up to 5 years tenure and for six months (or equivalent, i.e. 180 days) or more for lease/term finance of more than 5 years tenure is not recognized as revenue and credited to interest suspense account as per FID Circular No. 03 dated May 03, 2006. Suspended interests are recognized as revenue and credited to profit and loss account on realization basis.

**2.17 Borrowing cost**

All borrowing costs are recognized as expenses in the period in which they incurred in accordance with benchmark treatment of Bangladesh Accounting Statnderd-23. There was no cost of borrowing eligible for capitalization during the reporting period.

**2.18 Accrued expenses, provisions and other payables**

As per BAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized only when a past event has created a legal or constructive obligation, an outflow of resources is probable, and the amount of the obligation can be estimated reliably. Amount recognized as a provision is the best estimate of settlement amount at balance sheet date.

**2.19 Provision for future losses**

Provision has been made on outstanding exposures, based on aging and continuous review of the receivables, as per guidelines of Bangladesh Bank as practiced by the Company. The methodology of measuring appropriate level of provision relies on several key elements, which include both quantitative and qualitative factors as set forth in FID circular no. 08 dated August 03, 2002 and amended from time to time by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank.

The provision increases by the amount charged in Profit and loss account and decreases by the amount written off and provisions no longer required. The amount of provision is considered adequate as per management estimation to meet probable future losses.

**2.20 Write Off**

Write off refers to de-recognition of an asset to a reduced or zero value. This is applied for an asset from which return is impossible or unlikely in compliance with the requirements of Bangladesh Bank FID circular no. 03, dated March 15, 2007. Any recovery from asset written off is recognized as income.

**2.21 Employees' benefits obligations****Defined contribution plan**

The company operates a recognised contributory provident fund scheme for its permanent employees. Provident fund is administered by a Board of Trustees and is funded by contributions partly from the employees and partly from company at a predetermined rate of 10% of basic salary. The contributions are kept and invested separately from the Company's asset.

**Defined benefit plan-Gratuity**

The Company operates an unfunded gratuity scheme. Provision has been made in the financial statements as per approved gratuities scheme. Employees are entitled to gratuity benefit after completion of minimum five years of continued service in the company.

The gratuity is calculated on the last basic pay and is payable as per following schedule:

5 years of continued service	50% of last basic times 5
6 years of continued service	60% of last basic times 6
7 years of continued service	70% of last basic times 7
8 years of continued service	80% of last basic times 8
9 years of continued service	90% of last basic times 9
10 & above years of continued service	100% of last basic times no. of years of service

Since the liability amount under the head is not substantial, the actuarial valuation was not felt required.

**2.22 Other employees' benefit obligation**

The company has several types of loans and advances scheme like specific purpose loan, provident fund loan, house building loan and loan for buying motor vehicle guided by the employees' service rules. In addition the Company operates a group life & health insurance scheme for its employees.

**2.23 Tax provision****Current tax**

Provision for current tax is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of Income Tax Ordinance, 1984 and amendments thereto.

**Deferred tax**

The company accounts for deferred tax as per Bangladesh Accounting Standard - 12. Deferred tax is provided using the liability method for all temporary timing differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. Tax rate prevailing at the balance sheet date is used to determine deferred tax.

In calculating deferred tax, temporary difference arising from depreciation of fixed assets and provision for gratuity is considered.

**2.24 Impairment of assets**

The Company reviewed long-lived assets for impairment whenever events of changes in circumstances indicate that the book value of the assets may not be recovered. Accordingly, the Company estimates the recoverable amount of the assets and the impairment losses if any is recognised in the profit and loss account when the estimated recoverable amount of an asset is less than its carrying amount.

**2.25 Earnings Per Share (EPS)**

The Company calculates Earnings per Share (EPS) in accordance with Bangladesh Accounting Standards-33, which is shown in the face of the Profit and Loss Account, and the computation is stated in Note- 37 & 37 (a). No diluted earnings per share is required to be calculated for the period, as there was no scope for dilution during the period under review.

**2.26 Statutory reserve**

As per Financial Institutions Regulations 1994 every Financial Institution has to transfer 20% of its current year's profit to reserve fund until such reserve equals to its paid-up capital. The Company transfers 20% of net profit to statutory reserve before declaration of dividend

**2.27 Related party disclosure (BAS- 24)**

As per Bangladesh Accounting Standard, parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties. Related party disclosure is given in Note -39.

**2.28 Events after the reporting period**

All material events occurring after the reporting period are considered and where necessary, adjusted for or disclosed in Note-40.

**2.29 Payment of dividend**

Interim dividends are recognized when they are paid to the shareholders upon approval of the Board of Directors. Final dividend is recognized when it is approved by the shareholders along with interim dividend.

Proposed dividend is not recognized as liability and shown separately under the shareholders' equity in accordance with the Bangladesh Accounting Standards BAS – 10, "events after the reporting period".

**2.30 Reconciliation of inter-Company account**

Accounts with regard to inter-Company are reconciled regularly and there are no material differences which may affect the financial statements significantly.

**2.31 Segment reporting**

The Company has only one reportable business segment and operation of the Company is within the geographical territory of Bangladesh. Hence segment reporting in accordance with BFRS-8 "Operating Segment" is not applicable.

**2.32 Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. There was no item for offsetting during the reporting period.

**2.33 Reporting currency**

The financial statements are presented in Bangladeshi Taka which is the Company's functional currency except as indicated.

**2.34 Reporting Period**

The financial statements of the company and its subsidiaries cover one calendar year from January 01, 2012 to December 31, 2012.

**2.35 Re-classification**

Previous year Figures, wherever considered necessary, have been rearranged/restated/reclassified, for the purpose of comparison with current year's presentation without any impact on the profit and value of assets and liabilities as reported in the financial statements.

**2.36 Uniform accounting policies**

The financial statements of International Leasing and Financial Services Limited and its subsidiaries have been prepared in accordance with uniform policies of accounting.

**2.37 Liquidity statement**

The liquidity statement has been prepared considering the remaining maturity period of assets and liabilities as of the close of the year as under:

- Balance with other banks and financial institutions on the basis of their maturity term
- Investments are on the basis of their residual maturity term.
- Leases, loans and advances are on the basis of their repayment/maturity schedule
- Fixed assets are on the basis of their useful lives
- Other assets are on the basis of their adjustment term
- Borrowing from Banks and other Financial Institutions are on the basis of their maturity/repayment term
- Deposits and other accounts are on the basis of their maturity term and behavioral past trends
- Other liabilities are on the basis of their maturity/settlement term

**2.38 BASEL II and its implementation**

To cope with the international best practice and to make the capital more risk sensitive as well as shock resilient, guidelines on 'BASEL Accord for Financial Institutions (BAFI)' have been introduced from January 01, 2011 on test basis by Bangladesh Bank. At the end of the test run period, BASEL Accord regime has started and the guidelines namely "Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions (CAMD)" have come fully into force from January 01, 2012 with its subsequent supplements/revisions. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital and disclosure requirement as stated in these guidelines have to be followed by all Financial Institutions for the purpose statutory compliance.

As per CAMD guidelines, Financial Institutions should maintain a Capital Adequacy Ratio (CAR) of minimum 10% which is complied by the company.

**2.39 Risk management**

The company established and has been practicing effective risk management policies, procedures and best practices and following risk management guidelines issued by Bangladesh Bank vide FID Circular No. 01 dated September 18, 2005 as amended subsequently for steady and sustainable growth. Risk management practice of the company covers following five (5) core risk areas.

## Notes to the financial statements - continued

- a) Credit risk
- b) Asset Liability Management risk
- c) Internal Control and Compliance risk
- d) Information and Communication Technology risk
- e) Prevention of Money Laundering and Terrorist Financing risk

The prime objective of the risk management is that the company takes credit and business risks into consideration while safeguarding the interest from the possibility of losses, financial or otherwise.

### 2.40 Status of Compliance of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs) vis-à-vis IASs / IFRSs

BAS Title	BAS No.	Status
Presentation of Financial Statements	1	Applied*
Inventories	2	N/A
Statement of Cash Flows	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Balance Sheet Date	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Property, Plant & Equipment	16	Applied
Leases	17	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting of Government Grants and Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	N/A
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefit Plans	26	N/A
Consolidated and Separate Financial Statements	27	Applied
Investments in Associates	28	N/A
Interest in Joint Ventures	31	N/A
Financial Instruments: Disclosure and Presentation	32	Applied*
Earnings per Share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	Applied*
Investment Property	40	N/A
Agriculture	41	N/A
BFRS Title	BFRS No.	Status
Share Based Payment	2	N/A
Business Combination	3	N/A
Insurance Contract	4	N/A
Non-Current held for sale and discontinued operation	5	N/A
Exploration for and evaluation of Mineral Resources	6	N/A
Financial Instruments: Disclosure	7	Applied*
Operating Segments	8	N/A

N/A=Not Applicable

\*As the regulatory requirement differ with the standards, relevant disclosure and presentations are made in accordance with Bangladesh Bank's requirements (please see note -2.2)

Figures in the financial statements and notes have been rounded off to the nearest taka.

## Notes to the financial statements - continued

(Figures in BDT)

	2012	2011
<b>3 Cash</b>		
<b>3.1 Cash in hand</b>		
In local currency	20,885	88,612
In foreign currency	-	-
	<b>20,885</b>	<b>88,612</b>
<b>3.2 Balance with Bangladesh Bank and its agent bank(s)</b>		
With Bangladesh Bank		
In local currency	145,552,650	134,621,672
In foreign currency	-	-
	<b>145,552,650</b>	<b>134,621,672</b>
With Sonali Bank Ltd. as agent of Bangladesh Bank	-	-
	<b>145,552,650</b>	<b>134,621,672</b>
<b>Total (3.1+3.2)</b>	<b>145,573,535</b>	<b>134,710,284</b>
<b>3.3 Statutory deposits</b>		
<b>Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)</b>		
Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with section 19 of the Financial Institutions Act 1993, rule 5 of the Financial Institutions Rules 1994 and FID circular no.6 dated November 06, 2003.		
The Cash Reserve Requirement on the Company's term deposits received from public @ 2.5% has been calculated and maintained with Bangladesh Bank in current account and 5% Statutory Liquidity Reserve, including CRR, on the total liabilities has been maintained in the form of balance with banks. Both the reserves maintained by the Company are in excess of the statutory requirements, as shown below:		
<b>a) Cash Reserve Requirement</b>		
Required reserve (2.5% of average total term deposit of November)	146,123,194	146,083,277
Cash reserve in average maintained with Bangladesh bank	147,291,803	148,165,439
<b>Surplus / (deficit)</b>	<b>1,168,610</b>	<b>2,082,162</b>
<b>b) Statutory Liquidity Reserve</b>		
Required reserve (5% of average total liabilities of November)	405,563,404	390,038,896
Liquidity reserve in average maintained including CRR	1,051,608,033	790,139,411
<b>Surplus / (deficit)</b>	<b>646,044,629</b>	<b>400,100,516</b>
The surplus mostly comprises of deposits maintained with banks kept under lien against various facilities.		
<b>3(a) Consolidated Cash</b>		
<b>Cash in hand</b>		
International Leasing and Financial Services Limited	20,885	88,612
International Leasing Securities Limited	225,730	130,680
IL Capital Limited	6,381	-
	<b>252,996</b>	<b>219,292</b>
<b>Balance with Bangladesh Bank and its agent bank(s)</b>		
International Leasing and Financial Services Limited	145,552,650	134,621,672
	<b>145,552,650</b>	<b>134,621,672</b>
	<b>145,805,646</b>	<b>134,840,964</b>

## Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>4</b>	<b>Balance with banks and other financial institutions</b>		
	In Bangladesh (note-4.1)	926,186,412	656,056,900
	Outside Bangladesh	-	-
		<b>926,186,412</b>	<b>656,056,900</b>
<b>4.1</b>	<b>In Bangladesh</b>		
<b>a)</b>	<b>Current deposits</b>		
	Bank Asia Ltd.	1,555	148,980
	The City Bank Ltd.	7,240	15,850
	Dhaka Bank Ltd.	17,376	1,515,429
	Dutch Bangla Bank Ltd.	14,855	304,628
	Eastern Bank Ltd.	80,515	1,820
	EXIM Bank Ltd.	-	48,404
	First Security Islami Bank Ltd.	2,211	4,511
	IFIC Bank Limited.	1,025	2,175
	Islami Bank Bangladesh Ltd.	248,345	250,305
	Jamuna Bank Ltd.	3,298	4,448
	Mercantile Bank Ltd.	14,541	15,921
	Mutual Trust Bank Ltd.	21,796	2,131,632
	National Bank Limited	26,734	27,774
	Premier Bank Limited	425	-
	Prime Bank Limited	255,558	290,132
	Pubali Bank Ltd.	133,668	135,513
	Shahjalal Islami Bank Ltd.	699	4,692
	Social Islami Bank Ltd.	148	1,183
	Sonali Bank Ltd.	-	341,308
	South East Bank Ltd.	103,007	103,007
	Standard Bank Limited	90,346	91,616
	Trust Bank Ltd.	-	407,268
	United Commercial Bank Ltd.	9,310	-
		<b>1,032,651</b>	<b>5,846,595</b>
<b>b)</b>	<b>Short-term deposit</b>		
	AB Bank Ltd.	27,008,110	31,689,555
	Bangladesh Commerce Bank Ltd.	2,910	4,060
	Bank Asia Ltd.	17,450,707	4,539,832
	Dhaka Bank Ltd.	3,509,104	3,375,579
	Dutch Bangla Bank Ltd.	4,462	5,423
	Eastern Bank Ltd.	825,779	8,628,127
	ONE Bank Ltd.	1,345	2,591
	South East Bank Ltd.	267,327	256,402
	Uttara Bank Ltd.	1,146	6,782
	Bank Alfalah Ltd.	19,680,272	8,226,052
	Citi Bank N.A.	-	1,157,258
	Jamuna Bank Ltd.	1,010,738	991,486
		<b>69,761,900</b>	<b>58,883,146</b>
<b>c)</b>	<b>Fixed deposits</b>		
	Commercial Bank of Ceylon PLC	31,399,393	28,771,774
	Dhaka Bank Limited	-	300,000,000
	ONE Bank Limited	13,992,467	12,555,384
	Peoples Leasing & Finance Limited	30,000,000	-
	Reliance Finance Ltd.	230,000,000	-
	Social Islami Bank Ltd.	550,000,000	250,000,000
		<b>855,391,860</b>	<b>591,327,159</b>
	<b>Total (a+b+c)</b>	<b>926,186,412</b>	<b>656,056,900</b>

## Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>4.2</b>	<b>Maturity grouping of balance with banks and other financial institutions</b>		
	On demand	1,032,651	5,846,595
	Up to 1 month	113,754,368	71,438,531
	Over 1 month but not more than 3 months	250,000,000	550,000,000
	Over 3 months but not more than 6 months	561,399,393	28,771,774
	Over 6 months but not more than 1 year	-	-
	Over 1 year but not more than 5 years	-	-
	Over 5 years	-	-
		<b>926,186,412</b>	<b>656,056,900</b>
<b>4(a)</b>	<b>Consolidated balance with banks and other financial institutions</b>		
	<b>Inside Bangladesh</b>		
	International Leasing and Financial Services Limited	926,186,412	656,056,900
	International Leasing Securities Limited	3,226,091	78,049,519
	Hongkong Bangladesh Securities Limited	7,418	388,358
	Balance with banks and other financial institutions	11,920,184	10,899,482
	Adjustment for consolidation	(11,912,766)	(10,511,124)
	IL Capital Limited	4,665,452	988,735
	Balance with banks and other financial institutions	104,732,930	99,988,735
	Adjustment for consolidation	(100,067,478)	(99,000,000)
		<b>934,085,372</b>	<b>735,483,512</b>
	<b>Outside Bangladesh</b>	-	-
		<b>934,085,372</b>	<b>735,483,512</b>
<b>5</b>	<b>Investments</b>		
	Investment classified as per nature:		
<b>(i)</b>	<b>Government securities</b>		
	Bangladesh Govt. Treasury Bonds (note-5.1)	657,365,245	657,477,419
		<b>657,365,245</b>	<b>657,477,419</b>
<b>(ii)</b>	<b>Other investment</b>		
	Shares (note-5.2)	112,873,167	225,307,277
		<b>112,873,167</b>	<b>225,307,277</b>
	<b>Total (i+ii)</b>	<b>770,238,412</b>	<b>882,784,696</b>
<b>5.1</b>	<b>Bangladesh Govt. Treasury Bonds</b>		
	5 years Bangladesh Govt. Treasury Bonds	-	-
	10 years Bangladesh Govt. Treasury Bonds	15,500,000	15,500,000
	15 years Bangladesh Govt. Treasury Bonds	319,183,809	319,399,607
	18 years Bangladesh Govt. Treasury Bonds	300,000	-
	20 years Bangladesh Govt. Treasury Bonds	322,381,436	322,577,813
		<b>657,365,245</b>	<b>657,477,419</b>
<b>5.2</b>	<b>Investment in shares</b>		
<b>a)</b>	<b>Quoted</b>		
	Bank Asia Limited	-	5,504,811
	Beximco Limited	6,643,030	-
	BSRM Steels Limited	18,006,229	18,053,033
	Grameen Phone Ltd.	6,583,703	-
	Green Delta 1st Mutual Fund	-	10,000,000
	Lafarge Surma Cement Ltd.	84,595	-
	Lankabangla Finance Limited	-	11,634,196
	LR Global BD Mutual Fund One	49,920,000	-
	Meghna Petroleum Limited	10,915,752	-

Notes to the financial statements - continued

	(Figures in BDT)	
	2012	2011
ONE Bank Limited	-	10,563,619
Olympic Industries Limited	-	3,344,240
PHP First Mutual Fund	-	50,000,000
Prograssive Life Insurance Co. Ltd.	20,719,859	9,377,711
Pubali Bank Limited	-	3,035,016
R N Spinning Mills Limited	-	13,290,884
Social Investment Bank Limited	-	24,740,192
Titas Gas Limited	-	15,763,577
<b>(Annexure - A may kindly be seen for details)</b>	<b>112,873,167</b>	<b>175,307,277</b>
<b>b) Un-quoted</b>		
LR Global BD Mutual Fund One	-	50,000,000
	-	<b>50,000,000</b>
<b>Total (a+b)</b>	<b>112,873,167</b>	<b>225,307,277</b>
<b>5.3 Maturity grouping of investments</b>		
On demand	-	-
Up to 1 month	112,873,167	175,307,277
Over 1 month but not more than 3 months	-	50,000,000
Over 3 months but not more than 6 months	-	-
Over 6 months but not more than 1 year	-	-
Over 1 year but not more than 5 years	-	-
Over 5 years	657,365,245	657,477,419
	<b>770,238,412</b>	<b>882,784,696</b>
<b>5(a) Consolidated investments</b>		
<b>a) Government securities</b>		
International Leasing and Financial Services Limited	657,365,245	657,477,419
International Leasing Securities Limited	-	-
Hongkong Bangladesh Securities Limited	-	-
IL Capital Limited	-	-
	<b>657,365,245</b>	<b>657,477,419</b>
<b>b) Other investment</b>		
International Leasing and Financial Services Limited	112,873,167	225,307,277
International Leasing Securities Limited	217,292,692	216,050,061
Hongkong Bangladesh Securities Limited	-	-
IL Capital Limited	-	-
	<b>330,165,859</b>	<b>441,357,338</b>
<b>Total (a+b)</b>	<b>987,531,104</b>	<b>1,098,834,757</b>
<b>6 Leases, loans and advances</b>		
<b>6.1 Broad category-wise break up</b>		
<b>Inside Bangladesh</b>		
Leases (note-6.1.1)	3,232,163,353	3,351,981,340
Loans, cash credits, overdrafts, etc. (note-6.1.2)	10,204,337,283	10,138,835,644
Loans	10,204,337,283	10,138,835,644
Cash credits	-	-
Overdrafts	-	-
Bills purchased and discounted	-	-
	<b>13,436,500,636</b>	<b>13,490,816,984</b>
<b>Outside Bangladesh</b>	-	-
	<b>13,436,500,636</b>	<b>13,490,816,984</b>

Notes to the financial statements - continued

	(Figures in BDT)	
	2012	2011
<b>6.1.1 Leases</b>		
Net investment in leases (note - 6.1.1.1)	2,891,119,745	2,671,327,698
Advances for leases (note -6.1.1.2)	94,617,223	321,596,897
Accounts receivables	285,358,933	430,539,590
Principal	139,171,385	142,834,535
Interest	146,187,548	287,705,055
Other payables	(38,932,548)	(71,482,845)
	<b>3,232,163,353</b>	<b>3,351,981,340</b>
<b>6.1.1.1 Net investment in leases</b>		
Gross lease receivable	3,670,320,854	3,252,916,002
Less: Unearned finance income	779,201,109	581,588,304
<b>Net lease receivable</b>	<b>2,891,119,745</b>	<b>2,671,327,698</b>
Net investment in leases represents gross lease rental receivables from the lessee minus unearned lease income against investment in leases. Investment in leases represents assets leased to the lessees and accounted for under finance method. The company is the legal owner of the leased assets. Unearned lease income is the excess of gross lease rental receivables over the cost of the leased assets. Lease term of the above leases vary from 24 months to 84 months.		
<b>6.1.1.2 Advance for leases</b>		
This represents disbursement for procurement of leased assets at the end of the reporting period. On execution of leases, advances will be transferred to investment in leases. Advance against leases carry interest as per terms of the agreement until the advances are executed. The outstanding amount of advance against leases as of December 31 are shown under following two categories:		
Imported equipment	-	71,056,056
Local equipment	94,617,223	250,540,841
	<b>94,617,223</b>	<b>321,596,897</b>
<b>6.1.1.3 Maturity grouping of leases</b>		
On demand	248,139,977	359,056,745
Up to 1 month	-	2,649,738
Over 1 month but not more than 3 months	2,595,295	6,615,110
Over 3 months but not more than 1 year	164,732,073	386,280,995
Over 1 year but not more than 5 years	2,700,563,740	2,426,923,810
Over 5 years	116,132,268	170,454,942
	<b>3,232,163,353</b>	<b>3,351,981,340</b>
<b>6.1.2 Loans, cash credits, overdrafts, etc</b>		
Time loan (note-6.1.2.1)	6,412,640,686	6,388,965,614
Work order & factoring (note-6.1.2.2)	7,272,636	21,751,809
Home loan (note-6.1.2.3)	736,611,749	717,903,873
Short-term loan (note-6.1.2.4)	3,028,187,013	2,991,338,752
Staff loan	19,625,199	18,875,597
	<b>10,204,337,283</b>	<b>10,138,835,644</b>
<b>6.1.2.1 Time loan</b>		
Principal outstanding	5,936,143,767	5,922,387,942
Accounts receivables	522,978,898	571,424,401
Principal	343,670,611	365,135,187
Interest	179,308,287	206,289,214
Other payables	(46,481,978)	(104,846,730)
	<b>6,412,640,686</b>	<b>6,388,965,614</b>

Notes to the financial statements - continued

(Figures in BDT)

This represents amounts outstanding against time loan advanced to loanee with a specific repayment schedule for an agreed period of 3 months to 84 months.

**6.1.2.2 Work order & factoring**

	2012	2011
Principal outstanding	4,511,637	2,514,010
Accounts receivables	2,760,999	19,237,799
Principal	2,492,974	15,449,536
Interest	268,025	3,788,263
Other payables	-	-
	<b>7,272,636</b>	<b>21,751,809</b>

**6.1.2.3 Home loan**

	2012	2011
Principal outstanding	719,928,683	700,857,505
Accounts receivables	21,352,031	18,975,294
Principal	10,413,578	8,096,377
Interest	10,938,453	10,878,917
Other payables	(4,668,965)	(1,928,926)
	<b>736,611,749</b>	<b>717,903,873</b>

This represents amounts outstanding against home loan advanced to individuals, corporate bodies, real estate developers for purchase and/or construction of real estate (land, building, apartment, office space) in urban areas with a specific repayment schedule for an agreed period of 24 months to 240 months.

**6.1.2.4 Short term loan**

	2012	2011
Loan to subsidiary	2,525,828,680	2,591,749,307
Principal outstanding	2,329,527,449	2,323,466,667
Interest Receivables	196,301,231	268,282,640
Treasury line	502,358,333	399,589,445
Principal outstanding	490,000,000	390,000,000
Interest Receivables	12,358,333	9,589,445
	<b>3,028,187,013</b>	<b>2,991,338,752</b>

**6.1.2.5 Maturity grouping of loans, cash credits, overdrafts, etc.**

	2012	2011
On demand	495,940,985	780,751,734
Up to 1 month	600,270,339	161,550,564
Over 1 month but not more than 3 months	582,728,122	589,081,032
Over 3 months but not more than 1 year	2,019,736,596	3,332,921,724
Over 1 year but not more than 5 years	6,095,996,112	3,808,872,990
Over 5 years	409,665,129	1,465,657,601
	<b>10,204,337,283</b>	<b>10,138,835,644</b>

**6.2 Leases, loans and advances on the basis of significant concentration**

a) Leases, loans and advances to companies or firms in which the Directors of the Company have interests	62,031,634	93,256,983
b) Leases, loans and advances to Chief Executive and other Senior Executives	19,252,308	17,971,134
c) Number of clients with outstanding amount and classified leases, loans and advances exceeding 15% of total capital of the the Company is as follows :		
Number of clients	-	-
Amount of outstanding advances	-	-
Amount of classified advances	-	-
Measures taken for recovery	-	-

Notes to the financial statements - continued

(Figures in BDT)

**d) Industry-wise leases, loans and advances**

	2012	2011
Agriculture	526,293,860	614,799,841
Textile & Garments	2,385,494,369	2,387,232,155
Transport & Communication	891,396,144	954,462,264
Food production/processing industry	864,962,054	844,778,317
Iron, Steel & Engineering industry	644,149,816	715,653,883
Chemical & Pharmaceuticals	356,254,963	590,776,116
Service Industry	1,235,349,597	434,419,862
Plastic Industry	223,215,723	35,284,552
Paper, Printing packaging	271,111,387	42,900,875
Telecommunication/information technology	442,137,652	454,495,143
Real Estate & Housing	1,039,660,674	1,016,168,433
Ship and Ship making industry	163,644,575	323,450,859
Education	239,836,272	244,660,877
Hospital and medical equipment	182,967,644	195,022,347
Trade & Commerce	281,694,673	317,553,419
Power & Energy	412,871,495	484,524,845
Others	3,275,459,738	3,834,633,197
	<b>13,436,500,636</b>	<b>13,490,816,984</b>

**e) Sector-wise leases, loans and advances**

	2012	2011
<b>Inside Bangladesh</b>		
Government & autonomous bodies	-	-
Financial institutions (private)	83,023,972	18,256,249
Other public sector	-	-
Private sector	13,353,476,664	13,472,560,735
	<b>13,436,500,636</b>	<b>13,490,816,984</b>
<b>Outside Bangladesh</b>	-	-
	<b>13,436,500,636</b>	<b>13,490,816,984</b>

**f) Geographical location-wise leases, loans and advances**

	2012	2011
<b>Inside Bangladesh</b>		
<b>Urban</b>		
Dhaka region	10,977,899,693	11,044,927,454
Chittagong region	2,132,925,790	2,101,559,220
Khulna region	116,521,047	115,907,559
Rajshahi region	206,920,801	225,371,529
Rangpur region	1,804,651	3,051,223
Sylhet Region	428,653	-
	<b>13,436,500,636</b>	<b>13,490,816,984</b>
<b>Rural</b>	-	-
	<b>13,436,500,636</b>	<b>13,490,816,984</b>
<b>Outside Bangladesh</b>	-	-
	<b>13,436,500,636</b>	<b>13,490,816,984</b>

**6.3 Classification of leases, loans and advances**

<b>a) Unclassified</b>		
Standard	12,156,011,156	11,749,656,998
Special mention account (SMA)	135,235,025	454,754,760
	<b>12,291,246,181</b>	<b>12,204,411,759</b>
<b>b) Classified</b>		
Sub-standard	314,275,488	399,427,347
Doubtful	197,607,277	75,690,018
Bad / Loss	633,371,690	811,287,860
	<b>1,145,254,455</b>	<b>1,286,405,225</b>
<b>Total (a+b)</b>	<b>13,436,500,636</b>	<b>13,490,816,984</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>6.4 Particulars of leases, loans and advances</b>			
(i)	Leases and loans considered good in respect of which the Company is fully secured	6,884,762,429	6,075,296,649
(ii)	Loans considered good against which the Company holds no security other than the debtors' personal guarantee	6,136,185,640	6,429,049,175
(iii)	Loans considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	415,552,567	986,471,161
		<b>13,436,500,636</b>	<b>13,490,816,984</b>
(iv)	Loans adversely classified; provision not maintained there against	-	-
(v)	Loans due from Directors either separately or jointly with any other persons	14,658,486	8,677,556
(vi)	Loans due from Officers either separately or jointly with any other persons	19,252,308	17,971,134
(vii)	Loans due from companies or firms in which the Directors have interest as directors, partners or managing agents or in case of private companies, as members	62,031,634	93,256,983
(viii)	Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers either separately or jointly with any other person.	22,380,230	23,433,034
(ix)	Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors have interest as directors, partners or managing agents or in the case of private companies, as members	-	-
(x)	Due from banking companies and other financial institutions	83,023,972	18,256,249
(xi)	Classified leases, loans and advances on which interest has not been charged	1,145,254,455	1,286,405,225
A.	Increase/decrease of provision (specific)	(129,430,811)	13,681,900
	Amount of debts written-off	194,115,655	87,115,906
	Amount realized against the debts previously written-off	-	-
B.	Provision kept against the debt classified as bad/loss at the end of the reporting period	152,530,614	356,251,000
C.	Amount of interest creditable to the interest suspense account	113,081,938	106,203,937
(xii)	Cumulative amount of the written-off leases/loans	87,115,906	46,616,797
	Opening Balance	106,999,749	40,499,109
	Amount written-off during the year	194,115,655	87,115,906
	Cumulative to date	194,115,655	87,115,906
	Written-off leases/loans for which law suit filed	194,115,655	87,115,906
<b>6(a) Consolidated leases, loans and advances</b>			
<b>Inside Bangladesh</b>			
<b>Leases</b>			
	International Leasing and Financial Services Limited	3,232,163,353	3,351,981,340
<b>Loans, cash credits, overdrafts, etc.</b>			
	International Leasing and Financial Services Limited	7,678,508,603	7,547,086,337
	Loans	10,204,337,283	10,138,835,644
	Adjustment for consolidation	(2,525,828,680)	(2,591,749,307)
	International Leasing Securities Limited	3,130,965,438	2,971,916,470
		-	-
		<b>14,041,637,394</b>	<b>13,870,984,147</b>
<b>Outside Bangladesh</b>			
		-	-
		<b>14,041,637,394</b>	<b>13,870,984,147</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>7 Fixed assets including premises, furniture &amp; fixtures</b>			
	Motor vehicles	18,255,448	19,455,448
	Motor vehicles - leasehold	2,500,000	2,500,000
	Office decoration	22,220,963	10,841,018
	Office equipment	11,235,332	7,446,191
	Furniture & fixtures	5,341,068	4,525,949
	Computer accessories	3,538,365	40,000
		<b>63,091,176</b>	<b>44,808,606</b>
	Less: Accumulated depreciation	36,643,881	27,720,878
	<b>Net book value at the end of the year</b> (See annexure-B for detail)	<b>26,447,295</b>	<b>17,087,728</b>
<b>7(a) Consolidated Fixed assets including premises furniture &amp; fixtures</b>			
	Motor vehicles	23,955,448	21,802,493
	Motor vehicles - leasehold	2,500,000	2,500,000
	Office decoration	58,639,754	31,402,154
	Office equipment	19,468,779	16,853,451
	Furniture & fixtures	9,388,978	7,759,833
	Computers & accessories	16,140,055	10,559,885
		<b>130,093,013</b>	<b>90,877,816</b>
	Less: Accumulated depreciation	69,600,314	50,001,033
	<b>Net book value at the end of the year</b> {See annexure-B(a) for detail}	<b>60,492,699</b>	<b>40,876,782</b>
<b>8 Other assets</b>			
<b>Inside Bangladesh</b>			
<b>Income generating:</b>			
	Investment in Subsidiary (note-8.1)	299,979,600	249,979,600
	Income receivable on FDR & investments (note-8.2)	37,950,254	25,166,579
		<b>337,929,854</b>	<b>275,146,179</b>
<b>Non-income generating:</b>			
	Receivable from Subsidiary (note-8.3)	23,837,411	22,972,421
	Advance, deposit and Prepaid expenses (note-8.4)	7,720,618	47,071,012
	Receivable against terminated leases/loans	-	-
	Branch adjustments account	-	-
	Advance corporate tax (note -8.5)	275,234,659	241,315,178
	Deferred tax assets (note- 8.6)	8,638,089	6,569,974
	Other receivables	44,279	44,279
		<b>315,475,056</b>	<b>317,972,864</b>
		<b>653,404,910</b>	<b>593,119,043</b>
<b>Outside Bangladesh</b>			
		-	-
		<b>653,404,910</b>	<b>593,119,043</b>
<b>8.1 Investment in subsidiary</b>			
	Share capital-ILSL (note- 8.1.1)	199,999,700	149,999,700
	Share capital-ILCL (note- 8.1.2)	99,979,900	99,979,900
		<b>299,979,600</b>	<b>249,979,600</b>
<b>8.1.1</b> This represents 1,999,997 nos. of ordinary shares of International Leasing Securities Limited subscribed by International Leasing And Financial Services Limited out of their 2,000,000 nos. of shares of Tk. 100 each.			
<b>8.1.2</b> This represents 9,99,799 nos. of ordinary shares of IL Capital Limited subscribed by International Leasing And Financial Services Limited out of their 1,000,000 nos. of shares of Tk. 100 each.			
<b>8.2 Income receivable on FDR &amp; investments</b>			
<b>a) Interest receivables</b>			
	Interest receivables - FDR	22,523,230	9,922,577
	Coupon receivables - treasury bond	15,427,024	15,244,002
		<b>37,950,254</b>	<b>25,166,579</b>
<b>b) Fees, commission and brokerage receivables</b>			
		-	-
	<b>Total (a+b)</b>	<b>37,950,254</b>	<b>25,166,579</b>



Notes to the financial statements - continued

Notes to the financial statements - continued

	(Figures in BDT)	
	2012	2011
<b>8.3 Receivable from Subsidiary</b>		
Receivables from ILCL	18,970,452	18,300,878
Receivables from ILSL related to HBSL	4,866,959	4,628,209
Receivables from ILSL for others & CTG	-	43,334
	<b>23,837,411</b>	<b>22,972,421</b>

<b>8.4 Advance, deposit and Prepaid expenses</b>		
Advances for software development & others (note- 8.4.1)	2,719,069	8,280,254
Deposit to Central Depository Bangladesh Limited (CDBL) for telephone	357,000	339,500
Advance for investment in share	13,414	19,860,452
Advance office rent CTG branch (note- 8.4.2)	2,557,084	3,324,220
Advance for fixed assets	-	14,680,702
Advance for legal expenses	-	320,605
Advance for right issue	2,074,051	265,279
	<b>7,720,618</b>	<b>47,071,012</b>

**8.4.1** This represents advance for development of leasing software currently under development stage by software vendor. On completion and implementation of the software the total cost will be capitalized and amortized with approval of the Board as per applicable standards.

**8.4.2** The amount represents advance against office rent of Chittagong Branch which will be adjusted with 50% of each month's rent upto September 2014 as per agreement with the land lord.

<b>8.5 Advance corporate tax</b>		
Balance as on January 01	241,315,178	124,895,099
Paid during the year	47,706,238	116,420,080
Less: settlement of previous years' tax liabilities	13,786,758	-
Balance as on December 31	<b>275,234,659</b>	<b>241,315,178</b>

**8.6 Deferred tax assets**  
Deferred tax asset/(liability) is recorded under liability method as required by BAS- 12; "Income Tax" in order to allocate the charge of tax to each year relating to that year, taking into account the taxable temporary differences and deductible temporary differences arising out of carrying amount of assets and liabilities and their tax base. Deferred tax assets is arrived at as follows:

Particulars	Tax base	Carrying value of assets / (liabilities) at Dec. 31, 2012		
Fixed assets including premises, furniture & fixtures (note-7)	36,704,943	26,447,295	10,257,648	7,588,953
Gratuity (note-11.1)	-	(10,067,268)	10,067,268	7,869,810
<b>Deductible/(taxable) temporary difference</b>			<b>20,324,916</b>	<b>15,458,763</b>
Applicable tax rate			42.50%	42.50%
			<b>8,638,089</b>	<b>6,569,974</b>

**The change in deferred tax assets is shown below:**

Balance as at 1st January	6,569,974	4,390,269
Addition during the year	2,068,115	2,179,705
<b>Balance as at December 31</b>	<b>8,638,089</b>	<b>6,569,974</b>

<b>8.7 Maturity grouping of other assets</b>		
On demand	-	-
Up to 1 month	-	-
Over 1 month but not more than 3 months	61,787,664	48,138,999
Over 3 months but not more than 1 year	7,764,897	47,115,291
Over 1 year but not more than 5 years	283,872,748	247,885,152
Over 5 years	299,979,600	249,979,600
	<b>653,404,910</b>	<b>593,119,043</b>

	(Figures in BDT)	
	2012	2011
<b>8(a) Consolidated Other assets</b>		
<b>Inside Bangladesh</b>		
<b>Income generating:</b>		
International Leasing and Financial Services Limited	37,950,254	25,166,579
Other assets - income generating	337,929,854	275,146,179
Adjustment for consolidation	(299,979,600)	(249,979,600)
International Leasing Securities Limited	-	-
Hongkong Bangladesh Securities Limited	-	-
IL Capital Limited	-	-
	<b>37,950,254</b>	<b>25,166,579</b>

<b>Non-income generating:</b>		
International Leasing and Financial Services Limited	291,637,645	295,000,444
Other assets - non-income generating	315,475,056	317,972,864
Adjustment for consolidation	(23,837,411)	(22,972,421)
International Leasing Securities Limited	87,921,956	73,165,082
Hongkong Bangladesh Securities Limited	776,012	267,936
Other assets - non-income generating	1,402,657	778,059
Adjustment for consolidation	(626,645)	(510,123)
IL Capital Limited	3,000,977	13,504,131
Other assets - non-income generating	8,465,386	18,363,268
Adjustment for consolidation	(5,464,409)	(4,859,137)
	<b>383,336,590</b>	<b>381,937,592</b>

<b>Outside Bangladesh</b>	-	-
	<b>421,286,844</b>	<b>407,104,171</b>

**9 Borrowing from banks, other financial institutions and agents**

<b>9.1 Inside Bangladesh</b>		
Bank overdraft (note- 9.1.1)	150,925,088	193,482,489
Call borrowing (note- 9.1.2)	270,000,000	440,000,000
REPO liability (note- 9.1.3)	550,000,000	522,248,167
Short term borrowing (note-9.1.4)	260,000,000	420,000,000
Borrowing under refinancing scheme (note-9.1.5)	66,675,050	75,300,337
Long term borrowing (note-9.1.6)	2,023,807,911	2,148,193,346
	<b>3,321,408,050</b>	<b>3,799,224,339</b>
<b>Outside Bangladesh</b>	-	-
	<b>3,321,408,050</b>	<b>3,799,224,339</b>

<b>9.1.1 Bank overdraft</b>		
BRAC Bank Ltd.	45,512,963	84,324,981
ONE Bank Ltd.	59,503,924	8,178,967
Shahjalal Islami Bank Ltd.	-	50,000,000
Commercial Bank of Ceylon	45,908,201	50,978,542
	<b>150,925,088</b>	<b>193,482,489</b>

<b>9.1.2 Call borrowing</b>		
BASIC Bank Ltd.	-	100,000,000
The City Bank Ltd.	100,000,000	100,000,000
Delta Brac Housing Finance Corp. Ltd.	-	90,000,000
Janata Bank Ltd.	-	100,000,000
Standard Bank Ltd.	-	50,000,000
United Commercial Bank Ltd.	170,000,000	-
	<b>270,000,000</b>	<b>440,000,000</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>9.1.3 REPO liability</b>			
	Bangladesh bank	550,000,000	110,000,000
	Premier Bank Limited	-	412,248,167
		<b>550,000,000</b>	<b>522,248,167</b>
<b>9.1.4 Short term borrowing</b>			
	BASIC Bank Limited	-	100,000,000
	IPDC of Bangladesh Ltd.	50,000,000	100,000,000
	National Housing Finance & Investment Ltd.	50,000,000	-
	Premier Bank Ltd.	-	50,000,000
	Prime Finance & Investment Ltd.	60,000,000	70,000,000
	Southeast Bank Ltd.	100,000,000	-
	United Commercial Bank Ltd.	-	100,000,000
		<b>260,000,000</b>	<b>420,000,000</b>
<b>9.1.5 Borrowing under refinancing scheme</b>			
	Fund from Bangladesh Bank for SME financing	3,865,545	4,628,083
	Fund from Bangladesh Bank for house financing	35,488,456	38,027,084
	Fund from RPGCL for DCFP financing (note- 9.1.5.1)	27,321,049	32,645,170
		<b>66,675,050</b>	<b>75,300,337</b>
<b>9.1.5.1</b>	The above fund has been received from Rupantarita Prakritik Gas Company Limited (RPGCL) under Dhaka Clean Fuel Project for financing of environment friendly projects like CNG Filling Station, CNG driven buses etc. The interest @ 5.5% of the fund are paid quarterly and the principal repayment was started from 2009 for a period of 10 years ending in 2017. The maximum relending rate is 9% p.a.		
<b>9.1.6 Long term borrowing</b>			
	Bank Alfalah Ltd.	7,737,552	19,573,243
	Bank Asia Ltd.	-	1,010,018
	BASIC Bank Ltd.	69,138,663	86,144,471
	BRAC Bank Ltd.	76,220,525	91,113,517
	The City Bank Ltd.	180,914,290	258,290,746
	Dhaka Bank Ltd.	259,050,885	331,493,252
	Dutch Bangla Bank Ltd.	36,467,251	102,604,610
	Exim Bank Ltd.	-	5,475,812
	Fareast Finance & Investment Ltd.	4,139,412	5,340,046
	Mercantile Bank Ltd.	141,931,402	196,125,979
	Mutual Trust Bank Ltd.	40,568,176	71,906,328
	National Bank Ltd.	84,616,692	140,818,088
	ONE Bank Ltd.	48,881,174	96,367,034
	Prime Bank Ltd.	87,797,134	158,081,172
	Pubali Bank Ltd.	-	12,570,671
	Shahjalal Islami Bank Ltd.	349,456,669	227,891,041
	Sonali Bank Ltd.	34,200,000	55,256,000
	Southeast Bank Ltd.	183,805,517	75,544,265
	Standard Bank Ltd.	-	11,402,113
	UAE Bangladesh Investment Co. Ltd.	24,981,191	30,000,000
	United Commercial Bank Ltd.	2,105,041	21,963,580
	Uttara Bank Ltd.	391,796,337	149,221,359
		<b>2,023,807,911</b>	<b>2,148,193,346</b>
<b>9.2 Security wise grouping of borrowing from banks, other financial institutions and agents</b>			
	Secured	2,752,054,048	2,896,569,172
	Unsecured	569,354,001	902,655,167
		<b>3,321,408,050</b>	<b>3,799,224,339</b>

The company avail a large amount of it's required fund from various banks and financial institutions. The loans are secured by first fixed and floating charges on all present and future movable and immovable properties of the company registered with RJSC ranking pari-passu among the lenders.

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>9.3 Maturity grouping of borrowing from banks, other financial institutions and agents</b>			
	On demand	270,492,469	633,482,489
	Up to 1 month	229,278,567	1,011,083,887
	Over 1 month but within 3 months	336,405,779	220,243,280
	Over 3 months but within 1 year	1,094,087,877	539,602,448
	Over 1 year but within 5 years	818,126,230	1,363,620,862
	Over 5 years	573,017,128	31,191,373
		<b>3,321,408,050</b>	<b>3,799,224,339</b>
<b>9(a) Consolidated borrowing from banks, other financial institutions and agents</b>			
<b>Inside Bangladesh</b>			
	International Leasing and Financial Services Limited	3,321,408,050	3,799,224,339
	International Leasing Securities Limited	557,226,014	339,887,916
	Borrowing from banks, other financial institutions and agents	2,881,310,477	2,663,354,583
	Adjustment for consolidation	(2,324,084,463)	(2,323,466,667)
	Hongkong Bangladesh Securities Limited	-	-
	IL Capital Limited	-	-
	Borrowing from banks, other financial institutions and agents	5,442,986	-
	Adjustment for consolidation	(5,442,986)	-
		<b>3,878,634,064</b>	<b>4,139,112,255</b>
<b>Outside Bangladesh</b>			
		-	-
		<b>3,878,634,064</b>	<b>4,139,112,255</b>
<b>10 Deposits and other accounts</b>			
	Term deposits (note - 10.1)	8,549,467,439	7,939,320,655
	Other deposits (note- 10.2)	691,052,118	595,315,134
		<b>9,240,519,557</b>	<b>8,534,635,790</b>
<b>10.1 Term deposits</b>			
	These represent deposits from individuals and institutions under the Company's term deposit schemes for a period of not less than six months both from institutions and individuals. Break up of term deposit as per nature of institution is given below:		
	Deposits from banks and financial institutions	3,300,000,000	2,480,000,000
	Deposits from other than banks and financial institutions	5,249,467,439	5,459,320,655
		<b>8,549,467,439</b>	<b>7,939,320,655</b>
<b>10.1.1 Maturity analysis of term deposits</b>			
<b>a) Deposits from banks and financial institutions</b>			
	Payable on demand	-	-
	Up to 1 month	150,000,000	400,000,000
	Over 1 month but within 3 months	525,000,000	1,250,000,000
	Over 3 months but within 1 year	1,312,500,000	830,000,000
	Over 1 year but within 5 years	1,312,500,000	-
	Over 5 years but within 10 years	-	-
	Over 10 years	-	-
		<b>3,300,000,000</b>	<b>2,480,000,000</b>
<b>b) Deposits from other than banks and financial institutions</b>			
	Payable on demand	4,592,963	-
	Up to 1 month	262,334,057	533,255,201
	Over 1 month but within 3 months	499,584,904	840,797,457
	Over 3 months but within 1 year	1,782,983,688	3,863,991,527
	Over 1 year but within 5 years	2,669,222,432	175,022,944
	Over 5 years but within 10 years	30,749,396	46,253,526
	Over 10 years	-	-
		<b>5,249,467,439</b>	<b>5,459,320,655</b>
<b>Total (a+b)</b>		<b>8,549,467,439</b>	<b>7,939,320,655</b>

Notes to the financial statements - continued

	(Figures in BDT)	
	2012	2011
<b>10.1(a) Consolidated term deposits</b>		
International Leasing and Financial Services Limited	8,437,487,195	7,829,809,531
Term deposits	8,549,467,439	7,939,320,655
Adjustment for consolidation	(111,980,244)	(109,511,124)
	<b>8,437,487,195</b>	<b>7,829,809,531</b>
<b>10.2 Other deposits</b>		
This represents deposits received against lease and direct finance on signing of the agreement which are subject to repayment/adjustment on expiry of the agreement. The company receives security deposits under two categories of non-interest bearing and interest bearing security deposit. Details are shown below:		
<b>Non-interest bearing security deposits</b>		
Leases	53,960,029	83,455,307
Time loans	83,957,047	75,888,112
Home loans	9,212,037	8,849,529
Work order loans	481,127	481,127
	<b>147,610,239</b>	<b>168,674,074</b>
<b>Interest bearing security deposits</b>	<b>543,441,879</b>	<b>426,641,060</b>
	<b>691,052,118</b>	<b>595,315,134</b>
<b>10.2.1 Maturity analysis of other deposits</b>		
Payable on demand	13,239,090	74,211,364
Up to 1 month	3,667,705	4,213,320
Over 1 month but within 3 months	5,462,335	2,932,971
Over 3 months but within 1 year	28,118,160	5,262,375
Over 1 year but within 5 years	481,740,895	192,947,962
Over 5 years but within 10 years	158,823,933	315,747,143
Over 10 years	-	-
	<b>691,052,118</b>	<b>595,315,134</b>
<b>11 Other liabilities</b>		
Deferred liability-employees' gratuity (note- 11.1)	10,067,268	7,869,810
Training fund (note-11.2)	458,771	181,271
Un-claimed refund warrant/dividend (note- 11.3)	2,285,473	2,285,473
Interest suspense account (note-11.4)	113,081,938	106,203,937
Payables & accrued expenses (note-11.5)	473,210,107	457,048,542
Liability under finance lease	470,087	1,162,062
Provision for leases, loans and advances (note - 11.6)	405,112,313	543,810,000
Provision for diminution in value of investments	20,887,687	38,390,000
Provision for income tax (note- 11.7)	292,286,456	317,066,740
	<b>1,317,860,100</b>	<b>1,474,017,835</b>
<b>11.1 Deferred liability-employees' gratuity</b>		
Balance as at 1st January	7,869,810	4,850,480
Add: provision made during the year	2,615,208	3,859,330
Less: payment made during the year	417,750	840,000
Balance as at December 31	<b>10,067,268</b>	<b>7,869,810</b>
<b>11.2 Training Fund</b> represents administration cost received from Royal Danish Embassy for operation of private sector development project funded by DANIDA. As per agreement, such cost incurred by ILFSL & received from DANIDA can only be spent for the purpose of employees' training.		
<b>11.3 Un-claimed refund warrant/dividend</b>		
Un-claimed refund warrant	716,194	716,194
Un-claimed dividend	1,569,280	1,569,280
	<b>2,285,473</b>	<b>2,285,473</b>

Notes to the financial statements - continued

	(Figures in BDT)	
	2012	2011
The amount represents refund warrants issued to the unsuccessful investors and dividend warrant issued to the shareholders which were not presented to the bank within December 31, 2012. It is anticipated that it will take some more time to liquidate this liability fully.		
<b>11.4 Interest suspense account</b>		
Balance as at 1st January	106,203,937	150,626,565
Add: suspended during the year	311,892,553	194,431,358
Less: realized during the year	289,012,981	232,704,144
Less: written off during the year	16,001,570	6,149,843
<b>Balance as at December 31</b>	<b>113,081,938</b>	<b>106,203,937</b>
Lease income earned and income from loans, overdue for three months (or equivalent, i.e. 90 days) or more for leases/loans up to 5 years tenure and for six months (or equivalent, i.e. 180 days) or more for leases/loans of more than 5 years tenure is not recognized as revenue and credited to interest suspense account. Suspended interests are recognized as revenue and credited in the statement of comprehensive income on realization basis. Product wise amount of suspended interest as on December 31 are given below:		
Leases	54,037,534	61,408,368
Loans	59,044,404	44,795,569
	<b>113,081,938</b>	<b>106,203,937</b>
<b>11.5 Payables &amp; accrued expenses</b>		
<b>a) Interest payables</b>		
Interest payable on bank overdraft & others	-	3,537,887
Interest payable on call borrowing	180,000	861,666
Interest payable on REPO liability	161,986	717,161
Interest payable on short-term borrowing	2,280,278	7,829,444
Interest payable on long-term borrowing	21,965	2,664,618
Interest payable on borrowing under refinancing scheme (note-11.5.1)	263,390	394,967
Interest payable on deposits from banks and FIs	116,523,632	92,019,850
Interest payable on deposits from other than banks and FIs	310,482,022	289,927,814
	<b>429,913,272</b>	<b>397,953,408</b>
<b>b) Other payables</b>		
Payable for fractional bonus & right share	1,764,483	2,757,899
Payable for Tax/VAT deducted at source	4,805,122	14,298,926
Payable against terminated Leases/Loans	-	-
Payable for bank guarantee & commission	(15,420)	(56,000)
Liability for expenses & other payables	1,012,100	337,934
Payable for Private Sector Development (PSD) program (note- 11.5.2)	35,730,549	41,756,375
	<b>43,296,834</b>	<b>59,095,134</b>
<b>Total (a+b)</b>	<b>473,210,107</b>	<b>457,048,542</b>
<b>11.5.1 Interest payable on borrowing under refinancing scheme</b>		
Fund from Bangladesh Bank for SME financing	71,646	60,056
Fund from Bangladesh Bank for housing financing	107,102	234,122
Fund from RPGCL for DCFP financing	84,642	100,789
	<b>263,390</b>	<b>394,967</b>
<b>11.5.2</b> This represents rental received on monthly basis from the clients financed under PSD program funded by DANIDA which is refundable to the Royal Danish Embassy on quarterly basis.		
<b>11.6 Provision for leases, loans and advances</b>		
<b>Movements of provision for leases, loans and advances:</b>		
<b>a) Specific provision on classified leases, loans and advances</b>		
Balance at January 01	403,768,600	390,086,700
Fully provided debts written off during the year (note- 11.6.1)	(90,998,178)	(34,349,266)
Provision made for the year	165,287,754	142,543,266
Recovery of amounts previously written off	-	-
Recoveries and provision no longer required	(203,720,386)	(94,512,100)
<b>Net charge to Profit and Loss Account</b>	<b>(38,432,632)</b>	<b>48,031,166</b>
	<b>274,337,789</b>	<b>403,768,600</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>b) General provision on unclassified leases, loans and advances</b>			
	Balance at January 01	140,041,400	130,713,300
	Provision made/(no longer required) for the year	(9,266,876)	9,328,100
	<b>Total (a+b)</b>	<b>405,112,313</b>	<b>543,810,000</b>
<b>Break up of provision for leases, loans and advances :</b>			
<b>a) Specific provision on classified leases, loans and advances</b>			
	Sub-standard	51,061,932	23,956,600
	Doubtful	70,745,243	23,561,000
	Bad and loss	152,530,614	356,251,000
	<b>Total</b>	<b>274,337,789</b>	<b>403,768,600</b>
<b>b) General provision on unclassified lease, loans and advances</b>			
	Standard	124,426,677	118,229,550
	SMA	6,347,847	21,811,850
	<b>Total (a+b)</b>	<b>405,112,313</b>	<b>543,810,000</b>

Provision for classified and un-classified leases, loans and advances has been made on the basis of analysis of portfolio made by the Management of the Company as per FID Circular # 08 of 2002 as amended from time to time by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank. As per FICL submitted to Bangladesh Bank the required provision as per calculation made under FID Circular was Tk. 405.08 million and actual provision in the books of accounts under this head has been kept at Tk. 405.11 million.

**11.6.1 Leases/loans written-off**

As per FID Circular No.03 dated March 15, 2007 of Bangladesh Bank a Financial Institution should write-off its leases/loans to clean-up its financial statements subject to fulfillment of four conditions; (1) leases/loans classified as bad and losses against which 100% provision has been made (2) Approval from the Board of Directors has to be obtained (3) Best endeavor shall be made to recovery of the write-off leases/loans (4) Legal process should be initiated if not started before.

As per said circular the Company has written-off some of its leases/loans as stated below:

	Current	Cummulative	Cummulative
Balance at January 01	-	87,115,906	46,616,797
Net leases/loans written-off during the year	106,999,749	194,115,655	87,115,906
No. of account written-off	8	19	11
No. of lessee/loanee written-off	5	12	7
Interest suspense against lessee/loanee written-off	(16,001,570)	(24,476,488)	(8,474,917)
Provision adjusted against lessee/loanee written-off	(90,998,178)	(169,639,167)	(78,640,989)
Recovery against lessee/loanee written-off	-	-	-
<b>Balance as at December 31</b>	<b>106,999,749</b>	<b>194,115,655</b>	<b>87,115,906</b>

**11.7 Provision for income tax**

Balance as on January 01	317,066,740	262,014,076
Add: provision made during the year	22,685,000	55,052,664
Less: settlement of previous years tax liability	47,465,284	-
	<b>292,286,456</b>	<b>317,066,740</b>

**11.8 Maturity analysis of other liabilities**

Payable on demand	-	-
Up to 1 month	-	-
Over 1 month but within 3 months	-	-
Over 3 months but within 1 year	607,179,732	601,642,478
Over 1 year but within 5 years	710,680,368	872,375,356
Over 5 years but within 10 years	-	-
Over 10 years	-	-
	<b>1,317,860,100</b>	<b>1,474,017,835</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>11(a) Consolidated other liabilities</b>			
	International Leasing and Financial Services Limited	1,311,769,046	1,468,648,575
	Other liabilities	1,317,860,100	1,474,017,835
	Adjustment for consolidation	(6,091,054)	(5,369,260)
	International Leasing Securities Limited	183,486,882	285,940,667
	Other liabilities	384,635,072	558,894,850
	Adjustment for consolidation	(201,148,190)	(272,954,183)
	Hongkong Bangladesh Securities Limited	1,287,012	657,907
	Other liabilities	1,307,012	657,907
	Adjustment for consolidation	(20,000)	-
	IL Capital Limited	2,250,816	51,125
	Other liabilities	21,221,268	18,352,003
	Adjustment for consolidation	(18,970,452)	(18,300,878)
	<b>Total</b>	<b>1,498,793,757</b>	<b>1,755,298,273</b>

**12 Share capital**

**12.1 Authorized**

200,000,000 nos. of ordinary shares of taka 10 each	<b>2,000,000,000</b>	<b>2,000,000,000</b>
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**12.2 Issued, subscribed & paid up**

11,000,000 Ordinary Shares of Tk. 10 each issued for cash (opening capital & IPO)	110,000,000	110,000,000
81,466,000 Ordinary Shares of Tk. 10 each issued as right share	814,660,000	814,660,000
78,612,600 Ordinary Shares of Tk. 10 each issued as bonus share	786,126,000	704,660,000
	<b>1,710,786,000</b>	<b>1,629,320,000</b>

The detail history of raising of share capital of the company is given below:

Date	Particulars	Addition in		Cummulative	
		No. of shares	Amount of paid-up capital	No. of shares	Amount of paid-up capital
15-Jan-96	As per MOA & AOA	7	700	7	700
17-Mar-96	Allotted for cash	10,000	1,000,000	10,007	1,000,700
24-Nov-96	Allotted for cash	589,993	58,999,300	600,000	60,000,000
22-Sep-98	Bonus Shares	90,000	9,000,000	690,000	69,000,000
22-Jun-99	Bonus Shares	138,000	13,800,000	828,000	82,800,000
29-May-03	Bonus Shares	107,640	10,764,000	935,640	93,564,000
16-Jun-04	Bonus Shares	327,474	32,747,400	1,263,114	126,311,400
12-Jun-05	Bonus Shares	315,778	31,577,800	1,578,892	157,889,200
05-Jul-06	Bonus Shares	221,108	22,110,800	1,800,000	180,000,000
02-Sep-07	IPO shares	500,000	50,000,000	2,300,000	230,000,000
25-May-08	Bonus Shares	230,000	23,000,000	2,530,000	253,000,000
31-May-09	Bonus Shares	379,500	37,950,000	2,909,500	290,950,000
27-Jun-10	Bonus Shares	2,182,125	218,212,500	5,091,625	509,162,500
30-Mar-11	Bonus Shares	3,054,975	305,497,500	8,146,600	814,660,000
20-Oct-11	Rights Share	8,146,600	814,660,000	16,293,200	1,629,320,000
20-Nov-11	Share Split	146,638,800	-	162,932,000	1,629,320,000
10-May-12	Bonus Shares	8,146,600	81,466,000	171,078,600	1,710,786,000
<b>Total</b>		<b>171,078,600</b>	<b>1,710,786,000</b>		

The face value of share has been changed to Tk. 10 from Tk. 100 each effective from November 20, 2011

(Figures in BDT)

Particulars	2012		2011	
	No. of shares	% of holding	No. of shares	% of holding
<b>a) Corporate</b>	<b>45,792,771</b>	<b>26.77%</b>	<b>45,792,771</b>	
Shaw Wallace Bangladesh Limited	29,706,570	17.36%	29,706,570	
PHP Float Glass Industries Ltd.	3,422,049	2.00%	3,422,049	
Z. N. Enterprise	3,422,000	2.00%	3,422,000	
Eastern Bank Limited	3,421,572	2.00%	3,421,572	
Reliance Brokerage Services Limited	5,820,580	3.40%	5,820,580	
<b>b) Individual</b>	<b>55,989,546</b>	<b>32.73%</b>	<b>55,989,546</b>	
Mrs. Rosy Ahmad	3,288,452	1.92%	3,288,452	
Mr. Jamal Uddin Ahmad	5,320,308	3.11%	5,320,308	
Mr. Mahbub Jamil	244,776	0.14%	244,776	
Mrs. Tasmia Ambereen	30,848,160	18.03%	30,848,160	
Mrs. Anika Tehzeeb	14,727,250	8.61%	14,727,250	
Mr. Mohamed Ali Hossain	1,560,600	0.91%	1,560,600	
<b>c) General shareholders</b>	<b>69,296,283</b>	<b>40.51%</b>	<b>69,296,283</b>	
Institutions/corporate	27,751,183	16.22%	27,751,183	
Individual	40,719,658	23.80%	40,719,658	
Non-resident Bangladeshi	825,442	0.48%	825,442	
<b>Total (a+b+c)</b>	<b>171,078,600</b>	<b>100%</b>	<b>171,078,600</b>	

Classification of shareholders by holding as of December 31, 2012 as required by regulation 37 of the listing Regulations of Dhaka Stock Exchange Limited is stated below:

	Number of shares	Number of shareholders	Number of shares held	Percentage of shareholding
Less than 500	500	3,468	733,629	0.43%
501 to 5,000	5,000	6,082	12,263,928	7.17%
5,001 to 10,000	10,000	898	6,414,318	3.75%
10,001 to 20,000	20,000	466	6,446,292	3.77%
20,001 to 30,000	30,000	142	3,378,412	1.97%
30,001 to 40,000	40,000	54	1,876,955	1.10%
40,001 to 50,000	50,000	28	1,243,716	0.73%
50,001 to 100,000	100,000	66	4,396,475	2.57%
100,001 to 500,000	500,000	56	12,779,417	7.47%
More than 500,000	500,000	29	121,545,458	71.05%
<b>Total</b>		<b>11,289</b>	<b>171,078,600</b>	<b>100%</b>

The shares were listed in Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on September 16, 2007 and traded at Tk. 20.20 each at Dhaka Stock Exchange Limited and Tk. 20.00 each at Chittagong Stock Exchange Limited at the end of the year 2012.

### 12.3 Capital adequacy ratio (CAR)

In terms of section 6 of Financial Institutions Act 1993 with subsequent revisions and section 4 (Gha) of Financial Institutions Regulations 1994, the company as a financial institution is subject to minimum paid up capital requirement of Tk. 1,000 million as stipulated in DFIM Circular no. 05, dated July 24, 2011. As per the requirement, the company has to have a minimum paid up capital of Tk. 1,000 million which is fulfilled by the company as shown below:

Paid up capital (note-12.2)	1,710,786,000	1,629,320,000
Add: proposed bonus share for the year	-	81,466,000
	<b>1,710,786,000</b>	<b>1,710,786,000</b>
Minimum required paid up capital	1,000,000,000	1,000,000,000
<b>Excess in paid up capital</b>	<b>710,786,000</b>	<b>710,786,000</b>

(Figures in BDT)

2012 2011

As per DFIM Circular No. 08 dated August 02, 2010 and Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions issued by Bangladesh Bank, the company as a financial institution should maintain a Capital Adequacy ratio (CAR) of minimum 10% of its Risk weighted Assets (RWA) where Tier-I Capital is not less than 5% of the Risk Weighted Assets (RWA). Required capital of the company at the close of the business on December 31, 2012 was Taka 1,605,636,498 as against available core capital of Taka 2,078,563,491 and supplementary capital of Taka 130,774,524 making a total capital of Taka 2,209,338,015 thereby showing a surplus capital of Taka 603,701,517 at that date. Details are shown below:

<b>a) Core capital (Tier-I)</b>		
Paid-up capital (note-12.2)	1,710,786,000	1,629,320,000
Statutory reserve (note-13)	276,077,000	253,703,000
Retained earnings/surplus (note-14)	91,700,491	83,674,673
<b>Total eligible/actual tier-I capital</b>	<b>2,078,563,491</b>	<b>1,966,697,673</b>
<b>b) Supplementary capital (Tier-II)</b>		
General Provision	130,774,524	140,041,400
(Unclassified loans up to specified limit+SMA+ off balance sheet exposure)		
<b>Total eligible/actual tier-II capital</b>	<b>130,774,524</b>	<b>140,041,400</b>
(Maximum up to 100% of total eligible tier-1 capital)		
<b>A) Total eligible/actual capital maintained (a+b)</b>	<b>2,209,338,015</b>	<b>2,106,739,073</b>
Total assets including off-balance sheet exposures	16,569,928,240	16,338,622,457
<b>B) Total risk weighted assets</b>	<b>16,056,364,980</b>	<b>14,603,325,221</b>
<b>C) Required capital based on risk weighted assets (10% on B)</b>	<b>1,605,636,498</b>	<b>1,460,332,522</b>
<b>Total capital surplus (A-C)</b>	<b>603,701,517</b>	<b>646,406,550</b>
<b>Capital adequacy ratio (CAR) based on Basel II framework</b>	<b>13.76%</b>	<b>14.43%</b>

### 13 Statutory reserve

Balance as at January 01	253,703,000	233,936,000
Addition during the year	22,374,000	19,767,000
<b>Balance as at December 31</b>	<b>276,077,000</b>	<b>253,703,000</b>

As per section 9 of the Financial Institutions Act, 1993 and regulation 6 of the Financial Institutions Regulations 1994, statutory reserve has to keep at least 20% of profit for the year and to be continued to build up at this rate, till the reserve equates the paid up capital of the company unless otherwise advised. As per this regulatory requirement the company has to transfer Tk. 22,373,164 to Statutory Reserve Fund for the year 2012. During the year the Company has transferred Tk. 22,374,000 to the Statutory Reserve Fund from current year's profit.

### 14 Retained earnings/surplus

Balance as at 1st January	83,674,673	310,110,976
Less: cash dividend for last year	-	-
Less: issue of bonus share for last year	81,466,000	305,497,500
	<b>2,208,673</b>	<b>4,613,476</b>
Retained surplus for the year	89,491,819	79,061,196
	<b>91,700,491</b>	<b>83,674,673</b>

### 14(a) Consolidated retained earnings/surplus

Balance as at 1st January	85,545,349	437,536,828
Less: cash dividend for last year	-	-
Less: issue of bonus share for last year	81,466,000	305,497,500
	<b>4,079,349</b>	<b>132,039,328</b>
Retained surplus for the year	36,908,366	(76,343,919)
Add: transfer from general reserve of ILSL	-	43,424,913
Add: transfer from loan risk reserve of ILSL	-	43,424,913
Less : Transferred to/(from) tax provision of ILSL	(56,999,886)	56,999,886
	<b>97,987,602</b>	<b>85,545,349</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>15 Minority interest</b>			
<b>a) Share capital</b>			
	International Leasing Securities Limited	300	300
	Hongkong Bangladesh Securities Limited	300	300
	IL Capital Limited	20,100	20,100
		<b>20,700</b>	<b>20,700</b>
<b>b) Retained earnings/surplus as at 1st January</b>			
	International Leasing Securities Limited	61	313
	Hongkong Bangladesh Securities Limited	30	7
		<b>91</b>	<b>320</b>
<b>c) Retained surplus for the year</b>			
	International Leasing Securities Limited	66	387
	Hongkong Bangladesh Securities Limited	30	23
	IL Capital Limited	473	-
		<b>569</b>	<b>410</b>
<b>d)</b>	Transferred from/(to) tax provision of ILSL	114	(114)
<b>e)</b>	Cash dividend paid by ILSL	(150)	(525)
	<b>Balance as at December 31 (a+b+c+d+e)</b>	<b>21,324</b>	<b>20,791</b>
<b>16 Net asset value per share</b>			
	Total assets	15,958,351,199	15,774,575,636
	Total liabilities	13,879,787,707	13,807,877,963
	<b>Net asset</b>	<b>2,078,563,491</b>	<b>1,966,697,673</b>
	Number of share outstanding	171,078,600	171,078,600
	<b>Net asset value per share (2011 - Restated)</b>	<b>12.15</b>	<b>11.50</b>
<b>16(a) Consolidated net asset value per share</b>			
	Total assets	16,590,839,058	16,288,124,334
	Total liabilities	14,505,988,457	14,319,555,985
	<b>Net asset</b>	<b>2,084,850,602</b>	<b>1,968,568,349</b>
	Number of share outstanding	171,078,600	171,078,600
	<b>Net asset value per share (2011 - Restated)</b>	<b>12.19</b>	<b>11.51</b>
<b>17 Contingent liabilities</b>			
<b>17.1 Letters of guarantee</b>			
	Letters of guarantee (local)	550,000,000	500,000,000
	Letters of guarantee (foreign)	-	-
	Counter guarantees	61,577,041	64,046,821
		<b>611,577,041</b>	<b>564,046,821</b>
	Money for which the Company is contingently liable in respect of guarantees given favoring:		
	Banks and other financial institutions	111,577,041	64,046,821
	Others - DSE	500,000,000	500,000,000
		<b>611,577,041</b>	<b>564,046,821</b>
<b>18 Statement of comprehensive income</b>			
<b>a) Income:</b>			
	Interest, discount and similar income (note-18.1)	1,992,864,258	1,781,689,518
	Dividend income (note-21.1)	103,084,425	264,364,025
	Fees, commission and brokerage (note- 22)	4,023,188	4,822,016
	Gains less losses arising from dealing in securities	-	-
	Gains less losses arising from investment securities	-	-
	Gains less losses arising from dealing in foreign currencies	-	-
	Income from non-Company assets	-	-
	Other operating income (note- 23)	1,331,329	13,094,972
	Profit less losses on interest rate changes	-	-
		<b>2,101,303,200</b>	<b>2,063,970,532</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>b) Expenses:</b>			
	Interest, fee and commission, etc. (note- 20)	1,932,970,585	1,733,265,684
	Losses on loans and advances	-	-
	Administrative expenses (note-18.2)	76,612,516	80,316,192
	Other operating expenses (note-33)	14,884,877	10,713,674
	Depreciation/amortization on assets	9,554,340	6,424,560
		<b>2,034,022,318</b>	<b>1,830,720,110</b>
	<b>Profit before provisions (a-b)</b>	<b>67,280,882</b>	<b>233,250,422</b>
<b>18.1 Interest, discount and similar income</b>			
	Interest income - Lease	350,426,232	366,418,611
	Interest income - time loan	865,335,450	732,072,644
	Interest income - work order loan	3,004,058	2,827,138
	Interest income - home loan	125,703,042	87,239,562
	Interest income- short term loan	493,529,387	458,981,985
	Interest income - staff loan	2,767,717	2,110,055
	Interest income - deposit with banks/Fls	128,094,674	95,476,295
	Coupon income - government treasury bonds	65,220,209	78,652,196
	Discount income - bills/bonds	-	15,297,120
	Gain/(loss) from bills/bonds	(412,175)	(4,814,174)
	Gain/(loss) on sale of shares	(40,804,336)	(52,571,914)
		<b>1,992,864,258</b>	<b>1,781,689,518</b>
<b>18.2 Administrative expenses</b>			
	Salary and allowances	45,663,527	48,985,442
	Rent, taxes, insurance & electricity	11,015,210	10,130,850
	Legal expenses	2,041,787	2,063,698
	Postage, stamp & telecommunication	1,339,166	1,444,618
	Stationery, printing & advertisement	4,577,189	6,906,545
	Managing Director's salary & benefits	7,160,000	6,527,500
	Directors' fees	914,250	983,250
	Auditors' fees	230,000	156,750
	Repair of the Company's assets	3,671,387	3,117,538
		<b>76,612,516</b>	<b>80,316,192</b>
<b>19 Interest income</b>			
	Interest income - lease	350,426,232	366,418,611
	Interest income - time loan	865,335,450	732,072,644
	Interest income - work order & Factoring loan	3,004,058	2,827,138
	Interest income - home loan	125,703,042	87,239,562
	Interest income - short term loan	493,529,387	458,981,985
	Interest income - staff loan	2,767,717	2,110,055
	Coupon income - government treasury bonds	65,220,209	78,652,196
	Interest income - fixed deposit with banks	125,869,926	93,067,278
	Interest income - balance with banks	2,224,748	2,409,017
		<b>2,034,080,769</b>	<b>1,823,778,487</b>
<b>19(a) Consolidated interest income</b>			
	International Leasing and Financial Services Limited	1,626,396,395	1,435,853,602
	Interest income	2,034,080,769	1,823,778,487
	Adjustment for consolidation	(407,684,374)	(387,924,884)
	International Leasing Securities Limited	521,702,980	499,626,282
	Hongkong Bangladesh Securities Limited	-	3,579
	Interest income	1,676,124	1,309,535
	Adjustment for consolidation	(1,676,124)	(1,305,956)
	IL Capital Limited	-	-
	Interest income	15,365,048	4,859,137
	Adjustment for consolidation	(15,365,048)	(4,859,137)
		<b>2,148,099,375</b>	<b>1,935,483,464</b>

Notes to the financial statements - continued

	(Figures in BDT)	
	2012	2011
<b>20 Interest expense on deposits and borrowings etc.</b>		
<b>a) Interest expense on deposits</b>		
Interest on term deposits, bank and financial institutions	495,762,570	490,957,644
Interest on term deposits, other than bank and financial institutions	778,981,346	616,985,311
Direct deposit expenses	19,923,492	25,731,636
Interest expense on security deposits (interest bearing)	57,489,222	32,665,755
	<b>1,352,156,631</b>	<b>1,166,340,347</b>
<b>b) Interest expense on borrowings</b>		
Interest on call borrowing	77,181,111	39,105,832
Interest on short-term borrowing	63,830,903	98,943,264
Interest on long-term borrowing	331,044,560	282,777,983
Interest on borrowing under refinancing scheme	3,667,752	4,337,146
Interest on bank overdraft	28,664,408	23,095,726
Interest expense on REPO liability	76,259,709	118,450,621
Finance charge for obligation under finance lease	165,511	214,765
	<b>580,813,954</b>	<b>566,925,338</b>
<b>Total (a+b)</b>	<b>1,932,970,585</b>	<b>1,733,265,684</b>
<b>20(a) Consolidated Interest expense on deposits and borrowings etc.</b>		
<b>a) Interest expense on deposits</b>		
International Leasing and Financial Services Limited	1,335,115,459	1,160,175,254
Interest expense on deposits	1,352,156,631	1,166,340,347
Adjustment for consolidation	(17,041,172)	(6,165,093)
	<b>1,335,115,459</b>	<b>1,160,175,254</b>
<b>b) Interest expense on borrowings</b>		
International Leasing and Financial Services Limited	580,813,954	566,925,338
International Leasing Securities Limited	89,414,304	35,826,100
Interest expense on borrowings	491,655,692	423,750,984
Adjustment for consolidation	(402,241,388)	(387,924,884)
IL Capital Limited	178,025	-
Interest expense on borrowings	5,621,011	-
Adjustment for consolidation	(5,442,986)	-
	<b>670,406,283</b>	<b>602,751,438</b>
	<b>2,005,521,742</b>	<b>1,762,926,692</b>
<b>21 Investment income</b>		
Dividend income (note- 21.1)	103,084,425	264,364,025
Discount income from bills/bonds	-	15,297,120
Gain from bills/bonds	(412,175)	(4,814,174)
Gain/(loss) on sale of shares	(40,804,336)	(52,571,914)
	<b>61,867,914</b>	<b>222,275,057</b>
<b>21.1 Dividend income</b>		
Dividend income from investment in subsidiary Co.	99,999,850	262,449,475
Dividend income from investment in quoted shares	3,084,575	1,914,550
	<b>103,084,425</b>	<b>264,364,025</b>
<b>21(a) Consolidated investment income</b>		
International Leasing and Financial Services Limited	(38,131,936)	(40,174,418)
Investment income	61,867,914	222,275,057
Adjustment for consolidation	(99,999,850)	(262,449,475)
International Leasing Securities Limited	3,144,095	(2,517,018)
	<b>(34,987,841)</b>	<b>(42,691,436)</b>

Notes to the financial statements - continued

	(Figures in BDT)	
	2012	2011
<b>22 Commission, fees, exchange and brokerage</b>		
Underwriting Commission - government treasury bonds & bills	18,750	799,946
Processing fees - leases	801,715	521,456
Processing fees - time loan	1,205,017	2,012,667
Processing fees - work order	-	10,000
Processing fees - home loan	1,055,000	1,046,891
Guarantee commission	942,706	431,056
	<b>4,023,188</b>	<b>4,822,016</b>
<b>22(a) Consolidated commission, fees, exchange and brokerage</b>		
International Leasing and Financial Services Limited	4,023,188	4,822,016
International Leasing Securities Limited	119,725,619	159,618,516
	<b>123,748,807</b>	<b>164,440,532</b>
Consolidated fees, commission and brokerage from International Leasing Securities Limited represents net brokerage income.		
<b>23 Other operating income</b>		
Gain on sale of leased assets	1,240,396	857,091
Gain on sale of fixed assets	24,490	1,420,000
Miscellaneous income	66,443	10,817,881
	<b>1,331,329</b>	<b>13,094,972</b>
<b>23(a) Consolidated other operating income</b>		
International Leasing and Financial Services Limited	1,331,329	13,094,972
International Leasing Securities Limited	2,531,236	13,408,693
	<b>3,862,565</b>	<b>26,503,666</b>
<b>24 Salary and allowances</b>		
Basic salary and other allowances	41,224,110	43,327,382
Company's contribution to provident fund	1,824,209	1,798,730
Gratuity	2,615,208	3,859,330
	<b>45,663,527</b>	<b>48,985,442</b>
<b>24(a) Consolidated salary and allowances</b>		
International Leasing and Financial Services Limited	45,663,527	48,985,442
International Leasing Securities Limited	27,776,567	31,838,952
IL Capital Limited	1,704,727	-
	<b>75,144,821</b>	<b>80,824,394</b>
<b>25 Rent, taxes, insurance &amp; electricity</b>		
Rent, rate and taxes	9,142,576	8,919,788
Insurance	619,271	621,102
Electricity, gas and water	1,253,363	589,960
	<b>11,015,210</b>	<b>10,130,850</b>
<b>25(a) Consolidated rent, taxes, insurance &amp; electricity</b>		
International Leasing and Financial Services Limited	11,015,210	10,130,850
International Leasing Securities Limited	15,784,249	15,209,399
IL Capital Limited	256,111	-
	<b>27,055,570</b>	<b>25,340,250</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>26 Legal expenses</b>			
	Legal expenses	965,287	2,063,698
	Other professional charges	1,076,500	-
		<b>2,041,787</b>	<b>2,063,698</b>
<b>26(a) Consolidated legal expenses</b>			
	International Leasing and Financial Services Limited	2,041,787	2,063,698
	International Leasing Securities Limited	280,480	31,488
	Hong Kong Bangladesh Securities Limited	-	13,063
		<b>2,322,267</b>	<b>2,108,249</b>
<b>27 Postage, stamp &amp; telecommunication</b>			
	Postage, stamp, internet	581,411	706,488
	Telephone	757,755	738,130
		<b>1,339,166</b>	<b>1,444,618</b>
<b>27(a) Consolidated postage, stamp &amp; telecommunication</b>			
	International Leasing and Financial Services Limited	1,339,166	1,444,618
	International Leasing Securities Limited	867,741	853,306
	IL Capital Limited	58,938	-
		<b>2,265,844</b>	<b>2,297,924</b>
<b>28 Stationery, printing and advertisements</b>			
	Printing and stationery	2,750,839	2,570,540
	Publicity and advertisement	1,826,350	4,336,005
		<b>4,577,189</b>	<b>6,906,545</b>
<b>28(a) Consolidated stationery, printing and advertisements</b>			
	International Leasing and Financial Services Limited	4,577,189	6,906,545
	International Leasing Securities Limited	1,242,308	1,553,552
	IL Capital Limited	160,160	-
		<b>5,979,657</b>	<b>8,460,098</b>
<b>29 Managing Director's salary and benefits</b>			
	Remuneration	4,940,000	3,052,500
	Other benefits	2,220,000	3,475,000
		<b>7,160,000</b>	<b>6,527,500</b>
<b>30 Directors' fees &amp; meeting expenses</b>			
	Directors' fee for attending board meeting (note- 30.1)	672,750	655,500
	Executive Committee members' fee for attending EC meeting	92,000	247,250
	Audit Committee members' fee for attending AC meeting	149,500	80,500
		<b>914,250</b>	<b>983,250</b>
<b>30.1</b>	Directors board meeting fee for attending each board meeting during the year was Tk. 5,000 per director. No director has been paid any remuneration for any special service rendered.		
<b>30(a) Consolidated directors' fees &amp; meeting expenses</b>			
	International Leasing and Financial Services Limited	914,250	983,250
	International Leasing Securities Limited	469,964	276,000
	IL Capital Limited	97,750	-
		<b>1,481,964</b>	<b>1,259,250</b>
<b>31 Auditors' fees</b>			
	Statutory audit fee	230,000	156,750
		<b>230,000</b>	<b>156,750</b>
<b>31(a) Consolidated auditors' fees</b>			
	International Leasing and Financial Services Limited	230,000	156,750
	International Leasing Securities Limited	85,200	66,880
	Hongkong Bangladesh Securities Limited	57,500	26,125
	IL Capital Limited	28,750	26,125
		<b>401,450</b>	<b>275,880</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>32 Depreciation, amortization and repair of assets</b>			
<b>a) Depreciation - (see annexure-B for detail)</b>			
	Motor vehicles	3,551,090	3,631,089
	Motor vehicles - leasehold	691,975	609,875
	Office decoration	2,349,388	809,423
	Office equipment	1,666,991	940,914
	Furniture & fixtures	585,492	425,258
	Computer accessories	709,404	8,000
		<b>9,554,340</b>	<b>6,424,560</b>
<b>b) Repairs</b>			
	Office equipment	287,419	174,859
	Vehicles	3,383,968	2,942,679
		<b>3,671,387</b>	<b>3,117,538</b>
<b>Total (a+b)</b>		<b>13,225,727</b>	<b>9,542,098</b>
<b>32(a) Consolidated depreciation, amortization and repair of assets</b>			
<b>a) Depreciation - (see annexure-B(a) for detail)</b>			
	International Leasing and Financial Services Limited	9,554,340	6,424,560
	International Leasing Securities Limited	8,390,108	9,122,254
	Hongkong Bangladesh Securities Limited	1	-
	IL Capital Limited	3,139,998	-
		<b>21,084,447</b>	<b>15,546,814</b>
<b>b) Amortization</b>			
	International Leasing and Financial Services Limited	-	-
	International Leasing Securities Limited	-	-
	Hongkong Bangladesh Securities Limited	-	-
	IL Capital Limited	-	4,796,747
		<b>-</b>	<b>4,796,747</b>
<b>c) Repairs</b>			
	International Leasing and Financial Services Limited	3,671,387	3,117,538
	International Leasing Securities Limited	588,929	240,278
	Hongkong Bangladesh Securities Limited	-	-
	IL Capital Limited	157,956	-
		<b>4,418,273</b>	<b>3,357,816</b>
<b>Total (a+b+c)</b>		<b>25,502,719</b>	<b>23,701,377</b>
<b>33 Other expenses</b>			
	Fuel expenses for vehicles	1,132,904	849,632
	Office maintenance	739,434	619,430
	Training expenses	117,779	333,400
	Books, magazines and newspapers	24,165	30,123
	Fees and subscription	7,949,400	3,603,463
	Bank charges	498,474	920,125
	Entertainment	752,820	583,440
	CIB service charge	42,940	41,900
	Business development expenses	2,675,051	2,840,269
	Traveling and conveyance expenses	951,911	891,892
		<b>14,884,877</b>	<b>10,713,674</b>
	All expenses other than those specifically categorized by Bangladesh Bank through DFIM Circular No. 11 dated December 23, 2009 are shown under the heading of other expenses.		



Notes to the financial statements - continued

	(Figures in BDT)	
	2012	2011
<b>33(a) Consolidated other expenses</b>		
International Leasing and Financial Services Limited	14,884,877	10,713,674
International Leasing Securities Limited	7,823,109	8,541,626
Hongkong Bangladesh Securities Limited	24,699	19,495
IL Capital Limited	372,831	11,265
	<b>23,105,516</b>	<b>19,286,061</b>

<b>34 Provision against leases, loans and advances</b>		
On classified leases, loans and advances	(38,432,632)	13,681,900
On un-classified leases, loans and advances	(9,266,876)	43,677,366
	<b>(47,699,509)</b>	<b>57,359,266</b>

Provision for classified and unclassified leases, loans and advances has been made on the basis of analysis of portfolio made by the Management of the Company as per FID Circular No.08 of 2002 and amended from time to time by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank. A provision of Tk. 47,699,509 has been released for the year 2012 .

<b>34(a) Consolidated Provision against leases, loans and advances</b>		
International Leasing and Financial Services Limited	(47,699,509)	57,359,266
International Leasing Securities Limited	-	-
	<b>(47,699,509)</b>	<b>57,359,266</b>

<b>35 Provision for diminution in value of investments</b>		
<b>Shares</b>		
Provision for quoted shares	(17,502,313)	24,190,000
Provision for un-quoted shares	-	-
	<b>(17,502,313)</b>	<b>24,190,000</b>

<b>35(a) Consolidated Provision for diminution in value of investments</b>		
<b>Shares</b>		
International Leasing and Financial Services Limited	(17,502,313)	24,190,000
International Leasing Securities Limited	14,525,619	3,999,623
	<b>(2,976,694)</b>	<b>28,189,623</b>

<b>36 Provision for tax</b>		
Current tax	22,685,000	55,052,664
Deferred tax	(2,068,115)	(2,179,705)
	<b>20,616,885</b>	<b>52,872,959</b>

**36.1 Average effective tax rate**

The average effective tax rate is calculated below as per Bangladesh Accounting Standard 12 "Income Tax"

Tax expense	20,616,885	52,872,959
Accounting profit before tax	132,482,704	151,701,155
<b>Average effective tax rate</b>	<b>15.56%</b>	<b>34.85%</b>

Provision for tax on dividend income has been made @ 20%. Since, there is loss excluding dividend income no additional tax provision is required.

<b>36(a) Consolidated Provision for tax</b>		
International Leasing and Financial Services Limited	20,616,885	52,872,959
International Leasing Securities Limited	33,547,450	68,389,316
Hongkong Bangladesh Securities Limited	597,730	469,070
IL Capital Limited	1,412,556	25,000
	<b>56,174,621</b>	<b>121,756,345</b>

Notes to the financial statements - continued

	(Figures in BDT)	
	2012	2011
<b>36(a).1 Consolidated average effective tax rate</b>		
The average effective tax rate is calculated below as per Bangladesh Accounting Standard 12 "Income Tax"		
Tax expense	56,174,621	121,756,345
Accounting profit before tax	115,457,557	65,179,663
<b>Average effective tax rate</b>	<b>48.65%</b>	<b>186.80%</b>

**37 Earnings Per Share (EPS)**

Basic earnings per share have been calculated as under:

Earning attributable to ordinary shareholders (profit after tax)	111,865,819	98,828,196
Weighted average number of ordinary shares outstanding during the year	171,078,600	171,078,600
<b>Earning per share (EPS) (2011 - Restated)</b>	<b>0.65</b>	<b>0.58</b>

No diluted earnings per share is required to be calculated for the year as there was no convertible securities for dilution during the year.

**37(a) Consolidated Earnings Per Share (EPS)**

Basic earnings per share have been calculated as under:

Earning attributable to ordinary shareholders (profit after tax)	59,282,366	(56,576,919)
Weighted average number of ordinary shares outstanding during the year	171,078,600	171,078,600
<b>Earning per share (EPS) (2011 - Restated)</b>	<b>0.35</b>	<b>(0.33)</b>

**38 Disclosure on Audit committee**

The Audit Committee comprises of the following

Name	Status with the Company	Status with the Committee	Educational Qualification
Mr. C. K. Hyder	Independent Director	Chairman	Post graduate in Commerce&Law
Mr. M. Nurul Alam	Director	Member	MBA from Institute of Business Administration(DU). BAF.
Mr. A. Q. I. Chowdhury, OBE	Director	Member	BA(Hons) in Economics from University of Dhaka and is an Associate of the Institute of Bankers (UK).
Mr. Mizanur Rahman	Director	Member	Fellow of the Institute of Chartered Accountants of Bangladesh.
Mr. Md. Mahfuzur Rahman Bhuiyan	Director	Member	Fellow of the Institute of Chartered Accountants of Bangladesh.
Mr. Nehal Ahmed	Deputy Managing Director	Secretary	Fellow of the Institute of Chartered Accountants of Bangladesh.

During the year 2012 Audit Committee Meeting hold 7 nos. of meeting and transacted the business as stated below:

SL. No.	Meeting No.	Date	Business transacted
1	17th	20/Feb/12	● Reviewed the draft audited financial statements for the year ended 31 December 2011
2	18th	06/Mar/12	● Reviewed the un-audited Quarterly and Half Yearly financial statements of 2012.
3	19th	05/May/12	● Reviewed and approved Internal Audit plan for the year 2012.
4	20th	25/Jul/12	● Reviewed internal audit work performed by Internal Audit & Compliance Department as per approved audit plan of 2012.
5	21st	01/Oct/12	● Reviewed and discussed on the comprehensive Inspection Report of Bangladesh Bank for the year 2011.
6	22nd	08/Oct/12	● Reviewed the draft guideline on "Prevention of Money Laundering and Terrorist Financing".
7	23rd	18/Oct/12	● Reviewed the appointment of external auditor

## 39 Related party disclosures

## 39.1 Particulars of directors of the Company as of December 31, 2012

Sl. No.	Name of Directors	Designation	Shareholding Status
1	Mr. Mahbub Jamil	Chairman	Holds 0.14% shares
2	Mr. Mizanur Rahman	Director	Nominated by Shaw Wallace Bangladesh Limited holds 17.36% shares
3	Mr. M. Nurul Alam	Director	
4	Mr. A. Q. I. Chowdhury OBE	Director	
5	Mr. Masudul Hoque Sardar	Director	Nominated by Z.N. Enterprise Limited holds 2% shares
6	Mr. Md. Mahfuzur Rahman Bhuiyan	Director	Nominated by PHP Float Glass Limited holds 2% shares
7	Mr. Ali Reza Iftekhar	Director	Nominated by Eastern Bank Limited holds 2% shares
8	Mr. Jamal Uddin Ahmad	Director	Holds 3.11% shares
9	Mr. A. K. M. Nozmul Haque	Director	Nominated by Reliance Brokerage Services Ltd. holds 3.40% shares
10	Mr. C. K. Hyder	Independent Director	Not Applicable
11	Mr. Mustafizur Rahman	Managing Director	Not applicable, Ex-officio capacity

## 39.2 Name of Directors and their interest in different entities as on December 31, 2012

Sl. No.	Name of Directors	Status with the Company	Entities where they are Interested
1	Mr. Mahbub Jamil	Chairman	<b>Chairman:</b> 1) Singer Bangladesh Limited 2) IL Capital Limited (01.01.2013) 3) ICE Technologies Limited 4) ICE Retail Initiative Limited <b>Advisor:</b> ROBI Axiata Limited <b>Director:</b> Hongkong Bangladesh Securities Limited
2	Mr. Mizanur Rahman	Director	<b>Chairman:</b> Hongkong Bangladesh Securities Limited <b>Trustee:</b> A F Mujibur Rahman Fondation <b>Director:</b> 1) IL Capital Limited 2) Shaw Wallace Bangladesh Limited 3) SW Shipping Limited 4) National Housing Finance & Investments Limited 5) Avant Grade Limited 6) House of Consultants Limited

Sl. No.	Name of Directors	Status with the Company	Entities where they are Interested
3	Mr. M. Nurul Alam	Director	<b>Managing Director :</b> 1) Shaw Wallace Bangladesh Limited 2) SW Shipping Limited <b>Director:</b> 1) International Leasing Securities Limited 2) SW Multimedia Limited
4	Mr. A. Q. I. Chowdhury OBE	Director	<b>Chairman:</b> Royal Capital Limited <b>Managing Director:</b> 1) JF (Bangladesh) Limited 2) The Consolidated Tea & Lands Co. (BD) Limited 3) Baraora Sylhet Tea Co. Limited 4) Consolidated Tea & Plantation Limited 5) Artisan Ceramics Ltd. 6) Finlay (International) Ltd. <b>Director:</b> 1) Eastern Bank Limited 2) Finlay Properties Limited
5	Mr. Masudul Hoque Sardar	Director	<b>Vice President</b> Eastern Bank Limited
6	Mr. Md. Mahfuzur Rahman Bhuiyan	Director	<b>Executive Director - Business Development</b> PHP Group
7	Mr. Ali Reza Iftekhar	Director	<b>Managing Director:</b> Eastern Bank Limited <b>Director:</b> 1) EBL Investments Limited 2) EBL Securities Limited 3) EBL Asset Management Limited 4) Dun & Bradstreet Rating Agency Bangladesh Ltd.
8	Mr. Jamal Uddin Ahmad	Director	<b>Senior Partner:</b> Ahmad Akhter & Co. Chartered Accountants <b>Chairman:</b> 1) JAROMS Industires Limited 2) JAROMS Consultants Limited 3) Credit Rating & Information Services Limited
9	Mr. A.K.M. Nozmul Haque	Director	<b>Independent Director:</b> Prime Insurance Company Limited <b>Head of Research and Development:</b> Prime Finance & Investment Limited
10	Mr. C. K. Hyder	Independent Director	
11	Mr. Mustafizur Rahman	Managing Director	<b>Director:</b> Hongkong Bangladesh Securities Limited

Notes to the financial statements - continued

(Figures in BDT)  
2012 2011

39.3 Transactions with directors and their related entities

Name of the party	Name of the director	Relationship	Nature of transaction	2012	2011
Mr. Jamal Uddin Ahmad	Mr. Jamal Uddin Ahmad	Self	Loan	14,658,486	8,677,556
JAROMS Industries Ltd.	Mr. Jamal Uddin Ahmad	Common Director	Lease/Loan	62,031,634	93,256,983
Mr. Mahbub Jamil	Mr. Mahbub Jamil	Self	TDR	(20,000,000)	(27,401,727)
Mr. Jamal Uddin Ahmad	Mr. Jamal Uddin Ahmad	Self	MIR	(10,044,110)	(10,044,110)
Mr. Mizanur Rahman	Mr. Mizanur Rahman	Self	TDR/MIR	(31,573,742)	(31,573,742)
S.W. Shipping Ltd.	Mr. Mizanur Rahman	Common	TDR	(24,096,322)	-
	Mr. M. Nurul Alam	Director			

40 Events after the reporting period

Dividend for the year - 2012

The Board of Directors at their 148th meeting held on April 01, 2013 recommended to the shareholders, 5% cash dividend amounting to Tk. 85,539,300 (i.e. Taka 0.50 for every 1 fully paid share held at the record date) subject to the approval of the shareholders at the 17th Annual General Meeting (AGM) scheduled to be held on May 16, 2013.

Proposed dividend consists of:

Cash	85,539,300	-
Bonus share	-	81,466,000
	<b>85,539,300</b>	<b>81,466,000</b>

Proposed dividend will be distributed from:

Retained surplus for the year	85,539,300	79,061,196
Past accumulated retained earnings/surplus	-	2,404,804
	<b>85,539,300</b>	<b>81,466,000</b>

There is no event which may require adjustment or disclosure other than those disclosed.

41 Capital expenditure commitments

There was no capital expenditure commitment contracted as at December 31, 2012

42 Claim against Company not acknowledged as debt

There was no such claims against the Company which require to be acknowledged as debt as at December 31, 2012

43 Number of employees engaged for the whole year and drawing remuneration of Tk. 36,000 and above per annum was 57.

44 Interim financial statements

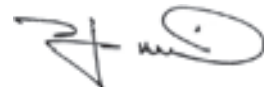
The Company publishes its interim financial statements quarterly as required by the Securities and Exchange Commission.

45 Restriction on payment of cash dividend

As per DFIM circular no. 5 dated July 24, 2011 of Bangladesh Bank, a non-banking financial institution cannot declare cash dividend if its capital is below the required level of 1,000 million. The Company has meet the requirement of Bangladesh Bank and has no such restriction.

46 Approval of the financial statements

These financial statements were authorized for issue by the Board of Directors of the Company on April 01, 2013.



Mahbub Jamil  
Chairman



Mustafizur Rahman  
Managing Director



Nehal Ahmed FCA  
Company Secretary

(Annexure - A)

Notes to the financial statements - continued

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Schedule of investment in shares (Quoted)

Name of the company	Category of Share	Face value	No. of Share	Cost as of 31-Dec-12	Average cost	Quoted rate per share as of 31-Dec-12	Total market value as of 31-Dec-12	(Figures in BDT)	
								Unrealized Gain / (Loss) as of 31-Dec-12	Provision for Loss
Beximco Limited	A	10	63,750	6,643,030	104.20	64.40	4,105,500	(2,537,530)	2,537,530
BSRM Steels Limited	A	10	122,300	18,006,229	147.23	67.90	8,304,170	(9,702,059)	9,702,059
Grameen Phone Ltd.	A	10	32,000	6,583,703	205.74	175.00	5,600,000	(983,703)	983,703
Lafarge Surma Cement Ltd.	Z	10	2,000	84,595	42.30	32.90	65,800	(18,795)	18,795
LR Global BD Mutual Fund One	A	10	4,992,000	49,920,000	10.00	10.00	49,920,000	-	-
Meghna Petroleum Limited	A	10	65,000	10,915,752	167.93	158.50	10,302,500	(613,252)	613,252
Progressive Life Insurance Co. Ltd.	A	10	118,000	20,719,859	175.59	116.00	13,688,000	(7,031,859)	7,031,859
<b>Total</b>			<b>112,873,167</b>				<b>91,985,970</b>	<b>(20,887,197)</b>	<b>20,887,197</b>

**Total as at December 31, 2012** **110,877,812** **90,877,812** **918,730,363** **43,747** **918,730,363** **4,515,165** **130,093,013** **50,000,000** **21,084,447** **1,485,166** **69,600,314** **60,492,699**

Particulars	COST		DEPRECIATION		Balance as at December 31, 2012	Rate (%)	Balance as at December 31, 2012	Disposal during the Year	Charged during the Year	Adjustment during the Year	Balance as at December 31, 2012	Written down value as at December 31, 2012
	Balance as at January 01, 2012	Addition during the Year	Balance as at January 01, 2012	Charged during the Year								
Motor vehicles	21,802,493	4,000,000	1,847,045	1,847,045	23,955,448	20	10,122,844	4,253,945	993,125	13,383,664	10,571,783	
Motor vehicles - leasehold	2,500,000	-	-	-	2,500,000	15	1,337,938	691,975	-	2,029,913	470,087	
Office decoration	31,402,151	27,280,800	33,200	58,639,751	19,468,779	20	17,723,649	7,812,208	43,197	25,492,660	33,147,094	
Office equipment	151,853,491	151,853,491	2,043,127	2,043,127	19,468,779	20	9,152,971	3,078,215	373,669	11,857,517	7,611,262	
Furniture & fixtures	7,759,833	1,954,657	325,512	325,512	9,388,978	15	4,450,848	1,148,685	160,646	5,438,887	3,950,091	
Computers & accessories	10,559,885	5,836,451	256,281	256,281	16,140,055	20	7,212,783	4,099,419	(85,471)	11,397,672	4,742,383	

**Total as at December 31, 2012** **90,877,812** **918,730,363** **43,747** **918,730,363** **4,515,165** **130,093,013** **50,000,000** **21,084,447** **1,485,166** **69,600,314** **60,492,699**

**Annexure - B(a)**  
**INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES**  
**Schedule of consolidated fixed assets**

Particulars	COST		DEPRECIATION		Balance as at December 31, 2012	Rate (%)	Balance as at December 31, 2012	Disposal during the Year	Charged during the Year	Adjustment during the Year	Balance as at January 01, 2012	Written down value as at December 31, 2012
	Balance as at January 01, 2012	Addition during the Year	Balance as at January 01, 2012	Charged during the Year								
Motor vehicles	19,455,448	-	1,200,000	1,200,000	18,255,448	20	8,925,209	3,551,090	400,000	12,076,299	6,179,148	
Motor vehicles - leasehold	2,500,000	-	-	-	2,500,000	15	1,337,938	691,975	-	2,029,913	470,087	
Office decoration	10,841,018	11,423,145	43,200	8,999,200	22,220,963	20	11,235,332	2,349,388	43,197	11,305,391	10,915,572	
Office equipment	7,446,191	3,816,636	27,495	5,326,041	11,235,332	20	5,326,041	1,666,991	27,494	6,965,537	4,269,795	
Furniture & fixtures	4,525,949	1,079,521	264,402	3,124,490	5,341,068	15	3,124,490	585,492	160,646	3,549,336	1,791,732	
Computer Accessories	40,000	3,498,365	-	8,000	3,538,365	20	8,000	709,404	-	717,404	2,820,961	

**INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED**  
**Schedule of fixed assets**

Particulars	COST		DEPRECIATION		Balance as at December 31, 2012	Rate (%)	Balance as at December 31, 2012	Disposal during the Year	Addition during the Year	Adjustment during the Year	Balance as at January 01, 2012	Written down value as at December 31, 2012
	Balance as at January 01, 2012	Addition during the Year	Balance as at January 01, 2012	Charged during the Year								
Motor vehicles	19,455,448	-	1,200,000	1,200,000	18,255,448	20	8,925,209	3,551,090	400,000	12,076,299	6,179,148	
Motor vehicles - leasehold	2,500,000	-	-	-	2,500,000	15	1,337,938	691,975	-	2,029,913	470,087	
Office decoration	10,841,018	11,423,145	43,200	8,999,200	22,220,963	20	11,235,332	2,349,388	43,197	11,305,391	10,915,572	
Office equipment	7,446,191	3,816,636	27,495	5,326,041	11,235,332	20	5,326,041	1,666,991	27,494	6,965,537	4,269,795	
Furniture & fixtures	4,525,949	1,079,521	264,402	3,124,490	5,341,068	15	3,124,490	585,492	160,646	3,549,336	1,791,732	
Computer Accessories	40,000	3,498,365	-	8,000	3,538,365	20	8,000	709,404	-	717,404	2,820,961	

**Total as at December 31, 2012** **44,808,606** **19,817,667** **1,535,097** **63,091,176** **27,720,878** **9,554,340** **631,337** **36,643,881** **26,447,295**

**Total as at December 31, 2011** **41,551,536** **5,193,864** **1,936,794** **44,808,606** **23,233,113** **6,424,559** **1,936,794** **27,720,878** **17,087,728**

# AUDITORS' REPORT & AUDITED FINANCIAL STATEMENTS OF INTERNATIONAL LEASING SECURITIES LIMITED & ITS SUBSIDIARY

FOR THE YEAR ENDED DECEMBER 31, 2012

## INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED Financial Highlights

(Annexure - C)

Sl. No.	Particulars	2012	2011	2010	2009	2008
1	Paid-up capital	1,710,786,000	1,629,320,000	509,162,500	290,950,000	290,950,000
2	Paid-up Capital surplus/(deficit)	710,786,000	710,786,000	314,660,000	9,162,500	40,950,000
3	Total capital	2,215,625,126	2,108,609,749	1,398,198,454	1,061,397,688	844,954,976
4	Total assets	16,590,839,058	16,288,124,334	16,274,965,871	13,520,823,390	10,879,595,023
5	Total Deposits	9,128,539,313	8,425,124,666	8,408,600,874	7,174,917,050	4,518,090,537
6	Total leases, loans and advances	14,041,637,394	13,870,984,147	13,112,292,398	10,518,398,209	7,410,557,848
7	Total contingent liabilities and commitments	611,577,041	564,046,821	859,173,705	883,703,722	206,223,183
8	Leases, loans and advances to deposits ratio	1.54	1.65	1.56	1.47	1.64
9	% of classified leases, loans and advances to total leases, loans and advances	8.16%	9.27%	9.18%	7.54%	5.80%
10	Profit after tax and provisions	59,282,935	(56,576,683)	343,108,981	205,084,216	113,051,173
11	Classified leases, loans and advances	1,145,254,455	1,286,405,225	1,203,882,735	792,799,750	430,135,699
12	Provision kept against classified leases, loans and advances	274,337,789	403,768,600	390,086,700	210,224,800	213,137,100
13	Provision surplus/(deficit)	35,101	1,521,000	2,255,000	26,046,000	-
14	Cost of fund	15.88%	13.79%	10.72%	12.13%	12.62%
15	Interest earning assets	16,000,171,472	15,724,622,400	15,810,887,049	13,081,219,910	10,212,888,492
16	Non-interest earning assets	590,667,586	563,501,934	464,078,822	439,603,479	666,706,531
17	Return on investment	14.09%	13.04%	15.60%	14.22%	13.72%
18	Return on assets	0.70%	0.40%	4.05%	2.19%	1.28%
19	Income from investment	(34,987,841)	(42,691,436)	248,095,679	96,375,203	19,460,720
20	Operating profit per share*	0.38	1.48	16.43	10.56	6.20
21	Earning per share*	0.35	(0.56)	6.74	7.05	3.90
22	Price earning ratio*	58.29	(84.24)	36.45	17.89	18.86

\* Operating profit per share, Earning per share and Price earning ratio are not re-stated.

**AUDITORS' REPORT TO THE SHAREHOLDERS  
OF  
INTERNATIONAL LEASING SECURITIES LIMITED**

We have audited the accompanying Financial Statements of International Leasing Securities Limited which comprises Statement of Financial Position as at December 31, 2012 and the Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Shareholders' Equity for the year then ended, and a summary of significant accounting policies and other explanatory notes and all related consolidated Financial Statements of International Leasing Securities Limited and its subsidiary.

**Respective responsibilities of Management and Auditors**

The company's management is responsible for preparing the Financial Statements, which give true and fair view, in accordance with the Generally Accepted Accounting Principles (GAAP) and Bangladesh Financial Reporting Standards (BFRS). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to express an independent opinion on these Financial Statements based on our audit.

**Basis of Audit Opinion**

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 misstatements. 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 Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

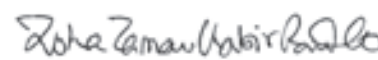
**Opinion**

In our opinion, the Financial Statements including consolidated Financial Statements, prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the Company's

affairs as of December 31, 2012 and the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, Securities and Exchange Rules 1987, Dhaka Stock Exchange Rules 1954, Chittagong Stock Exchange Rules 1995 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 purpose of audit, and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the Company so far it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branch not visited by us;
- the Company's Statement of Financial Position and Statement of Comprehensive Income together with the annexed notes thereto dealt with by this report are in agreement with the books of account and returns;
- the financial position of the company as of December 31, 2012 and the profit for the period have been properly reflected in the Financial Statements and the Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles in Bangladesh;
- the expenditure incurred and payments made were for the purpose of the Company's business;
- the information and explanation required by us have been received and found satisfactory;
- the records and statements submitted by the branches properly maintained in the financial statements.

  
Zoha Zaman Kabir Rashid & Co.  
Chartered Accountants

Dated : Dhaka  
February 26, 2013

**INTERNATIONAL LEASING SECURITIES LIMITED AND ITS SUBSIDIARY  
Consolidated Statement of Financial Position  
as at December 31, 2012**

( Figures in BDT)

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
Cash and cash equivalents	3a	3,459,239	78,568,557
Investment	4a	229,205,458	226,561,185
Property, Plant and Equipment	5a	18,231,587	23,789,055
Receivable from customers	6	3,130,965,438	2,971,916,470
Receivable from DSE and CSE	7	73,427,141	15,296,317
Other assets	8a	15,897,472	58,646,823
<b>Total assets</b>		<b>3,471,186,334</b>	<b>3,374,778,407</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
Term loan	9	2,881,310,477	2,663,354,583
Payable to customers	10	65,470,659	77,056,525
Payable to DSE and CSE	11	403,129	4,320,508
Other liabilities	12a	320,068,297	478,175,723
<b>Total liabilities</b>		<b>3,267,252,561</b>	<b>3,222,907,339</b>
<b>Capital / Shareholders' equity</b>			
Paid- up capital	13.1	200,000,000	150,000,000
Retained earnings	14a	3,933,413	1,870,737
<b>Total Shareholders' equity</b>		<b>203,933,413</b>	<b>151,870,737</b>
<b>Minority interest</b>	14b	<b>360</b>	<b>330</b>
<b>Total liabilities and Shareholders' equity</b>		<b>3,471,186,334</b>	<b>3,374,778,407</b>
<b>Net asset value per share</b>		<b>102</b>	<b>101</b>

These financial statements should be read in conjunction with the annexed notes..


  
C.K. Hyder  
Chairman

  
M. Nurul Alam  
Director

  
Md. Humayan Kabir ACA  
Chief Operating Officer

  
Rafiqul Islam  
Company Secretary

Dated : Dhaka  
February 26, 2013

  
Zoha Zaman Kabir Rashid & Co.  
Chartered Accountants

**INTERNATIONAL LEASING SECURITIES LIMITED**  
Statement of Financial Position  
as at December 31, 2012

( Figures in BDT )

	Notes	2012	2011
<b>ASSETS</b>			
Cash and cash equivalents	3	3,451,821	78,180,199
Investment	4	227,292,392	226,049,761
Property, Plant and Equipment	5	18,231,587	23,789,054
Receivable from customers	6	3,130,965,438	2,971,916,470
Receivable from DSE and CSE	7	73,427,141	15,296,317
Other assets	8	14,494,815	57,868,765
<b>Total assets</b>		<b>3,467,863,194</b>	<b>3,373,100,565</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
Term loan	9	2,881,310,477	2,663,354,583
Payable to customers	10	65,470,659	77,056,525
Payable to DSE and CSE	11	403,129	4,320,508
Other liabilities	12	318,761,285	477,517,816
<b>Total liabilities</b>		<b>3,265,945,549</b>	<b>3,222,249,432</b>
<b>Capital / Shareholders' equity</b>			
Paid- up capital	13.1	200,000,000	150,000,000
Retained earnings	14	1,917,645	851,133
<b>Total Shareholders' equity</b>		<b>201,917,645</b>	<b>150,851,133</b>
<b>Total liabilities and Shareholders' equity</b>		<b>3,467,863,194</b>	<b>3,373,100,565</b>
<b>Net asset value per share</b>		<b>101</b>	<b>101</b>

These financial statements should be read in conjunction with the annexed notes..

  
C.K. Hyder  
Chairman

  
M. Nurul Alam  
Director

  
Md. Humayan Kabir ACA  
Chief Operating Officer

  
Rafiqul Islam  
Company Secretary

  
Zoha Zaman Kabir Rashid & Co.  
Chartered Accountants

Dated : Dhaka  
February 26, 2013

**INTERNATIONAL LEASING SECURITIES LIMITED AND ITS SUBSIDIARY**  
Consolidated Statement of Comprehensive Income  
for the year ended December 31, 2012

(Figures in BDT)

	Notes	2012	2011
<b>Turnover</b>			
DSE		36,403,706,109	46,964,272,606
CSE		3,611,598,118	2,835,777,129
		<b>40,015,304,228</b>	<b>49,800,049,735</b>
<b>OPERATING INCOME</b>			
Brokerage income	15	129,251,970	171,204,868
Direct charges	16	(9,526,350)	(11,586,352)
<b>Net brokerage income</b>		<b>119,725,620</b>	<b>159,618,516</b>
Interest income	17a	523,379,104	500,935,817
Interest expense	18	(491,655,692)	(423,750,984)
<b>Net interest income</b>		<b>31,723,411</b>	<b>77,184,833</b>
Other operating income	19	2,531,236	13,408,693
Income from dealer account	20	3,144,095	(2,517,018)
<b>Total operating income (A)</b>		<b>157,124,361</b>	<b>247,695,024</b>
<b>OPERATING EXPENSES</b>			
Salaries and allowances	21	27,776,567	31,838,952
Rent, taxes, insurance, electricity, etc.	22	15,784,249	15,209,399
Legal expenses	23a	280,480	44,551
Postage, stamp, telecommunication, etc.	24	867,741	853,306
Stationery, printing, advertisements, etc.	25	1,242,308	1,553,552
Directors' fees & meeting expenses	26	469,964	276,000
Auditors' fees	27a	142,700	93,005
Depreciation and repair of assets	28a	8,979,039	9,362,532
Other expenses	29a	7,847,808	8,561,121
<b>Total operating expenses (B)</b>		<b>63,390,856</b>	<b>67,792,418</b>
<b>Total profit before provision (C=A-B)</b>		<b>93,733,506</b>	<b>179,902,606</b>
Provision for unrealized loss in dealer accounts (D)	30	11,805,619	3,999,623
Provision for contingency (D)	30	2,720,000	-
<b>Total profit after provision (E= C-D)</b>		<b>79,207,886</b>	<b>175,902,983</b>
Tax expenses	31a	34,145,180	68,858,386
<b>Net profit after taxation</b>		<b>45,062,706</b>	<b>107,044,597</b>
Minority Interest		30	23
		<b>45,062,676</b>	<b>107,044,573</b>
<b>Earnings per share (EPS)</b>	32a	<b>22.53</b>	<b>71.36</b>

These financial statements should be read in conjunction with the annexed notes..

  
C.K. Hyder  
Chairman

  
M. Nurul Alam  
Director

  
Md. Humayan Kabir ACA  
Chief Operating Officer

  
Rafiqul Islam  
Company Secretary

  
Zoha Zaman Kabir Rashid & Co.  
Chartered Accountants

Dated : Dhaka  
February 26, 2013

**INTERNATIONAL LEASING SECURITIES LIMITED**  
**Statement of Comprehensive Income**  
**for the year ended December 31, 2012**

		(Figures in BDT)		
		Notes	2012	2011
<b>Turnover</b>	DSE		36,403,706,109	46,964,272,606
	CSE		3,611,598,118	2,835,777,129
			<b>40,015,304,228</b>	<b>49,800,049,735</b>
<b>OPERATING INCOME</b>				
	Brokerage income	15	129,251,970	171,204,868
	Direct charges	16	(9,526,350)	(11,586,352)
	<b>Net brokerage income</b>		<b>119,725,620</b>	<b>159,618,516</b>
	Interest income	17	521,702,980	499,626,282
	Interest expense	18	(491,655,692)	(423,750,984)
	<b>Net interest income</b>		<b>30,047,287</b>	<b>75,875,298</b>
	Other operating income	19	2,531,236	13,408,693
	Income from dealer account	20	3,144,095	(2,517,018)
	<b>Total operating income (A)</b>		<b>155,448,237</b>	<b>246,385,489</b>
<b>OPERATING EXPENSES</b>				
	Salaries and allowances	21	27,776,567	31,838,952
	Rent, taxes, insurance, electricity, etc.	22	15,784,249	15,209,399
	Legal expenses	23	280,480	31,488
	Postage, stamp, telecommunication, etc.	24	867,741	853,306
	Stationery, printing, advertisements, etc.	25	1,242,308	1,553,552
	Directors' fees & meeting expenses	26	469,964	276,000
	Auditors' fees	27	85,200	66,880
	Depreciation and repair of assets	28	8,979,038	9,362,532
	Other expenses	29	7,823,109	8,541,626
	<b>Total operating expenses (B)</b>		<b>63,308,656</b>	<b>67,733,735</b>
	<b>Total profit before provision (C=A-B)</b>		<b>92,139,582</b>	<b>178,651,754</b>
	Provision for unrealized loss in dealer account (D)	30	11,805,619	3,999,623
	Provision for contingency (D)	30	2,720,000	-
	<b>Total profit after provision E=(C-D)</b>		<b>77,613,962</b>	<b>174,652,131</b>
	Tax expenses	31	33,547,450	68,389,316
	<b>Net profit after taxation</b>		<b>44,066,512</b>	<b>106,262,815</b>
	<b>Earnings per share (EPS)</b>	<b>32</b>	<b>22.03</b>	<b>70.84</b>

These financial statements should be read in conjunction with the annexed notes..

  
**C.K. Hyder**  
 Chairman

  
**M. Nurul Alam**  
 Director

  
**Md. Humayan Kabir ACA**  
 Chief Operating Officer

  
**Rafiqul Islam**  
 Company Secretary

  
**Zoha Zaman Kabir Rashid & Co.**  
 Chartered Accountants

Dated : Dhaka  
 February 26, 2013

**INTERNATIONAL LEASING SECURITIES LIMITED AND ITS SUBSIDIARY**  
**Consolidated Statement of Cash Flows**  
**for the year ended December 31, 2012**

		(Figures in BDT)	
		2012	2011
<b>A) Cash flows from operating activities</b>			
	Brokerage income received	119,725,620	159,618,516
	Interest receipts	521,702,980	499,629,861
	Interest payments	(491,655,692)	(423,750,984)
	Payments to employees	(27,776,567)	(31,838,952)
	Income taxes paid	(96,048,706)	(76,609,021)
	Income received from dealer accounts	1,402,900	(2,517,018)
	Receipts from other operating activities	2,531,236	13,408,693
	Payments for other operating activities	(35,580,913)	(35,954,092)
	<b>Cash generated from operating activities before changes in operating assets and liabilities</b>	<b>(5,699,144)</b>	<b>101,987,004</b>
	<b>Increase/ decrease in operating assets and liabilities</b>		
	Net changes in receivable from customers	(159,048,968)	(218,856,544)
	Net changes in receivable from DSE and CSE	(58,130,824)	100,746,387
	Other assets	43,373,950	(42,380,613)
	Net changes in payable to customers	(11,585,866)	(137,171,154)
	Net changes in payable to DSE and CSE	(3,917,379)	590,729
	Net changes in other liabilities	(49,379,500)	228,042,157
		<b>(238,688,587)</b>	<b>(69,029,036)</b>
	<b>Net cash from operating activities</b>	<b>(244,387,731)</b>	<b>32,957,967</b>
<b>B) Cash flows from investing activities</b>			
	Proceeds from sale of securities	(1,242,631)	2,709,618
	Net change against purchase/sale of property, plant and equipment	2,565,150	7,654,662
	<b>Net cash used in investing activities</b>	<b>1,322,520</b>	<b>10,364,280</b>
<b>C) Cash flows from financing activities</b>			
	Receipts of long term loan	438,417,796	505,000,000
	Repayment of long term loan	(220,461,903)	(385,485,157)
	Dividend paid	(100,000,000)	(262,450,000)
	Increase in paid up capital	50,000,000	-
	<b>Net Cash from financing activities</b>	<b>167,955,893</b>	<b>(142,935,157)</b>
<b>D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)</b>		<b>(75,109,318)</b>	<b>(99,612,909)</b>
<b>E) Cash and cash equivalents at beginning of the period</b>		<b>78,568,557</b>	<b>177,181,466</b>
<b>F) Cash and cash equivalents at end of the period (D+E)</b>		<b>3,459,239</b>	<b>78,568,557</b>
<b>Cash and cash equivalents at end of the period</b>			
	Cash in hand	225,730	130,680
	Balance with banks and other financial institutions	3,233,509	78,437,876
		<b>3,459,239</b>	<b>78,568,557</b>

These financial statements should be read in conjunction with the annexed notes..

  
**C.K. Hyder**  
 Chairman

  
**M. Nurul Alam**  
 Director

  
**Md. Humayan Kabir ACA**  
 Chief Operating Officer

  
**Rafiqul Islam**  
 Company Secretary

  
**Zoha Zaman Kabir Rashid & Co.**  
 Chartered Accountants

Dated : Dhaka  
 February 26, 2013



**INTERNATIONAL LEASING SECURITIES LIMITED**  
**Statement of Cash Flows**  
**for the year ended December 31, 2012**

	(Figures in BDT)	
	2012	2011
<b>A) Cash flows from operating activities</b>		
Brokerage income received	119,725,620	159,618,516
Interest receipts	521,702,980	499,626,282
Interest payments	(491,655,692)	(423,750,984)
Payments to employees	(27,776,567)	(31,838,952)
Income taxes paid	(95,696,590)	(76,519,921)
Income received from dealer accounts	1,402,900	(2,517,018)
Receipts from other operating activities	2,531,236	13,408,693
Payments for other operating activities	(35,532,089)	(35,894,784)
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>	<b>(5,298,204)</b>	<b>102,131,833</b>
<b>Increase/ decrease in operating assets and liabilities</b>		
Net changes in receivable from customers	(159,048,968)	(218,856,544)
Net changes in receivable from DSE and CSE	(58,130,824)	100,746,387
Other assets	43,373,950	(42,380,613)
Net changes in payable to customers	(11,585,866)	(137,171,154)
Net changes in payable to DSE and CSE	(3,917,379)	590,729
Net changes in other liabilities	(49,399,500)	228,042,157
	<b>(238,708,587)</b>	<b>(69,029,036)</b>
<b>Net cash from operating activities</b>	<b>(244,006,791)</b>	<b>33,102,796</b>
<b>B) Cash flows from investing activities</b>		
Proceeds from sale of securities	(1,242,631)	2,709,618
Net change against purchase/sale of property, plant and equipment	2,565,150	7,654,662
<b>Net cash used in investing activities</b>	<b>1,322,519</b>	<b>10,364,280</b>
<b>C) Cash flows from financing activities</b>		
Receipts of long term loan	438,417,796	505,000,000
Repayment of long term loan	(220,461,902)	(385,485,157)
Dividend paid	(100,000,000)	(262,450,000)
Increase in paid up capital	50,000,000	-
<b>Net Cash from financing activities</b>	<b>167,955,894</b>	<b>(142,935,157)</b>
<b>D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)</b>	<b>(74,728,377)</b>	<b>(99,468,081)</b>
<b>E) Cash and cash equivalents at beginning of the period</b>	<b>78,180,199</b>	<b>176,648,279</b>
<b>F) Cash and cash equivalents at end of the period (D+E)</b>	<b>3,451,821</b>	<b>78,180,199</b>
<b>Cash and cash equivalents at end of the period</b>		
Cash in hand	225,730	130,680
Balance with banks and other financial institutions	3,226,091	78,049,519
	<b>3,451,821</b>	<b>78,180,199</b>

These financial statements should be read in conjunction with the annexed notes..

  
**C.K. Hyder**  
 Chairman

  
**M. Nurul Alam**  
 Director

  
**Md. Humayan Kabir ACA**  
 Chief Operating Officer

  
**Rafiqul Islam**  
 Company Secretary

  
**Zoha Zaman Kabir Rashid & Co.**  
 Chartered Accountants

Dated : Dhaka  
 February 26, 2013


**INTERNATIONAL LEASING SECURITIES LIMITED AND ITS SUBSIDIARY**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**for the year ended December 31, 2012**

Particulars	(Figures in BDT)				
	Share Capital	Loan Risk Reserve	General Reserve	Retained Earnings	Total
<b>Balance as at January 01, 2011</b>	150,000,000	43,425,000	43,425,000	127,426,164	364,276,164
<b>Changes during the period</b>					
Profit after tax and provision for the year	-	-	-	107,044,573	107,044,573
Interim Dividend for the year 2011	-	-	-	(262,450,000)	(262,450,000)
Transfer to Income Tax Provision	-	-	-	(57,000,000)	(57,000,000)
Transfer to Retained Earnings	-	(43,425,000)	-	43,425,000	-
Transfer to Retained Earnings	-	-	(43,425,000)	43,425,000	-
<b>Net Changes in 2011</b>	-	<b>(43,425,000)</b>	<b>(43,425,000)</b>	<b>(125,555,427)</b>	<b>(212,405,427)</b>
<b>Balance as at December 31, 2011</b>	<b>150,000,000</b>	-	-	<b>1,870,737</b>	<b>151,870,737</b>
<b>Changes during the period</b>					
Profit after tax and provision for the year	-	-	-	45,062,676	45,062,676
Increase in share capital	50,000,000	-	-	-	50,000,000
Interim Dividend for the year 2012	-	-	-	(100,000,000)	(100,000,000)
Transfer to Retained Earnings	-	-	-	57,000,000	57,000,000
<b>Net Changes in 2012</b>	<b>50,000,000</b>	-	-	<b>2,062,676</b>	<b>52,062,676</b>
<b>Balance as at December 31, 2012</b>	<b>200,000,000</b>	-	-	<b>3,933,413</b>	<b>203,933,413</b>

  
**C.K. Hyder**  
 Chairman

  
**M. Nurul Alam**  
 Director

  
**Md. Humayan Kabir ACA**  
 Chief Operating Officer

  
**Rafiqul Islam**  
 Company Secretary

  
**Zoha Zaman Kabir Rashid & Co.**  
 Chartered Accountants

Dated : Dhaka  
 February 26, 2013

**INTERNATIONAL LEASING SECURITIES LIMITED AND ITS SUBSIDIARY**  
**Notes to the financial statements**  
**for the year ended December 31, 2012**

**1 Company and its activities**

**1.1 Corporate information**

International Leasing Securities Limited (ILSL) is a Private Limited Company incorporated under the Companies Act 1994 on April 09, 2008 bearing Registration Number C-70738 (3247)/08. The registered office of the Company is at Printers Building, 3rd floor, 5, Rajuk Avenue, Dhaka- 1000. It is a 99.99% subsidiary of International Leasing and Financial Services Ltd. The Company started its operation on August 31, 2008.

**1.2 Principal activities**

The main business of the Company is to carry on the business as a broker, dealer in stocks and securities, commercial papers, bonds, debentures, debenture stocks, treasury bills/bonds and/or any financial instruments.

**1.3 Subsidiary company**

International Leasing Securities Limited acquired 99,997 no. of shares of Hongkong Bangladesh Securities Limited as per terms set forth in vendors' agreement dated 25-10-2009 between previous shareholders of Hong Kong Bangladesh Securities Limited and International Leasing Securities Limited. Upon acquisition of 99,997 no. of shares, Hong Kong Bangladesh Securities Limited becomes a wholly owned subsidiary company of International Leasing Securities Limited from October 25, 2009.

Hongkong Bangladesh Securities Limited was incorporated in Chittagong on April 06, 1997 as a private limited company bearing Registration Number CHC-2587 under Companies Act 1994 with an authorised share capital of Tk. 85,000,000. International Leasing Securities Limited holds 99.997% share of this company (99,997 nos. of shares of Tk. 100 each). The Company has transferred its CSE membership license to International Leasing Securities Limited with effect from 2nd May 2010.

The board of directors of Hongkong Bangladesh Securities Limited in its 16th meeting held on October 07, 2012 decided to winding up the Company voluntarily.

**1.4 Branch office**

The company opened its branch office in Agrabad, Chittagong on July 07, 2009. The approval of opening of this branch was given by Securities and Exchange Commission on March 19, 2009 vide approval letter no. SEC/Reg/DSE/2009/123. During the year 2010, the company has also opened another 2 branches in Khatungonj, Chittagong and Sylhet on September 14, 2010 and October 25, 2010 vide SEC letter no. SEC/Reg/DSE/2010/347 and SEC/Reg/DSE/2010/419 respectively.

**2 Significant accounting policies**

**2.1 Basis of preparation and presentation of the financial statements**

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in Bangladesh under the historical cost convention.

**2.2 Statement of compliance**

The financial statements have been prepared on a going concern basis following the accrual basis of accounting except for statement of cash flows. In preparation of these financial statements, the Company followed respective provisions of The Companies Act, 1994, Securities and Exchange Rules, 1987, Dhaka Stock Exchange Rules, 1954 and Bangladesh Accounting Standards (BAS) and/or Bangladesh Financial Reporting Standards (BFRS).

**2.3 Use of estimates and judgement**

Preparation of the financial statements in conformity with BFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies that affect the reported amounts of revenue and expenses, assets and liabilities. Due to involvement of inherent uncertainty in making estimates, actual results could be different from those estimates.

**INTERNATIONAL LEASING SECURITIES LIMITED**  
**Statement of Changes in Shareholders' Equity**  
**for the year ended December 31, 2012**


Particulars	Share Capital	Loan Risk Reserve	General Reserve	Retained Earnings	Total
<b>Balance as at January 01, 2011</b>	150,000,000	43,425,000	43,425,000	127,188,319	364,038,318
<b>Changes during the period</b>					
Profit after tax and provision for the year	-	-	-	106,262,815	106,262,815
Interim Dividend for the year 2011	-	-	-	(262,450,000)	(262,450,000)
Transfer to Income Tax Provision	-	-	-	(57,000,000)	(57,000,000)
Transfer to Retained Earnings	-	(43,425,000)	-	43,425,000	-
Transfer to Retained Earnings	-	-	(43,425,000)	43,425,000	-
<b>Net Changes in 2011</b>	-	(43,425,000)	(43,425,000)	(126,337,185)	(213,187,185)
<b>Balance as at December 31, 2011</b>	150,000,000	-	-	851,133	150,851,133
<b>Changes during the period</b>					
Profit after tax and provision for the year	-	-	-	44,066,512	44,066,512
Increase in share capital	50,000,000	-	-	-	50,000,000
Interim Dividend for the year 2012	-	-	-	(100,000,000)	(100,000,000)
Transfer to Retained Earnings	-	-	-	57,000,000	57,000,000
<b>Net Changes in 2012</b>	50,000,000	-	-	1,066,512	51,066,512
<b>Balance as at December 31, 2012</b>	200,000,000	-	-	1,917,645	201,917,645

(Figures in BDT)

  
**C.K. Hyder**  
 Chairman

  
**M. Nurul Alam**  
 Director

  
**Md. Humayan Kabir** ACA  
 Chief Operating Officer

  
**Rafiqul Islam**  
 Company Secretary

Dated : Dhaka  
 February 26, 2013

  
**Zoha Zaman Kabir** Rashid & Co.  
 Chartered Accountants

## Notes to the financial statements - continued

### 2.4 Branch accounting

The company has operating three branches in Agrabad – Chittagong, Khatungonj-Chittagong and Sylhet. Accounts of the branches are maintained at head office from which these accounts are drawn up.

### 2.5 Statement of cash flows

The statement of cash flow is prepared using the direct method as stipulated in Bangladesh Financial Reporting Standard (BFRS) 7 –“Cash Flow Statements”. Cash and cash equivalents for cash flow statement comprises mainly of cash in hand and balances at banks.

### 2.6 Revenue recognition (BAS 18, “Revenue”)

BAS 18 is a general revenue recognition standard, which states that revenue should be measured at the fair value of the consideration received or receivable. This is usually the amount of cash or cash equivalents received or receivable and recognized when it is probable that economic benefits will flow to the entity.

#### 2.6.1 Brokerage commission

Brokerage commission is recognized as income when the order of selling or buying shares is executed.

#### 2.6.2 Interest on margin loan

Interest on margin loans extended to customers is charged to their accounts calculated on the daily product basis.

#### 2.6.3 Interest on bank deposits

Interest on deposits with banks is recognized as income when the banks credit the amounts into the Company's bank accounts.

### 2.7 Recognition of fixed assets and depreciation (BAS 16 “Property, Plant & Equipment”)

#### Recognition

An item of fixed assets is recognized as an asset when it is probable that future economic benefits associated with the asset will flow to the enterprise and the cost of the asset to the enterprise can be measured reliably. The cost of an item of fixed assets is its purchase price (net of discounts and rebates), including import duties and taxes, and any directly attributable cost of bringing the asset to working condition for its intended use.

#### Measurement

Fixed assets for own use are stated initially at cost and subsequently at cost less accumulated depreciation and any accumulated impairment losses or at a re-valued amount less any accumulated depreciation and subsequent accumulated impairment losses.

#### Subsequent expenditure

Subsequent expenditures relating to any item of fixed assets are added to the carrying amount of the asset when it is probable that future economic benefits, exceeding its present standard of performance, will flow to the company and the cost of the item can be measured reliably. All other costs are recognised in profit and loss account as expense.

#### Depreciation

Components of an asset with differing patterns of benefits are depreciated separately.

Depreciation on own fixed assets is charged systematically over the asset's useful life. Full year depreciation is charged on additions irrespective of date when the related assets are put into use. On the other hand, no depreciation has been charged on the month of disposal.

The company follows the straight-line method of depreciation applying annual rates stated as follows:

■ Furniture and fixtures	15%
■ Office equipment	20%
■ Office decoration	15%
■ Motor vehicles	20%
■ Computer and accessories	33%

## Notes to the financial statements - continued

### Disposal or retirement

The gain or loss arising on the disposal or retirement of fixed assets is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit and loss account.

### 2.8 Intangible assets (BAS- 38)

Costs incurred to procure softwares represent as intangible assets. Intangible assets are to be amortised as per decision of the Board of Directors.

### 2.9 Borrowing cost

All borrowing costs are recognized as expenses in the period in which they incurred in accordance with benchmark treatment of Bangladesh Accounting Standard-23.

### 2.10 Accrued expenses, provisions and other payables

As per BAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognized only when a past event has created a legal or constructive obligation, an outflow of resources is probable, and the amount of the obligation can be estimated reliably. Amount recognized as a provision is the best estimate of settlement amount at balance sheet date.

### 2.11 Tax provision

The Company's brokerage income is subject to deduction of tax at source as final discharge of tax liability.

Provision for tax on income other than brokerage commission has been made after necessary adjustment for taxation purpose in accordance with the provision of Income Tax Ordinance, 1984 and amendments thereto.

### 2.12 Cash and cash equivalents

Cash comprises cash in hand and cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to a known amount of cash which are subject to an insignificant risk of change in value.

### 2.13 Earnings per Share (EPS)

The Company calculates Earnings per Share (EPS) in accordance with Bangladesh Accounting Standards-33, which is shown in the face of the Profit and Loss Account, and the computation is stated in Note- 32. No diluted earning per share is required to be calculated for the period, as there was no scope for diluting during the period under review.

### 2.14 Reconciliation of Inter-Company account

Accounts with regard to Inter-Company are reconciled regularly and there are no material differences which may affect the financial statements significantly.

### 2.15 Reporting period

The financial statements have been prepared for the period from January 01, 2012 to December 31, 2012.

### 2.16 Reporting currency

The financial statements are presented in Bangladeshi Taka which is the Company's functional currency.

### 2.17 General

- Figures in the financial statements and notes have been rounded off to the nearest taka.
- Previous year's figures have been rearranged whenever necessary to conform to current year's presentation.

## Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>3 Cash and cash equivalents</b>			
	Cash in hand	64,231	80,181
	Cash at bank (note- 3.1)	3,226,091	78,049,519
	Cash in Transit	161,499	50,499
		<b>3,451,821</b>	<b>78,180,199</b>
<b>3.1 Cash at bank</b>			
	Bank Alfalah Ltd.	(854,419)	5,360,492
	Eastern Bank Limited	381,404	6,432
	Standard Chartered Bank	(4,761,599)	(4,741,254)
	One Bank Ltd	2,941,028	72,332,498
	Jamuna Bank Ltd.	5,519,678	5,091,351
		<b>3,226,091</b>	<b>78,049,519</b>
<b>3a Consolidated cash and cash equivalents</b>			
	<b>Cash in hand</b>		
	International Leasing Securities Limited	225,730	130,680
	Hong Kong Bangladesh Securities Limited	-	-
		<b>225,730</b>	<b>130,680</b>
	<b>Cash at Bank</b>		
	International Leasing Securities Limited	3,226,091	78,049,519
	Hong Kong Bangladesh Securities Limited	7,418	388,358
		<b>3,233,509</b>	<b>78,437,877</b>
		<b>3,459,239</b>	<b>78,568,557</b>
<b>4 Investment</b>			
	Investment in dealer account (note-4.1)	57,048,006	55,805,375
	Investment in Subsidiary (note-4.2)	9,999,700	9,999,700
	Investment in membership of DSE (note-4.3)	56,300,000	56,300,000
	Investment in membership of CSE (note 4.4)	103,944,686	103,944,686
		<b>227,292,392</b>	<b>226,049,761</b>

### 4.1 Investment in shares through Dealer Account

Name of Securities	Number of shares	Cost Value	Market Value	Unrealized Gain/(Loss)
BSRM Steel Limited	109,000	16,926,610	7,401,100	(9,525,510)
Beximco Ltd.	25,000	3,125,250	1,610,000	(1,515,250)
M.I. Cement	20,000	2,674,000	1,658,000	(1,016,000)
Mercantile Bank Ltd.	50,000	1,215,000	955,000	(260,000)
NCC Bank Ltd.	50,000	1,175,000	910,000	(265,000)
One Bank Ltd.	70,850	2,572,564	1,615,380	(957,184)
RN Spinning Mills	133,375	6,213,941	4,548,088	(1,665,853)
Trust Bank 1st MF	150,000	1,500,000	1,305,000	(195,000)
Confident Cement	30,980	3,951,189	3,249,802	(701,387)
Titas	120,000	10,488,000	7,836,000	(2,652,000)
LankaBangla Finance	51,500	3,771,860	3,038,500	(733,360)
MTB Unit Fund	-	3,000,000	-	-
Cash at Bank	-	434,592	-	-
		<b>57,048,006</b>	<b>34,126,870</b>	<b>(19,486,544)</b>

As on December 31, 2012, a provision has been created for an amount of Tk. 11,805,619/- under Note # 30 as per decision of the Board of Directors.

### 4.2 Investment in subsidiary

	<b>9,999,700</b>	<b>9,999,700</b>
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This represents 99,997 nos. of ordinary shares of Hong Kong Bangladesh Securities Limited subscribed by International Leasing Securities Limited out of their 100,000 nos. of shares of Tk. 100 each purchased during the year 2009.

## Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>4.3</b>	The above costs include cost of purchasing of Membership License from Dhaka Stock Exchange Limited (DSE) under open bid for sale of Membership License and other related costs for transfer of the license in the name of the Company from International Leasing and Financial Services Limited.		
<b>4.4</b>	The above costs include cost of purchasing Membership License of Chittagong Stock Exchange Limited (CSE) and other related costs for transfer of the license in the name of the company from Hong Kong Bangladesh Securities Limited (HBSL).		
<b>4a Consolidated Investment</b>			
	International Leasing Securities Limited	217,292,692	216,050,061
	Hong Kong Bangladesh Securities Limited	11,912,766	10,511,124
		<b>229,205,458</b>	<b>226,561,185</b>
<b>5 Property, plant and equipment</b>			
	Motor vehicles	5,200,000	2,347,045
	Office decoration	20,561,136	20,561,136
	Office equipment	7,761,668	9,407,260
	Furniture & fixtures	3,245,999	3,176,709
	Computers & accessories	11,222,044	10,519,885
		<b>47,990,847</b>	<b>46,012,035</b>
	Less: accumulated depreciation	29,759,260	22,222,981
	<b>Net book value at the end of the period (See annex-1)</b>	<b>18,231,587</b>	<b>23,789,054</b>
<b>5a Consolidated property, plant and equipment</b>			
	International Leasing Securities Limited	18,231,587	23,789,054
	Hong Kong Bangladesh Securities Limited	-	1
		<b>18,231,587</b>	<b>23,789,055</b>
<b>6 Receivable from customers</b>		<b>3,130,965,438</b>	<b>2,971,916,470</b>
	This represents amount receivables from customer against shares purchased		
<b>7 Receivable from DSE and CSE</b>			
	Receivable from DSE (note-7.1)	72,293,968	13,175,723
	Receivable from CSE (note-7.2)	1,133,174	2,120,594
		<b>73,427,141</b>	<b>15,296,317</b>

This represents amount receivable from Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE) against sale of shares through the stock exchange. Detail break-up of this amount is as follows:

### 7.1 Receivable from DSE

Grouping of Shares	Date of Transaction	Amount	Amount
Z	17-Dec-12	16,800	-
Z	18-Dec-12	16,416	-
Z	23-Dec-12	7,800	-
Z	24-Dec-12	50,700	-
ABGN	26-Dec-12	29,289,153	-
Z	26-Dec-12	318,165	-
Z	27-Dec-12	7,700	-
ABGN	27-Dec-12	19,177,378	-
ABGN	30-Dec-12	23,409,856	-
Z	19-Dec-11	-	78,650
Z	22-Dec-11	-	232,865
Z	26-Dec-11	-	265,240
Z	27-Dec-11	-	45,800
ABGN	28-Dec-11	-	12,487,068
Z	28-Dec-11	-	63,480
S	29-Dec-11	-	2,620
<b>Total</b>		<b>72,293,968</b>	<b>13,175,723</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>7.2</b>	<b>Receivable from CSE</b>		
	<b>Grouping of Shares</b>	<b>Amount</b>	<b>Amount</b>
	Z	1,333	-
	Z	2,656	-
	ABGN	1,129,185	-
	ABGN	-	2,120,594
	<b>Total</b>	<b>1,133,174</b>	<b>2,120,594</b>
<b>8</b>	<b>Other assets</b>		
	Advance, deposit and prepayments (note-8.1)	13,246,646	14,645,118
	Advance corporate tax	1,248,169	43,223,647
		<b>14,494,815</b>	<b>57,868,765</b>
<b>8.1</b>	<b>Advance, deposit and prepayments</b>		
	Advances and loans (note- 8.1.1)	13,117,146	14,515,618
	Deposits (note-8.1.2)	129,500	129,500
		<b>13,246,646</b>	<b>14,645,118</b>
<b>8.1.1</b>	<b>Advances and loans</b>		
	Advance for office space in DSE building at Nikunja	850,000	850,000
	Loan to employees	3,034,505	2,763,827
	Advances - Office Space ( H.O.)	409,952	-
	Advances - Office Space ( Agrabad)	677,600	1,416,800
	Advances - Office Space ( Khatungonj)	1,230,525	1,777,425
	Advances - Office Space ( Sylhet)	2,632,000	3,421,600
	Advances - Office Space ( Narayongonj)	3,108,000	3,755,500
	Prepaid Insurance	257,412	200,116
	Recivable-Others	30,555	-
	Inter Office Current A/c - IL Capital	517,507	-
	Advance for expenses	369,090	330,350
		<b>13,117,146</b>	<b>14,515,618</b>
<b>8.1.2</b>	<b>Deposits</b>		
	Security deposit with BTTB	27,000	27,000
	Security deposit with CDBL	102,500	102,500
		<b>129,500</b>	<b>129,500</b>
<b>8a</b>	<b>Consolidated other assets</b>		
	International Leasing Securities Limited	14,494,815	57,868,765
	Hong Kong Bangladesh Securities Limited	1,402,657	778,059
		<b>15,897,472</b>	<b>58,646,823</b>
<b>9</b>	<b>Term loan and Time Loan</b>		
	Loan from ILFSL (note-9.1)	2,324,084,463	2,323,466,667
	Term Loan Midas Financing	66,452,103	80,606,666
	Time Loan Midas Financing	110,000,000	110,000,000
	Term Loan Fareast Finance	39,756,355	49,281,250
	Time Loan Fareast Finance	100,000,000	100,000,000
	Lease Finance-Fareast	3,312,634	-
	Overdraft - One Bank Ltd.	50,000,000	-
	Term Loan LankaBangla Finance	187,704,922	-
		<b>2,881,310,477</b>	<b>2,663,354,583</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>9.1</b>	<b>Loan from ILFSL</b>		
	Balance as on 1st January	2,323,466,667	2,493,839,740
	Add: received during the period	184,917,796	205,000,000
	Less: repayment during the period	(174,300,000)	(356,699,616)
	Less: repayment of Loan for CSE Membership	(10,000,000)	(10,833,333)
	Less: loan for KPCL share	-	(7,840,124)
	<b>Closing Balance (details are mentioned below)</b>	<b>2,324,084,463</b>	<b>2,323,466,667</b>
	Details breakup of Loan from ILFSL		
	Margin Loan	2,309,999,880	2,304,300,000
	Long term loan for HBSL	9,166,667	19,166,667
	Other Loan - ILFSL	4,917,916	-
		<b>2,324,084,463</b>	<b>2,323,466,667</b>
<b>10</b>	<b>Payable to customers</b>		
	Payable to customers	65,437,586	77,038,962
	Payable to customers - close account	33,073	17,563
		<b>65,470,659</b>	<b>77,056,525</b>
	This represents amount payable to customers against sale of shares and/or receipts for purchasing of shares.		
<b>11</b>	<b>Payable to DSE and CSE</b>		
	Payable to DSE (note-11.1)	184,228	3,171,193
	Payable to CSE (note- 11.2)	218,900	1,149,315
		<b>403,129</b>	<b>4,320,508</b>
	This represents amount payable to Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE) against purchase of shares through the stock exchanges. Detail break-up of this amount is as follows:		
<b>11.1</b>	<b>Payable to DSE</b>		
	<b>Grouping of shares</b>	<b>Date of transaction</b>	<b>Amount</b>
	ABGN	27-Dec-12	82,000
	Z	27-Dec-12	48,948
	ABGN	30-Dec-12	53,281
	ABGN	29-Dec-11	-
	Z	29-Dec-11	-
	<b>Total</b>		<b>184,228</b>
<b>11.2</b>	<b>Payable to CSE</b>		
	<b>Grouping of shares</b>	<b>Date of transaction</b>	<b>Amount</b>
	Z	30-Dec-12	218,900
	ABGN	29-Dec-11	-
	<b>Total</b>		<b>218,900</b>
<b>12</b>	<b>Other liabilities</b>		
	Payable and accrued expenses (Note- 12.1)	275,592,311	329,642,440
	Inter Company current account (note- 12.2)	4,628,209	4,885,209
	Provision for unrealized loss in dealer accounts (note - 12.3)	19,486,544	7,680,925
	Provision for income tax (note- 12.4)	16,334,221	135,309,241
	Provision for Contingency	2,720,000	-
		<b>318,761,285</b>	<b>477,517,816</b>

## Notes to the financial statements - continued

	(Figures in BDT)	
	2012	2011
<b>12.1 Payable and accrued expenses</b>		
CDBL charges	1,539,895	312,873
BO account maintenance fee payable to CDBL	2,104,800	24,800
Office maintenance	73,400	59,549
Accrued repair & maintenance	11,000	-
Audit fee	74,750	52,250
Utilities	5,000	5,000
Telephone	332,684	52,462
Payable for others	415,763	1,715,260
Payable - Insurance	-	25,800
Fuel and Power	-	15,155
Printing and stationery	56,281	13,591
Entertainment	17,243	5,262
Advertisement	-	42,500
Accrued-Electricity bill	85,135	49,158
Interest on loan from Midas Financing Ltd.	305,556	4,743,193
Interest on loan from Fareast Finance & Investment Ltd.	2,000,000	2,000,000
Interest on OBL	2,196,036	-
Interest on loan from ILFSL	196,301,231	268,025,640
Internet payable	-	10,000
Interest suspense account	50,073,553	-
Withholding tax payable	19,999,985	52,489,948
	<b>275,592,311</b>	<b>329,642,440</b>
<b>12.2 Inter Company current account</b>		
Payable for HBSL	4,628,209	4,628,209
ILFSL	-	257,000
	<b>4,628,209</b>	<b>4,885,209</b>
<b>12.3 Provision for unrealized loss in dealer accounts</b>		
Balance as at 1st January	7,680,925	3,681,302
Add: provision made during the year	11,805,619	3,999,623
Less: decrease in provision during the period	-	-
	<b>19,486,544</b>	<b>7,680,925</b>
No provision has been made for negative equity as on December 31, 2012 due to fluctuating nature of capital market.		
<b>12.4 Provision for income tax</b>		
Balance as at 1st January	135,309,241	45,176,555
Less: transferred to retained earnings	(57,000,000)	-
Add: Provision made during the year	13,453,060	35,093,042
Add: additional tax provision during the year	-	57,000,000
Less: settlement of previous year tax liability	(75,428,080)	(1,960,356)
	<b>16,334,221</b>	<b>135,309,241</b>
<b>12a Consolidated other liabilities</b>		
International Leasing Securities Limited	318,761,285	477,517,816
Hong Kong Bangladesh Securities Limited	1,307,012	657,907
	<b>320,068,297</b>	<b>478,175,723</b>
<b>13 Share capital</b>		
<b>Authorised</b>		
2,500,000 nos. of ordinary shares of taka 100 each	<b>250,000,000</b>	<b>250,000,000</b>

## Notes to the financial statements - continued

	(Figures in BDT)		
	2012	2011	2010
<b>13.1 Issued, subscribed &amp; paid up</b>	<b>200,000,000</b>	<b>150,000,000</b>	
2,000,000 nos. of ordinary shares of taka 100 each.			
<b>Composition of shareholdings</b>			
<b>Particulars</b>	<b>No. of shares</b>		
<b>a) Corporate</b>	<b>1,999,997</b>	<b>199,999,700</b>	<b>149,999,700</b>
International Leasing & Financial Services Ltd.	1,999,997	199,999,700	149,999,700
<b>b) Individual</b>	<b>3</b>	<b>300</b>	<b>300</b>
Mr. Jamal Uddin Ahmad	1	100	100
Mr. Mizanur Rahman	1	100	100
Mr. Mustafizur Rahman	1	100	-
Mr. Sajidur Rahman Khan	-	-	100
<b>Total</b>	<b>2,000,000</b>	<b>200,000,000</b>	<b>150,000,000</b>
<b>14 Retained earnings</b>			
Retained earnings as at 1st January	851,133	127,188,318	
Add: profit after tax for the year	44,066,512	106,262,815	
Add: transferred from tax provision	57,000,000	-	
Add: transferred from loan risk reserve	-	43,425,000	
Add: transferred from general reserve	-	43,425,000	
Less: interim cash dividend for the year	100,000,000	262,450,000	
<b>Available for appropriation</b>	<b>1,917,645</b>	<b>57,851,133</b>	
Transferred to tax provision	-	57,000,000	
<b>Closing Balance</b>	<b>1,917,645</b>	<b>851,133</b>	
<b>14a Consolidated retained earnings</b>			
Retained earnings as at 1st January	1,870,737	127,426,164	
Add: profit after tax for the year	45,062,676	107,044,573	
Add: transferred from tax provision	57,000,000	-	
Add: transferred from loan risk reserve	-	43,425,000	
Add: transferred from general reserve	-	43,425,000	
Less: interim cash dividend for the year	100,000,000	262,450,000	
<b>Available for appropriation</b>	<b>3,933,413</b>	<b>58,870,737</b>	
Transferred to tax provision	-	57,000,000	
<b>Closing Balance</b>	<b>3,933,413</b>	<b>1,870,737</b>	
<b>14b Minority interest</b>			
Share capital	300	300	
Retained earnings	30	7	
<b>Balance as at January 01</b>	<b>330</b>	<b>307</b>	
Profit for the year	30	23	
<b>Balance as at December 31</b>	<b>360</b>	<b>330</b>	
<b>15 Brokerage income</b>			
DSE	116,167,269	160,532,979	
CSE	13,084,701	10,671,889	
	<b>129,251,970</b>	<b>171,204,868</b>	
This represents brokerage commission earned from selling and buying of securities on behalf of clients.			

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>16 Direct charges</b>			
	Hawla charges	1,615,022	1,698,736
	Laga charges	7,911,328	9,887,616
		<b>9,526,350</b>	<b>11,586,352</b>
<b>17 Interest income</b>			
	Interest on margin loan	518,199,592	495,450,807
	Interest on bank account	2,940,947	3,959,325
	Other interest income	562,441	216,150
		<b>521,702,980</b>	<b>499,626,282</b>
Interest on Margin loan represents interest charged on loan extended to customers against purchase of shares.			
<b>17a Consolidated Interest Income</b>			
	International Leasing Securities Limited	521,702,980	499,626,282
	Hong Kong Bangladesh Securities Limited	1,676,124	1,309,535
		<b>523,379,104</b>	<b>500,935,817</b>
<b>18 Interest expense</b>			
	Margin loan	402,517,158	384,186,947
	Interest expense on Long Term Loan (HBSL)	2,607,744	3,869,674
	Interest expense-Midas Financing	30,271,648	26,230,851
	Interest on loan for purchase of KPCL shares	-	329,924
	Interest expense-Fareast Finance	27,080,635	2,750,000
	Interest expenses-One Bank Ltd.	6,079,508	2,378,083
	Interest expenses-LankaBangla	19,608,695	-
	Interest expenses-Fareast Motor Lease	257,134	-
	Interest expenses-others	3,233,171	4,005,505
		<b>491,655,692</b>	<b>423,750,984</b>
This represents interest on term loan taken from ILFSL and other financiers			
<b>19 Other operating income</b>			
	CDBL charges	153,252	11,503,806
	Sale of BO account forms	178,900	307,000
	BO account maintenance fee recovered	541,207	360,236
	Excess Commission	1,099,969	1,098,175
	Other Income	-	22,746
	Cheque dishonour charge	76,073	171,610
	Gain on sale of Fixed Assets	481,835	(54,880)
		<b>2,531,236</b>	<b>13,408,693</b>
<b>20 Income from Dealer Account</b>			
	Realized income/(loss) from Dealer Account	1,741,195	(3,730,018)
	Dividend income from Dealer Account	1,402,900	1,213,000
		<b>3,144,095</b>	<b>(2,517,018)</b>
<b>21 Salary and allowances</b>			
	Salary and allowances	25,592,059	26,267,919
	Other benefits	2,184,508	5,571,033
		<b>27,776,567</b>	<b>31,838,952</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>22 Rent, taxes, insurance, electricity, etc.</b>			
	Rent, rate and taxes	13,789,454	13,654,585
	Insurance Premium	593,820	599,365
	Electricity, gas and water	1,400,975	955,449
		<b>15,784,249</b>	<b>15,209,399</b>
<b>23 Legal expenses</b>			
	Legal expenses	280,480	31,488
		<b>280,480</b>	<b>31,488</b>
<b>23a Consolidated legal expenses</b>			
	International Leasing Securities Limited	280,480	31,488
	Hong Kong Bangladesh Securities Limited	-	13,063
		<b>280,480</b>	<b>44,551</b>
<b>24 Postage, stamp , telephone etc.</b>			
	Postage, stamp	90,405	50,041
	Telephone	777,336	803,265
		<b>867,741</b>	<b>853,306</b>
<b>25 Stationery, printing and advertisements, etc.</b>			
	Printing and stationery	929,869	985,488
	Publicity and advertisement	312,440	568,064
		<b>1,242,308</b>	<b>1,553,552</b>
<b>26 Directors' fees and meeting expenses</b>			
	Directors' fees and meeting expenses	469,964	276,000
No director has been paid any remuneration for any special service rendered.			
<b>27 Auditors' fees</b>			
	Statutory audit fee	85,200	66,880
<b>27a Consolidated auditors' fees</b>			
	International Leasing Securities Limited	85,200	66,880
	Hong Kong Bangladesh Securities Limited	57,500	26,125
		<b>142,700</b>	<b>93,005</b>
<b>28 Depreciation, amortization and repair of assets</b>			
<b>a) Depreciation</b>			
	Motor Vehicles	602,855	469,409
	Office Decoration	3,084,172	3,084,170
	Office Equipment	1,316,867	1,680,217
	Furniture & Fixtures	451,482	609,599
	Computers & Accessories	2,934,732	3,278,859
		<b>8,390,108</b>	<b>9,122,254</b>
<b>b) Repairs</b>			
	Repair & Maintenance	588,929	240,278
		<b>588,929</b>	<b>240,278</b>
<b>(a+b)</b>		<b>8,979,038</b>	<b>9,362,532</b>

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>28a Consolidated depreciation, amortization and repair of assets</b>			
<b>a) Depreciation</b>			
International Leasing Securities Limited		8,390,108	9,122,254
Hong Kong Bangladesh Securities Limited		1	
		<b>8,390,109</b>	<b>9,122,254</b>
<b>b) Repairs</b>			
International Leasing Securities Limited		588,929	240,278
Hong Kong Bangladesh Securities Limited		-	-
		<b>588,929</b>	<b>240,278</b>
<b>(a+b)</b>		<b>8,979,039</b>	<b>9,362,532</b>
<b>29 Other expenses</b>			
Fuel & Repair expenses for vehicles		595,668	556,326
Fuel and Power		189,432	146,075
Office Maintenance		1,828,564	1,508,645
Fees and subscription		325,118	175,600
License and renewal		186,000	285,467
Bank charges		95,778	120,165
Entertainment		863,201	1,413,517
Business development expenses		169,708	386,846
Travelling and conveyance expenses		202,500	384,789
Internet and connectivity expenses		3,145,381	2,934,689
Training Expenses		221,760	629,507
		<b>7,823,109</b>	<b>8,541,626</b>
<b>29a Consolidated other expenses</b>			
International Leasing Securities Limited		7,823,109	8,541,626
Hong Kong Bangladesh Securities Limited		24,699	19,495
		<b>7,847,808</b>	<b>8,561,121</b>
<b>30 Provision for unrealized loss in dealer account</b>			
Provision for unrealized loss in dealer account		11,805,619	3,999,623
Loss for contingency		2,720,000	-
		<b>14,525,619</b>	<b>3,999,623</b>
The provision has been created for unrealized loss in dealer account as per decision of the Board of Directors.			
<b>31 Tax expenses</b>			
Current tax provision (note-31.1)		13,278,940	35,093,042
Tax paid on brokerage income (note- 31.2)		20,094,391	33,296,274
Tax provision for Dealer Account (note- 31.3)		174,119	-
		<b>33,547,450</b>	<b>68,389,316</b>

**31.1** Current tax provision represents provision made for net interest income and other operating income and rest of the brokerage income @ 37.5%, rounded off to nearest Taka.

**31.2** Tax paid on brokerage income represents tax deducted at source by DSE and CSE on the turnover as per section 53BBB u/s 82 (C) of Income Tax Ordinance 1984.

**31.3** Tax provision on realised income of dealer account has been made @10% as per Income Tax Ordinance 1984.

Notes to the financial statements - continued

		(Figures in BDT)	
		2012	2011
<b>31a Consolidated tax expenses</b>			
International Leasing Securities Limited		33,547,450	68,389,316
Hong Kong Bangladesh Securities Limited		597,730	469,070
		<b>34,145,180</b>	<b>68,858,386</b>
<b>32 Earnings per share (EPS)</b>			
		Basic earning per share	
Earning attributable to ordinary shareholders (profit after tax)		44,066,512	106,262,815
Number of ordinary shares outstanding		2,000,000	1,500,000
		<b>22.03</b>	<b>70.84</b>
<b>32a Consolidated Earnings per share (EPS)</b>			
		Basic earning per share	
Earning attributable to ordinary shareholders (profit after tax)		45,062,676	107,044,573
Number of ordinary shares outstanding		2,000,000	1,504,000
		<b>22.53</b>	<b>71.36</b>

**33 Related party disclosure**

The company has entered into various intercompany transaction with its parent company during the year. The details of intercompany transaction along with relationship are provided below as per BAS:24 Related Party Disclosure.

Name of the Company	Amount in Taka	Relationship	Nature of Transaction
ILFSL	2,324,084,463	Parent Company	Term Loan
ILFSL	196,301,231	Parent Company	Interest Payable
ILFSL	4,628,209	Parent Company	Other payable

**34 Number of employees**

Company has 61 number of employees as on December 31, 2012.

**35 Events after balance sheet date**

**a) Appropriations**

Subsequent to the balance sheet date the Board of Directors in their 50th Meeting held on February 26, 2013 has not declared final dividend. Accordingly, the interim cash dividend which was declared on December 17, 2012 in its 47 Meeting @ 50% against per share of Taka 100 each total of Taka 10 crore is to be considered as final dividend for the year 2012.

**36 Approval of financial statements**

These financial statements were approved by the Board of Directors in their meeting held on February 26, 2013 for placement in the AGM of the Company.

  
C.K. Hyder  
Chairman

  
M. Nurul Alam  
Director

  
Md. Humayan Kabir ACA  
Chief Operating Officer

  
Rafiqul Islam  
Company Secretary



# AUDITORS' REPORT & AUDITED FINANCIAL STATEMENTS OF HONGKONG BANGLADESH SECURITIES LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2012



## INTERNATIONAL LEASING SECURITIES LIMITED

### Schedule of fixed assets as at December 31, 2012

Annexure - 1

(Figures in BDT)

Particulars	COST				DEPRECIATION				Written down value as at December 31, 2012	
	Balance as at January 01, 2012	Addition during the Year	/Disposal during the Year	Balance as at December 31, 2012	Rate (%)	Balance as at January 01, 2012	Charged during the Year	/Disposal during the Year		
Motor vehicles	2,347,045	3,500,000	(647,045)	5,200,000	20	1,197,636	602,855	(593,125)	1,207,366	3,992,634
Office decoration	20,561,136	-	-	20,561,136	15	8,724,449	3,084,172	-	11,808,620	8,752,516
Office equipment	9,407,260	370,040	(2,015,632)	7,761,668	20	3,826,930	1,316,867	(346,175)	4,797,622	2,964,045
Furniture & fixtures	3,176,709	130,400	(61,110)	3,245,999	15	1,269,184	451,482	-	1,720,666	1,525,333
Computers & accessories	10,519,885	958,440	(256,281)	11,222,044	33	7,204,783	2,934,732	85,471	10,224,985	997,059
<b>Total as at December 31, 2012</b>	<b>46,012,035</b>	<b>4,958,880</b>	<b>(2,980,068)</b>	<b>47,990,847</b>		<b>22,222,981</b>	<b>8,390,108</b>	<b>(853,829)</b>	<b>29,759,260</b>	<b>18,231,587</b>
<b>Total as at December 31, 2011</b>	<b>45,124,963</b>	<b>2,070,211</b>	<b>(1,183,139)</b>	<b>46,012,035</b>		<b>13,681,247</b>	<b>9,122,254</b>	<b>(580,520)</b>	<b>22,222,981</b>	<b>23,789,054</b>

## INTERNATIONAL LEASING SECURITIES LIMITED AND ITS SUBSIDIARY

### Consolidated schedule of fixed assets as at December 31, 2012

Annexure - 1(a)

(Figures in BDT)

Particulars	COST				DEPRECIATION				Written down value as at December 31, 2012	
	Balance as at January 01, 2012	Addition during the Year	/Disposal during the Year	Balance as at December 31, 2012	Rate (%)	Balance as at January 01, 2012	Charged during the Year	/Disposal during the Year		
Motor vehicles	2,347,045	3,500,000	(647,045)	5,200,000	20	1,197,636	602,855	(593,125)	1,207,366	3,992,634
Office decoration	20,561,136	-	-	20,561,136	15	8,724,449	3,084,172	-	11,808,620	8,752,516
Office equipment	9,407,260	370,040	(2,015,632)	7,761,668	20	3,826,930	1,316,867	(346,175)	4,797,622	2,964,045
Furniture & fixtures	3,233,884	130,400	(61,110)	3,303,174	15	1,326,358	451,483	-	1,777,841	1,525,333
Computers & accessories	10,519,885	958,440	(256,281)	11,222,044	33	7,204,783	2,934,732	85,471	10,224,985	997,059
<b>Total as at December 31, 2012</b>	<b>46,069,210</b>	<b>4,958,880</b>	<b>(2,980,068)</b>	<b>48,048,022</b>		<b>22,280,155</b>	<b>8,390,109</b>	<b>(853,829)</b>	<b>29,816,435</b>	<b>18,231,587</b>
<b>Total as at December 31, 2011</b>	<b>45,182,138</b>	<b>2,070,211</b>	<b>(1,183,139)</b>	<b>46,069,210</b>		<b>13,738,421</b>	<b>9,122,254</b>	<b>(580,520)</b>	<b>22,280,155</b>	<b>23,789,055</b>

**AUDITORS' REPORT  
TO  
THE SHAREHOLDERS OF HONGKONG BANGLADESH SECURITIES LIMITED**

We have audited the accompanying financial statements of **Hongkong Bangladesh Securities Limited** which comprise the statement of Financial Position as at December 31, 2012, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and notes to the Financial Statements for the year then ended.

**Management's responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS) and the Companies Act, 1994 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion:**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Hongkong Bangladesh Securities Limited** as at December 31, 2012 and its financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards and comply with the applicable sections of the Companies Act, 1994, the Securities & Exchange Rule, 1987 and other applicable laws and regulations.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to the note 1.1 in the financial statement which indicates the company is going to wind up its business and break up basis of accounting was used for presentation of this financial statements disclosed in note 2.1.

**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 purpose of our audit and made due verification thereof;
- 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 these books;
- the statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of accounts and returns; and
- the expenditure incurred was for the purpose of the company's business.

Dated: Dhaka  
January 24, 2013

  
**Rahman Mostafa Alam & Co.**  
Chartered Accountant

**HONGKONG BANGLADESH SECURITIES LIMITED**  
**Statement of Financial Position**  
as at December 31, 2012

	<u>Notes</u>	(Figures in BDT)	
		<u>2012</u>	<u>2011</u>
<b>PROPERTY AND ASSETS</b>			
Cash and cash equivalents		7,418	388,358
Investment		11,912,766	10,511,124
Fixed assets	3.0	-	1
Advances, deposits and prepayments	4.0	1,402,657	778,059
<b>Total assets</b>		<b>13,322,841</b>	<b>11,677,542</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Other Liabilities	5.0	1,307,012	657,907
<b>Capital / Shareholders' equity</b>		<b>12,015,829</b>	<b>11,019,635</b>
Paid- up capital	6.0	10,000,000	10,000,000
Retained Earnings		2,015,829	1,019,635
<b>Total liabilities and Shareholders' equity</b>		<b>13,322,841</b>	<b>11,677,542</b>
<b>Net asset value per share</b>		<b>120</b>	<b>110</b>

The annexed notes from 1 to 9 and annexure -1 form an integral part of these financial statements

  
**Mustafizur Rahman**  
Director

  
**Nehal Ahmed**  
Managing Director

  
**Rafiqul Islam**  
Company Secretary

Signed in terms of our separate report of even date

Dated : Dhaka  
January 24, 2013

  
**Rahman Mostafa Alam & Co.**  
Chartered Accountants

**HONGKONG BANGLADESH SECURITIES LIMITED**  
**Statement of Comprehensive Income**  
**for the year ended December 31, 2012**

		(Figures in BDT)	
	<u>Notes</u>	<u>2012</u>	<u>2011</u>
<b>OPERATING INCOME</b>			
Interest Income	7.0	1,676,124	1,309,535
<b>Total operating income (A)</b>		<b>1,676,124</b>	<b>1,309,535</b>
<b>OPERATING EXPENSES</b>			
Legal expenses		-	13,063
Auditors' fees		57,500	26,125
Depreciation, amortization and repair of assets		1	-
Fees and subscription		20,734	15,000
Bank charges		3,965	4,495
<b>Total operating expenses (B)</b>		<b>82,200</b>	<b>58,683</b>
<b>Total profit before taxes (A-B)</b>		<b>1,593,924</b>	<b>1,250,852</b>
Tax expenses	8.0	597,730	469,070
<b>Net profit after taxation</b>		<b>996,194</b>	<b>781,782</b>
<b>EPS</b>	9.0	<b>9.96</b>	<b>7.82</b>

The annexed notes from 1 to 9 and annexure -1 form an integral part of these financial statements

  
**Mustafizur Rahman**  
 Director

  
**Nehal Ahmed**  
 Managing Director

  
**Rafiqul Islam**  
 Company Secretary

Signed in terms of our separate report of even date

Dated : Dhaka  
 January 24, 2013

  
**Rahman Mostafa Alam & Co.**  
 Chartered Accountants

**HONGKONG BANGLADESH SECURITIES LIMITED**  
**Statement of Cash Flows**  
**for the year ended December 31, 2012**

		(Figures in BDT)	
		<u>2012</u>	<u>2011</u>
<b>Cash flow from operating activities</b>			
Receipt of interest income		-	3,579
Payment for expenses		(48,824)	(59,308)
Increase of current liabilities		20,000	-
Payment of income tax		(352,116)	(89,100)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(380,940)</b>	<b>(144,829)</b>
<b>Cash flow from investing activities</b>			
<b>Net cash inflow/(outflow) from investing activities</b>		-	-
<b>Cash flow from financing activities</b>			
<b>Net cash inflow/(outflow) from financing activities</b>		-	-
<b>Net cash inflow/(outflow) for the period</b>		<b>(380,940)</b>	<b>(144,829)</b>
<b>Opening balance of cash and cash equivalents</b>		<b>388,358</b>	<b>533,187</b>
<b>Closing balance of cash and cash equivalents</b>		<b>7,418</b>	<b>388,358</b>

  
**Mustafizur Rahman**  
 Director

  
**Nehal Ahmed**  
 Managing Director

  
**Rafiqul Islam**  
 Company Secretary

**HONGKONG BANGLADESH SECURITIES LIMITED**  
**Statement of Changes in Equity**  
**for the year ended December 31, 2012**

(Figures in BDT )

Particulars	Share Capital	Revaluation Surplus	Retained Earnings	Total
<b>Balance as at January 1, 2012</b>	<b>10,000,000</b>	-	<b>1,019,635</b>	<b>11,019,635</b>
Profit after tax for the year - 2012	-	-	996,194	996,194
<b>Balance as at December 31, 2012</b>	<b>10,000,000</b>	-	<b>2,015,829</b>	<b>12,015,829</b>
<b>Balance as at January 1, 2011</b>	<b>10,000,000</b>	-	<b>237,853</b>	<b>10,237,853</b>
Profit after tax for the year - 2011	-	-	781,782	781,782
<b>Balance as at December 31, 2011</b>	<b>10,000,000</b>	-	<b>1,019,635</b>	<b>11,019,635</b>

  
**Mustafizur Rahman**  
 Director

  
**Nehal Ahmed**  
 Managing Director

  
**Rafiqul Islam**  
 Company Secretary

**HONGKONG BANGLADESH SECURITIES LIMITED**  
**Notes to the Financial Statements**  
**As at and for the year ended December 31, 2012**

**1 Company and its activities**

**1.1 Corporate information**

Hongkong Bangladesh Securities Limited (HBSL) is a Private Limited Company incorporated at Chittagong under the Companies Act, 1994 on April 06, 1997 bearing Registration Number CHC-2587. The registered office of the Company is at National House (1st floor) 109, Agrabad C/A, Chittagong. The company has transferred its CSE membership license to international Leasing Securitit Limited with effect from 2nd May 2010 the Company could not start its operation.

Upon acquisition of 99.997% share of the Company by International Leasing Securities Limited as per terms set forth in vendor's agreement dated 25-10-2009 between previous shareholders of Hongkong Bangladesh Securities Limited and International Leasing Securities Limited the Company become 99.997% subsidiary of International Leasing Securities Limited.

The board of directors of Hongkong Banladesh Securities Limited in its 16th meeting held on October 07, 2012 decided to winding up the Company voluntarily.

**1.2 Principal activities**

As per memorandum of the Company the main business of the Company is to carry on the business as a broker, dealer in stocks and securities, commercial papers, bonds, debentures, debenture stocks, treasury bills/bonds and/or any financial instruments.

The company has transferred its CSE membership license to international Leasing Securitit Limited with effect from 2nd May 2010 the Company could not start its operation. However the Company earned some interest income from TDR and STD account.

**2 Significant Accounting policies**

**2.1 Basis of preparation and presentation of the financial statements**

The financial statements have been prepared under the historical cost convention. The company's winding up process is in progress and formalities will be completed on or before June 30, 2013 and has therefore prepared the financial statements on break up basis.

**2.2 Statement of Cash flows**

The statement of cash flow is prepared using the direct method as stipulated in Bangladesh Accounting Standard (BAS) 7 – "Cash Flow Statements". Cash and cash equivalents for statement of cash flow comprises mainly of cash in hand and balances at banks.

**2.3 Revenue recognition (BAS 18, "Revenue")**

BAS 18 is a general revenue recognition standard, which states that revenue should be measured at the fair value of the consideration received or receivable. This is usually the amount of cash or cash equivalents received or receivable and recognized when it is probable that economic benefits will flow to the entity.

Till December 31, 2012 the Company did not start its core activities due to transferred its CSE membership license to international Leasing Securitit Limited. However the Company earned some interest from TDR and STD accounts maintained with bank/Fl.

**2.4 Accrued expenses, provisions and other payables**

As per BAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized only when a past event has created a legal or constructive obligation, an outflow of resources is probable, and the amount of the obligation can be estimated reliably. Amount recognized as a provision is the best estimate of settlement amount at balance sheet date.

Notes to the Financial Statements - continued...

(Figures in BDT)  
2012 2011

**2.5 Tax provision**

Tax provision for interest income has been made as per Income Tax Ordinance 1984.

**2.6 Cash and cash equivalents**

Cash comprises cash in hand and cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to a known amount of cash which are subject to an insignificant risk of change in value.

**2.7 Reporting currency**

The financial statements are presented in Bangladeshi Taka which is the Company's functional currency.

**2.8 Others**

- Figures in the financial statements and notes have been rounded off to the nearest taka.  
- Last year figures have been rearranged whenever necessary due to current year presentation.

**3.0 Fixed assets (Annexure-1)**

**Cost:**

Balance as on 1st January	57,175	57,175
Add: addition during the year	-	-
Less: disposal during the year	-	-
Less: Accumulated Depreciation	57,175	57,174

**Balance as at December 31** - 1

Since the company generated revenues during the year, entire cost of Fixed Assets has been depreciated as per decision of the Board of Directors taken in their 7th meeting dated December 12, 2010.

**4.0 Advances, deposits and prepayments**

Advances income tax	446,858	94,742
Security deposit with BTCL	2,000	2,000
Tax deducted at source	327,154	171,194
Interest receivable on TDR	626,645	510,123
	<b>1,402,657</b>	<b>778,059</b>

**5.0 Other liabilities**

Payable and accrued expenses (note- 5.1)	97,500	46,125
Provision for income tax (note- 5.2)	1,209,512	611,782
	<b>1,307,012</b>	<b>657,907</b>

**5.1 Payables & accrued expenses**

Payable to director - old	20,000	20,000
Payable to ILFSL	20,000	-
Audit fee	57,500	26,125
	<b>97,500</b>	<b>46,125</b>

Payable to director represents the amount received from one of the previous directors to meet immediate expense of the company. This amount has been paid subsequently to the director.

Notes to the Financial Statements - continued...

(Figures in BDT)  
2012 2011

**5.2 Provision for income tax**

Opening Balance	611,782	142,712
Add: Provision made during the year	597,730	469,070
	<b>1,209,512</b>	<b>611,782</b>

**6.0 Share capital**

**Authorised capital**

850,000 nos. of ordinary shares of taka 100 each **85,000,000 85,000,000**

**Issued, subscribed & paid up**

100,000 nos. of ordinary shares of taka 100 each fully paid. **10,000,000 10,000,000**

**Composition of shareholdings**

Particulars	No. of shares	% of holding	Amount
<b>a) Corporate</b>	<b>99,997</b>	<b>99.997</b>	<b>9,999,700</b>
International Leasing Securities Ltd.	99,997	99.997	9,999,700
<b>b) Individual</b>	<b>3</b>	<b>0.003</b>	<b>300</b>
Mr. Jamal Uddin Ahmad	1	0.001	100
Mr. Mizanur Rahman	1	0.001	100
Mr. Sajidur Rahman Khan	1	0.001	100
<b>Total</b>	<b>100,000</b>	<b>100.00</b>	<b>10,000,000</b>

**7.0 Interest income**

Interest income from TDR	1,676,124	1,305,956
Interest income from STD account	-	3,579
	<b>1,676,124</b>	<b>1,309,535</b>

**8.0 Tax expenses**

Current tax provision	597,730	469,070
	<b>597,730</b>	<b>469,070</b>

**9.0 Earnings per share (EPS)**

**Basic earning per share**

Earning attributable to ordinary shareholders (profit after tax)	996,194	781,782
Number of ordinary shares	100,000	100,000
	<b>9.96</b>	<b>7.82</b>

  
Mustafizur Rahman  
Director

  
Nehal Ahmed  
Managing Director

  
Rafiqul Islam  
Company Secretary



**AUDITORS' REPORT &  
AUDITED FINANCIAL STATEMENTS  
OF  
IL CAPITAL LIMITED**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

Annexure - 1

**HONGKONG BANGLADESH SECURITIES LIMITED**  
Schedule of fixed assets  
as at December 31, 2011

(Figures in BDT)

Particulars	COST				DEPRECIATION				Written down value as at December 31, 2012
	As at January 01, 2012	Addition during the Year	Disposal during the Year	As at December 31, 2012	Rate (%)	As at January 01, 2012	Charged during the Year	Adjustment during the Year	
Furnitures & fixtures	57,175	-	-	57,175		57,175	-	-	57,175
<b>Total as at December 31, 2012</b>	<b>57,175</b>	<b>-</b>	<b>-</b>	<b>57,175</b>		<b>57,174</b>	<b>1</b>	<b>-</b>	<b>57,175</b>
<b>Total as at December 31, 2011</b>	<b>57,175</b>	<b>-</b>	<b>-</b>	<b>57,175</b>		<b>-</b>	<b>57,174</b>	<b>-</b>	<b>57,174</b>

**AUDITORS' REPORT TO THE SHAREHOLDERS  
OF  
IL CAPITAL LIMITED**

We have audited the accompanying financial statements of IL Capital Limited which comprise the Statements of Financial Position as at December 31, 2012 and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements of the Company in accordance with Bangladesh Financial Reporting Standards (BFRSs), and the company's Act 1994 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements of the Company based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements of the Company are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of IL Capital Limited as at December 31, 2012 and its financial performance and cash flows for the year then ended prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

**We also report that:**

- i) 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;
- ii) 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 these books;
- iii) the statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- iv) the expenditure incurred was for the purposes of the company's business.

Dated: Dhaka  
February 03, 2013


  
**Rahman Mostafa Alam & Co.**  
Chartered Accountant

**IL CAPITAL LIMITED  
Statement of Financial Position  
As at December 31, 2012**

(Figures in BDT)

	<u>Notes</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
<b>PROPERTY AND ASSETS</b>			
Cash and cash equivalents	3.0	4,671,833	988,735
Investment	4.0	100,067,478	99,000,000
Fixed assets including premises, furniture and fixtures	5.0	15,813,818	-
Other assets	6.0	8,465,386	18,363,268
<b>Total assets</b>		<b>129,018,515</b>	<b>118,352,003</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Term loan	7.0	5,442,986	-
Other Liabilities	8.0	21,221,268	18,352,003
<b>Capital / Shareholders' equity</b>			
Paid- up capital	9.1	100,000,000	100,000,000
Retained Earnings		2,354,261	-
<b>Total Shareholders' equity</b>		<b>102,354,261</b>	<b>100,000,000</b>
<b>Total liabilities and Shareholders' equity</b>		<b>129,018,515</b>	<b>118,352,003</b>
<b>Net asset value per share</b>	10.0	<b>102.35</b>	<b>100.00</b>

The annexed notes from 1 to 20 form an integral part of these financial statements.

  
**Mahbub Jamil**  
Chairman

  
**Nehal Ahmed**  
Managing Director

  
**Saad Muhammad Faisal**  
Chief Operating Officer

  
**Md. Rafiqul Islam**  
Company Secretary

Sign in terms of our separate report of even date.

Dated : Dhaka  
February 03, 2013

  
**Rahman Mostafa Alam & Co.**  
Chartered Accountants

**IL CAPITAL LIMITED**  
**Statement of Comprehensive Income**  
**For the year ended December 31, 2012**

		(Figures in BDT)	
	Notes	Jan-Dec 2012	Mar 07-Dec 31 2011
<b>OPERATING INCOME</b>			
Interest income	11.0	15,365,048	4,859,137
Interest expenses		(5,621,011)	-
<b>Total operating income (A)</b>		<b>9,744,037</b>	<b>4,859,137</b>
<b>OPERATING EXPENSES</b>			
Salary and allowances	12.0	1,704,727	-
Rent, taxes, insurance, electricity etc.	13.0	256,111	-
Postage, stamp & telecommunication	14.0	58,938	-
Stationery, printing & advertisements	15.0	160,160	-
Directors' fees & meeting expenses	16.0	97,750	-
Auditors' fees	17.0	28,750	26,125
Depreciation, amortization and repair of assets	18.0	3,297,953	4,796,747
Other expenses	19.0	372,831	11,265
<b>Total operating expenses (B)</b>		<b>5,977,220</b>	<b>4,834,137</b>
<b>Profit before tax (A-B)</b>		<b>3,766,817</b>	<b>25,000</b>
Tax expense	8.2	1,412,556	25,000
<b>Profit after tax</b>		<b>2,354,261</b>	<b>-</b>
<b>EPS</b>	20.0	<b>2.35</b>	<b>-</b>

The annexed notes from 1 to 20 form an integral part of these financial statements.

  
**Mahbub Jamil**  
 Chairman

  
**Nehal Ahmed**  
 Managing Director

  
**Saad Muhammad Faisal**  
 Chief Operating Officer

  
**Md. Rafiqul Islam**  
 Company Secretary

  
**Mahbub Jamil**  
 Chairman

  
**Nehal Ahmed**  
 Managing Director

  
**Saad Muhammad Faisal**  
 Chief Operating Officer

  
**Md. Rafiqul Islam**  
 Company Secretary

Sign in terms of our separate report of even date.

Dated : Dhaka  
 February 03, 2013

  
**Rahman Mostafa Alam & Co.**  
 Chartered Accountants

**IL CAPITAL LIMITED**  
**Statement of Cash Flows**  
**for the period ended December 31, 2012**

		(Figures in BDT)	
		Jan-Dec 2012	Mar 07-Dec 31 2011
<b>Cash flow from operating activities</b>			
Interest receipts in cash		8,670,298	-
Interest payments		(178,025)	-
Cash payments to employees		(1,704,727)	-
Advance income tax		(1,500,977)	-
Payments for other operating expenses		(1,070,624)	(11,265)
Other assets		(1,500,000)	-
Other liabilities		26,263	-
<b>Net cash inflow/(outflow) from operating activities</b>		<b>2,742,209</b>	<b>(11,265)</b>
<b>Cash flow from investing activities</b>			
Investment in TDR		5,000,000	(99,000,000)
Net change against purchase/sale of property, plant and equipment		(4,059,111)	-
<b>Net cash inflow/ (outflow) from investing activities</b>		<b>940,889</b>	<b>(99,000,000)</b>
<b>Cash flow from financing activities</b>			
Paid-up Capital		-	100,000,000
<b>Net cash inflow/(outflow) from financing activities</b>		<b>-</b>	<b>100,000,000</b>
<b>Net cash inflow/(outflow) for the year</b>		<b>3,683,098</b>	<b>988,735</b>
Opening balance of cash and cash equivalents		988,735	-
<b>Closing balance of cash and cash equivalents</b>		<b>4,671,833</b>	<b>988,735</b>



**IL CAPITAL LIMITED**  
**Statement of Changes in Equity**  
**for the year ended December 31, 2012**

(Figures in BDT)

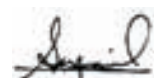
Particulars	Share Capital	Retained Earnings	Total
<b>Balance as at March 07, 2011</b>	-	-	-
Issuance of Ordinary Share	100,000,000	-	100,000,000
Profit after tax for the period from March 07, 2011 to December 31, 2011	-	-	-
<b>Balance as at December 31, 2011</b>	<b>100,000,000</b>	<b>-</b>	<b>100,000,000</b>
<b>Balance as at January 1, 2012</b>	<b>100,000,000</b>	<b>-</b>	<b>100,000,000</b>
Profit after tax during the year	-	2,354,261	2,354,261
<b>Balance as at December 31, 2012</b>	<b>100,000,000</b>	<b>2,354,261</b>	<b>102,354,261</b>



**Mahbub Jamil**  
Chairman



**Nehal Ahmed**  
Managing Director



**Saad Muhammad Faisal**  
Chief Operating Officer



**Md. Rafiqul Islam**  
Company Secretary

**IL CAPITAL LIMITED**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2012**

**1 Company and its activities**

**1.1 Corporate information**

IL capital is a private limited company and incorporated under the Companies Act 1994 on 07 March, 2011 bearing Registration No C-88312. The registered office of the company is Printers building (14th floor), 5 Rajuk Avenue, Dhaka -1000

**1.2** The main business of the company is to carry full fledge merchant bank and engage in all kind of merchant banking activities such as providing service as issue manager, underwriting of securities, portfolio management, margin loan facilitator, portfolio investment, investment advisory services etc.

**2 Basis of preparation and significant accounting policies**

**2.1 Statement of compliance**

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business following accrual basis of accounting except for cash flow statement. In preparation of these financial statements the company followed respective provisions of The Companies Act 1994, The Securities and Exchange Rules, 1987 and Bangladesh Accounting Standard (BAS) and/or Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations.

**2.2 Basis of preparation and presentation of the financial statements**

The financial statements have been prepared under the historical cost convention in accordance with Bangladesh Financial Reporting Standards (BFRS) as practiced in Bangladesh. No adjustment has been made for inflationary factor affecting the financial statements.

**2.3 Use of estimates and judgment**

Preparation of the financial statements in conformity with BAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies that affect the reported amounts of the revenue and expenses, assets and liabilities. Due to involvement of inherent uncertainty in making estimates, actual results could be different from those estimates.

**2.4 Cash flow statements**

The cash flow statement is prepared using the direct method as stipulated in Bangladesh Accounting Standard (BAS)-7 "Cash Flow Statements". Cash and cash equivalents for cash flow statements comprises mainly of cash in hand and balances at banks.

**2.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and cash at bank.

**2.6 Recognition of fixed assets and depreciation (BAS 16 "Property plant & Equipment")**

**Recognition**

An item of fixed assets is recognized as an asset when it is probable that future economic benefit associated with the asset will flow to the enterprise and the cost of the assets to the enterprise can be measured reliably. The cost of an item of fixed assets is its purchase price (net of discounts and rebates), including import duties and taxes, and any directly attributable cost of bringing the asset to working condition for its intended use.

**Measurement**

Fixed assets for own use are stated initially at cost and subsequently at cost less accumulated depreciation and any accumulated impairment losses or at a re-valued amount less any accumulated depreciation and subsequent accumulated impairment losses.

**Subsequent expenditure**

Subsequent expenditure relating to any item of fixed assets are added to the carrying amount of the asset

## Notes to the Financial Statements - continued...

when it is probable that future economic benefits, exceeding its present standard of performance, will flow to the company and the cost of the item can be measured reliably. All other costs are recognized in profit and loss account as expense.

### Depreciation

Components of an asset with differing patterns of benefits are depreciated separately.

Depreciation on own fixed assets is charged systematically over the assets useful life. Full year depreciation is charged on additions irrespective of date when the related assets are put into use. On the other hand, no depreciation has been charged on the month of disposal.

The company follows the straight-line method of depreciation applying annual rates stated as follows:

Motor vehicles	20%
Office decoration	15%
Office equipment	20%
Furniture and fixtures	15%
Computers & Accessories	33%

### Disposal or retirement

The gain or loss arising out of disposal or retirement of fixed assets is determined as the difference between the sale proceeds and the carrying amount of the assets and is recognized in profit and loss account.

### 2.7 Revenue Recognition (BAS 18, "Revenue")

BAS 18 is a general revenue recognition standard, which states that revenue should be measured at the fair value of the consideration received or receivable. This is usually the amount of cash or cash equivalents received or receivable and recognized when it is probable that economic benefits will flow to the entity.

### 2.8 Borrowing cost

All borrowing costs are recognized expenses in the period in which they incurred in accordance with benchmark treatment of Bangladesh Accounting Standard- 23.

### 2.9 Tax provision

#### Current tax

Provision for current tax is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of Income Tax Ordinance, 1984 and amendments thereto.

### 2.10 Earning Per Share (EPS)

The Company calculates Earnings per share (EPS) in accordance with Bangladesh Accounting Standards -33 which is shown in the face of the Profit and loss Account. No diluted earnings per share is required to be calculated for the period, as there was no scope for dilution during the period under review.

### 2.11 Events after balance sheet date

All material events occurring after the balance sheet date are considered and where necessary, adjusted for or disclosed in note.

### 2.12 Reconciliation of inter-company account

Accounts with regard to inter-company are reconciled regularly and there are no material differences which may affect the financial statements significantly.

### 2.13 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### 2.14 Reporting currency

The financial statements are presented in Bangladeshi Taka which is the Company's functional currency except as indicated.

### 2.15 Uniform accounting policies

The financial statements of International Leasing And IL Capital Limited have been prepared in accordance with uniform policies of accounting.

## Notes to the Financial Statements - continued...

(Figures in BDT)

	Dec 31, 2012	Dec 31, 2011
<b>3.0 Cash and cash equivalents</b>		
Cash in hand	6,381	-
Cash at bank (note- 3.1)	4,665,452	988,735
	<b>4,671,833</b>	<b>988,735</b>
<b>3.1 Cash at bank</b>		
Eastern Bank Limited	4,665,452	988,735
	<b>4,665,452</b>	<b>988,735</b>
<b>4.0 Investment</b>		
<b>Investment in TDR with ILFSL</b>		
Opening balance	99,000,000	-
Add: investment made during the year	1,067,478	99,000,000
	<b>100,067,478</b>	<b>99,000,000</b>
<b>5.0 Fixed assets including premises, furniture &amp; fixtures</b>		
Motor Vehicles	500,000	-
Office Decoration	15,857,655	-
Office equipment	471,779	-
Furniture & Fixtures	744,736	-
Computer & accessories	1,379,646	-
	<b>18,953,816</b>	-
Less: Accumulated depreciation	(3,139,998)	-
<b>Net book value at the end of the year (Annexure-1)</b>	<b>15,813,818</b>	-
<b>6.0 Other assets</b>		
<b>Income generating:</b>		
Interest receivable on TDR	5,464,409	4,859,137
	<b>5,464,409</b>	<b>4,859,137</b>
<b>Non-income generating:</b>		
Advance, deposit and prepaid expenses (note- 6.1)	1,500,000	-
Advance corporate tax	25,000	-
Tax deducted at source	1,475,977	-
Deferred expense (note-6.2)	-	13,504,131
	<b>3,000,977</b>	<b>13,504,131</b>
	<b>8,465,386</b>	<b>18,363,268</b>
<b>6.1 Advance, deposit and prepaid expenses</b>		
Advance for software - LEADS	1,300,000	-
Security deposit CDBL	200,000	-
	<b>1,500,000</b>	-
<b>6.2</b> Deferred expenses represent all expense in relation with the decoration of the office premises of the Company. All these expenses are transferred to fixed assets after completion of decoration work.		
	<b>5,442,986</b>	-
<b>7.0 Term Loan</b>		
This represents loan taken from International Leasing and Financial Services Limited bearing interest rate @ 17.5% on December 2012 for 60 months on EMI basis. Monthly instalment of payment is Tk.136,740 and will be started from January 2013.		
<b>8.0 Other Liabilities</b>		
Inter company payable (Note-8.1)	19,487,959	18,300,878
Provision for income tax (Note-8.2)	1,437,556	25,000
Liability for expenses (8.3)	295,753	26,125
	<b>21,221,268</b>	<b>18,352,003</b>
<b>8.1 Inter company payable</b>		
Payable to ILFSL	18,970,452	18,300,878
Payable to ILSL	517,507	-
	<b>19,487,959</b>	<b>18,300,878</b>

Notes to the Financial Statements - continued...

(Figures in BDT)  
Dec 31, 2012 Dec 31, 2011

Payable to ILFSL represents amount received from International Leasing And Financial Services Limited to meet the preliminary expenses of the Company.

**8.2 Provision for income tax**

Opening balance	25,000	-
Add: Tax provision during the year	1,412,556	25,000
	<b>1,437,556</b>	<b>25,000</b>

**8.3 Liability for expenses & other payables**

Audit fee	28,750	26,125
Withholding Tax and VAT	25,493	-
Vehicle fuel expenses	11,750	-
Telephone bill	7,000	-
Drinking water bill	990	-
Payable to supplier (Uni Square)	221,000	-
Staff provident fund	770	-
	<b>295,753</b>	<b>26,125</b>

**9.0 Share capital**

**Authorized capital**

20,000,000 nos. of ordinary shares of taka 100 each **2,000,000,000** **2,000,000,000**

**9.1 Issued, subscribed & paid up**

1,000,000 nos. of ordinary shares of taka 100 each fully paid. **100,000,000** **100,000,000**

**Composition of shareholdings**

Particulars	No. of shares	Amount	Amount
<b>a) Corporate</b>	<b>999,999</b>	<b>100</b>	<b>99,999,900</b>
International Leasing And Financial Services Ltd.	999,799	100	99,979,900
JF Bangladesh Limited	200	100	20,000
<b>b) Individual</b>	<b>1</b>	<b>100</b>	<b>100</b>
Mr. Jamal Uddin Ahmad	1	100	100
<b>Total</b>	<b>1,000,000</b>	<b>100</b>	<b>100,000,000</b>

**10.0 Net asset value per share**

Total assets	129,018,515	118,352,003
Total liabilities	26,664,254	18,352,003
<b>Net asset</b>	<b>102,354,260</b>	<b>100,000,000</b>
Number of share outstanding	1,000,000	1,000,000
<b>Net asset value per share</b>	<b>102.35</b>	<b>100.00</b>

**11.0 Interest income**

Interest income from TDR **15,365,048** **4,859,137**

**12.0 Salary and allowances**

Basic salary and other allowances **1,704,727** **-**

**13.0 Rent, taxes, insurance, electricity etc.**

Office rent 218,000 -  
Electricity and utility 38,111 -  
**256,111** -

**14.0 Postage, stamp & telecommunication**

Telephone 22,896 -  
Internet 36,042 -  
**58,938** -

(Figures in BDT)  
Dec 31, 2012 Dec 31, 2011

**15.0 Stationery, printing and advertisements**

Printing and stationery 74,673 -  
Publicity and advertisement 85,487 -  
**160,160** -

**16.0 Directors' fees & meeting expenses**

Directors' fee for attending board meeting 97,750 -  
**97,750** -

**17.0 Auditors' fees**

Statutory audit fee 28,750 26,125  
**28,750** **26,125**

**18.0 Depreciation, amortization and repair of assets**

**a) Depreciation - (Annexure-1)**

Motor Vehicles 100,000 -  
Office Decoration 2,378,648 -  
Office equipment 94,356 -  
Furniture & Fixtures 111,710 -  
Computer & accessories 455,283 -  
**3,139,997** -

**b) Amortization**

Amortization of preliminary expenses - 4,796,747  
**-** **4,796,747**

**c) Repairs**

Vehicles 151,006 -  
Generator 6,950 -  
**157,956** -

**Total (a+b+c)**

**3,297,953** **4,796,747**

**19.0 Other expenses**

Fuel expenses 76,257 -  
Office maintenance 70,140 -  
Books, magazines and newspapers 5,785 -  
Fees and subscription 118,609 11,265  
Bank charges 28,279 -  
Entertainment 25,621 -  
Traveling and conveyance expenses 48,140 -  
**372,831** **11,265**

**20.0 Earnings Per Share (EPS)**

**Basic earnings per share**

Earning attributable to ordinary shareholders (profit after tax) 2,354,261 -  
Number of ordinary shares outstanding during the year 1,000,000 1,000,000  
**2.35** -

  
Mahbub Jamil  
Chairman

  
Nehal Ahmed  
Managing Director

  
Saad Muhammad Faisal  
Chief Operating Officer

  
Md. Rafiqul Islam  
Company Secretary

## CORPORATE INFORMATION

Legal Status	:	Public Limited Company
Date of Incorporation	:	January 15, 1996
Date of Enlistment with Dhaka Stock Exchange and Chittagong Stock Exchange	:	September 16, 2007
Registered Office	:	Printers Building (14th Floor), 5, Rajuk Avenue, Dhaka-1000, Bangladesh
Branch Office	:	1. Ayub Trade Center (7th Floor), 1269/B Agrabad C/A, Chittagong-4100, Bangladesh.
Branch Office of Subsidiary - ILSL	:	1. Ayub Trade Center (1st Floor), 1269/B Agrabad C/A, Chittagong-4100, Bangladesh. 2. BSM Center (2nd Floor), 119/122 Amir Market, Khatunganj, Chittagong-4000, Bangladesh. 3. Firoz Center, Chowhatta, Sylhet, Bangladesh.
Accounting Year End	:	December 31
No. of Employees	:	120 (including 63 of subsidiary company)
Auditor	:	S. F. Ahmed & Co. Chartered Accountants
Legal Adviser	:	Hasan and Associates, C. T. Karim & Partners
Company Secretary	:	Mr. Nehal Ahmed FCA
Subsidiary Company	:	1. International Leasing Securities Ltd. (ILSL) Printers Building (3rd Floor), 5, Rajuk Avenue, Dhaka-1000, Bangladesh. 2. IL Capital Limited Printers Buildings (14th Floor), 5, Rajuk Avenue, Dhaka-1000, Bangladesh.
Sub-subsidiary	:	Hongkong Bangladesh Securities Ltd. (HBSL) Printers Building (14th Floor), 5, Rajuk Avenue, Dhaka-1000, Bangladesh.
Stock Exchange Membership	:	Dhaka Stock Exchange Ltd. Chittagong Stock Exchange Ltd.

Annexure - 1

### IL CAPITAL LIMITED Schedule of fixed assets As at December 31, 2012

a) Fixed assets including premises, furniture & fixtures

(Figures in BDT)

Particulars	COST				Rate (%)	DEPRECIATION				Written down value as at December 31, 2012
	As at January 01, 2012	Addition during the Year	Adjustment during the Year	As at December 31, 2012		As at January 01, 2012	Charged during the Year	Adjustment during the Year	As at December 31, 2012	
Motor Vehicles	-	500,000	-	500,000	20	-	100,000	-	100,000	400,000
Office Decoration	-	15,857,655	-	15,857,655	15	-	2,378,648	-	2,378,648	13,479,007
Office equipment	-	471,779	-	471,779	20	-	94,356	-	94,356	377,423
Furniture & Fixtures	-	744,736	-	744,736	15	-	111,710	-	111,710	633,026
Computer & accessories	-	1,379,646	-	1,379,646	33	-	455,283	-	455,283	924,363
<b>Total as at December 31, 2012</b>	<b>-</b>	<b>18,953,816</b>	<b>-</b>	<b>18,953,816</b>		<b>-</b>	<b>3,139,998</b>	<b>-</b>	<b>3,139,998</b>	<b>15,813,818</b>

## ইন্টারন্যাশনাল লিজিং এন্ড ফিন্যান্সিয়াল সার্ভিসেস লিমিটেড

প্রক্লি ফরম

রেজি নিউ  
স্ট্যাম্প

আমি/আমরা .....

ঠিকানা .....

ইন্টারন্যাশনাল লিজিং এন্ড ফিন্যান্সিয়াল সার্ভিসেস লিমিটেড এর সদস্য হিসেবে .....

জনাব/বেগম .....

ঠিকানা .....

আমরা/আমাদের প্রতিনিধি হিসেবে আগামী বৃহস্পতিবার, ১৬ মে ২০১৩ স্পেস্ট্রা কনভেনশন সেন্টার লিমিটেড, হাউজ # ১৯, রোড # ০৭, গুলশান-১, ঢাকা-১২১২ এ অনুষ্ঠিতব্য কোম্পানীর ১৭তম বার্ষিক সাধারণ সভায় এবং এর মূলতবী ঘোষিত সভায় আমার/আমাদের পক্ষে উপস্থিত থাকার এবং ভোট প্রদান করার জন্য নিযুক্ত করলাম।

স্বাক্ষর হিসেবে অদ্য ....., মে ২০১৩ তারিখে আমি/আমরা এই দলিলে সজ্ঞানে স্বাক্ষর করলাম

প্রতিনিধির স্বাক্ষর .....

সদস্যের স্বাক্ষর .....

সদস্যের ফলিও/বিও আইডি                 

## উপস্থিতি পত্র

জনাব/বেগম .....

সদস্যের ফলিও/বিও আইডি                

আমি এতদ্বারা ১৬ মে ২০১৩ বৃহস্পতিবার, স্পেস্ট্রা কনভেনশন সেন্টার লিমিটেড, হাউজ # ১৯, রোড # ০৭, গুলশান-১, ঢাকা-১২১২ এ অনুষ্ঠিতব্য ইন্টারন্যাশনাল লিজিং এন্ড ফিন্যান্সিয়াল সার্ভিসেস লিমিটেড-এর ১৭তম বার্ষিক সাধারণ সভায় আমার উপস্থিতি লিপিবদ্ধ করলাম।

স্বাক্ষর

বি.দ্র. : সভায় যোগদানকারী সদস্যগণকে অনুরোধ করা যাচ্ছে যে, তাঁরা যেন ব্যক্তিগতভাবে বা তাঁদের প্রতিনিধির মাধ্যমে সভাকক্ষে প্রবেশের পূর্বে উপস্থিতি পত্রখানা জমা দেন।

**International Leasing And Financial Services Limited**  
**Proxy Form**

Revenue  
Stamp

I/We .....  
of .....

being a Member of International Leasing And Financial Services Limited, hereby appoint

Mr./Ms. ....  
of .....

as my proxy in my absence to attend and vote for me and on my behalf at the **17<sup>th</sup> Annual General Meeting** of the Company to be held on Thursday, the May 16, 2013 at Spectra Convention Centre Limited, House # 19, Road # 07, Gulshan- 01, Dhaka-1212. and at any adjournment thereof.

As witness my hand this ..... Day of May 2013

Signature of Proxy .....

Signature of Member .....

Register Folio no./BO ID of Member

**Attendance Slip**

Mr./Ms. ....

Register Folio no./BO ID of Member

I hereby record my presence at the **17<sup>th</sup> Annual General Meeting of International Leasing And Financial Services Limited** on Thursday, the May 16, 2013 at Spectra Convention Centre Limited, House # 19, Road # 07, Gulshan- 01, Dhaka-1212.

.....  
Signature

N. B. The Member attending the meeting is kindly requested to mention the registered name and Folio no./BO ID on this





Printers Building  
14th Floor, 5, Rajuk Avenue  
Dhaka-1000  
Bangladesh.

 880-2-9559639 (Hunting)  
 880-2-9559640  
 [info@ifsl.com](mailto:info@ifsl.com)  
 [www.ifsl.com](http://www.ifsl.com)