ANNUAL REPORT
2016

AMAR STOCK

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

MARS

Presenting the twenty first integrated Annual Report, International Leasing And Financial Services Limited seeks to provide an overview of the integrated nature of the Company's business strategy and operations combining economic, environment and social facets during the financial year 2016. As a leading non- bank financial institution in Bangladesh, the Company fully recognizes its responsibility towards the society. Long term sustainability of the Company depends on the successful ties and engagement with shareholders, customers, employees, community, environment and other stakeholders. This forms the basis for integrated thinking and integrated reporting of the Company.

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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SHARESTOCK

OVERVIEW



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GROUP PROFILE

International Leasing And Financial Services Limited (ILFSL), a public limited company and an innovative customer driven Financial Institution guided under the Financial Institutions Act 1993 started its business in 1996. From the inception, ILFSL sprint its operation in a professional manner under the guidance and leadership of its Board of Directors. Starting from single product lease financing services, the company is now established a diversified product oriented lease and loan finance institute with high repute in its feather.

ILFSL's product consists of corporate and structured finance solutions, project finance, term finance, real estate finance, SME finance, work order finance and personal finance including home loan, car loan, personal loan etc. It has also various attractive deposit scheme including double money scheme, triple money scheme, term deposit, monthly income scheme etc.

ILFSL floated its shares through Initial Public Offering in July 2007 and its shares were listed with both the Dhaka and Chittagong Stock Exchange on September 16, 2007. The Company operates its stock market and merchant banking operation through its wholly owned two subsidiary companies namely International Leasing Securities Limited and IL Capital Limited.

International Leasing Securities Limited (ILSL) is a fully fledged stock brokerage company started its operation in August 2008. ILSL is a full serviced Depository Participant (DP) of CDBL and it offers margin loan for share trading. It has been providing the brokerage services under the membership of two bourses of Bangladesh namely Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE).

IL Capital Limited (ILCL) incorporated on November 24, 2010 and got its license as full-fledge merchant banking unit on April 04, 2012. As a full-fledged Merchant Bank IL Capital actively participates in underwriting of Initial Public Offering (IPOs), Repeat Public Offering (RPO) and Rights Issue of several companies. One of the important functions of Merchant Bank is to provide portfolio management services to our clients. The company provides portfolio management services with high standard, excellent customer services and professionalism. IL Capital Limited is an important member of Bangladesh Merchant Bankers Association (BMBA) from its very inception.

VISION

ILFSL aims to maximize shareholders' value by drawing on its extensive array o specialized capabilities to continuously provide our customers with value added financial solutions.

MISSION

Striving to serve the largest number of common people through quality non-banking financial services with a wide variety of innovative products.

ILFSL makes every effort to enhance superior professional competencies by creating a culture that fosters openness and innovation, promotes individual growth and rewards performance.

ILFSL contributes to society through participation in poverty alleviation programs, provision of financial assistance at a grassroots level and assistance to charitable causes.

STRATEGIC OBJECTIVES

To make ILFSL an iconic brand with strong brand loyalty and maintain its position as an industry leader

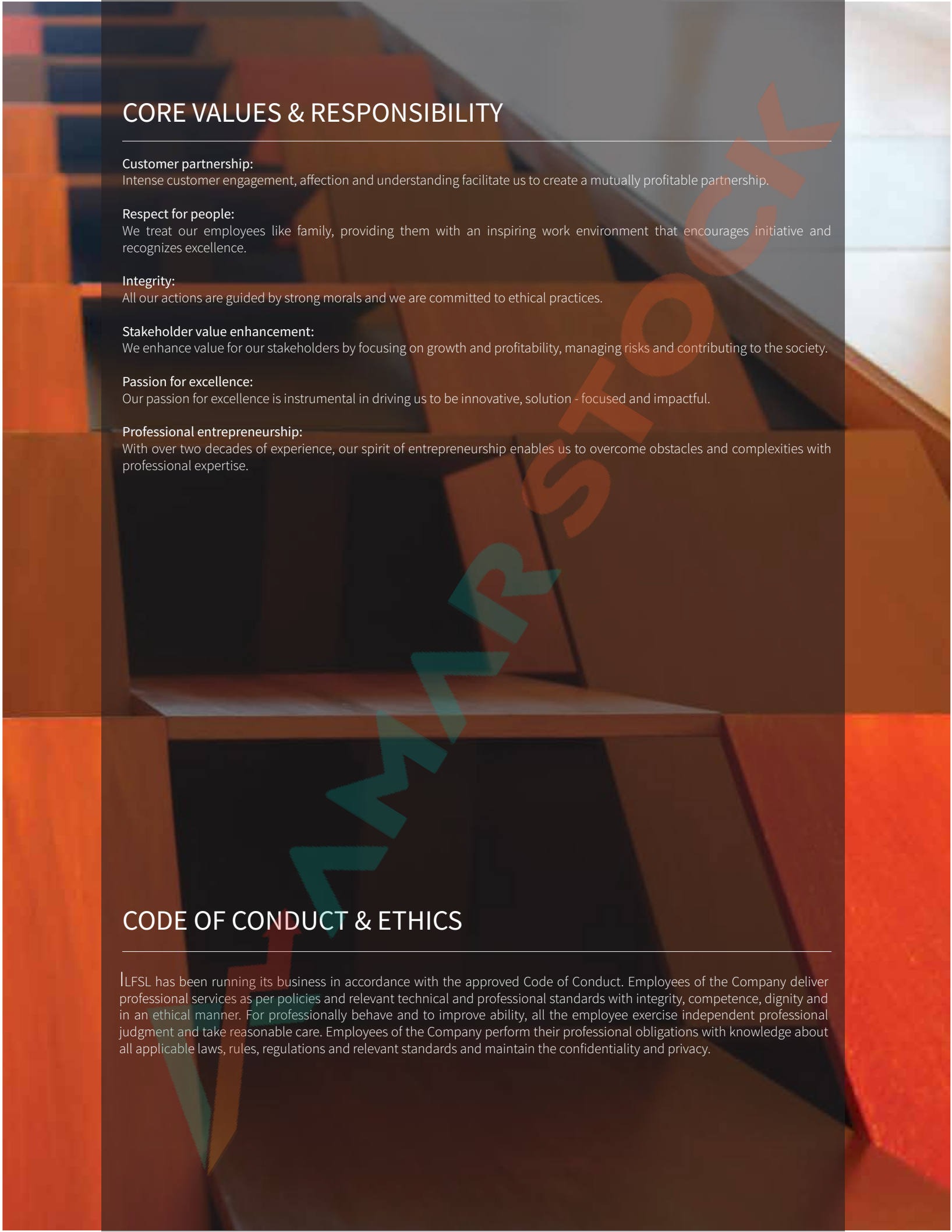
To take on challenges and create opportunities that contributes to society and meets expectations of shareholders

To provide maximum security to retail depositors

To establish and adopt best practices in risk management, control and monitoring

To ensure proper and stringent compliance to all external and internal rules and regulations

To bring maximum transparency in all spheres of business by introducing well defined Corporate Governance policies



CORE VALUES & RESPONSIBILITY

Customer partnership:
Intense customer engagement, affection and understanding facilitate us to create a mutually profitable partnership.

Respect for people:
We treat our employees like family, providing them with an inspiring work environment that encourages initiative and recognizes excellence.

Integrity:
All our actions are guided by strong morals and we are committed to ethical practices.

Stakeholder value enhancement:
We enhance value for our stakeholders by focusing on growth and profitability, managing risks and contributing to the society.

Passion for excellence:
Our passion for excellence is instrumental in driving us to be innovative, solution - focused and impactful.

Professional entrepreneurship:
With over two decades of experience, our spirit of entrepreneurship enables us to overcome obstacles and complexities with professional expertise.

CODE OF CONDUCT & ETHICS

ILFSL has been running its business in accordance with the approved Code of Conduct. Employees of the Company deliver professional services as per policies and relevant technical and professional standards with integrity, competence, dignity and in an ethical manner. For professionally behave and to improve ability, all the employee exercise independent professional judgment and take reasonable care. Employees of the Company perform their professional obligations with knowledge about all applicable laws, rules, regulations and relevant standards and maintain the confidentiality and privacy.

COMPANY INFORMATION

REGISTERED NAME
International Leasing And Financial Services Limited

LEGAL FORM
A public limited company incorporated in Bangladesh on January 15, 1996 under the Companies Act 1994 and licensed as Financial Institution on February 19, 1996 under Financial Institutions Act 1993 and listed in Dhaka & Chittagong Stock Exchange on September 16, 2007.

REGISTRATION NO. C – 30121(1347)/96

BANGLADESH BANK LICENSE NO. আ: প্র: (অ-ব্যাংকিং) বিভাগ / ঢাকা / ৯ / ৯৬

REGISTERED & HEAD OFFICE
DR Tower (13th Floor)
65/2/2, Bir Protik Gazi Golam Dostogir Road,
Purana Paltan, Dhaka-1000, Bangladesh.
Phone: +880-2-9559639, 9586671-75
Fax: +880-2-9559640

EXTENDED HEAD OFFICE
Hossain Tower (3rd Floor)
116, Bir Protik Gazi Golam Dostogir Road
(Box Culvert Road)
Naya Paltan, Dhaka-1000.
Tel: 58315384-86

CHITTAGONG BRANCH OFFICE
Agrabad Branch, Chittagong
Ayub Trade Center (7th Floor)
1269/B, Agrabad C/A, Chittagong – 4100.
Phone : +88 – 031 – 2514621-3
Fax : +88 – 031 – 2514620

UTTARA BRANCH
House No-21, (3rd Floor)
Sonargaon Janapath Road, Sector-13
Uttara Dahka-1230
Tel: 48954423-24

SYLHET BRANCH
Firoze Centre, (5th Floor)
Chowhatta
Sylhet-3100.
Cell: 01972734581

CHAIRMAN
M. A. Hashem

MANAGING DIRECTOR
Rashedul Haque

CHIEF FINANCIAL OFFICER
Syed Abed Hasan

HEAD OF INTERNAL CONTROL & COMPLIANCE
S.A.N. Moyeenuddowlah

COMPANY SECRETARY
Md. Rafiqul Islam Khan, ACS

AUDITOR
M/s. Rahman Mostafa Alam & Co.
Chartered Accountants

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PRODUCTS AND SERVICES

Financing and Investment Products

- Lease Finance
- Term Finance
- SME Finance
- Project Finance
- Corporate Finance
- Syndication Finance
- Bridge Finance
- Real Estate Finance
- Women Entrepreneur Finance

Deposit Products

- Fixed Term Deposit
- Periodic Income Scheme
- Multiple Deposit Scheme
- Women's Saver Scheme
- Senior Citizen Saver Scheme
- Loan Against Deposit

Brokerage & Merchant Banking Service

- Underwriting
- Margin Loan
- Share Trading
- Equity Investment
- Portfolio Management
- Pre-IPO Placement
- Investment Management
- Corporate Advisory
- Fund Raising

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MEMBERSHIP

Bangladesh Leasing & Finance Companies Association (BLFCA)
Asian Leasing & Finance Companies Association (ALFCA)
Bangladesh Association of Public Listed Companies (BAPLC)
International Chamber of Commerce - Bangladesh (ICC)
Metropolitan Chamber of Commerce & Industry (MCCI)
The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)
Institute of Bankers of Bangladesh (IBB)

BANKERS

Bank Al Falah Limited
BRAC Bank Limited
Eastern Bank Limited
Al Arafah Islami Bank Limited
Dutch Bangla Bank Limited
Mercantile Bank Limited
Mutual Trust Bank Limited
Pubali Bank Limited
South East Bank Limited
Midland Bank Limited
NRB Bank Limited
Sonali Bank Limited
Rupali Bank Limited

Premier Bank Limited
Bank Asia Limited
One Bank Limited
BASIC Bank Limited
Jamuna Bank Limited
Modhumoti Bank Limited
Prime Bank Limited
Shahajalal Islami Bank Limied
Uttara Bank Limited
Woori Bank Limited
NRB Commercial Bank Limited
Janata Bank Limited
Standard Bank Limited

AMAR STOCK

CAPITAL AND SHAREHOLDING STRUCTURES

Capital

Taka

Authorized	
200,000,000 ordinary shares of Tk.10 each	2,000,000,000
Issued, subscribed and paid up	
179,632,530 ordinary shares of Tk. 10 each	1,796,325,300

Composition of Shareholdings

Particulars	No. of shares	% of holding	Amount
a) Corporate	87,938,071	48.95%	879,380,710
Shaw Wallace Bangladesh Limited	31,191,898	17.36%	311,918,980
Nature Enterprise Limited	14,700,000	8.18%	147,000,000
BR International Limited	14,647,500	8.15%	146,475,000
Newtech Enterprise Limited	14,092,650	7.85%	140,926,500
HAL International Limited	13,306,023	7.41%	133,060,230
b) Individual	6,939,197	3.86%	69,391,970
Mr. Jamal Uddin Ahmad	5,586,323	3.11%	55,863,230
Mrs. Rosy Ahmad	1,352,874	0.75%	13,528,740
c) General Shareholders	84,755,262	47.19%	847,552,620
Institutions/corporate	35,848,653	19.96%	358,486,530
Individual	48,063,665	26.76%	480,636,650
Non-resident Bangladeshi/Foreign	842,944	0.47%	8,429,440
Total (a+b+c)	179,632,530	100%	1,796,325,300

AMARSTOCK

BUSINESS REVIEW



Message from the Chairman
Message from the Managing Director
Operational and Financial Highlights
Financial Highlights
Graphical Presentation of Performance
Historical record on Dividend payment

CHAIRMAN'S STATEMENT

Bismillahir Rahmanir Rahim

Dear valued shareholders, distinguished members of the Board of Directors, ladies and gentlemen and honorable guests Assalamu Walaikum.

I, on behalf of the Board of Directors have great pleasure to extend a hearty welcome to you all to the Twenty First Annual General Meeting of International Leasing And Financial Services Limited; I have the pleasure to present before you the Annual Report of 2016 including the audited financial statements and auditor's report thereon. I would take this opportunity to briefly discuss the developments during the year and also some issues following the close of our financial year in December 2016.



The non-bank financial institution (NBFI) sector was upbeat in the year 2016 and continued to gain ground in the economy, despite the negative macroeconomic undertones including the exchange rate depreciation, changes in duty and excise taxes on various issues and monetary policy adjustments impacting interest rates. The sector proactively and positively managed the macro prudential fundamentals resulting in it recording higher earnings and growing the asset base by over 56.40 percent while simultaneously improving asset quality with the non performing ratio falling to 4.68 percent.

The regulatory framework continued to remain supportive of the industry, enabling a 'level-playing-field' with greater efficiency, transparency and accountability for the NBFIs to achieve their growth aspirations in a sustainable manner. We would like herein to place our recommendation to the regulators for their progressive approach and consistent efforts to bring in best practices and discipline to the industry.

In contrast to the setback of the last couple of years, the financial sector appears to be making a comeback in FY 2016, thanks to political stability, property price corrections and declining interest rates. This shift in the macroeconomic and political scenario has positively impacted our lending figures. In FY 2016 we have disbursed over Taka 10.87 billion lease/loans. Since inception, it is the highest amount disbursed by the Company in a single year.

The year 2016 has been comparatively peaceful with very little disruption to normal life. As such, we are in a position to give you a result which shows remarkable growth over last year and are likely to please all of you as shareholders of the Company. During the year under review, we reached a milestone of disbursed during the year and finally showed a post tax profit of Tk 11.42 crore. This milestone was achieved with hard work, dedication of all the employees and considerable support and guidance of the members of the esteemed Board of Directors. We wish to assure you all that your Company will continue to look for opportunities to diversity and bring new products in to the market for further development and progress and that we will make every effort to give you higher profits on your investments.

CHAIRMAN'S STATEMENT

In the next year, our aim is to source diversified avenues of economical funding, continue to broaden our customer base and to deepen the relationship we have with our customers, harnessing the growing strength of the ILFSL brand and our core competency.

I wish to express my grateful thanks to the esteemed members of the Board of Directors for their excellent cooperation, suggestion and advice throughout the year. They have been forward looking, most thoughtful and kind. The entire Management Team performed admirably and in unison in a praiseworthy manner to produce a remarkable result under the leadership of the Managing Director of the Company. I seek your blessings for the Management Staff of ILFSL so that their hard work and brilliant efforts may continue in 2017 heralding a brighter future for the Company.

Finally, our profound thanks and immense gratitude's to Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka stock Exchange Limited, Chittagong Stock Exchange Limited, Register of joint Stock Companies and Firms, National Board of Revenue and all other regulatory authorities for their valuable guidance, support and cooperation. Further we stay committed to serve all of our stakeholders. On behalf of the Board of directors, it's our pledge that we will continue to add value for the shareholders thorough execution of prudent business strategies whilst focusing on the achievement of national priorities.

Thank you very much.



M.A. Hashem
Chairman

AMARSTOCK

MANAGING DIRECTOR'S REVIEW

Dear Shareholders,

2016 was another strong year for International Leasing. Despite a challenging economic environment, the Company has delivered outstanding growth in earnings and value for shareholders.

During the year we made good progress against a set of strategic priorities that have been laid out over the last 12 months. These priorities acknowledge that ILFSL is in a very strong position today, but there is always more we can do to capture value, particularly with regard to generating our own growth, adapting the organization and developing our people.



Customers are always at the heart of our thinking and our partnership approach to working collaboratively builds trust and strengthens our value proposition. Their needs are constantly evolving and it is critical we are responsive and agile in adapting our own organization, to ensure we remain best positioned to meet those needs. This year, we have been proactive in making changes to the operating footprint and organization structure. In doing so, we will also unlock further growth opportunities by creating a stronger product offering across multiple jurisdictions, at lower cost.

In financial perspective, we have not only registered accelerated growth in all areas of business operations but also succeeded in achieving qualitative improvements in many areas of our operations. We have made a profit of Tk. 416.90 million registering a growth of 8.98% over the previous year. Our valued customers entrusted us with a deposit of Tk. 11,056.44 million, which is 75.81% higher than that of 2015. We have enlarged our business portfolio by demonstrating strengths in the fiercely competitive market. We have increased our loans and advances portfolio by 56.40% than that of previous year. The market conditions remained very tight and upbeat throughout the year under review and this has led us to spontaneous and resilient actions on all fronts of our activities. However, cost was kept under strict control and in clear focus. It increased proportionately with the revenue earnings and that too without compromising quality.

In contrast to the setback of the last couple of years, the financial sector appears to be making a comeback in 2016, thanks to political stability, property price corrections and declining interest rates. This shift in the macroeconomic and political scenario has positively impacted our lending figures. In 2016 we have disbursed over Taka 10.87 billion lease/loans. Since inception, it is the highest amount disbursed by the Company in a single year.

Our approach to value creation is ethical and responsible. Our focus is beyond short-term gains. What we are really looking at is to create a sustainable business that could give back to society. Our holistic approach combines economic value creation with societal and environmental goals. We are focused and consistent in this approach which is truly top-down, reaching across the organization. We have the top level commitment from our Chairman and the Board of Directors. Our Board is responsible to oversee and give direction for both financial and nonfinancial aspects of our operations.

MANAGING DIRECTOR'S REVIEW

Our approach is multi-dimensional. From operational staff, management to the Board level, we are proactive and work in unison. We ensure close engagement with customers and keep a close watch on the collections. We are hands-on in risk assessments and take timely action to arrest default situations. We have even tied up the non-performing ratio in to our performance scheme with targets set for individual officers as well collectively. Our collection from classified lease/loan was Tk.41.15 crore in current year. We succeeded to bring down our non-performing ratio to 4.68 percent as compared to the ratio of 7.34 percent recorded in the preceding financial year. This is well within our risk tolerance standards and well below the industry.

We have always been strong in our product offer, well-rounded to match our diverse customer profiles. Whilst reinforcing our core product expertise in leasing, product diversification is very much a part of our strategy. Home Loan and Factoring is now in our planning for upcoming years. Well calculated to balance the risk returns, we are confident of successfully taking off this product in the ensuing years. Besides, we have the strength and diversity from the product range offered by our subsidiary network, enabling us to be a true 'one-stop' to support our valued customer needs.

We are planning to issue Non-convertible unsecured sub-ordinate bond to the tune of BDT 2000 million for 7 (seven) years to meet the capital adequacy requirement. We have already signed an agreement with RSA Capital Limited to manage our issue. The response from both institutional investors and retail alike are impressive.

We have with us a cadre of of 68 employees. They have been the bedrock of the feats and milestones reached so far in our twenty one year journey. We fully recognize and are grateful for their role in determining our competitive edge, positioning and our success. We truly believe in the merits of closely engaging our employees and nurturing their talent and work ethics. Our commitment is steady and we are committed to ensure an enabling environment. We follow the best practices in recruitment, recognition and compensation.

The Company is committed to uphold and comply with the mandatory as well as voluntary codes of corporate conduct. Quality time is allocated to ensure that the internal controls are in place and the risk oversight is effective in decision making and steering the operations in the right direction. We also sought to refine our business continuity plan in line with the current and best practices. This we believe, will brace our vigilance towards any unforeseen event.

This was a quite moderate financial year for our two subsidiaries with a return on equity touching Tk.1.16 crore in the year. We were fully committed and continued to strategically enable our subsidiaries to reach out to their potential. Indeed, our brand, branch network and shared services stood as the anchor, supporting the subsidiaries to strengthen their market base and reach out to solid operational results. We were impressed at the way synergies were working out and with their commitment towards adopting best and current practices in business, with greater focus on risk management, good governance and even social responsibility.

In concluding, I would like to extend my sincere gratitude to each and every stakeholder who has been a pillar of strength to us within our twenty year journey. Also my special appreciation goes out to our Chairman and Board of Directors for their visionary direction. I would also like to thank the Board of our two subsidiaries for their guidance and collaborative support. I pay my heartfelt tribute to our outstanding team at ILFSL and at the subsidiaries. A job-well-done in the year and I hope to see the same level of liveliness and hard-work, but more so, professionalism in our way forward. I wish to thank our regulators for their direction to strengthen the level-playing-field in the industry. My gratitude is with our customers, investors and strategic partners for their loyalty and patronage. I am confident that all our stakeholders will join our future path, be beside us, support our goals and reach out to the pinnacle of success.

Thank you very much.



Rashedul Haque
Managing Director

OPERATIONAL AND FINANCIAL HIGHLIGHTS

Figures in Million Tk.

	2016	2015	2014	2013	2012	2011
A. Business Performance						
Contract	12,937.89	10,075.43	4,453.05	2,351.75	2,565.94	3,311.94
Growth (%)	28.41%	126.26%	89.35%	-8.35%	-22.52%	-13.31%
Disbursement	10,874.00	9,427.00	3,494.86	3,317.26	2,230.65	2,729.64
Growth (%)	15.35%	169.7%	5.4%	48.7%	-18.3%	-9.3%
B. Financial Performance						
Total Revenue	3,596.05	2,455.18	2,359.29	2,488.39	2,240.72	2,083.74
Total Expenses	3,129.64	2,017.63	1,998.92	2,179.97	2,175.94	1,933.01
Operating Profit	710.99	437.54	360.38	308.42	64.78	150.73
Financial Expenses	2,885.06	1,800.89	1,789.54	1,996.42	2,005.52	1,762.93
Profit Before Tax	240.11	274.38	292.54	257.40	115.46	65.18
Provision/Deferral of Tax	216.39	151.83	166.56	140.65	56.17	121.76
Net Profit After Tax	125.85	122.55	125.98	116.75	59.28	(56.58)
Portfolio	32,478.24	21,602.31	17,225.95	15,134.40	15,029.17	14,969.82
Long Term Debt	31,728.88	13,918.50	9,335.03	8,109.12	6,754.86	2,263.25
Paid Up Capital	1,796.33	1,710.79	1,710.79	1,710.79	1,710.79	1,629.32
Shareholders' Equity	2,321.25	2,193.51	2,156.50	2,116.06	2,084.85	1,968.57
Dividend	5% Stock	5% Stock	5% Cash	5% Cash	5% Cash	5% Stock
C. Financial Ratios						
Return on Equity	5.73%	5.59%	5.84%	5.52%	2.84%	-2.87%
Earning Per Share	0.70	0.72	0.74	0.68	0.35	(0.33)
Debt Equity Ratio	9.43	6.35	4.33	3.83	3.24	1.15
Fin. Expense Coverage Ratio	1.21	1.24	1.20	1.15	1.03	1.09
Net Asset Value	12.92	12.82	12.61	12.37	12.19	12.08
Dividend Payout Ratio	0.89	0.70	0.68	0.73	1.44	(1.51)
Dividend	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

FINANCIAL HIGHLIGHTS

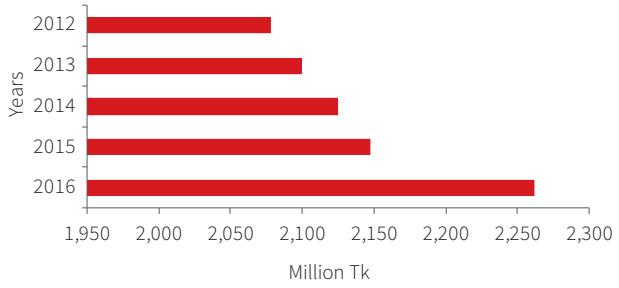
SL. No.	Particulars	2016	2015
1	Paid-up capital	1,796,325,300	1,710,786,000
2	Paid-up Capital surplus/(deficit)	796,325,300	710,786,000
3	Total capital	2,261,824,267	2,373,642,248
4	Total assets	35,493,852,813	23,231,183,679
5	Total Deposits	21,910,615,384	13,166,933,885
6	Total leases, loans and advances	29,730,237,726	20,283,566,651
7	Total contingent liabilities and commitments	572,720,063	586,484,773
8	Leases, loans and advances to deposits ratio	1.36	1.54
9	% of classified leases, loans and advances to total leases, loans and advances	4.69%	6.89%
10	Profit after tax and provisions	114,255,046	122,548,259
11	Classified leases, loans and advances	1,394,190,022	1,397,052,918
12	Provision kept against classified leases, loans and advances	545,347,993	321,010,662
13	Provision surplus/(deficit)	12,255,318	(41,976,000)
14	Cost of fund	9.73%	10.80%
15	Interest earning assets	35,522,584,973	22,354,996,847
16	Non-interest earning assets	1,315,060,699	878,077,910
17	Return on investment	12.37%	12.16%
18	Return on assets	1.31%	1.31%
19	income from investment	133,356,621	(28,733,330)
20	Operating profit per share*	3.20	2.78
21	Earning per share*	0.70	0.69
22	Price earning ratio*	18.13	12.70

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

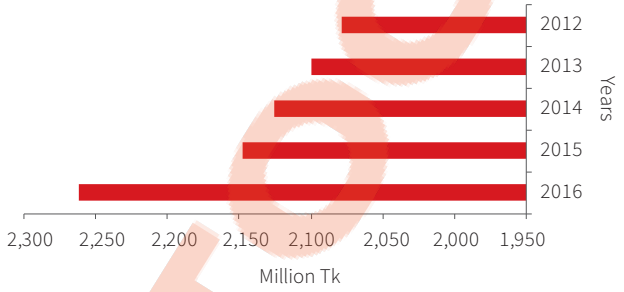
AMARSTOCK

GRAPHICAL PRESENTATION OF PERFORMANCE

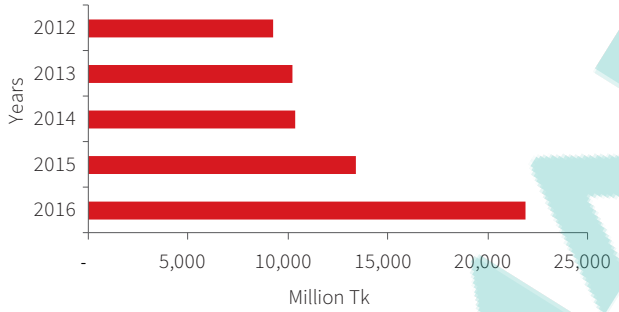
SHAREHOLDERS EQUITY



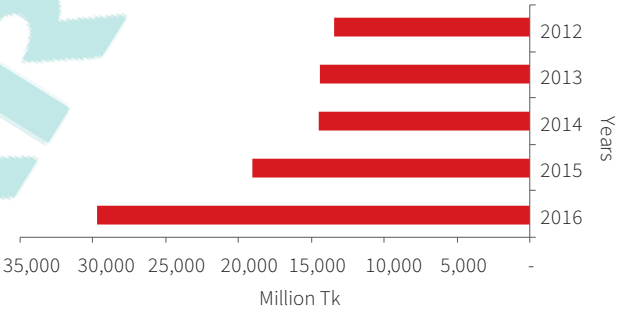
NET ASSET



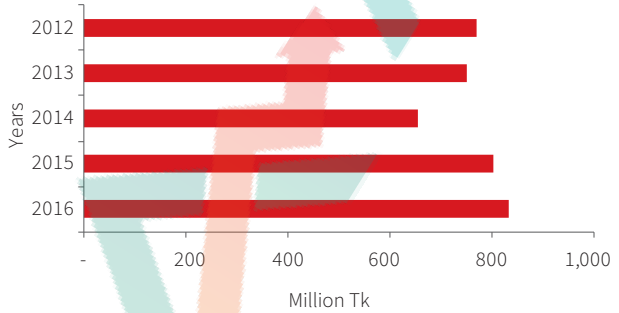
DEPOSITS



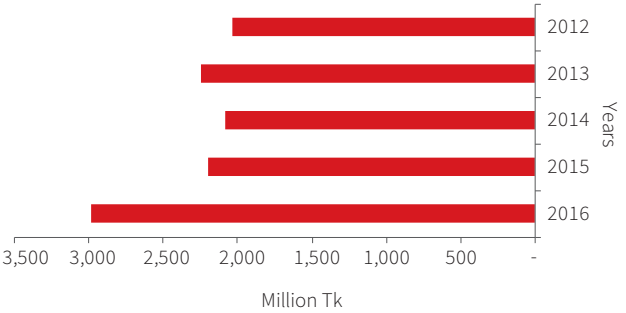
LEASES, LOANS, ADVANCES



INVESTMENTS

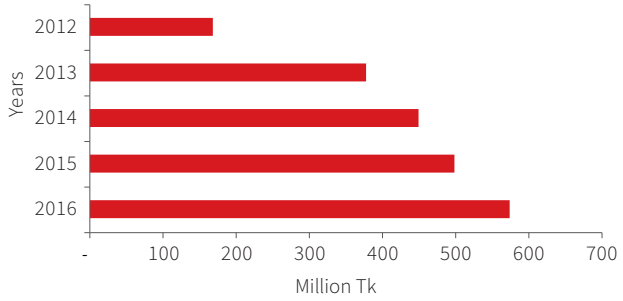


INTEREST INCOME

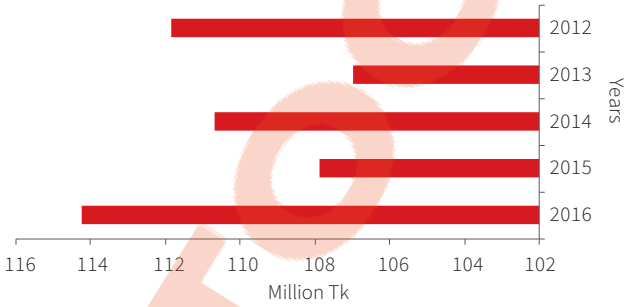


GRAPHICAL PRESENTATION OF PERFORMANCE

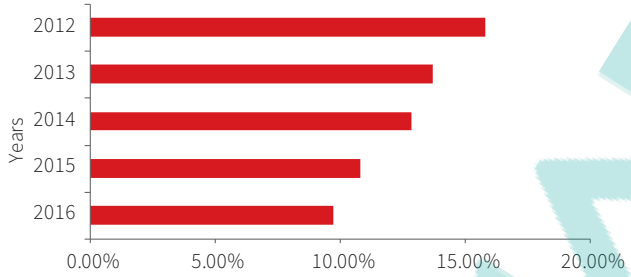
OPERATING INCOME



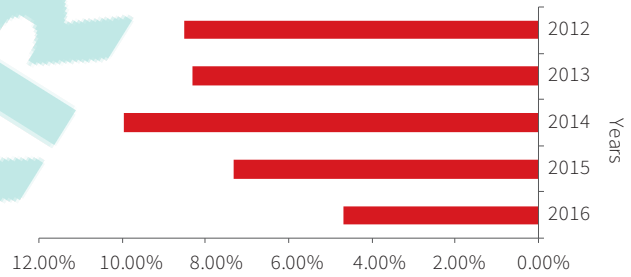
NET PROFIT



COST OF FUND



RATE OF NPL



HISTORICAL RECORD ON DIVIDEND PAYMENT

Year	Paid-up Capital (Tk.)	Dividend		
		Stock	Cash	Total
1997	60,000,000	15%		15%
1998	69,000,000	20%		20%
1999	82,800,000		15%	15%
2000	82,800,000		20%	20%
2001	82,800,000		22%	22%
2002	82,800,000	13%	17%	30%
2003	93,564,000	35%		35%
2004	126,311,400	25%	15%	40%
2005	157,889,200	14%	26%	40%
2006	180,000,000		25%	25%
2007	230,000,000	10%	20%	30%
2008	253,000,000	15%	15%	30%
2009	290,950,000	75%		75%
2010	509,162,500	60%		60%
2011	1,629,320,000	5%		5%
2012	1,710,786,000		5%	5%
2013	1,710,786,000		5%	5%
2014	1,710,786,000		5%	5%
2015	1,710,786,000	5%		5%

GOVERNANCE AND RISK MANAGEMENT

Profile of Directors
Board Committees
Management & Executives
Risk Management
Directors' Responsibility Statement
Directors' Report
Report on Corporate Governance
Certificate on Corporate Governance
Compliance Report on Bangladesh Bank's Guidelines on CG
Report on Internal Control
Audit Committee Report
Certification on Financial Statements by CEO and CFO

PROFILE OF DIRECTORS



Mr. M. A. Hashem
Chairman

Mr. M. A. Hashem joined the Board of International Leasing on February 9, 2015 as Nominated Director and elected as Chairman of the company on May 07, 2015. Later Mr. Hashem appointed as Independent Director and continues as Chairman of the Company.

Mr. M. A. Hashem is a well known senior banker of the country with over 35 years of career in the leading state owned commercial banks. In his long illustrious career, he held various important positions of different banks including Managing Director of Janata Bank Limited, Deputy Managing Director of Sonali Bank Limited, General Manager of Bangladesh Shilpa Bank (presently Bangladesh Development Bank Limited) and Rupali Bank Limited. He also sat in the Board of Eastern Bank Limited in 1998 representing Janata Bank. He also served in the Board of Meghna Insurance Company Limited from 2000 to 2001. Currently, he is the Chairman of Greenland Equities Limited, Transvent International Limited and the founder Chairman of Farida Hashem International School and College at his village home.

He obtained his Masters in Economics with Honors from University of Dhaka in 1962. He started his banking career with Standard Bank Limited of Karachi in 1964. He also served as a part-time professor of Banking at Jahangir Nagar University. He was a Fellow of Economic Development Institute of World Bank and took active role in banking reforms commission sponsored by World Bank.

He is a permanent member of Dhaka Club Limited, Life Member of Economic Association of Bangladesh, Life Member of Dhaka University Alumni Association and Permanent Member of Kurmitola Golf Club. He also served as Past President of Rotary Club of Ramna. He is a Pioneer of Rotary movement in Bangladesh and become Deputy Governor and Lt. Governor of Rotary International Dist.3281 Bangladesh. Currently brand Ambassador of Rotary International Dist.3281 Bangladesh.

AMAR STOCK

PROFILE OF DIRECTORS



Mr. M. Nurul Alam
Director

Mr. M Nurul Alam is the Managing Director of Shaw Wallace Bangladesh Limited and is its nominated Director in the Board of International Leasing and Financial Services Limited. He is also the Managing Director of SW Shipping Ltd. He sits on the Board of International leasing Securities Limited, a wholly owned subsidiary of ILFSL, as its Chairman.

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 formerly Honorary Consul of Greece, Chittagong.



Mr. Md. Zahirul Alam, FCA
Director

Mr. Md. Zahirul Alam, FCA joined the Board of International Leasing as Independent Director on May 13, 2015.

Mr. Alam is a Fellow Member of The Institute of Chartered Accountants of Bangladesh (ICAB) and The Institute of Incorporated Financial Accountants of U.K. He has experience of more than twenty-five years and in-depth exposure in public and private sector in the area of designing and implementation of auditing system, preparing feasibility studies, corporate strategy and planning, investment strategy and planning and international procurement. He has worked for World Bank, as Project Financial Consultants and other donors along with different public entity like Janata Bank, Titas Gas Transmission and Distribution Company Limited, Bangladesh Power Development Board, Bangladesh Shipping Corporation, Bangladesh Gas Field Companies Limited and Road and Highways Department. He has also played vital role for different private organizations and Non-Government Organizations like Multimode Group and The Coast.

PROFILE OF DIRECTORS



Mr. Nasim Anwar, FCA
Director

Mr. Nasim Anwar, FCA joined the Board of International Leasing And Financial Services Limited as Nominated Director of New Tech Enterprise Limited on April 16, 2015.

Mr. Anwar qualified himself as a Chartered Accountant from the Institute of Chartered Accountants of Bangladesh (ICAB) in 1993. Mr. Anwar has expertise in auditing particularly in various multinational corporations with additional specialization in corporate affairs, internal auditing, accounting services, project evaluation, appraisal and arranging of corporate finance for large projects.

Mr. Anwar worked as Financial Consultant of Agip Gas BV a joint venture project of Libian Oil Corporation and Agip oil, Italy. He was the Finance Manager of Padma Oil Company Limited, largest petroleum oil marketing company in Bangladesh. He also worked as Finance Director of T.K Group of Industries, one of the largest business group in Bangladesh.

Mr. Anwar is a dedicated professional who has been actively participating in the development of accountancy profession for the last 23 years. He served as the Vice President of the Institute of Chartered Accountants of Bangladesh (ICAB) and a council member of ICAB for nine years.

Presently he is a partner of UHY Syful Shamsul Alam & Co., Chartered Accountants, leading audit firm in Bangladesh.



Mr. Bashudeb Banerjee
Director

Mr. Bashudeb Banerjee joined the Board of International Leasing And Financial Services Limited on April 16, 2015 as Nominated Director of BR International Limited.

Mr. Banerjee possesses vast experience in cargo transportation business. He is one of the core persons of MST Marine Services and Traders Limited, the flagship company of MST Group, which has continuously retained its leading position in the Cargo Transportation Sector in Bangladesh since long.

Apart from MST Marine Services & Traders Ltd, Mr. Banerjee is the Director and major shareholder of eight sister concerns of the Group involved in transportation business. He is also the Director and Shareholder of three Associate Companies – a state-of-the-art pharmaceuticals product manufacturing industry, an automatic brick manufacturing plant and a Joint Venture Company with Shalimar Chemical Works Limited for producing, bottling and marketing natural coconut oil in Bangladesh.

PROFILE OF DIRECTORS



Mrs. Papia Banerjee
Director

Mrs. Papia Banerjee joined the Board of International Leasing And Financial Services Limited on June 28, 2015 as nominated Director of New Tech Enterprise Limited.

Mrs. Banerjee is also the sponsor of Deya Shipping Ltd, Teekmarks Shipping Ltd, Amader Marine Co. Ltd, Deya Oil Ltd and other concern of Marine Group. She is the wife of Mr. Bashudeb Banerjee who is one of the main sponsor of Marine Group. Mrs. Banerjee is involved in Group activities for around seven years.



Mrs. Momtaz Begum
Director

Mrs. Momtaz Begum joined the Board of International Leasing And Financial Services Limited on June 28, 2015 as nominated Director of Nature Enterprise Limited.

Mrs. Momtaz engaged in cargo transportation business in riverine routes throughout Bangladesh since 1989. She is the Director of MST Marine Services & Traders Ltd, Teekmarks Shipping Ltd, Deya Shipping Ltd & HC Marine Ltd. Mrs. Momtaz Begum is the wife of Mr. Nowsherul Islam who is one of the main sponsor of Marine Group.

PROFILE OF DIRECTORS



Mr. Md. Nowsherul Islam
Director

Mr. Md. Nowsherul Islam joined the Board of International Leasing on May 07, 2015 as Nominated Director of Nature Enterprise Limited.

Mr. Islam completed his MA from Dhaka University. Then he started his career as Class-1 officer of Bangladesh Bank. After 13 years of service, he finally left Bangladesh Bank in 1995 as a Joint Director in Foreign Exchange Policy Division. He is one of the main initiator and key promoter of MST Group which is engaged in Cargo transportation business in riverine routes throughout Bangladesh since 1989 and presently market leader in this sector having ownership of 21 number of cargo vessels, Pharmaceutical Product Manufacturing, environmental friendly Auto Bricks Manufacturing and Coconut Oil manufacturing, bottling and marketing in Bangladesh under a Joint Venture Company co-shared with renowned "Shalimar" Brand owner of India.



Mr. Md. Anwarul Kabir
Director

Mr. Md. Anwarul Kabir joined the Board of International Leasing on May 07, 2015 as Nominated Director of BR International Limited.

Mr. Kabir started his career with First Security Islami Bank Limited in 2002 and left his banking career in 2010. Later, he involved with different business and social organizations in different capacities. Mr. Kabir completed his Masters of Banking Management (MBM) from International Islamic University.

PROFILE OF DIRECTORS



Engr. Md. Nuruzzaman
Barrister-at-Law
Director

Mr. Nuruzzaman joined the Board of International Leasing And Financial Services Limited as Independent Director on July 28, 2015.

Mr. Nuruzzaman is a 'Barrister at Law' of Lincoln's Inn of London, UK and an Advocate of Supreme Court of Bangladesh. He holds a Bachelor of Laws Degree (LLB) from the University of London, UK. Prior to attainments of his legal education, Mr. Nuruzzaman graduated in Civil Engineering from BUET in the year of 1995 and completed MBA from the University of Dhaka in 2006. He joined the Bangladesh Civil Service (Admin Cadre) as a Magistrate in early 1998. During his 10 years of service with the Government, Mr. Nuruzzaman had worked in different capacities such as Assistant Commissioner, Magistrate, Assistant Secretary, DGM of Teletalk and lastly Senior Assistant Secretary. With such diversified and high profile educational achievements and work experience, Mr. Nuruzzaman is a phenomenal addition in the legal world of Bangladesh. He is the sole Barrister in Bangladesh who is in turn an Engineer and a former bureaucrat.

Mr. Nuruzzaman is a partner and head of Capital Law Chamber whose principal areas of practice are laws relating to construction, telecommunication, banking, civil and commercial litigation and dispute resolution.



Mr. Muhammed Abul Hashem
Director

Mr. Muhammed Abul Hashem joined the Board of International Leasing on February 19, 2016 as Nominated Director of Shaw Wallace Bangladesh Limited.

Mr. Hashem started his career with Shaw Wallace Bangladesh Limited in July 1982 as a Covenanted Staff and was posted in the Department of Corporate Accounts. He is currently holding the position of General Manager – Finance and Company Secretary of Shaw Wallace Mr. Hashem has long years of experience in Corporate Accounting, Finance and Taxes matters. He obtained his Honours and Masters degrees in Accounting from University of Chittagong.

PROFILE OF DIRECTORS



Mr. Rashedul Haque
Managing Director

Mr. Rashedul Haque has joined as Managing Director of International Leasing And Financial Services Limited (ILFSL) on June 4, 2015.

Prior to this appointment, he was working as Deputy Managing Director of Reliance Finance Limited. He started his career with ILFSL and also worked with Standard Chartered Bank, IIDFC and LankaBangla Finance. Mr. Haque has extensive expertise in Corporate Finance, Risk Management, SME banking, Business development and Capital Market operations. He sits in the Board of International Leasing Securities Limited and IL Capital Limited as the Director of the company. Mr. Haque is also the Member of the Executive Committee of Bangladesh Leasing and Finance Companies Association (BLFCA). He is a widely travelled person across the globe on different occasions. Mr. Haque is a Business Graduate from International Islamic University, Kuala Lumpur, Malaysia and an MBA in Finance.

ASIAR STOCK

AUDIT COMMITTEE



Mr. Md. Zahirul Alam, FCA, Chairman



Mr. M. Nurul Alam



Mr. Nasim Anwar, FCA



Mr. Md. Nowsherul Islam



Mr. Muhammed Abul Hashem

SMART STOCK

EXECUTIVE COMMITTEE



Mr. Nasim Anwar, FCA, Chairman



Mr. M. A. Hashem



Mr. M. Nurul Alam



Mr. Bashudeb Banerjee



Mr. Md. Nowsherul Islam

AMARSTOCK

KEY MANAGEMENT

Standing from Right

Mr. Mostofa Muidur Rahman, Head of SME
Mr. Tamjidur Rahman Khan, Branch-in-Charge, Uttara
Mr. S.A.N Moyeenuddowlah, Head of ICC
Mr. Md. Rafiqul Islam Khan, ACS, Company Secretary
Ms. Nahida Runai, Head of HR & Admin
Mr. Avik Sinha, Treasury-in-Charge
Mr. Syed Abed Hasan, Chief Financial Officer
Mr. Md. Mubasher Chowdhury, Head of IT
Mr. Al Mamun Shohag, Head of Corporate
Mr. Rashedul Haque, Managing Director
Mr. Rezaul Islam, Head of CRM
Mr. A.S.M. Ahasan Habib Chowdhury, Chief Operating Officer-ILSL
Mr. Syamal Chandra Kar, Branch-in-Charge, Sylhet





Sitting from Right
Mr. Mohammad Ibrahim, Head of Branch, Chittagong
Ms. Mithila Yesmin Hoque, Head of Liability Operations

BUSINESS DEVELOPMENT



TREASURY & LIABILITY MARKETING



ACCOUNTS & LIABILITY OPERATIONS



INTERNAL CONTROL & COMPLIANCE, SPECIAL ASSET MANAGEMENT, CREDIT ADMINISTRATION
HR & ADMIN, INFORMATION TECHNOLOGY, CAPITAL MARKET INVESTMENT, COMPANY SECRETARIAT



STATEMENT OF RISK MANAGEMENT

The future is uncertain, and none has ever been successful in consistently forecasting the events with foremost financial implications. However, the financial risk that arises from uncertainty can be managed. In fact, Risk Management augments the ability to identify risk, to measure it, to appreciate its consequences, and then to take action accordingly, such as transferring or mitigating the risk. One of the most important aspects of modern risk management is the ability, in many instances, to price risks and ensures that risks undertaken in business activities are properly rewarded. Risk management is really about how financial institutions actively select the type and level of risk which is appropriate to assume. Most business decisions are about sacrificing current resources for future uncertain returns.

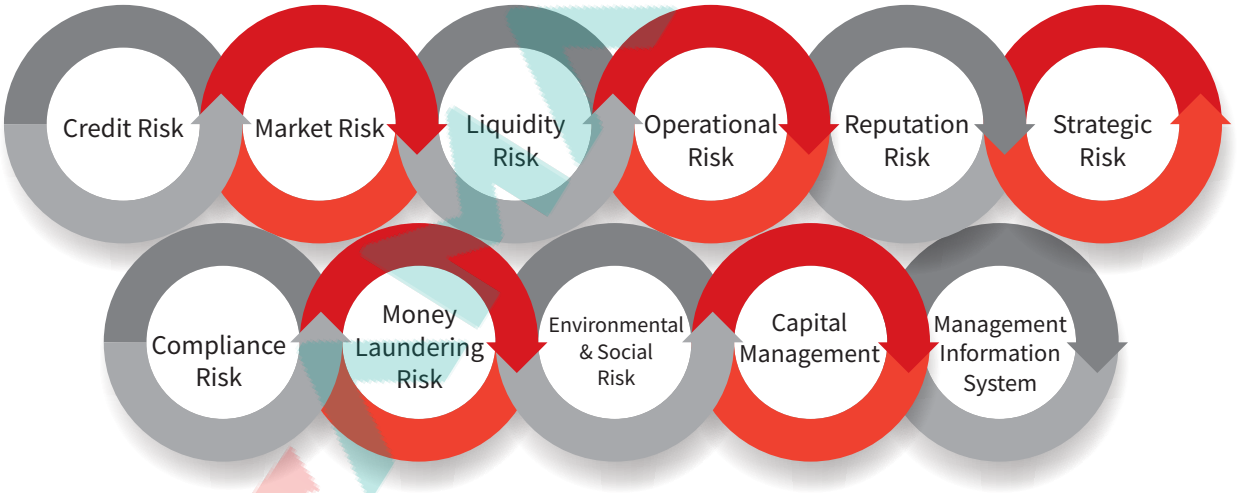
ILFSL is always exposed to a certain amount of risk. Managing such risks has always been a primary concern of the Company. In today's challenging financial and economic environment, effective risk management is must for sustainable growth in shareholder's value.

ILFSL's risk management approach is emphasizing not only for regulatory purpose but also to improve the value of the Company. ILFSL's Risk Management Departments are headed by well skilled human resources who are justifying the above mentioned risks.

The prime objective of the risk management is that the Company takes well calculated business risks while protecting ILFSL's assets, its profitability from various risks. ILFSL considers "Guidelines for Managing Core Risks of Financial Institutions" issued by the Bangladesh Bank vide FID Circular No. 10 dated September 18, 2005 as well as "Integrated Risk Management Guidelines for Financial Institutions" issued by Bangladesh Bank vide DFIM Circular No. 03 dated January 24, 2016. Strong inter-departmental communication link on risk factors and a culture of cooperation in decision-making among the intra departments, committees and the senior management help the organization in effective enterprise risk management. Effective risk management tied with the adoption of BASELII recommendations benefit ILFSL by expanding capitalization and optimizing costs to risk and funding.

RISK MANAGEMENT ASPECTS

The Risk Management Aspects are in correspondence with Bangladesh Bank Guidelines.



STATEMENT OF RISK MANAGEMENT

1. CREDIT RISK

Credit risk as the potential that a borrower, or counter party, will fail to meet its payment obligations regarding the terms agreed with the NBFI. It includes both uncertainty involved in repayment of the NBFI's dues and repayment of dues on time.

MEASURES TAKEN FOR THE ASPECT

- Expert opinion for choosing core business area.
- Strong credit analysis to ensure quality.
- Price determination on the basis of risk.
- Adequacy of collateral and proper security coverage.
- Diversification of portfolio and transaction.
- Using credit risk rating and scoring system.
- Monitoring of risk and credit administration.
- Mitigating through preventive controls.
- Maintain of single borrower exposure limit.

2. MARKET RISK

Market risk is the risk of loss arising from changes in market variables such as interest rates, security prices, equity index levels, exchange rates, commodity prices and general credit spreads.

MEASURES TAKEN FOR THE ASPECT

- Find out more business sectors for introduction (like cost of fund, rate of interest) of new products for future.
- Long term business plan.
- Monitoring cost of fund and market rate in regular basis.
- Taking steps to avoid undue and unfair competition with other institutions.
- Risk base pricing.
- Taking into consideration of government policy and political situation.

3. LIQUIDITY RISK

Liquidity risk occurs when a financial institution cannot meet short-term debt obligations. The NBFI may be unable to convert an asset into cash without giving up capital and/or income due to a lack of buyers or an inefficient market.

MEASURES TAKEN FOR THE ASPECT

- Arranging long term loan to avoid the mismatch of asset with cost effective manner to short term borrowing.
- Different source of funding including own source.
- Effective cash flow planning.
- Maximum effort for collection within the legal framework.
- Searching low cost but long term loan financing from local and foreign sources.
- Efficient and effective Asset Liability Management Committee.

4. OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

AMARSTOCK

STATEMENT OF RISK MANAGEMENT

MEASURES TAKEN FOR THE ASPECT

- Strong HR policy.
- Training and development of staff.
- Choose right person in the right place with competitive remuneration package.
- Green Office Guidelines.
- Strong supervisory controls.
- Effort to ensure integrity.
- Effective Security Systems.

5. REPUTATIONAL RISK

Reputational risk is a risk of loss resulting from damages to a NBFI's reputation such as - in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value, consequent to an adverse or potentially criminal event even if the NBFI is not found guilty. Adverse events typically associated with reputation risk include ethics, safety, security, sustainability, quality, and innovation. Reputational risk can be a matter of corporate trust.

MEASURES TAKEN FOR THE ASPECT

- Satisfactory improved ratings by Regulatory Bodies as well as External Credit Rating Agency.
- Effective Operations of Customer Services And Complaint Management.

6. STRATEGIC RISK

Strategic risk is the risk of losses of the NBFI as a result of imperfections in taking decisions defining the strategy of the NBFI's activity and development and resulting non-consideration or insufficient consideration of possible threats to the NBFI's activity, inadequate or insufficiently substantiated definition of prospective business lines where NBFI could gain advantage over its competitors, absence or incomplete provision of necessary resources (financial, material and technical, human) and managerial decisions that must provide the achievement of strategic objectives of the NBFI.

MEASURES TAKEN FOR THE ASPECT

- Budget preparation carefully.
- Selection of client carefully.
- Effort to achieve profit targets.
- Establishment of Enterprise Resources Management Systems to achieve targets.

7. COMPLIANCE RISK

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards.

MEASURES TAKEN FOR THE ASPECT

- Establishment of Central Compliance Unit (CCU).
- Practicing of compliance culture.
- Assign sound compliance structure.
- Ensure the compliance of regulators.

8. MONEY LAUNDERING RISK

In recent years, financial institutions operating in Bangladesh have faced unprecedented scrutiny from regulators for purportedly failing to meet their legal obligations to detect and report criminal activity taking place through their accounts. This scrutiny has direct and potentially far-reaching consequences—not only for financial institutions, but for their customers who are commonly seeing the risks and burdens of anti-money laundering (AML) compliance passed on to them.

STATEMENT OF RISK MANAGEMENT

MEASURES TAKEN FOR THE ASPECT

- Establishment and execution of internal policies, procedures and controls to identify and report instances of money laundering and terrorist financing.
- Appointment of the Chief Anti Money Laundering Compliance Officer (CAMLCO), Deputy Chief Anti Money Laundering Compliance Officer (DCAMLCO), Branch Anti Money Laundering Compliance Officer (BAMLCO) with defined responsibilities.
- Continuous employee development & awareness training programs.
- Regular Regulatory Reporting to BFIU.

9. ENVIRONMENTAL & SOCIAL RISK MANAGEMENT

Risks arising from financing relating to the degrading environmental scenario and climate change. Failure to consider these environmental & social risks as a part of financing decisions will lead to an increase in non performing loans for FIs. Environmental & social risks are the facilitating elements of credit risk arising from environmental & social issues. These increase risks as they bring an element of uncertainty or possibility of loss in the context of a financial transaction.

MEASURES TAKEN FOR THE ASPECT

- Focusing on Green Banking rather than traditional Banking.
- Incorporation of Environment Risk Management Guideline-2011 provided by Bangladesh Bank for Financing Decision.
- Execution of Green Banking Policy.
- Formulation of Sustainable Finance Committee.
- Formulation of Sustainable Finance Unit.

10. CAPITAL MANAGEMENT

Capital management in FIs usually refers to implementing measures aimed at maintaining adequate capital, assessing internal capital adequacy and calculating its capital adequacy ratio. It is getting important around the world, as reflected from taking several reform initiatives and changes in the prudential requirements in different countries and also in Bangladesh in line with the reform measures proposed by the Basel Committee on Banking Supervision.

MEASURES TAKEN FOR THE ASPECT

- Improvement in the performance of the Capital Adequacy Ratio.
- Issuance of Non-convertible Unsecured Coupon Bearing Subordinated Bond to strength the capital base.

11. MANAGEMENT INFORMATION SYSTEM

ILFSL's Management Information System provides required information for effective & efficient decisions. It helps ILFSL to manage information in an effective and efficient manner. The system is largely capable of handling the data from collection stage to processing. MIS has been kept under a constant review and modification to meet the corporate needs of the information. It supports the management of ILFSL in every phase by giving the information which is crucial in that phase. It provides more information on the critical success factors for decision making.

MEASURES TAKEN FOR THE ASPECT

- Ensure sound MIS.
- Ensure proper security.
- Regular backup as per BB guidelines.
- Assign IT expert.
- Migration of Financial Software from Fintelligent to BankUltimus.

DIRECTORS' RESPONSIBILITY STATEMENT

RESPONSIBILITY

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at the International Leasing And Financial Services Limited. ("the Company").

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company & continue to review & update every year. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

The Board views the governance and oversight of our distinctive business model and prudent strategy as key to the ongoing creation and delivery of value to our stakeholders, particularly in an economic environment that remains both uncertain and challenging.

At ILFSL, the Board's primary role is to provide leadership, ensure that it is appropriately managed and deliver long-term shareholder value. It also sets the Group's strategic objectives and provides direction as a whole. A number of key decisions are reserved for and may only be made by the Board, which enables it and the executive management to operate within a clear governance framework.

CONFIRMATION

Based on the above processes, The Board of Directors confirm that the International Financial Reporting Standard (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 to ensure that the financial statements comply with the requirements of the Companies Act, 1994, Securities and Exchange Rules, 1987, Financial Institutions Act, 1993, and Listing Regulations of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited and amendments thereto.

EXTERNAL AUDITOR'S CERTIFICATION

The External Auditors, Rahman Mostafa Alam & Company, Chartered Accountants, have carried out annual audit to review the system of internal controls, 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 shareholders meetings, relevant policies and expressed their opinion.

In compliance with the Corporate Governance Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) vide their notification no. SEC/CMRRCD/2006-58/134/Admin/44, dated 07 August 2012, Joyonta Poddar & Associates, examined the compliance with the said conditions of Corporate Governance and certified that International Leasing And Financial Services Limited has complied with the conditions of the said guidelines.

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors of International Leasing And Financial Services Limited have the pleasure in presenting the Directors' Report in regard to the Companies Act, 1994 and guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC), the Bangladesh Bank and the Bangladesh Accounting and Financial Reporting Standards.

This Directors' Report has been prepared in compliance with the Section 184 of the Companies Act 1994, the Listing Regulations of Stock Exchanges, Financial Institutions Act 1993, Bangladesh Bank guidelines and other applicable rules and regulations. Relevant disclosures and explanations relating to company's matter that have been given by the Directors, which they consider relevant and important to ensure compliance, transparency and good governance practices.

Economic Performance of Bangladesh

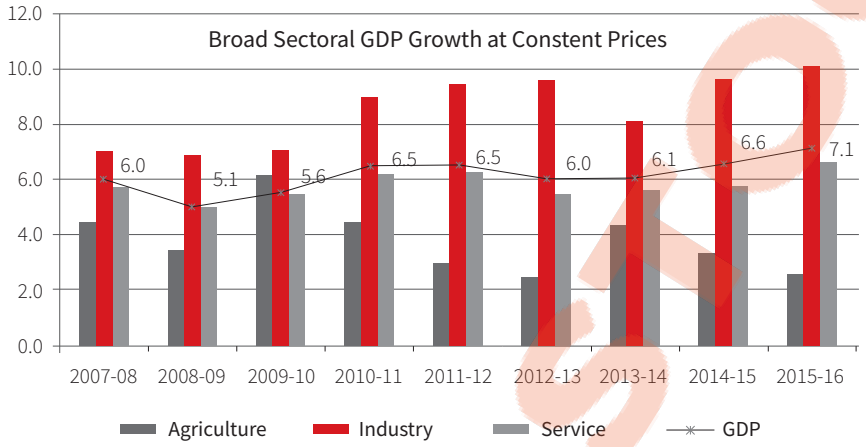
The Bangladesh economy has emerged as one of the resilient developing economies in the world. The economy grew at an average rate of 6.20 percent over the last decade (FY2005-06 to FY2014-15). According to the final estimate of BBS, the economy grew by 7.11 percent, a 0.56 percentage point pick up from 6.55 percent of previous fiscal year. The per capita national income reached US$1,465 in FY2015-16, up by US$149, from US$1,316 of previous year. Likewise, per capita GDP reached US$1,385 in FY2015-16, from US$ 1,236 a year earlier.

According to the final data released by Bangladesh Bureau of Statistics (BBS), Bangladesh achieved 7.11 percent GDP growth in FY2015-16. The GDP growth was 6.55 percent and 6.06 percent in FY2014-15 and FY2013-14 respectively. This is the first time that the GDP growth has surpassed the 7 percent level. However, in FY2006-07, GDP growth crossed 7 percent mark due to the rebasing of GDP series on FY2005-06 base. Despite the global financial crisis and its aftermath, along with the adverse effect emerged from domestic front, Bangladesh has been able to achieve GDP growth at more than 6 percent on an average during the last decade.

Item	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
GDP (In Crore Tk.)	549800	628682	705072	797539	915829	1055204	1198923	1343674	1515802	1732864
GNI (In Crore Tk.)	585075	677072	760973	862142	988342	1144506	1295352	1433224	1614204	1832675
Population (In Crore)	14.18	14.38	14.58	14.78	14.97	15.16	15.37	15.58	15.79	15.99
Per Capita GDP (In Tk.)	38773	43719	48359	53961	61198	69614	78009	86266	96004	108378
Per Capita GNI (In Tk.)	41261	47084	52193	58332	66044	75505	84283	92015	102236	114621
Per Capita GDP (In US$)	562	637	703	780	860	880	976	1110	1236	1385
Per Capita GDI (In US$)	598	686	759	843	928	955	1054	1184	1316	1465

DIRECTORS' REPORT

Production based estimate of GDP encompasses the value addition of 15 sectors. Some of the sectors are further divided into different sub sectors. All the 15 sectors are grouped into three broad sectors- agriculture, industry and service. The growth rates of GDP by sectors at constant prices have been shown in following picture:



Fiscal Management

Budget for FY' 2017 has been marked high ambition with a vision of attaining the middle income goal. The budget size is BDT 3,406.00 billion which is 15% higher compared to FY'2016's revised budget. It has revenue target of BDT 2427.00 billion which is 16% higher than that of the FY2016's revised budget. Gross Domestic Product (GDP) has been estimated to grow at a rate of 7.2% in FY'2017, a slight increase from the previous year's target of 7.05%. Budget deficit is projected to be BDT 917.7 billion. Of this deficit, BDT 610 billion will be collected from bank borrowing, savings certificates and other non-banking source and remaining BDT 307.7 billion will be raised from external sources. High dependence on savings certificates in financing the deficit may cause the interest expense to rise higher.

Inflation

Falling commodity prices on the global market has been pushing inflation downward. The declining trend of inflation that started in 2015 and prevailed through 2016. Average inflation stood at 5.5% in Dec'2016 which was 6.2% in the same period in 2015. Food inflation started to decrease rapidly from the stating of 2016 but formed a positive trend from June 2016. As of Dec 2016, Point to point (P2P) inflation stood at 5.0%, the lowest since Sep'12. The decline in average inflation is mainly attributable to the falling food prices during the first half of the year and falling non- food inflation during the latter half of the year.

Foreign Exchange Reserve

Foreign exchange reserve has continued its increasing momentum in 2015-16. Foreign exchange reserve has reached a peak of USD 30.14 billion in June 2016, which is around 20.4% higher than last year's reserve of USD 25.03 billion. Increased participation in world export, stable FDI & FPI made it possible for the country to accumulate such reserves. However, BDT has weakened in the latter half of FY'2016 against USD driven by falling remittance. In addition, higher import payment obligation during the end of FY2016 added to the situation.

Money Market

The money market also went through significant change in 2016. Overall interest rates received significant fall. Government bond operation was suspended for a couple of months. Reverse repo operation was reduced with higher borrowing through low yielding BB-bill. Bangladesh Bank will maintain accommodative monetary policy stance in 2016. The latest MPS for H2 FY2016 was a very growth supporting one. Policy rates have been reduced by 50 basis points after almost 3 years. This, coupled with the huge excess liquidity in the banking system is expected to further reduce banks' lending rates and boost investments. As the economy is on the way to recovery, credit growth has been slowly picking up. During FY2015, the total credit to the private sector recorded 13.2% growth year over year. Business confidence is improving and the stable exchange rate has led to higher import of machineries. The falling interest rates will boost private credit growth next year.

DIRECTORS' REPORT

Capital Market Review

The capital market ended 2016 with hope and aspiration, as the index recorded an almost 9 percent gain in the course of the year. A consistent rally, especially in the last two months of the year, enabled the key index of the premier bourse to stay above the 5,000 points level, yielding an 8.8 percent return for this year. DSEX, the key index of the Dhaka Stock Exchange, closed the year with 5,036 points on the last trading of 2016, up from 4,624 points on the first trading day of the year.



Active participation of local and foreign investors and the psychological confidence were the main drivers of the market. The market was consolidating round the year but the momentum picked up in the last three months and crossed the psychological barrier of 5,000 points. Strong investor participation in the last quarter, consolidation of stocks prices, comparably high corporate earnings, low commodity and oil prices in the international market along with low interest rate were the pivotal reasons behind the decent year for the Bangladesh capital market. The foreign investors have higher exposure now than ever before. The data and trading patterns reveal that most were in a buying mood rather than selling: they bought shares worth Tk 5,057 crore and sold shares worth Tk 3,716 crore to take their net investment to Tk 1,341 crore at the end of last day's trade. It can be reasonably expected that going forward in 2017, interest in the Bangladesh capital market will increase, as it presents an attractive case for foreign investors.

NBFIs Performance in 2016

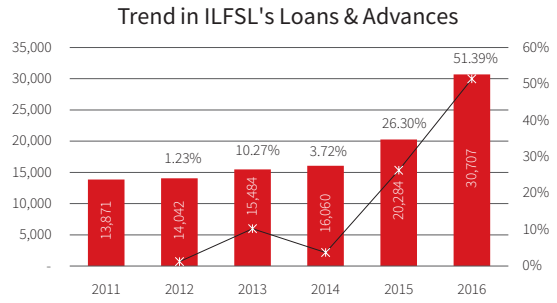
Non Bank Financial Institutions (NBFIs) have emerged as an important segment of financial system in Bangladesh. NBFIs offer diversified financial services mostly long-term in nature to cater the ever changing demands of customers. NBFIs play crucial roles in providing additional financial services that cannot be always met by the banks. Bangladesh Bank issues licence and supervises NBFIs under the Financial Institution Act, 1993. At present, the minimum paid up capital for NBFIs is Taka 1.0 billion as per the Financial Institution Regulation, 1994. NBFIs' business line is narrow in comparison with Banks in Bangladesh. NBFIs have been allowed to offer term deposit service for tenure of at least three months effective from 2 December 2013. Presently, out of 33 NBFIs, three are Government-owned, 11 are joint venture and the rest 19 are locally private-owned. Meanwhile, the branch network increased to 220 as on 30 June 2016.

	2010	2011	2012	2013	2014	2015	2016
No. of NBFIs	29	31	31	31	31	32	33
Govt. owned	1	2	3	3	3	3	3
Joint-venture	8	8	10	10	10	10	11
Private	20	20	18	18	18	19	19
New Branches	20	53	8	7	7	15	22
Total Branches	108	161	169	176	183	198	220

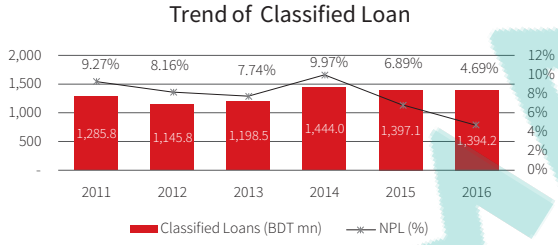
ILFSL's Operational Review of 2016

Riding on relative political stability, price corrections and declining interest rates, Bangladesh's financial sector started a comeback this year after couple of years of continuous slump. The economic growth in Bangladesh held up well subsequently because of brisk domestic demand, boosted by higher worker remittances, private sector wages, and public investment. As such, ILFSL also exhibited a substantial progress in many of the business lines during 2016. Total asset of the group grew by 51.38% from BDT 20.28 billion in 2015 to BDT 30.70 billion in 2016. Significant amount of disbursements were made in Corporate and SME business. Furthermore cautious investment in capital market and correct on time decisions have led to an overall success for the company. Cost of borrowing has reduced from 10.80.% in 2015 to 9.73% in 2016. This is due to the settlement of high cost bank borrowing and increase in public deposit. Decreased cost to income ratio is the result of increased efficiency and better utilization of the company's resources. Total disbursement of ILFSL grew by 15.30% compared to 2015, largely on the back of stronger performance across all our business divisions and through increased concentration on due diligence in credit approval. The total disbursed amount in 2016 was BDT 10,870 million compared to BDT 9,427million in 2015.

DIRECTORS' REPORT



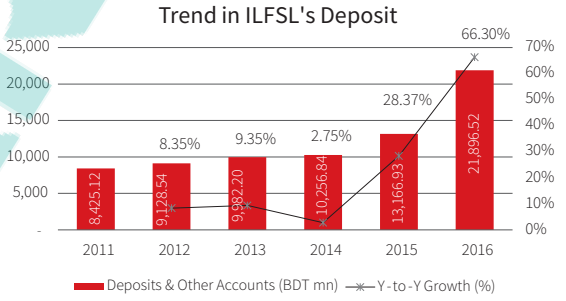
In line with our long term strategy, we penetrated the liability market strongly with the focus on increasing our retail customer base by offering attractive rates and ensuring quality customer services. On the deposit side, our total deposits grew by 63.39.% from BDT 13,409.45 million in 2015 to BDT 20,966.44 million in 2016, largely driven by our strong liability sales team who has provided uncompromising service. The company's Leases, loans and advances portfolio reached BDT 29,730.23million in 2016 compared to BDT 19,008.57 million in 2015. NPL showed a positive picture as the percentage of classified loans for the company decreased to 4.68% in 2016 compared to 7.34% in 2015.



Consolidated operating revenue stands at BDT 3,596.04 million while operating expenses of BDT 3,129.63 million were incurred. Consolidated net profit after tax is reported at BDT 125.85 million. Return on average equity was 5.57.% during 2016 for the group and Consolidated Earnings per Share (EPS) stood at BDT 0.70The ILFSL Group's consolidated performance in 2016:

Particulars	2016	2015	Growth
Total Disbursement	10,870	9,427	15.30%
Net interest income	464	539	(13.90%)
Other operating income	246	115	113.9%
Total operating income	710	654	8.56%
Total operating expenses	244	217	12.44%

2016 started with steady political environments that boost up the confidence of the business community throughout theyear. However, surplus liquiditywhich started in 2014 poses a new challenge for most of theTreasurer in the Banking and Non-Banking sector. The inter-bank call money market remained liquid and stablein 2016. We were very prudent to place our self to take the advantageof liquidity condition. Deposit was our key sources of fundespecially public deposit. You will be happy to know that we expanded our Liability Management Division in the later part of 2015 and this division did an excellent job to mobilize deposit andas of December 31, 2016 our Term Deposit portfolio stood at BDT 11,056.44 million.



During the year deposit portfolio has been increased by BDT 8,501.16 million and posted a 63.39% year on- year growth. 50.46% of total deposit as on 31 December2016 was Public deposit (Corporate and Retail).We continued our drive to reduce the dependency on high cost long term bank borrowing.

Capital Market Operations

Despite of huge down turn in the capital market, we successfully consolidate our positions in capital market investment in 2016. We have made some major rebalancing in the portfolio and have taken a few strategic investments. We are quite optimistic in reaping impressive returns from our positions in coming years.

DIRECTORS' REPORT

Human Capital

Human capital policy at ILFSL is based on the recognition that its people are its most valuable asset. Prudent development, deployment and management of its human resources have been a key contributor to the company's Success records. We have found that sensitivity to the needs and aspirations of individual employees is as conducive to successful human resources management as an accurate assessment of employee capabilities, potentials and attitudes. We thus value the contributions an employee exerts in the organization and adopted policy to reward efforts accordingly.

Our recruitment system has been designed to ensure that the employees recruited for the service in the company match with the job requirements relevant to the position being hired for. All recruitment policies within the company are in line with the statutory employment laws of Bangladesh and in accordance with the approval of the company's Board of Directors.

ILFSL decides the scales of the employees belonging to different grades from time to time. The salary structure of the company is reviewed in every three years to allow adjustments to update with the change in the cost of living indices.

The company's recruitment and career development policies provide equal opportunities for all citizens in the country. It is our policy that the best qualified applicants be hired without regard to race, color, age, religion, gender, national origin, physical or mental disability, veteran status, sexual preference, marital status and any other characteristic protected by law. The Company is committed to developing and maintaining a diverse workforce and to treating all individuals with dignity and respect.

Information Technology

Information Technology (IT) division is responsible for creating establishing and maintaining IT infrastructure for the whole organization. They are involved with development of software, database integration and migration, hardware procurement, installation and maintenance, network infrastructure development to ensure trouble free links, troubleshooting of different network, pc devices etc. Besides IT department is also responsible for backup of data, backup power, antivirus, terminal server, branch connectivity and internet connections.

Internal Control

The Board acknowledges its responsibilities for ILFSL's system of internal control and for reviewing its adequacy and effectiveness. The system of internal control covers, inter alia, financial, operational, management information systems, organizational and compliance controls. These controls include financial controls that assist the Board in meeting its responsibilities for the integrity and accuracy of the company's accounting records. The Company's financial statements, prepared from these records, comply with the required laws and standards. A separate report on Internal Control is given on page 65 of this Annual Report.

Subsidiary Operations

International Leasing Securities Limited (ILSL) is a subsidiary of International Leasing And Financial Services Limited, a leading equity brokerage house in the country with a diverse clientele of institutions, high net worth individuals, foreign funds and retail investors. ILSL has achieved much recognition for its professionalism in its trade execution capability and settlement procedures & cutting edge sell side research base. ILSL posted after tax net profit of BDT 1.17 million which was BDT 11.88million in the year 2015. In terms of turnover in December 2016, it achieved 12th position in the DSE. ILSL's operating performance is outlined below:

Particulars	2016	2015
Turnover in DSE	1,191,541.32	1,030,887.07
Total Turnover of ILSL (Both Stock Exchanges)	40,010.77	47,912.53
Total Turnover of ILSL in DSE	36,925.73	42,943.03
Market share in DSE	3.10%	4.16%
Market position as per DSE	12th	8th

Another subsidiary of ILFSL namely IL Capital Limited (ILCL) has already been successful in establishing itself as one of the well known merchant banks. ILCL offers a wide range of investment management services i.e. corporate advisory and consulting for business development, portfolio management and so forth. During the year 2016 ILCL has incurred net profit of BDT 10.82 million as against net profit after tax amounting to BDT 4.66 million in 2015.

DIRECTORS' REPORT

Financial result and appropriation of profit

The Company posted profit before tax for the year end 2016 amounting to BDT 200.51 million, indicating decrease in growth of (12.96%) from BDT 230.30 million in 2015 while net profit after tax also increase by 5.89.% at BDT 114.25 million in 2016 from BDT 107.89 million in 2015.

2016 was a challenging year towards the growth & prosperity. Considering the overall environment of financial market, current financial strength of the Company and future investment prospect the Board is recommending stock dividend at the rate of 5% for the year 2016. The Directors are pleased to report the financial results for the year 2016 and recommend the following appropriations:

Operating Revenue	Tk.	2,980,776,374
Operating Expenses	Tk.	(2,456,497,603)
Operational Profit before provisions	Tk.	416,907,192
Provision for doubtful accounts	Tk.	216,391,750
Profit before taxes	Tk.	200,515,442
Tax Expense	Tk.	86,260,396
Profit After Tax	**Tk.**	**114,255,046**
Transferred to Statutory Reserve	Tk.	22,851,009
Net surplus in Profit and Loss Account	**Tk.**	**91,404,037**
Retained Earnings Brought forward	Tk.	10,040,921
Profit Available for Distribution	**Tk.**	**101,444,958**
Dividend – Stock @ 5 percent	Tk.	89,816,265
Retained Earnings Carried Forward	**Tk.**	**11,628,693**

Key Operating and Financial Data

Key operating and financial data for last five years as per Notification No. SEC/CMRRCD/2006-158/129/Admin/44 dated 07 August 2012 is shown in page 17.

Declaration of Dividend

The Board of Directors in its 203rd meeting held on April 23, 2017 recommended 5% Stock Dividend for the year ended on 31 December 2016 subject to approval the shareholders at 21st Annual General Meeting scheduled to be held on June 15, 2017. Details of the dividend declared during the financial year are disclosed in Note 12.2 of the Notes to the Financial Statements on page 124 of this annual report.

Plan for Utilization of Undistributed Profits

The Company requires substantial funds every year to carry out its regular business operation. The undistributed profits will be utilized to disburse fund for its new investments and will be used to meet contingencies in future as authorized under Article 100 of the Schedule I of the Companies Act 1994. Additionally with this retention a reasonable debt equity ratio would be maintained & the borrowing power of the Company would be enhanced.

Related Party Disclosure

The directors have also disclosed the transactions, if any, that could be classified as related party transactions in terms of Bangladesh Accounting Standard – 24: "Related party disclosures" which is adopted in the preparation of financial statements. Those transactions disclosed by the directors are given in the note 39 to the financial statements.

Going Concern

The Board of Directors has reviewed the Company's overall business plans, strategies and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements of the company are prepared based on the going concern concept.

Risk and Concern

The Board of Directors are responsible for formulating risk policies, determining methods to measure and manage risk, setting commensurate risk limits and monitoring their performances. The company beliefs in managing risk in a forward looking manner and steering credit, interest rate, liquidity, market and operational risks through establishing strategies, models and parameters.

Credit Rating

A credit rating is an assessment of the solvency or credit-worthiness of a company according to established credit rating procedures. These ratings help investors to analyze the risks associated with the company by providing detailed information of the ability of a company to meet their obligations. A rating is being continuously monitored. It enables investors to measure their investment risk. The company is rated by one of the leading independent rating agencies named National Credit Ratings Limited (NCR). ILFSL has been rated by the NCR and adjudged "A" in the long term and ST -2 in the Short term. The validity of the rating will expire on 28 September 2017.

DIRECTORS' REPORT

Directors' Remuneration

Details of directors' emoluments paid during the year are given in notes 30 to the financial statements.

Contribution to National Exchequer

With a view to assist the Government in building up revenues and thus contribute to the economic development of the Country, ILFSL deposits taxes regularly to the National Exchequer by way of collection of income taxes and VAT at sources from various payments and also deposits of income taxes of the Company on its income. In 2016, ILFSL deposited BDT 85.92 million to the Government exchequer as corporate income tax. Moreover, BDT 24.40.million was collected and deposited to the Government exchequer as withholding tax, VAT and excise duty.

Material changes after Balance Sheet date

There have been no material changes and commitments between the end of 2016 and the date of this report, affecting the financial position of the Company.

Code of Conduct

The Board has laid down a code of conduct for the Board members. All the Board members have certified that they have received, read, understood and affirmed compliance with the code for the year ended 31 December 2016.

Directors to retire, re-appointment and biographies of the Directors

As per the Articles of Association of the Company and the Companies Act 1994, one-third of the Directors of the Company are required to retire by rotation at each Annual General Meeting (AGM). The retiring Directors are eligible to stand for re-election. In this connection the following Directors will retire in the Twenty first Annual General Meeting and being eligible offered themselves for re-election as per Articles of Association of the Company:

1. **Mr. Nasim Anwar,** FCA
2. **Mrs. Papia Banerjee**
3. **Mr. Momtaz Begum**

Biographies of the Directors (including retiring directors) and the names of the Companies where they have interest are presented on page 23 of this Annual Report.

Appointment of Independent Director

The Board of Directors has appointed Mr. M. A. Hashem as Independent Directors of the Company for a period of 3 (three) years in compliance with the Corporate Governance Guidelines of Bangladesh Securities and Exchange Commission.

Shareholding Pattern

The shareholding pattern as per Clause 2(k)of SEC Notification No. SEC No. SEC/CMRRCD/2006-158/134/Admin/44: dated August 07, 2012 is shown in page 49.

Board Meeting & Attendance

During the year 2016, 15 (fifteen) nos. of Meetings of the Board of Directors were held. Attendance of the Directors is shown in the page 50.

Auditors

Rahman Mostafa Alam & Co. Chartered Accountants have completed their second year as statutory auditor of the Company. Being eligible for the reappointment, the existing auditor M/s. Rahman Mostafa Alam & Co. Chartered Accountants offered themselves for reappointment. In this regard the Audit Committee scrutinized and reviewed the proposals and recommended the Board to appoint M/s. Rahman Mostafa Alam & Co. Chartered Accountants, as external Auditor of the Company for the year 2017 with an audit fee of BDT 275,000 plus VAT at the applicable rate.

The Board in its meeting held on April 23, 2017 recommended the shareholders to appoint M/s. Rahman Mostafa Alam & Co. Chartered Accountants at a remuneration of BDT 275,000 plus VAT. We have also taken the prior approval from Bangladesh Bank to appoint M/s. Rahman Mostafa Alam & Co, Chartered Accountants, until conclusion of 22nd AGM.

Reporting on Corporate Governance Compliance

Pursuant to Clause 5.00 of SEC Notification No.SEC/CMRRCD /200658/129/Admin/44 dated 07 August 2012 the Company's compliance status is shown in Annexure-i page 55.

Corporate and Financial Reporting Framework

The Directors, in accordance with SEC Notification No. SEC/CMRRCD/200658/129/Admin/44 dated 07 August 2012; confirm compliance with the financial reporting framework for the following:

DIRECTORS' REPORT

- The financial statements prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity
- Proper books of accounts of the Company have been maintained. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment
- International Accounting Standards and International Financial Reporting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements. The system of internal control is sound in design and has been effectively implemented and monitored
- There is no significant doubt upon the Company's ability to continue as a going concern
- There is no extraordinary gain or loss during the year.
- After issuance of right shares, financial results of the company had not been deteriorated
- No significant difference occurs between quarterly financial performance and annual financial statements
- There are no significant changes in the Company or its subsidiaries' fixed assets and the market value
- The company had not enabled any of its directors to acquire benefits by means of acquisition of share or debentures of the company or anybody corporate

Issuance of Bond

ILFSL have been heavily relying on its customer deposits, which is short-term in nature and the rest is managed and sourced by the treasury department. To support our assets growth, we need to have more long-term funds in our overall funding mix. Issuance of bond could be one of the long-term sources of funding our portfolio. Bangladesh Bank is also very keen to develop the Bond Market in Bangladesh.

In the middle of 2016 the Board of Directors decided to issue Non-convertible Unsecured Coupon Bearing Subordinated Bond of BDT 2000.00 (Taka Two Thousand) million for 7 years tenure through private placement to meet its ongoing financing requirements and future capital adequacy requirement subject to the approval of Bangladesh Bank, Bangladesh Securities and Exchange Commission and other regulatory authorities. RSA Capital Limited, a leading merchant banker was appointed as the Lead Arranger of the issue. Hope this issue will be materialized by middle of this year.

Branch Operation

You will be happy to know that ILFSL opened its two new branches at Uttara and Sylhet in February 2017. However this initiative was taken in the middle of 2016. ILFSL is also planning to open few more branches at Dhanmondi, Gulshan and Mirpur area.

Acknowledgement

The Board of Directors takes this opportunity of expressing its heart-felt appreciation and gratitude to the valued clients, depositors, lenders, bankers, patrons and business partners for their continued support and cooperation. The Board also expresses its deepest gratitude to Bangladesh Bank, Bangladesh Securities & Exchange Commission (SEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Registrar of Joint Stock Companies and Firms, National Board of Revenue (NBR) and other regulatory bodies for their help, assistance, valuable guidance and advice being extended to the Company from time to time. The Board also acknowledges the hard work, dedication and commitment of the employees. Their enthusiasm and unstinting efforts have enabled the company to grow better than before. We hope similar support from all of you that will underpin our continuous growth.

On behalf of the Board of Directors

M. A. Hashem
Chairman

ANNEXURE-1

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

Name	Related party relationship	No. of shares owned	%
N/A			

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

Name	Designation	No. of shares owned	%
Mr. M. A. Hashem	Independent Director & Chairman of the Board	0	0%
Mr. M. Nurul Alam	Representative Director of Shaw Wallace Bangladesh Limited	31,191,898	17.36%
Mr. Muhammed Abul Hashem			
Mr. Md. Nowsherul Islam	Representative Director of Nature Enterprise Ltd	14,700,000	8.18%
Mrs. Momtaz Begum			
Mr. Bashudeb Banerjee	Representative Director of BR International Ltd.	14,647,500	8.15%
Mr. Md. Anwarul Kabir			
Mr. Nasim Anwar, FCA	Representative Director of Newtech Enterprise Limited	14,092,650	7.85%
Mrs. Papia Banerjee			
Mr. Md. Zahirul Alam, FCA	Independent Director	0	0%
Mr. Md. Nuruzzaman	Independent Director	0	0%
Mr. Jamal Uddin Ahmad	Sponsor	5,586,323	3.11
Mr. Rashedul Haque	Managing Director	0	0%
Mr. Syed Abed Hasan	Chief Financial Officer	0	0%
Mr. S.A.N Moyeenuddowlah	Head of Internal Audit	0	0%
Mr. Rafiqul Islam Khan, ACS	Company Secretary	0	0%

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

Name	Designation	No. of shares owned	%
Ms. Nahida Runai	Senior Vice President	0	0%
Mr. Mohammed Ibrahim	Senior Vice President	0	0%
Ms. Mostofa Muidur Rahman	Vice President	0	0%
Mr. Al Mamun Shohag	Assistant Vice President	0	0%
Mr. Rezaul Islam	Senior Manager	0	0%

SHAREHOLDERS HOLDING 10% OR MORE VOTING RIGHTS

Name	Designation	No. of shares owned	%
Shaw Wallace Bangladesh Ltd.	Shareholder	29,706,570	17.36%

ATTENDANCE OF BOARD OF DIRECTORS

ANNEXURE-2

Meeting Attended by the Directors of ILFSL During 2016

Name of Directors	Board of Directors meeting				Executive Committee meeting				Audit Committee meeting				Total Remuneration paid for the year 2016
	Total BOD meeting held during the director's tenure	Meeting attended	Attendance as % of total meeting held	Remuneration paid for attending the meeting	Total EC meeting held during the director's tenure	Meeting attended	Attendance as % of total meeting held	Remuneration paid for attending the meeting	Total AC meeting held during the director's tenure	Meeting attended	Attendance as % of total meeting held	Remuneration paid for attending the meeting	
Mr. M. A. Hashem	15	15	100	138,000	9	9	100.00	82,800					220,800
Mr. M. Nurul Alam	15	15	100	138,000	9	7	77.78	64,400	7	7	100.00	73,600	276,000
Mr. Zahirul Alam, FCA	15	15	100	138,000					7	7	100.00	73,600	211,600
Mr. Nasim Anwar, FCA	15	13	86.67	119,600	9	9	100.00	82,800	7	7	100.00	73,600	276,000
Mr. Bashudeb Banerjee	15	10	66.67	92,000	9	4	44.44	36,800					128,800
Mr. Papia Banerjee	15	8	53.33	73,600									73,600
Mr. Momtaz Begum	15	8	53.33	73,600									73,600
Mr. Muhammed Abul Hashem	15	13	86.67	119,600					7	6	85.71	55,200	174,800
Mr. Md. Nowsherul Islam	15	12	73.33	110,400	9	9	100.00	82,800	7	6	85.71	55,200	248,400
Mr. Md. Anwarul Kabir	15	13	86.67	119,600									119,600
Mr. Md. Nuruzzaman	15	15	100	138,000									138,000
Mr. Rashedul Haque	15	15	100	N/A	9	9	100.00	N/A	7	2	100.00	N/A	--
				1,260,400				349,600				331,200	1,941,200

REPORT ON CORPORATE GOVERNANCE

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the Organization. Good Corporate Governance leads to long term shareholder value and enhances interest of other stakeholders. ILFSL is committed to the adoption of and adherence to the best Corporate Governance practices at all times and continuously benchmarks itself against each such practice in the industry. ILFSL understands and respects its fiduciary and trusteeship role and responsibility to its stakeholders and strives hard to meet their expectations. ILFSL believes that Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target. Over the years, the governance processes and systems have therefore been strengthened at ILFSL. In addition to complying with the statutory requirements, effective governance systems and practices towards improving transparency, disclosures, internal controls and promotion of ethics at work place have been institutionalized.

Board of Directors

The Board of Directors of the Company plays a key role, as they oversee the functioning of the organization and ensures that it continues to operate in the best interest of all the stakeholders. Thus, the Company strives to keep its Board well informed; independent and actively involved in the important decision making process pertaining to the Company.

The Board while performing its fiduciary duties recognizes its responsibilities towards its members and other stakeholders to uphold the highest standards in all matters concerning the Company and for the purpose empowers responsible officials to implement its board policies and guidelines. The Company's business conducted by its employees under the directions of the Managing Director and overall supervision of the Board.

The Board of ILFSL comprises of 11 (eleven) members of which eight are Nominated Directors and 3 (three) are Independent Directors.

Policy on appointment of Directors

The Directors are appointed as per the rules and regulations set forth in the Companies Act, 1994, the Financial Institutions Act, 1993 and Bangladesh Securities and Exchange Commission's (BSEC) guidelines on Corporate Governance. To be a member of the Board of a listed company, a Director other than nominated and alternate Director must hold at least 2 percent of the outstanding shares of the company. The Independent Directors are also exempted from such requirement. As per the Companies Act, 1994, the office of nonexecutive Directors is subject to retirement. At least one third of the non-executive Directors shall retire by rotation in every Annual General Meeting. The Managing Director is appointed for a minimum period of three years subject to approval of the Central Bank. The office of the Managing Director being an ex-officio Director is not subject to retirement. The tenure of an Independent Director is three years and may be extended by another three years.

Board Meetings

The Company holds at least four Board Meetings in a year, one in each quarter inter-alia to review the financial results of the Company. The gap between the two Board Meetings does not exceed three months. Apart from the four scheduled Board Meetings, additional Board Meetings are also convened to address the specific requirements of the Company. Urgent matters are also approved by the Board by passing Resolution through circulation.

Board Committees

There are two committees constituted by the Board Members to assist the Board in discharging its responsibilities – the Audit Committee and the Executive Committee. The Board at the time of constitution of each committees fixes the terms of reference for each committee and also delegates power from time to time. The minutes of the meetings of both the committees are circulated to the Board for its review.

Audit Committee

The primary role of the Audit Committee is overseeing the financial reporting process disclosure of financial information, reviewing the financial statements before submission to the Board, reviewing adequacy of internal control systems and reviewing findings of internal investigations besides recommending appointment/ removal of statutory auditors and fixing their remuneration. The Audit Committee was last reconstituted on February 19, 2016 which is comprised of Mr. Md. Zahirul Alam, FCA as the Chairman, Mr. Nasim Anwar, FCA, Mr. M. Nurul Alam, Mr. Muhammed Abul Hashem and Mr. Md. Nowsherul Islam as its members.

Executive Committee

The Executive Committee is authorized to review the proposals of lease and loan above authority delegated to the Managing Director. The Executive was last reconstituted on February 19, 2016 and the members are Mr. Nasim Anwar FCA as its Chairman, Mr. M. A .Hashem, Mr. M. Nurul Alam, Mr. Bashudeb Banerjee, Mr. Md. Nowsherul Islam as its members.

REPORT ON CORPORATE GOVERNANCE

Remuneration Committee

As per the guideline of the central bank the Board can have the following committees:

- Audit Committee;
- Executive Committee;

Therefore, ILFSL have no remuneration committee comprised of the Board Members. However, there is a HR and Compensation Committee for employees of the Company.

Policy with regard to Remuneration of Directors

Except the Managing Director & CEO, none of the Director holds any position of profit and does not receive any remuneration other than the fees for attending the Board/Committee meetings. As per the central bank's guideline, as amended vide DFIM Circular no. 13 dated 30 November 2015, maximum amount of Tk. 8,000 can be paid to each Director for attending each Board/Committee meeting subject to certain limit.

Policy with regard to remuneration of the CEO

The Board will appoint the CEO of the company. As per guidelines of the central bank, approval of the central bank to be obtained for the appointment of the CEO along with the remuneration and other benefits.

Remuneration policy of the CEO and senior management

The Board reserves the right to recruit and decide the remuneration benefit of the higher officials to the rank of General Manager, DMD and above. The Managing Director & CEO has been given with the authority to recruit and decide remuneration benefit of all employees to rank up to mentioned above in line with the industry best practice.

Role of Independent Directors

The Independent Directors play a key role in the decision making process of the Board as they involve in the overall strategy of the Company and oversee the performance of management. The Independent Directors are committed to act in what they believe is in the best interest of the Company and its stakeholders.

The Independent Directors bring a wide range of experience, knowledge and judgment as they draw on their varied proficiencies in economics, finance, management, law and public policy. The wide knowledge of both their field of expertise and boardroom practices helps to foster varied, unbiased, independent and experienced perspectives. The Company benefits immensely from their inputs in achieving its strategic direction.

Role of the Chairman

The Chairman serves as the primary link between the Board and Management and works with the Managing Director and Company Secretary to set the agenda of the Board Meetings. He provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities efficiently.

Role of the Managing Director

The Managing Director is the key person and is responsible for running the business of the Company. He is also responsible for formulating as well as implementing Board strategy and policy. The Managing Director is responsible for establishing and executing the Company's operating plans that are necessary to achieve the Company's objectives. He has the overall control on the Company's day to day affairs and is accountable to the Board for the financial and operational performance of the Company.

Chairman & Managing Director of the Company is different persons

Chairman of the Board and Managing Director of the Company are different persons with different role and responsibilities, defined by the Board and thereby preventing unregulated powers of decision making on a single hand.

Delegation of Authority

There is clearly spelled out delegation of authority in sanctioning loan as well as the operational and capital expenditure with specific task authority relationship. The Board has empowered responsible persons to implement its board policies and guidelines and has set up adequate review processes.

Role of the Company Secretary

Company Secretary is responsible for advising the Board through the Chairman on all governance matters. He is also responsible for ensuring proper information flow with the Board and its Committees and between the management and the Directors. He is also acting as bridge between the regulators/stakeholders and the Company. He/she must possess the required qualification mentioned in the corporate governance guidelines issued by BSEC.

REPORT ON CORPORATE GOVERNANCE

Internal Control and Compliance

The Company's internal control system was commensurate with its size and business nature. The system minimized operational risks through effective control, systemic review and on-going audit. The internal auditors undertook a comprehensive audit of all functional areas and operations, their findings referred to the Audit Committee of the Board.

The Board has ultimate responsibility for establishing an effective system of internal control. The internal control system holds all business risks, including financial, operational and strategic risks. To mitigate all the risk as well as to establish control environment, the board holds its meeting regularly with comprehensive agenda dealing with all major aspects of business. There is an internal control and compliance department directly reporting to the Board Audit Committee which looks after compliance with the organizational policies by different departments.

Role of the Head of internal Control & Compliance

The Head of internal Control and compliance is responsible for reporting to the Board Audit Committee regarding Deviations from accounting and internal audit team of the Company.

Risk Management

The Company always concerning on delivering high value to its stakeholders through appropriate tradeoff between risk and return. A well structured and proactive risk management system is in place within the Company to address the risks relating to credit, market, liquidity and operations.

Accounting Standards

The company has complied with the applicable Accounting Standards. The Financial Statements present fairly in all material respects and comply with the financial Institution Act 1993, the Companies Act 1994, the securities and exchange the Rules 1987 & other applicable laws and regulations.

Related Party Transaction

Transactions with related parties are made on arm's length basis and are in the ordinary courses of business. Detailed transactions with related parties are described at notes-36 of the Financial Statements in the page no. 119 of this annual report.

Auditors Certificate on Corporate Governance

The Company has complied with all mandatory requirements of Corporate Governance Guidelines as enumerated in the Notification No. SEC/CMRRD/2006-158/134/Admin/44 dated 7 August 2012 and its subsequent amendments by Bangladesh Securities and Exchange Commission. M/s Jayonto Poddar & Associates have certified that the Company has complied with the conditions of Corporate Governance as stipulated under the corporate Governance Guidelines which is annexed in the page 55.

Statement of CEO and CFO regarding Financial Statements

A separate statement as to the fairness and presentation of the financial Statements of the Company is given in page 68 of this report.

Annual General Meeting (AGM)

ILFSL holds Annual General Meeting of shareholders once a year and the Company ensures effective interaction with the shareholders at the Annual General Meeting. The Directors pay special attention in answering the various quires raised by the shareholders at the Annual General Meeting.

General Information for the Shareholders

The Company reports including quarterly, half-yearly and annual reports and accounts were sent to shareholders in a timely and accurate manner, and meet with shareholders in the AGM where they are encouraged to ask questions about the performance, strategy and future prospect of the Company. The Stakeholders have access to company information through the company's website and postal correspondence. ILFSL complied with the requirements for reporting and disclosure of information to the Shareholders and Stakeholders during the year under review. The Board reports included the nature and extent of its social, ethical, safety, health and environmental policies and practices. The outcome of every general meeting is announced to Shareholders and adopted by the Board of Directors.

Whistleblower system

Employees are usually the first to notice if Company's procedures are not followed. All our employees have an obligation to report any suspicion or knowledge of breaches of the Company's policies to the head of Internal Control & Compliance. The reports are then passed on to the Audit Committee and the Board of Directors. ILFSL values a free flow of information.

REPORT ON CORPORATE GOVERNANCE

To ensure that critical information is not withheld, all reports and questions received through the whistleblower system are treated confidentially.

ILFSL recognizes that the decision to report a concern about suspected fraud or fraudulent behavior could be a difficult. Employees are often the first to realize that there is something seriously wrong within the Company. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Company. They may also fear revenges, harassment or victimization. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion. ILFSL encourages and enables employees, staff and external parties to raise serious concerns within the Company rather than overlooking a problem or blowing the whistle to the authorities including the Central Bank.

ILFSL will protect employees and ensure that they are treated with respect, and we do not accept reprisals against such employees. Individuals are encouraged to put their names to allegations. Concerns expressed anonymously are much less powerful, but they will be considered and investigated at the discretion of ILFSL.

Going Concern

The Board is satisfied that the company has adequate resources to continue its business for the foreseeable future and consequently considers it appropriate to adopt the going concern basis in preparing the financial statements.

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CERTIFICATE ON CORPORATE GOVERNANCE



PODDER & ASSOCIATES
Cost and Management Accountants

As per BSEC rules (letter SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August, 2012), all the companies listed with any stock exchange in Bangladesh shall comply with some conditions in accordance with condition no. 7. The condition requires that 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 and prerequisite set by BSEC in their letter.

Compliance Certificate

On

CORPORATE GOVERNANCE

To the Shareholders of

International Leasing And Financial Services Limited

We have examined compliance to the BSEC guidelines on Corporate Governance by **International Leasing and Financial Services Limited** for the year ended 31st December 2016, these guidelines relate to the Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7th August 2012 of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance.

Such compliance to the codes of Corporate Governance is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of Corporate Governance. This is a scrutiny and verification only and not an expression of opinion or audit on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations provided to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned guidelines is issued by BSEC except approval of appointment of Independent Director by the AGM. It shall be placed for approval in the upcoming AGM.

For Podder & Associates

Jayanta Kumer Podder
Cost and Management Accountant

Date: 11 MAY 2017
Place: Dhaka, Bangladesh

6/A/1 (Ground Floor), Segun Bagicha, Dhaka-1000. Phone : 02-57160360, 02-57160425, E-mail: info@thepodders.com, Web: www.thepodders.com

CERTIFICATE ON CORPORATE GOVERNANCE

International Leasing And Financial Services Limited

Status of Compliance with the Corporate Gevernance Guideline (CGC)

For the period ended 31st December 2016

Status of compliance with the condition imposed by the Commission's Notification No. letter SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August, 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969

(Report under Condition No. 7.00)

Condition No.	Title	Complied	Not Complied	Remarks (IF ANY)
1	Board of Directors			
1.1	Boards size			
	The number of the board members of the company shall not be less than 5 (five) and more than 20 (twenty).	√		The ILFSL Board is comprised of 12 Directors Including Managing Director.
1.2	Independent Directors			
(i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.	√		There are Three Independent Directors in the ILFSL Board.
(ii)	*For the purpose of this clause 'Independent directors' means a director-*			
a)	Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;	√		
b)	Who is not a sponsor of the company and is not connected with the company's any sponsor 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 :	√		
c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associated companies;	√		
d)	Who is not a member, director. or officer of any stock exchange;	√		
e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	√		
f)	Who 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;	√		
g)	Who shall not be an independent director in more than 3 (three) listed companies;	√		
h)	Who 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 (NBFI);	√		
i)	Who has not been convicted for a criminal offence involving moral turpitude.	√		

PODDER & ASSOCIATES DHAKA

CERTIFICATE ON CORPORATE GOVERNANCE

ii)	Who has not been convicted for a criminal offence involving moral turpitude.	√		
(iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).		√	
(iv)	The post of independent director(s) can not remain vacant for more than 90(ninety) days.	√		No vacancy occurred
(v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	√		
(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.	√		
1.3	*Qualification of Independent Director (ID)*			
(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.	√		
(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, and Chartered Secretaries. The independent director must have a least 12(twelve) years of corporate management /professional experiences.	√		
(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	√		No such Incidence arose
1.4	*Chairman of the Board and Chief Executive Officer*			
(i)	The position 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.	√		
1.5	*Directors Report to the Shareholders*			
(i)	Industry outlook and possible future developments in the industry.	√		
(ii)	Segment-wise or product-wise performance.	√		
(iii)	Risks and concerns.	√		
(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	√		
(v)	Discussion on continuity of any Extra-Ordinary gain or loss.	√		No such Incidence arose
(vi)	Basis for related party transactions-a statement of all related party transactions should be disclosed in the annual report.			
(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.			No such matter to explain

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CERTIFICATE ON CORPORATE GOVERNANCE

(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IP0), Repeat Public Offering (RPO). Rights Offer, Direct Listing, etc.			No such Incidence arose
(ix)	If significant variance occurs between Quarterly Financial Performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	√		No such matter to explain
(x)	Remuneration to directors including independent directors.	√		
(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.	√		
(xii)	Proper books of account of the issuer company have been maintained.	√		
(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.	√		
(xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standard (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.	√		
(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
(xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considerer to be a going concern, the fact along with reasons thereof should be disclosed.	√		
(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	√		No such matter to explain
(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		
(xix)	if the issuer company has not declared dividend(cash or stock) for the year, the reasons thereof shall be given.	√		
(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
(xxi)	The Pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:	√		
(xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
(xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		

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(xxi) c)	Executives;	√		
(xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		No such matter to explain
(xxii)	*In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:*			
(xxii) a)	a brief resume of the director	√		
(xxii) b)	nature of his/her expertise in specific functional areas;	√		
(xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2.0	*Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS)*			
2.1	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,responsibilites and duties of the CFO, the Head of internal Audit and the CS.	√		
2.2	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.	√		
3.0	*Audit Committee*			
(i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	√		
(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.	√		
(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall he clearly set forth in writing	√		
3.1	Constitution of the Audit Committee			
(i)	The Audit Committee shall be composed of at least 3 (three) members.	√		
(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.	√		
(iii)	All members of the audit committee should be "financially literate" and at least I (one) member shall have accounting or related financial management experience,	√		All the existing members of the Audit Committee are ' Financially literate' and they have 'related financial management experience' as per BSEC notification.

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CERTIFICATE ON CORPORATE GOVERNANCE

(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.			There were no such situations during FY 2016.
(v)	The company secretary shall act as the secretary of the Committee.	√		
(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		
3.2	Chairman of the Audit Committee			
(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.	√		
(ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM).			
3.3	Role of Audit Committee			
(i)	Oversee the financial reporting process.	√		
(ii)	Monitor choice of accounting policies and principles.	√		
(iii)	Monitor Internal Control Risk management process.	√		
(iv)	Oversee hiring and performance of external auditors.	√		
(v)	Review along with the management, the annual financial, statements before submission to the board for approval.	√		
(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	√		
(vii)	Review the adequacy of internal audit function.	√		
(viii)	Review statement of significant 'related party transactions submitted by the management.	√		
(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√		
(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.	Not Applicable		No Money was raised through IPO, RPO, Rights issue, etc. during the year.

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3.4	**Reporting of Audit Committee**			
(i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-	√		
3.4.1 (ii) a)	Report on conflicts of interests;			There was no reportable case of conflict of interest in 2016.
b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;			No such situation arose during the year
c)	Suspected infringement of laws, including securities related laws, rules and regulations;:			No such situation arose during the year
d)	Any other matter which shall be disclosed to the Board of Directors immediately.			No such situation arose during the year
3.4.2	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 andhas discussed with the Board of Directors and the management that anyrectification is necessary and if the Audit Committee finds that such rectificationhas been unreasonably ignored, the Audit Committee shall report such finding tothe 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.			No such reportable incidence arose
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.	√		
4	**External/ Statutory Auditors**			
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.	√		
(ii)	Financial information system design and implementation	√		
(iii)	Book-keeping or other services related to the accounting records or financial statement	√		
(iv)	Broker –dealer services	√		
(v)	Actuarial services	√		
(vi)	Internal audit services	√		
(vii)	Any other services that the audit committee determines.	√		
(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.	√		The Audit firm has declared as such that none of them hold any share in the company.
(ix)	Audit/ Certifiaction services on compliance of corporate governance as required under clause (i) of condition No. 7	√		

FAIR STOCK

CERTIFICATE ON CORPORATE GOVERNANCE

5	Subsidiary Company			
(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.	√		
(ii)	At least 1 (one) independent director of the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	√		
(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.	√		
(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.	√		
(v)	The Audit Committee of the holding company shall also review the financial statements, in particular, the investments made by the subsidiary company.	√		
6.0	*Duties of Chief Executive Officer (CEO) and Chief Financial Officer(CFO)*			
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;	√		
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.	√		
(ii)	There are, to the best of knowledge and belief, no transactions entered into by the company diving the year which are fraudulent illegal or violation of the company's code of conduct.	√		
7.0	*Reporting and Compliance of Corporate Governance*			
(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.	√		Required certification has been obtained from "PODDER & ASSOCIATES" Cost & Management Accountants as of 31st Dec 2016.
(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.	√		Status of Compliance is published with the Directors' Report as required.

PODDER & ASSOCIATES DHAKA

ALAMIR STOCK

COMPLIANCE REPORT ON BANGLADESH BANK'S GUIDELINES ON CG

COMPLIANCE REPORT ON THE GOOD GOVERNANCE GUIDELINE ISSUED BY THE BANGLADESH BANK

By the DFIM Circular No.7 dated 25 September 2007, Bangladesh Bank issued a policy on responsibility & accountability of Board of Directors, Chairman & Chief Executive of the financial institution. The Board of Directors of the Company has taken appropriate steps to comply with the guidelines and implemented the same.
Status report on compliance with those guidelines is given below:

Sl. No.	Particulars	Compliance Status
1.	(a) Work-planning and strategic management:	
	(i) The Board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goal and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans.	Complied
	(ii) The Board shall have its analytical review incorporated in the Annual report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies.	Complied
	(iii) The Board will set the Key Performance Indicator (KPI)s for the Managing Director / CEO and other senior executives and will evaluate half yearly / yearly basis.	Complied
	(b) Formation of sub-committee:	
	Executive Committee may be formed in combination with directors (excluding any alternate Directors) and management of the Company only for rapid settlement of emergency matters (approval of loan/lease application, write-off, rescheduling etc.) arisen from the regular business activities.	Complied
	(c) Financial Management:	
	(i) Annual Budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
	(ii) Board shall review and examine in quarterly basis various statutory financial statements such as statement of income-expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recovery of overdue loan/lease.	Complied
	(iii) Board shall approve the Company's policy on procurement and collection and shall also approve the expenditures according to policy. The Board shall delegate the authority on the Managing Director and among other top executives for approval of expenditure within budget to the maximum extend.	Complied
	(iv) The Board shall adopt the operation of bank accounts. Groups may be formed among the management to operate bank accounts under joint signatures.	Complied
	(d) Management of loan/lease/investments:	
	(i) Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	Complied

COMPLIANCE REPORT ON BANGLADESH BANK'S GUIDELINES ON CG

Sl. No.	Particulars	Compliance Status
	(ii) No director shall interfere on the approval of loan proposal associated with him. The director concerned shall not give any opinion on that loan proposal.	Complied
	(iii) Any syndicated loan/lease/investment proposal must be approved by the Board.	Complied
	(e) Risk Management:	
	Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied
	(g) Human resource management:	
	Board shall approve the policy on Human Resources Management and Service Rule. Chairman and Director of the Board shall not interfere on the administrative job in line with the approved Service Rule.	Complied
	Only the authority for the appointment and promotion of the Managing Director/Deputy Managing Director/General Manager and other equivalent position shall lie with the Board incompliance with the policy and Service Rule. No director shall be included in any Executive Committee formed for the purpose of appointment and promotion of others.	Complied
	(h) Appointment of Managing Director / CEO:	
	The Board shall appoint a competent Managing Director / CEO for the Company with the approval of the Bangladesh Bank and shall approve any increment of his salary and allowances.	Complied
	(i) Benefits offer to the Chairman:	
	Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the Company subject to the approval of the Board.	Complied
2.	**Responsibilities of the Chairman of the Board of Directors:**	
	(a) Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power;	Complied
	(b) The minutes of the Board Meetings shall be signed by the Chairman;	Complied
	(c) Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
3.	**Responsibilities of Managing Director:**	
	(a) Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management;	Complied
	(b) Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities;	Complied
	(c) All recruitment/promotion/training, except recruitment/promotion/training of DMD / GM, shall be vested upon the Managing Director. He shall act such in accordance the approved HR Policy of the Company;	Complied
	(d) Managing Director may re-schedule job responsibilities of employees;	Complied
	(e) Managing Director may take disciplinary actions against the employees except DMD;	Complied
	(f) Managing Director shall sign all the letters/statements relating to compliance of policies and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no.2 dated 06 January 2009 if so authorized by MD.	Complied

REPORT ON INTERNAL CONTROL

The aim of internal control is to provide reasonable assurance, by means of processes and procedures implemented by ILFSL, that the following objectives may be achieved.

- To determine the reliability and integrity of information; (i.e. evaluating the internal control systems and the integrity of financial and operating information produced by those systems)
- To determine whether compliance exists with policies, procedures, law and regulations.
- To determine if the assets are safeguarded and verify the existence of those assets.
- To review the operations or programs' for consistency with established management goals and objectives.
- To assist members of our organization in the effective and successful performance of their responsibilities by providing them with analyses, recommendations and other pertinent information concerning the activities being reviewed.

As in the case with any control systems, the company's internal system cannot guarantee that all risk of error or fraud is fully eliminated or controlled and safeguarded.

The control system applies across the ILFSL group to all division and departments of its operations.

The internal control system of the company consists the following related components:

- The control environment.
- Risk Assessment.
- Control Activities under the purview of the policies and rules.
- Information and communication.
- Effective Monitoring.
- To remain complaint in all respect.

Internal Control Procedure

ILFSL believes on the principle of decentralization of authority and responsibility. Consequently responsibility for the implementation of appropriate internal control procedures governing risk management, financial control and complies with legislation is delegated to the managers of each department of the Company. To ensure the consistency of Company's procedures with each department, senior management relies on the functional department to draw up the procedures necessary for the proper operation of controls issue instructions regarding their implementation and ensure compliance with the said instructions. Financial and accounting information is prepared centrally on the basis of financial statements generated from the software application that is used by different departments and in compliance with the IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards) as adopted by the ICAB (Institute of Chartered Accountants of Bangladesh) from time to time. Reports are produced monthly and prepared in the following month to which they relate whereas full accounting consolidations are produced quarterly and prepared within the following month to which they relate. The preparation of the annual financial statements is the responsibility of the management under the supervision ofthe Audit Committee and Company's Auditor. The quarterly & half- yearly Financial Statements are prepared by the Management under the supervision of audit committee.

External Financial information

Financial communication to external parties consists of financial statements prepared by the Management, submitted to the Board and reviewed and audited by the Auditors.

Procedures and inspections

With the objectives of producing high quality financial and accounting information, ILFSL has introduced procedures and instructions tailored to every section. These procedures are grouped by topic and deal mainly with accounting, treasury, regulatory and reporting issues.
The internal control and compliance department is independent from management. It audits the activities and systems of different departments in accordance with the audit plan, particularly in order to asses and improve the accuracy and reliability of the accounting and financial information.

The internal control and compliance department coordinates relations with external auditors.

Customer relation

With the aims of specifying and formalizing certain practices regarding contractual relations with its clients, ILFSL has developed procedures for managing client risk. This includes limits in respect of credit delegation of authority security insurance and documentations.

The legal department analyzes the legal provisions applicable to financing agreement executed between ILFSL and the clients. We have standard documents defining the conditions with which the agreement should comply in order to reduce the level of risk. These standard documents are regularly reviewed by the concerned departments.

Information technology

The Information Technology department is responsible for integrity and ensuring the consistency of the hardware and software used. In ILFSL most data processing is carried out by means of integrated software packages. Back up of the database is stored in a safe custody on daily, weekly and monthly basis within the business premises.

AUDIT COMMITTEE REPORT

The Audit Committee of the Company on behalf of the Board strives to ensure effective implementation of the processes set out in the business plans and policies. Its aim is to ensure that high standards of corporate reporting, control and compliance are achieved through its strong vigilance and monitoring of the following areas:

- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the
- statutory auditor and the fixation of audit fees;
- Review with the management, the annual financial statements before submission to the Board for approval.

Composition of the Committee

The Audit Committee of ILFSL has been formed pursuant to the Bangladesh Bank's guideline on Internal Control and Compliance (ICC) framework vide their DFIM Circular No.-13, dated October 26, 2011 and Bangladesh Securities and Exchange Commission's Corporate Governance Guidelines dated August 7, 2012.

The Audit Committee at ILFSL was last reconstituted on February 19, 2016 and the present members of the Committee are:

1. Mr. Md. Zahirul Alam, FCA	- Chairman
2. Mr. Nasim Anwar, FCA	- Member
3. Mr. M. Nurul Alam	- Member
4. Mr. Muhammed Abul Hashem	- Member
5. Mr. Md. Nowsherul Islam	- Member

Mr. Md. Rafiqul Islam Khan, ACS, Company Secretary is also the Secretary of the Audit Committee. The Head of Internal Audit concurrently reports to the Managing Director as well as to the Audit Committee.

Meeting of the Audit Committee

The Committee normally meets quarterly, but an emergency meeting of the Committee may be called, if required. However, during the year under review, seven (7) Committee meetings were held. The Committee reviews the financial reporting process, the system of internal control and management of financial & operational risks through the audit process.

Audit Committee reviewed the annual financial statements for the year 2016 and placed its recommendations to the Board of Directors. Based on the review the Audit Committee is of the view that the internal control and compliance procedures are adequate to present a true and fair view of the activities and financial status of the Company and to ensure that its assets are safeguarded properly.

Roles and Responsibilities of the Committee

As set out by Bangladesh Bank and Bangladesh Securities & Exchange Commission, in addition to any other responsibility, which may be assigned from time to time by the Board the audit committee is responsible for the following matters:

(a) Internal Control

1. Evaluate whether management is setting the appropriate compliance culture by communicating the importance of internal control and the management of risk and ensuring that all employees have understanding of their roles and responsibilities;

2. Review the arrangements made by the management for building a suitable Management Information System (MIS) including computerization system and its applications;

3. Consider whether internal control strategies recommended by internal and external auditors have been implemented by the management;

4. Review the existing risk management procedures for ensuring an effective internal check and control system;

5. Review the corrective measures taken by the management as regards the reports relating to fraud – forgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authority and inform the Board on a regular basis.

(b) Financial Reporting

1. Review the annual financial statements and determine whether they are complete and consistent with the accounting standards set by the regulatory authority;

2. Meet management and the external auditors to review the financial statements before their finalization.

3. The chairman of the audit committee shall be present and answerable to reply the accounting and audit related query in the general meeting.

AUDIT COMMITTEE REPORT

(c) Internal Audit

1. Review the activities and organizational structure of the internal audit function and ensure that no unjustified restrictions or limitations are made;

2. Review the efficiency and effectiveness of internal audit function;

3. Review that findings and recommendations made by the internal auditors for removing the irregularities detected and also running the affairs of the Institution which are duly considered by the management.

4. Recommended the Board in case of change of the accounting policies.

(d) External Audit

1. Review the auditing performance of the external auditors and their audit reports;

2. Review that findings and recommendations made by the external auditors for removing the irregularities detected and also running the affairs of the institution which are duly considered by the management;

3. Make recommendations to the Board regarding the appointment of the external auditors.

(e) Compliance with existing Laws and Regulations

Review whether the laws and regulations framed by the regulatory authorities (Bangladesh Bank and other bodies) and internal regulations approved by the Board have been complied with.

(f) Other Responsibilities

1. Place reports before the Board on periodic basis regarding findings, recommendations, regularization of the errors & omissions, fraud and forgeries and other irregularities as detected by the internal and external auditors and inspectors of the regulatory authorities;

2. Perform other oversight functions as requested by the Board and evaluate the Committee's own performance on a regular basis.

3. Receive and review the report of the internal audit which normally prepares for the higher management.

Reporting to the Board and the Shareholders

The Committee reports to the Board following each meeting. In addition, the Committee also provides:

- Copies of the minutes of the Meeting to the Board
- A report annually to the Board/Shareholder

Acknowledgement

The Board's Audit Committee expressed its sincere thanks to the members of the Board, Management and the Auditors for their support in carrying out its duties and responsibilities effectively.

Md. Zahirul Alam, FCA
Chairman
Audit Committee

CERTIFICATION ON FINANCIAL STATEMENTS BY CEO AND CFO

The Financial Statements of the International Leasing And Financial Services Limited are prepared in compliance with International Accounting Standard (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standard (IFRS)/Bangladesh Financial Reporting Standard (BFRS), as applicable in the country and any departure there-form has been adequately disclosed.

The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view.

The form and substance of transactions and the Company's state of affairs reasonably presented. To ensure this, the Company has taken proper and adequate care in installing a system of internal control accounting records. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

In this regard, we also certify to the Board that:

1. We have reviewed financial statements for the year and that to the best of our knowledge and belief.

2. These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.

3. There are, to the best of knowledge and belief, no transaction entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.

Rashedul Haque
Managing Director

Syed Abed Hasan
Chief Financial Officer

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SUSTAINABLE DEVELOPMENT REPORT



Corporate Social Responsibility
Report on Going Concern
Green Banking Activities
Value Added statement
Events Highlights
Report on Human Resources
Contribution to National Economy

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is a long term approach which provides frameworks for successful enterprises that are harmonious with their surroundings. We believe that CSR must be sustainable part of our business regardless of changing fortunes. ILFSL as a responsible Financial Institution is fully aware of its responsibility about how its operational activities impact its stakeholders, the economy, the society, its staff and the environment.

We have put in place very strong and sensible CSR initiatives. CSR is an integral part of corporate culture and ethics of ILFSL recognizes and always upholds the rights of various groups of stakeholders and treats them fairly.

ILFSL is determined to serve its customers needs by offering useful financial products and services, while maintaining good relationships with them. We have taken several measures to raise the bar of our service excellence to ensure that customers receive the best possible service. ILFSL ensures confidentiality of customer's information and attaches highest importance in complaint management. The company strives to listen and learn from its stakeholders and to take the appropriate action where it applies, since responsible behavior towards its clients, shareholders and employees is an essential element of company's daily business.

Our financing activities include loans, lease, project financing etc. Our goal is to make balanced, informed and transparent financing decisions. We work with our clients and stakeholders to proactively mitigate environmental and related social risks in our financing activities.

ILFSL Group is an investment bank and a nominal percentage of total investment involves clients operating in environmentally and socially sensitive industries such as power generation, automotive and chemicals.

We do not lend money for transactions that are directly related to the trade in or manufacturing of material for chemical or biological weapons or cluster bombs, tobacco etc.

We applies anti-corruption and anti-fraud controls to activities that are known to be susceptible to criminal activity or have been designated as being at high risk for money laundering or terrorist financing.

ILFSL promotes energy diversity as a means of meeting the growing energy demand and supply gap. Financing of renewable projects is in the priority list of our investment.



Gender Equality and Women's Empowerment

ILFSL has established a competitive and enabling working environment to help employees perform their best. ILFSL is working with a vision of converting human resources into human capital through appropriate knowledge, skills, abilities and personal attribution. Creating a culture of healthy competition driven by knowledge is what we believe is the best way to prepare our employees to take up challenges of the contemporary business world. ILFSL ensures equal opportunities for all its employees in terms of both their personal and professional development. ILFSL ensures health and safety in the workplace while keeping it modern by providing all amenities for its employees.

ILFSL considers the responsibility for protection of human rights, gender equality and women's empowerment. ILFSL is successfully developing in bringing diversity in workforce in context of age, gender, ethnicity and locality. ILFSL strives to strike the balance between male and female employees in the workforce.

As an environment responsive Institution we initiated Go Green campaign in our Company. ILFSL ensures borrower has the due environmental clearance certificate from the concerned authorities while granting or renewing credit facilities. ILFSL has assessed environment and social issues related to the projects at the time of granting credit facilities which reflects ILFSL's strong commitment in ensuring environmental and social safeguard of the projects, while creating a sense of accountability for the borrowers. ILFSL conducted various CSR activities during the financial year 2016.

ILFSL distributed blankets and warm cloths amongst the cold hit people in different places of the country. To expedite this noble work ILFSL joined hand with various organization namely Project Kombol, Association for Correction and Social Reclamation (ACSR), Simtex Industries Limited and many others as they have strong connectively in rural areas particularly northern side of Bangladesh. The officials of company also distributed blankets and warm clothes in the slum area of the capital city.



REPORT ON GOING CONCERN

Financial Statements of a Company are required to be prepared on the basis of going concern concept as per Bangladesh Accounting Standards (BAS)-1. Under this concept it is assumed that the Company will continue its business indefinitely and will not cease trading or liquidate and therefore the Company must be able to generate enough resources to stay operational.

The Company has a very good track record and reputation in settlement of its obligation with its lenders/depositors. So, we enjoy easy and fair access to the funding sources to meet our increasing need for growth. In 2016 our deposit portfolio has increased significantly, which reflect the growing confidence of depositors/lenders on ILFSL.

The Company has very positive financial ratios as evident from financial summary given in this Annual Report. Such positive financial ratios indicate Company's sound financial strength and good prospects.

The Company has been paying dividend consistently to its shareholders which reflect Company's long term viability in operational existence over many years. Historical dividend payment record is given in this Annual Report.

The Company has strong sincerity in terms of payment of its obligations to the lenders. The Company is very particular in fulfilling the terms of loan agreement and never defaulted to meet its obligations.

Though the overall financial sectors suffer during the year, ILFSL has maintained growth in its operating performance. All those indicators support Company's continuance in foreseeable periods.

There exists a very good corporate environment in the Company. ILFSL is an excellent working place with friendly environment. Communication among the employees is very excellent. The Company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. The Company pays a very competitive compensation package and there exists a good number of employee benefits like transport benefit, maternity benefit, performance bonus, gratuity, provident fund etc. which considered to be instrumental for employee satisfaction.

ILFSL has assigned the rating of A and short term rating of ST-2 in 2016 which indicates the consistent upholding of good capital base, quality of assets, good franchise value and management excellence supported by a sound corporate structure.

As on December 31, 2016 the Company's total paid up capital stands at Taka 179.63 crore, while the minimum paid up capital as required by Bangladesh Bank is Taka 100.00 crore. Management anticipates no significant change in legislation or government policy, which may materially affect the business of the Company.
Based on the above indication, Directors feel it is appropriate to adopt going concern assumption and there is no material uncertainty in preparing the financial statements. Adequate disclosures have been made in the financial statements and different sections of the annual report to understand the appropriateness of going concern basis in preparing financial statements.

GREEN BANKING ACTIVITIES

Green banking considers all the environmental factors along with financial priorities with an aim to protect the environment as well as to foster the economic development in a more environment friendly way. This concept of 'Green Banking' will be mutually beneficial to the banks, financial institutions and the economy.

ILFSL has outlined policy guidelines for implementing Green banking activities in a structured manner in line with standard norms so as to protect environmental degradation and ensure sustainable business practices.

We have incorporated sustainability principles into day to day activities of the company. Our aim is to do best to ensure that the credits we extend to our customers are utilized for environmentally sound and sustainable purposes. ILFSL complies with environmental standard while financing. Projects with likely adverse impact on environment are strongly discouraged by ILFSL. As an environment responsive financial institution, ILFSL ensures that the borrower has the due environmental clearance certificate from the concerned authorities while granting or renewing credit facilities. ILFSL has assessed environmental and social issues related to the projects at the time of granting credit facilities which reflects ILFSLs strong commitment in ensuring environmental and social safeguard of the projects, while creating a sense of accountability for the borrowers.

ILFSL also encourage its borrowers to have solar panel in their project at the time of appeasing and granting housing loan facilities. In future the company aims to enhance the effort on preserving ecosystem, land, air and water, in line with broad corporate mission of the company.

The company has been maintaining a balanced initiative and supporting activity to contain things that may adversely affect the environment. ILFSL encourages rational use of energy in the office and promotes the spirit of environment friendly action plans. Reduced utilization of electricity and minimum uses of water paper has become mandatory for the officials.

ILFSL maintains Environmental Due Diligence at the time of processing proposal before placing the same to management.

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VALUE ADDED STATEMENT

(Figures in BDT)

Value Added	2016		2015	
	Amount	Percentage	Amount	Percentage
Value added				
Operating revenue	3,593,012,104		2,447,622,576	
Cost of borrowing	(2,885,055,269)		(1,800,894,749)	
	707,956,835		**646,727,827**	
Other income	3,035,339		7,556,047	
	710,992,174		**654,283,875**	
Provision for future losses	(226,305,854)		(163,167,324)	
Operating expenses (excluding staff cost & depreciation)	(93,661,195)		(77,459,950)	
	391,025,125	**100%**	**413,656,601**	**100%**
Distribution of value addition				
Shareholders as dividend	89,816,265	22.97%	85,539,300	20.68%
Employees as salaries and other benefits	132,705,085	33.94%	118,806,956	28.72%
Government as income tax	114,255,420	29.22%	151,828,368	36.70%
	336,776,770	**86.13%**	**356,174,624**	**86.10%**
Retained for reinvestment				
Depreciation & amortisation	18,214,015	4.66%	20,473,018	4.95%
Retained earnings and other reserves	36,034,340	9.22%	37,008,959	8.95%
	54,248,355	**13.87%**	**57,481,977**	**13.90%**
	391,025,125	**100.00%**	**413,656,601**	**100.00%**
Employees' statistics				
Number of employees at year end	165		152	
Operational income per employee	21,775,831		16,102,780	
Value added per employee	2,369,849		2,721,425	

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EVENTS HIGHLIGHTS



Mr. M. Matiul Islam and Mr. M. A. Hashem jointly inaugurates ILFSL's new Head Office at DR Tower



Mr. M. A. Hashem, Chairman inaugurates ILFSL's Uttara branch office



Mr. M. A. Hashem, Chairman inaugurates ILFSL's Sylhet branch office



Women's day celebration at Head Office



ILFSL and RSA Capital signed a Bond issuance agreement



Training program on Anti Money Laundering held at Head Office

EVENTS HIGHLIGHTS



20th Annual General Meeting in progress





Honorable shareholders participating in the 20th AGM of the company



ILFSL handed over blankets to ACSR



ILFSL celebrates Pitha Utshob at its extended head office



ILFSL donates educational materials to orphans'

REPORT ON HUMAN RESOURCES

International Leasing and Financial Services Limited (ILFSL) consider quality and skilled Human Resources as one of the most valued assets for the Company to attain organizational objectives and goals. ILFSL is focused on recruiting the best resources and implementing programs to develop and retain high quality human resources.

Currently, ILFSL group has more than 120 employees in various positions. ILFSL believes that its human resources are critical in building and running the Company. Each and every employee is considered, developed and motivated to contribute optimally towards the achievement of corporate achievements.

Recruitment and Selection

Appointments in all grades, except those which require the approval from the Board of Directors as per the guideline of Bangladesh Bank, might be made by direct recruitment, promotion or by transfer as and when required at the discretion of the Management. Existing employee of the organization may apply for suitable vacant position circulated internally.

ILFSL provides equal employment opportunities to all applicants without bias to race, religion, gender, age, disability or any other criteria permissible by the statutory laws of the country. The recruitment and selection process is consistently applied and promotes fairness, diversity and transparency. The process complies with all state laws, regulations and policies.

Types of Employment

Permanent Employment

Company may appoint competent employee for different Departments/Divisions for longer period of time with or without probation period as per organizational needs that will be considered as Permanent Employment.

Contractual Employment

Company may deploy employee on contract for 3 (three) months to 1 (one) year especially for Marketing & Sales. Such contract can be renewed based on employee's performances and organizational needs. ILFSL HR manual will not be applicable for contractual employees. Employment of such employees will be governed by the term of contract only.

Casual Employment

Company may deploy staff like Office Assistant, Security Guard, Driver, Cleaner etc. on daily/weekly/Monthly basis as per Organizational needs that will be considered as Casual Employee.

Compensation

The salary structure (pay scale and allowances) and other financial benefits of the employees shall be determined by the Board from time to time based on the performance. The Board shall have the right to revise and incorporate pay scale, allowances and other financial benefits for betterment of the employees based on the inflation, competitor's salary structures, current market trend, cost of living etc.

Equal Opportunity

ILFSL believes in equal employment opportunities to attract, retain, develop and promote the most qualified employees regardless of race, color, origin, gender, age, disability, veteran status or any other characteristics. This policy applies to recruitment and placement, promotion, training, transfer, retention, rate of pay and other benefits, layoff, recalls from layoffs, financial assistance as well as details and conditions of employment.

Equal opportunity employment prohibits gender biasness and leads to the creation of a diverse workforce. Employment, transfer and promotion decisions will be based on merit and the principle of furthering equal opportunity. The recruitments for a job shall be validity related to the job performance required for the position.

Health and Safety

Employees must observe the safety rules that have been designed for everyone's benefit. For office areas, employees are required to do their part to keep work areas and walkways clear of clutter or obstructions. Awareness of any potential health or safety hazards must be reported immediately to supervisor as well as Human Resources, Administration and IT department.

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CONTRIBUTION TO NATIONAL ECONOMY

Sustainable development, economic growth and a healthy environment is inter-linked to the long-term performance of the Company. In this backdrop, International Leasing plays a contributory role in terms of creating employment opportunity, paying taxes and providing financial services amongst the non-banking financial institutions in Bangladesh. Our role in the economy is extensive in terms of employment generation, tax payment, contribution to the underprivileged people, protection of environment and serving the society. Our everyday business activities touch the lives of millions of people and businesses. We recognize that ILFSL has the corporate responsibilities to the development of the community and the country as a whole. We aspire to be known as an institution that builds enduring relationship with and delivers value for our customers, shareholders, employees, government and the community where we do businesses.

The organization both large and small can help shape the economies of a community and country in which they do business, simply through their day-to-day business decisions and actions. Our ongoing objective is to make sure that ILFSL businesses are taking on only risks they understand and that are manageable within an acceptable level. Our most direct contribution comes through maintaining a strong business with solid earnings and profits. This allows us to pay to our employees and lenders and depositors, contribute taxes and revenues to government and provide dividends to our shareholders.

As a financial services provider, ILFSL contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs which have become keys to economic growth of the country and without opening up of the financial sector to semi urban and rural areas, the projected growth of the economy will not be achievable. Through its subsidiary companies, ILFSL group also manages capital market operations. This is how ILFSL contributes to the industrialization and capital market development of Bangladesh and thus helping employment generation.

ILFSL contributes to the national economy by paying out fair share of taxes to Government exchequer in collection of revenues. The Company deducts withholding taxes, VAT and excise duty at source from payment of interest on term deposits, cash security, products and services, salary & allowances to employees and deposits the same to the government exchequer within prescribed time. Besides this the Company pays tax on its various earnings i.e. income tax on its income as well as VAT on its fee based income. During the year 2016 the Company collected, withheld and deposited tax, VAT and excise duty at source and paid advance tax to government exchequer at volume of Tk. 154,585,548/=.

FINANCIAL STATEMENTS OF ILFSL & THE GROUP



Auditors' Report to the Shareholders
Consolidated Statement of Financial Position
Consolidated Statement of Comprehensive Income
Consolidated Statement of Cash Flows
Consolidated Statement of Changes in Shareholders' Equity
Statement of Financial Position of ILFSL
Statement of Comprehensive Income of ILFSL
Statement of Cash Flows of ILFSL
Statement of Changes in Shareholders' Equity of ILFSL
Notes to the Financial Statements



INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED
and it's Subsidiaries

AUDITORS' REPORT
&
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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 and its subsidiaries as well as the separate financial statements of International Leasing and Financial Services Limited ("the Company") which comprise the Consolidated and separate Statement of Financial Position as on December 31, 2016 and the related Statement of Profit and Loss Account, Statement of Changes in Shareholders' Equity, Statement of Cash Flows for the year then ended, the Liquidity Statement as on December 31, 2016 and a summary of significant accounting policies and other explanatory notes disclosed in notes- 1 to 46 and Annexure-A & B . The Subsidiaries Separate financial statements of IL Capital Limited were audited by us & International Leasing Securities Limited audited by other auditors.

Management's responsibility

Management of the Company is responsible for the preparation and fair presentation of these Consolidated and separate Financial Statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), Financial Institutions Act 1993, Bangladesh Securities and Exchange Commission rules 1987, Company Act 1994 along with rules & Regulation Issued by Bangladesh bank and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of Financial Statement that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Consolidated and separate 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 Consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated and separate Financial Statements of the Company. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Consolidated and separate Financial Statements of the Company, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Consolidated and separate 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 Consolidated and separate Financial Statements of the Company.

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, Consolidated and Separate Financial Statements of the company give a true and fair view of the Consolidated and separate Statement of Financial Position as on December 31,2016 and the Consolidated and separate Financial performance and It's Cash Flows for the year then ended in accordance with Bangladesh Financial Reporting Standard (BFRSs) and comply with the applicable section of the Companies Act 1994, the Financial Institutions ACT 1993, Bangladesh Securities and Exchange Commission rules 1987, the rules and regulations issued by Bangladesh Bank, and Other applicable laws and regulations.

AUDITORS' REPORT
to the Shareholders of
INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

We also report that;

a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

b) in our opinion, proper books of the account as required by law have been kept by the company so far as it appeared from our examination of these books and proper returns adequate for the purpose of our audit have been received from branches not visited by us:

c) the Company's Consolidated and separate Statement of Financial Position and the Statement of Profit and Loss Account dealt with by the report are in agreement with the books of account and returns;

d) the expenditure incurred was for the purposes of the Company's business;

e) the Consolidated and separate Statement of financial position of the company as at December 31, 2016 and the profit of the year then ended have been properly reflected in the Consolidated and separate financial statements, and these financial statements have been drawn up in conformity with the Financial Institution Act 1993 and in accordance with the accounting rules and regulations issued by Bangladesh Bank.

e) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

f) the information and explanations required by us have been received and found satisfactory

g) the Company has complied with relevant laws pertaining to capital and reserves and found satisfactory.

h) the consolidate and separate financial statements of the company confirm to the prescribed standards set in the accounting regulations issued by Bangladesh bank after consultation with the professional accounting bodies of Bangladesh;

i) 80 percent of the risk-weighted assets have been reviewed spending over 1220 person hours.

Dated: Dhaka
April 23, 2017

Rahman Mostafa Alam & Co.
Chartered accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position

as on December 31, 2016

(Figures in BDT)

	Notes	2016	2015
PROPERTY AND ASSETS			
Cash	3(a)	255,491,982	193,451,029
In hand (including foreign currencies)		48,872	162,353
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		255,443,110	193,288,676
Balance with banks and other financial institutions	4(a)	2,993,496,428	757,901,044
In Bangladesh		2,993,496,428	757,901,044
Outside Bangladesh		-	-
Money at call and short notice		-	-
Investments	5(a)	1,771,568,833	1,318,740,475
Government		485,400,000	484,100,000
Others		1,286,168,833	834,640,475
Leases, loans and advances	6(a)	30,706,672,713	20,283,566,651
Leases		2,443,956,143	2,872,655,632
Loans, cash credits, overdrafts, etc.		28,262,716,570	17,410,911,019
Fixed assets including premises, furniture and fixtures	7(a)	65,329,840	46,087,480
Intangible Asset	7.1 (a)	3,076,554	-
Other assets	8(a)	1,042,009,322	633,328,078
Non - financial institutional assets		-	-
Total assets		36,837,645,672	23,233,074,757
LIABILITIES AND CAPITAL			
Liabilities			
Borrowing from banks, other financial institutions and agents	9(a)	9,832,359,305	5,894,297,502
Deposits and other accounts		21,896,522,149	13,166,933,885
Term deposits	10.1(a)	20,952,354,918	12,246,033,743
Other deposits	10.2	944,167,232	920,900,142
Other liabilities	11(a)	2,787,494,956	1,976,424,713
Total liabilities		34,516,376,411	21,037,656,101
Capital / Shareholders' equity		2,321,246,990	2,195,397,224
Paid-up capital	12.2	1,796,325,300	1,710,786,000
Statutory reserve	13	364,054,009	341,203,000
Retained earnings/surplus	14(a)	160,867,680	143,408,224
Non-controlling / minority interest	15	22,272	21,433
Total liabilities and Shareholders' equity		36,837,645,672	23,233,074,757
Net asset value per share	16(a)	12.92	12.22

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position

as on December 31, 2016

(Figures in BDT)

	Notes	2016	2015
CONSOLIDATED OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17	572,720,063	586,484,773
Acceptances and endorsements		-	-
Letters of guarantee	17.1	572,720,063	586,484,773
Other commitments		-	-
Total Off-Balance Sheet items including contingent liabilities		572,720,063	586,484,773

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

Chairman | Director | Managing Director | Company Secretary

Signed in terms of our separate report of even date

Dated : Dhaka
April 23, 2017

Rahman Mostafa Alam & Co.
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2016

(Figures in BDT)

	Notes	2016	2015
OPERATING INCOME			
Interest income	19(a)	3,349,601,594	2,340,100,142
Interest expense on deposits and borrowings etc.	20(a)	(2,885,055,269)	(1,800,894,749)
Net interest income		**464,546,325**	**539,205,393**
Investment income	21(a)	133,356,621	(28,733,330)
Commission, fees, exchange and brokerage	22(a)	110,053,890	136,255,764
Other operating income	23(a)	3,035,339	7,556,047
Total operating income (A)		**710,992,174**	**654,283,874**
OPERATING EXPENSES			
Salaries and allowances	24(a)	124,435,085	111,674,749
Rent, taxes, insurance & electricity	25a)	49,622,300	32,222,075
Legal expenses	26(a)	2,463,336	2,135,351
Postage, stamp & telecommunication	27(a)	3,022,395	3,314,604
Stationery, printing & advertisements	28(a)	6,933,611	8,822,499
Managing Director's salary and benefits	29	8,270,000	7,132,207
Directors' fees & meeting expenses	30(a)	2,229,150	1,329,420
Auditors' fees	31(a)	405,378	353,628
Depreciation, amortization & repair of assets	32(a)	20,508,714	26,417,958
Other expenses	33(a)	26,690,326	23,337,432
Total operating expenses (B)		**244,580,295**	**216,739,923**
Profit before provision & tax (C=A-B)		**466,411,879**	**437,543,951**
Provision against leases, loans and advances	34(a)	229,060,695	135,896,662
Provision for diminution in value of investments	35(a)	(2,754,841)	27,270,662
Total provision (D)		**226,305,854**	**163,167,324**
Total profit before tax (C-D)		**240,106,025**	**274,376,627**
Provision for tax	36(a)	114,255,420	149,937,290
Net profit after tax		**125,850,605**	**124,439,337**
Non-controlling / minority interest		**839**	**230**
Net profit attributable to shareholders of the Company		**125,849,766**	**124,439,107**
Appropriations			
Statutory reserve		22,851,009	21,579,000
General reserve		-	-
		22,851,009	**21,579,000**
Retained surplus		**102,998,757**	**102,860,107**
Earnings per share (EPS)	37(a)	**0.70**	**0.69**

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

Chairman | Director | Managing Director | Company Secretary

Signed in terms of our separate report of even date

Dated : Dhaka
April 23, 2017

Rahman Mostafa Alam & Co.
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows

For the year ended December 31, 2016

(Figures in BDT)

		2016	2015
A)	**Cash flows from operating activities**		
	Interest receipts in cash	2,884,911,058	2,156,791,175
	Interest payments	(3,275,705,608)	(1,676,789,910)
	Dividend receipts	34,132,854	2,835,075
	Fees, commission & brokerage receipts in cash	110,053,890	136,963,522
	Recoveries of loans previously written off	2,545,453	4,272,728
	Cash payments to employees	(132,705,085)	(126,045,751)
	Income taxes paid	(132,813,088)	(145,677,813)
	Receipts from other operating activities	3,035,339	(42,073,911)
	Payments for other operating activities	(93,865,891)	(92,611,556)
	Cash generated from/(used in) operating activities before changes in operating assets and liabilities	(600,411,079)	217,663,558
	Increase / (decrease) in operating assets and liabilities		
	Leases, loans and advances to banks and other FIs	-	(68,633,259)
	Leases, loans and advances to customers	(9,960,960,979)	(4,101,704,624)
	Other assets	(275,868,156)	81,011,696
	Deposits from other banks / borrowings	3,228,424,405	2,950,000,000
	Deposits from customers	5,477,896,769	(88,697,849)
	Other liabilities account of customers	23,267,089	132,453,883
	Other liabilities	862,650,715	(303,871,722)
	Net Increase / (decrease) in operating assets and liabilities	(644,590,155)	(1,399,441,875)
	Net cash from/(used in) operating activities	(1,245,001,234)	(1,181,778,316)
B)	**Cash flows from investing activities**		
	Proceeds from sale of securities	446,423,953	516,637,867
	Payments for purchases of securities	(800,028,543)	(749,165,601)
	Net change agianst purchase/sale of fixed assets	(40,328,234)	(18,202,298)
	Receipts/(Payments) against lease obligation	(1,491,407)	(1,263,737)
	Net cash from/(used in) investing activities	(395,424,231)	(251,993,768)
C)	**Cash flows from financing activities**		
	Receipts of long term loan	4,502,539,705	3,506,196,557
	Repayment of long term loan	(1,174,477,904)	(1,911,137,338)
	Net draw down/(payment) of short term loan	610,000,000	31,490,116
	Dividend paid	-	(84,660,977)
	Net Cash from/(used in) financing activities	3,938,061,802	1,541,888,357
D)	**Net increase / (decrease) in cash and cash equivalents (A+ B + C)**	2,297,636,337	108,116,273
E)	**Effects of exchange rate changes on cash and cash equivalents**	-	-
F)	**Cash and cash equivalents at beginning of the year**	951,352,073	843,235,800
G)	**Cash and cash equivalents at end of the year (D+E+F)**	3,248,988,410	951,352,073
	Cash and cash equivalents at end of the year represents		
	Cash in hand (including foreign currencies)	48,872	162,353
	Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	255,443,110	193,288,676
	Balance with banks and other financial institutions {notes 4 (a)}	2,993,496,428	757,901,044
	Total Cash and cash equivalents as of Dec 31	3,248,988,410	951,352,073
	Net Operating Cash Flows Per Share (NOCFPS)	(6.93)	(6.58)

Chairman | Director | Managing Director | Company Secretary

Signed in terms of our separate report of even date

Dated : Dhaka
April 23, 2017

Rahman Mostafa Alam & Co.
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2016

(Figures in BDT)

Particulars	Paid-up Capital	Statutory Reserve	Retained Earnings	Total	Non-controlling / minority interest	Total
Balance as at January 01, 2016	**1,710,786,000**	**341,203,000**	**143,408,224**	**2,195,397,224**	**21,433**	**2,195,418,657**
Stock dividend for the year 2015	85,539,300	-	(85,539,300)	-	-	-
Profit transferred to reserve		22,851,009		22,851,009		22,851,009
Retained surplus for the period from Jan to Dec - 2016	-	-	102,998,757	102,998,757	839	102,999,596
Balance as at Dec 31, 2016	**1,796,325,300**	**364,054,009**	**160,867,680**	**2,321,246,990**	**22,272**	**2,321,269,262**
Balance as at January 01, 2015	**1,710,786,000**	**319,624,000**	**126,087,416**	**2,156,497,416**	**21,203**	**2,156,518,619**
Cash dividend for the year 2014	-	-	(85,539,300)	(85,539,300)	-	(85,539,300)
Profit transferred to reserve		21,579,000		21,579,000		21,579,000
Retained surplus for the period from Jan to Dec - 2015	-	-	102,860,107	102,860,107	230	102,860,337
Balance as at Dec 31, 2015	**1,710,786,000**	**341,203,000**	**143,408,224**	**2,195,397,224**	**21,433**	**2,195,418,657**

Chairman | Director | Managing Director | Company Secretary

Signed in terms of our separate report of even date

Dated : Dhaka
April 23, 2017

Rahman Mostafa Alam & Co.
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Statement of Financial Position

as on December 31, 2016

(Figures in BDT)

	Notes	2016	2015
PROPERTY AND ASSETS			
Cash	3	255,445,111	193,429,267
In hand (including foreign currencies)	3.1	2,001	140,591
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	3.2	255,443,110	193,288,676
Balance with banks and other financial institutions	4	2,608,850,876	448,817,984
In Bangladesh	4.1	2,608,850,876	448,817,984
Outside Bangladesh		-	-
Money at call and short notice		-	-
Investments	5	831,902,579	804,101,084
Government	5(i)	485,400,000	484,100,000
Others	5(ii)	346,502,579	320,001,084
Leases, loans and advances	6	29,730,237,726	19,008,575,036
Leases	6.1.1	2,443,956,143	2,872,655,632
Loans, cash credits, overdrafts, etc.	6.1.2	27,286,281,583	16,135,919,404
Fixed assets including premises, furniture and fixtures	7	54,323,393	26,794,897
Intangible Asset	7.1	3,076,554	-
Other assets	8	2,010,016,574	1,722,615,069
Non - financial institutional assets		-	-
Total assets		35,493,852,813	22,204,333,337
LIABILITIES AND CAPITAL			
Liabilities			
Borrowing from banks, other financial institutions and agents	9	9,103,904,930	4,965,050,121
Deposits and other accounts	10	21,910,615,384	13,409,451,525
Term deposits	10.1	20,966,448,152	12,488,551,383
Other deposits	10.2	944,167,232	920,900,142
Other liabilities	11	2,217,508,231	1,682,262,470
Total liabilities		33,232,028,545	20,056,764,116
Capital / Shareholders' equity		2,261,824,267	2,147,569,221
Paid-up capital	12.2	1,796,325,300	1,710,786,000
Statutory reserve	13	364,054,009	341,203,000
Retained earnings/surplus	14	101,444,958	95,580,221
Total liabilities and Shareholders' equity		35,493,852,813	22,204,333,337
Net asset value per share	16	12.59	11.96

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Statement of Financial Position

as on December 31, 2016

(Figures in BDT)

	Notes	2016	2015
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17	572,720,063	586,484,773
Acceptances and endorsements		-	-
Letters of guarantee	17.1	572,720,063	586,484,773
Other commitments		-	-
Total Off-Balance Sheet items including contingent liabilities		572,720,063	586,484,773

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

Chairman | Director | Managing Director | Company Secretary

Signed in terms of our separate report of even date

Dated : Dhaka
April 23, 2017

Rahman Mostafa Alam & Co.
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Statement of Comprehensive Income

For the year ended December 31, 2016

(Figures in BDT)

	Notes	2016	2015
OPERATING INCOME			
Interest income	19	2,980,776,374	2,196,089,542
Interest expense on deposits and borrowings etc.	20	(2,456,497,603)	(1,678,276,807)
Net interest income		**524,278,771**	**517,812,735**
Investment income	21	45,503,707	(26,050,134)
Commission, fees, exchange and brokerage	22	4,009,123	3,488,324
Other operating income	23	1,601,998	3,991,620
Total operating income (A)		**575,393,598**	**499,242,545**
OPERATING EXPENSES			
Salaries and allowances	24	77,652,154	60,238,302
Rent, taxes, insurance & electricity	25	31,072,794	13,738,613
Legal expenses	26	1,913,174	1,990,046
Postage, stamp & telecommunication	27	1,875,843	1,779,409
Stationery, printing & advertisements	28	6,275,589	5,004,975
Managing Director's salary and benefits	29	8,270,000	7,132,207
Directors' fees & meeting expenses	30	1,940,400	1,010,850
Auditors' fees	31	287,500	230,000
Depreciation, amortization & repair of assets	32	11,402,462	15,055,216
Other expenses	33	17,796,490	10,514,567
Total operating expenses (B)		**158,486,406**	**116,694,185**
Profit before provision & tax (C=A-B)		**416,907,192**	**382,548,360**
Provision against leases, loans and advances	34	229,060,695	133,019,388
Provision for diminution in value of investments	35	(12,668,945)	19,220,400
Total provision (D)		**216,391,750**	**152,239,788**
Total profit before tax (C-D)		**200,515,442**	**230,308,572**
Provision for tax	36	86,260,396	122,414,685
Net profit after tax		**114,255,046**	**107,893,887**
Appropriations			
Statutory reserve		22,851,009	21,579,000
General reserve		-	-
		22,851,009	**21,579,000**
Retained surplus		**91,404,037**	**86,314,887**
Earnings per share (EPS)	37	**0.64**	**0.60**

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

Chairman | Director | Managing Director | Company Secretary

Signed in terms of our separate report of even date

Dated : Dhaka
April 23, 2017

Rahman Mostafa Alam & Co.
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Statement of Cash Flows

For the year ended December 31, 2016

(Figures in BDT)

		2016	2015
A)	**Cash flows from operating activities**		
	Interest receipts in cash	2,499,685,396	2,017,329,782
	Interest payments	(2,065,847,264)	(1,721,896,583)
	Dividend receipts	17,004,606	1,168,450
	Fees and commission receipts in cash	4,009,123	3,488,324
	Recoveries of loans previously written off	2,545,453	4,272,728
	Cash payments to employees	(85,922,154)	(74,609,304)
	Income taxes paid	(128,934,472)	(110,418,067)
	Receipts from other operating activities	1,601,998	(49,104,679)
	Payments for other operating activities	(63,252,152)	(47,590,939)
	Cash generated from/(used in) operating activities before changes in operating assets and liabilities	180,890,533	22,639,712
	Increase / (decrease) in operating assets and liabilities		
	Leases, loans and advances to banks and other FIs	-	(68,633,259)
	Leases, loans and advances to customers	(10,207,707,784)	(4,402,066,544)
	Other assets	(158,467,032)	(4,547,831)
	Deposits from other banks / borrowings	3,000,000,000	2,950,000,000
	Deposits from customers	5,477,896,769	(61,568,962)
	Other liabilities account of customers	23,267,089	128,359,987
	Other liabilities	(191,974,698)	(2,457,037)
	Net Increase / (decrease) in operating assets and liabilities	(2,056,985,656)	(1,460,913,645)
	Net cash from/(used in) operating activities	(1,876,095,123)	(1,438,273,933)
B)	**Cash flows from investing activities**		
	Proceeds from sale of securities	770,294,306	516,637,867
	Payments for purchases of securities	(769,596,700)	(665,125,304)
	Net change agianst purchase/sale of fixed assets	(39,917,150)	(17,047,728)
	Receipts against lease obligation	(1,491,407)	(1,263,737)
	Net cash from/(used in) investing activities	(40,710,950)	(166,798,902)
C)	**Cash flows from financing activities**		
	Receipts of long term loan	4,703,332,713	2,766,196,557
	Repayment of long term loan	(1,174,477,904)	(1,187,176,733)
	Net draw down/(payment) of short term loan	610,000,000	31,490,116
	Dividend paid	-	(84,660,977)
	Net Cash from/(used in) financing activities	4,138,854,810	1,525,848,963
D)	**Net increase / (decrease) in cash and cash equivalents (A+ B + C)**	2,222,048,736	(79,223,872)
E)	**Effects of exchange rate changes on cash and cash equivalents**	-	-
F)	**Cash and cash equivalents at beginning of the year**	642,247,250	721,471,122
G)	**Cash and cash equivalents at end of the year (D+E+F)**	2,864,295,987	642,247,250
	Cash and cash equivalents at end of the year represents		
	Cash in hand (including foreign currencies)	2,001	140,591
	Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	255,443,110	193,288,676
	Balance with banks and other financial institutions {notes 4 (1)}	2,608,850,876	448,817,984
	Total Cash and cash equivalents as of Dec 31	2,864,295,987	642,247,250
	Net Operating Cash Flows Per Share (NOCFPS)	(10.44)	(8.41)

Chairman | Director | Managing Director | Company Secretary

Signed in terms of our separate report of even date

Dated : Dhaka
April 23, 2017

Rahman Mostafa Alam & Co.
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2016

(Figures in BDT)

Particulars	Paid-up Capital	Statutory Reserve	Retained Earnings	Total
Balance as at January 01, 2016	**1,710,786,000**	**341,203,000**	**95,580,223**	**2,147,569,223**
Stock dividend for the year 2015	85,539,300	-	(85,539,300)	-
Profit transferred to reserve		22,851,009		22,851,009
Retained surplus for the period from Jan to Dec - 2016	-		91,404,037	91,404,037
Balance as at Dec 31, 2016	**1,796,325,300**	**364,054,009**	**101,444,959**	**2,261,824,269**
Balance as at January 01, 2015	**1,710,786,000**	**319,624,000**	**94,804,636**	**2,125,214,636**
Cash dividend for the year 2014	-	-	(85,539,300)	(85,539,300)
Profit transferred to reserve		21,579,000		21,579,000
Retained surplus for the period from Jan to Dec - 2015	-		86,314,887	86,314,887
Balance as at Dec 31, 2015	**1,710,786,000**	**341,203,000**	**95,580,223**	**2,147,569,223**

Chairman | Director | Managing Director | Company Secretary

Signed in terms of our separate report of even date

Dated : Dhaka
April 23, 2017

Rahman Mostafa Alam & Co.
Chartered Accountants

AMARSTOCK

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

LIQUIDITY STATEMENT (Analysis of maturity of assets and liabilities)

as on December 31, 2016

(Figures in BDT)

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets:						
Cash in hand	2,001	-	-	-	-	2,001
Balance with Bangladesh Bank and its agent	255,443,110	-	-	-	-	255,443,110
Balance with banks and other financial institutions	553,594,236	956,692,974	1,098,563,666	-	-	2,608,850,876
Money at call and short notice	-	-	-	-	-	-
Investments	347,802,579	-	-	-	484,100,000	831,902,579
Leases, loans and advances	1,546,301,357	4,996,298,067	10,664,848,643	8,966,947,567	3,555,842,092	29,730,237,726
Fixed assets including premises, furniture and fixtures	595,336	1,148,374	5,083,309	19,967,878	30,605,050	57,399,947
Other assets	-	15,590,062	33,635,181	423,410,525	1,537,380,805	2,010,016,574
Non banking assets	-	-	-	-	-	-
Total assets (A)	**2,703,738,619**	**5,969,729,477**	**11,802,130,799**	**9,410,325,970**	**5,607,927,947**	**35,493,852,813**
Liabilities:						
Borrowings from banks, other financial institutions and agents	272,394,895	708,416,931	2,464,600,341	2,420,206,062	3,238,286,701	9,103,904,930
Term deposits	2,079,896,504	4,580,880,047	8,404,806,323	4,683,545,896	1,217,319,382	20,966,448,152
Other deposits	5,523,145	6,523,148	11,744,875	312,578,680	607,797,384	944,167,232
Provision and other liabilities	310,483,254	614,002,888	656,564,844	553,832,804	82,624,442	2,217,508,232
Total liabilities (B)	**2,668,297,798**	**5,909,823,014**	**11,537,716,383**	**7,970,163,442**	**5,146,027,908**	**33,232,028,545**
Net liquidity gap (A - B)	**35,440,820**	**59,906,463**	**264,414,416**	**1,440,162,528**	**461,900,039**	**2,261,824,267**

Chairman | Director | Managing Director | Company Secretary

Signed in terms of our separate report of even date
Dated : Dhaka
April 23, 2017

Rahman Mostafa Alam & Co.
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended December 31, 2016

1. Company and its activities

1.1 Corporate information

International Leasing and Financial Service Limited (ILFSL/ the Company), a non-banking financial institution having its registered office at DR Tower (13th floor) 65,Bir Protik Gazi Golam Dostogir Road,Purana Paltan, Dhaka-1000 was incorporated in Bangladesh on 15 January 1996 as a public limited company under the Companies Act 1994. The company obtained license from Bangladesh Bank on 19 February 1996 as a Non-Banking Financial Institution under the Financial Institutions Act 1993 and commenced business on 24 March 1996. The company also obtained licence from Bangladesh Bank as a primary dealer to buy and sell government treasury bonds and bills on 11 December 2003 which was surrendered by the company with effect from 27 July 2014. The company went for initial public offering (IPO) in July 2007 and its shares are listed in both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on 16 September 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 (ILSL)

ILSL, a wholly owned subsidiary company of ILFSL, was incorporated on 09 April 2008 as a private limited company bearing registration no. C-70738 (3247)/08 under the Companies Act 1994 with an authorised share capital of Tk. 1,000 million ILFSL holds 99.99% shares of this company (9,999,994 nos. of shares of Tk. 100 each). The company started its operation from 31 August 2008. The main business of the Company is to carry on the business as a broker and dealer of stocks and securities, commercial papers, bonds, debentures, debenture stocks, foreign currencies, treasury bills/bonds and/or any other financial instruments.

IL Capital Limited

ILFSL is the owner of 99.979% shares (2,499,799 nos. of shares of Taka. 100 each) of IL Capital Limited. IL Capital Limited is a private limited company and incorporated under the Companies Act 1994 on 07 March 2011 bearing registration no C-88312 with an authorised share capital of Taka 2,000 million. The registered office of the company is located at Printers Building (14th Floor), 5 Rajuk Avenue, Dhaka 1000. The main business of the company is to carry on the business of a full fledge merchant bank and engage in all kinds of merchant banking activities such as providing services as issue manager, underwriting of securities, portfolio management, margin loan facilitator, portfolio investment, investment advisory services, etc.

1.4 Chittagong branch

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

2 Basis of preparation and significant accounting

2.1 Statement of compliance

The consolidated financial statements of the group and the separate financial statement of the company have been prepared on a going concern basis, which contemplates the realisation 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, the company followed respective provisions of the Companies Act 1994, the Financial Institutions Act 1993, the Financial Institutions regulation 1994, 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. Therefore, the parent as well as its subsidiaries have deviated from those requirements of BFRSs in order to comply with the requirements of Bangladesh Bank.

The presentation of these financial statements of the company 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 in 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 Investment in shares and securities

BFRS: As per requirements of BAS 39 investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value (as measured in accordance with BFRS 13) at the year-end is taken to profit and loss account or revaluation reserve respectively.

Bangladesh Bank: As per FID circular no. 08 dated August 3, 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; otherwise investments are recognised at cost.

2.2.2 Provision on leases/loans and advances

BFRS: As per BAS 39 an entity should undertake the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank: As per FID circular no.08, dated August 3, 2002, and FID circular no.03, dated May 3, 2006, a general provision @ 0.25% to 5% under different categories of unclassified leases/loans and advances (standard & SMA) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard, doubtful and bad-loss leases/loans and advances has to be provided @ 20%, 50% and 100% respectively on outstanding amount net of eligible securities and suspended interest on the basis of time equivalent of amount in arrears. However, such provision policies are not specifically in line with those prescribed by BAS 39 "Financial Instruments: Recognition and Measurement".

2.2.3 Other comprehensive income

BFRS: As per BAS 1 "Presentation of Financial Statements", Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement.

Bangladesh Bank: Bangladesh Bank has issued templates through DFIM circular no. 11, dated 23 December 2009 for financial statements which will strictly be followed by all NBFIs. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to be included in a single Other Comprehensive Income (OCI) Statement. As such the company does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

2.2.4 Recognition of interest in suspense

BFRS: Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognised through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying amount.

Bangladesh Bank: As per FID circular no. 03 dated 03 May 2006 lease income earned and income from loans and advance, overdue for three months (or equivalent, i.e. 90 days) or more for leases/loans and advances up to 5 years tenure and for six months (or equivalent, i.e. 180 days) or more for leases/loans and advances of more than 5 years tenure is not recognised as revenue, rather the corresponding amount needs to be credited to an interest in suspense account, which is presented as liability in the balance sheet. Suspended interests are recognised as revenue and credited to profit and loss account on realization basis.

2.2.5 Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in BAS 39. As such full disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the financial statements.

2.2.6 Financial guarantees

BFRS: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per requirement of DFIM circular no. 11, dated 23 December 2009 issued by the Department of Financial Institutions and Markets of Bangladesh Bank, financial guarantees will be treated as off-balance sheet items. No liability is recognised in balance sheet for financial guarantees within other liabilities.

2.2.7 Cash and cash equivalent

BFRS: Cash and cash equivalent should be reported as cash item as per BAS 7.

Bangladesh Bank: Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, Bangladesh Bank bills and prize bond are not shown as cash and cash equivalents. Money at call and on short notice presented on the face of the balance sheet, and treasury bills, prize bonds are shown in investments.

2.2.8 Non-Financial institution Assets

BFRS: No indication of Non-Financial institution Assets asset is found in any BFRS.

Bangladesh Bank: As per requirement of DFIM Circular No. 11, dated 23 December 2009, there must exist a face item named non-financial institution asset.

2.2.9 Cash flow statement

BFRS: The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: Cash flow statement is presented as per requirement of DFIM Circular No. 11, dated 23 December 2009.

2.2.10 Balance with Bangladesh Bank: (Cash Reserve Requirement)

BFRS: Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per BAS 7.

Bangladesh Bank: As per Financial Institutions Act 1993 Section 19 and FID Circular No. 06 dated 06 November 2003 balance with Bangladesh Bank is treated as cash and cash equivalents.

2.2.11 Off-balance sheet items

BFRS: There is no concept of off-balance sheet items in any BFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per requirement of DFIM Circular No. 11, dated December 23, 2009, off balance sheet items (e.g. Letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

2.2.12 Leases/loans and advances/Investments net of provision

BFRS: Loans and advances/Investments should be presented net of provision.

Bangladesh Bank: As per requirement of DFIM Circular No. 11, dated 23 December 2009, provision on leases/loans and advances/investments are presented separately as liability and cannot be netted off against leases/loans and advances.

2.2.13 Appropriations of profit

BFRS: There is no requirement to show appropriations of profit in the face of statement of comprehensive income.

Bangladesh Bank: As per requirement of DFIM Circular No. 11, dated 23 December 2009, an appropriation of profit should be disclosed in the face of profit and loss account.

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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised in any future period affected.

Provision for leases/loans and advances, deferred tax assets/liabilities, provision for gratuity and rate of depreciation of fixed assets are the major elements that require estimates and judgements.

2.5 Consolidation of operations of subsidiaries

The financial statements of the company and its subsidiaries, 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 subsidiaries are shown in the consolidated profit and loss account, with the proportion of profit after tax pertaining to minority shareholders being deducted as "Non-controlling Interest".

All assets and liabilities of the company and its subsidiaries are shown in the consolidated balance sheet. The interest of minority shareholders of the subsidiaries are shown in the consolidated balance sheet under the heading "Non-controlling Interest".

2.6 Branch accounting

The company has only one branch at Chittagong and no overseas branch as on December 31, 2016. Accounts of the branch are maintained at head office from which these accounts are drawn up.

2.7 Statement of cash flows

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 23 December 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 and loss statement. However, there was no foreign currency transaction during the year 2016.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand; balance with Bangladesh Bank and with other Banks and 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, 2016 on an aggregate portfolio basis has been made in the financial statements as required by DFIM Circular No. 02, dated 31 January, 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 "Leases", 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 lease income. The unearned lease 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 account for these loans and advances are maintained based on the accrual basis of accounting. Un-amortised principal amount, along with the accrued interest (where capitalised) thereon are accounted for as principal outstanding of loans and advances. Installments 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

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

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 is recognised in profit or loss on a straight line basis over the estimated useful life of an item of fixed assets, commencing from the time, the asset is held ready for use and ceases from the time of disposal.

The rate of depreciation of fixed assets under different category stated as follows:

Assets category	Depreciation rate
Motor vehicles	20%
Office decoration	15%
Office equipment	20%
Furniture and fixtures	20%
Computer Accessories	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 adjustment of liability.

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 un-earned 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 circular no. 03 dated 03 May, 2006 issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank. Incomes suspended are taken into account on realisation 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 circular no. 03 dated 03 May, 2006 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 circular no. 03 dated 03 May, 2006 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

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 and 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 determined 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 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 quarterly 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. As per Bangladesh Bank Circulars required provision for leases/loans and advances are calculated on base for provision at rates shown in following table:

Product category	General provision on			Specific provision on		
	Standard		SMA	Sub - standard	Doubtful	Bad & loss
	General	SME				
Lease Finance	1%	0.25%	5%	20%	50%	100%
Term Loans	1%	0.25%	5%	20%	50%	100%
Housing Finance	1%	-	5%	20%	50%	100%

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 15 March 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.

Gratuity is calculated on the last basic pay and is payable as per following rates:

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 and 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 and hospitalization 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 laws and amendments thereto.

Deferred tax

The company accounts for deferred tax As per DFIM Circular no. 07 dated 31 July 2011 and Bangladesh Accounting Standard 12 "Deferred tax". This 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 "Earnings per Share", which is shown in the face of the profit and loss statement, 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, 2016 to 31 December 2016.

2.35 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of thease financial statements

2.36 Re-classification

Previous year's 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.

2.37 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.

2.38 Liquidity statement

The liquidity statement shows the maturity of company's total assets and liabilities under different maturity bucket as at the close of the reporting period. This statement is prepared as per format prescribed in DFIM circular no. 11 dated December 23, 2009 considering the remaining maturity of assets and liabilities as noted below:

- 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 /payment term.
- Deposit and other accounts are on the basis ot their maturity term and behavioral past trends.
- Other liabilities are on the basis of their maturity/settlement term.

2.39 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 01 January 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 01 January 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 compiled by the company. Detail of CAR of the company is shown in note - 12.3

2.40 Financial 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 maximised. As a prudent and responsible financial institution, the company attaches top priority to ensuring safety and security of the finances that are being extended.

2.40.1 Credit risk

Credit Risk is the risk of loss that may occur the failure of any counterparty to make required payments in accordance with agreed terms and conditions and/or deterioration of creditworthiness. Credit risk is managed through a framework set by policies and procedures established by the Board. The responsibility is clearly segregated between origination and approval of business transaction.

Board of Directors is the apex body for credit approval process of the ILFSL. However, they delegate the authority to Executive Committee and Managing Director/CEO. The Board also sets credit policies to the management for setting procedures, which together has structured the credit risk management framework of the ILFSL. The company has segregated the duties of the officers/executives involved in credit activities. The functions of the credit are handled at different levels by four department / division namely: (1) Business Department (2) Credit Risk Management (3) Credit Administration and (4) Special Asset Management and Legal Affairs. The credit approval team (Credit Risk Management) is independent from the Sales Team (Business Department). Credit Administration Department checks and ensures the documentation and disbursement facilities.

The responsibility for preparing credit application is rest with RM within the business Development Department. Credit Application is to be recommended for approval by RM, Head of Business Development and Business Head which is to be forwarded to CRM for their review, assessment and observation/recommendation. After endorsement of CRM, credit memorandum is placed before the approval authority MD/EC/Board as per level of approval authority.

ILFSL credit risk management encompasses identification, measurement, matching, mitigation, monitoring and control of the credit exposures. The executed credit is monitored by Business Department upto risk grade 5 and Special Asset Management and Legal Affairs Department (SAMLAD) monitor credit from risk grade 6 and above.

2.40.2 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 exposure of market risk of the company is restricted to interest rate risk and equity price risk.

2.40.3 Interest rate risk

Interest rate risk is the potential losses of net interest margin. Interest rate risk resulted from the changes in the market interest rates of lending and borrowing. To mitigate interest rate risks, necessary measures are taken to diversify financing sources and also laid strong emphasis on mobilizing retail and institutional deposits. Lending rates are also adjusted to cope with market interest rate condition. Treasury Department continually monitors market interest rate regime and liquidity position and provides feedback to the Management. A separate ALCO committee remains watchful on the adverse movement of the different market variables. The committee updates and prepares liquidity profiles regularly and submits a copy of the same to Bangladesh Bank on a monthly basis.

2.40.4 Equity price risk

Equity price risk is the risk of losses caused by the changes in the equity prices. These losses could arise because of changes in the value of the listed share held by ILFSL. The Company is managing the equity price risk by keeping this exposure within the regulatory limit. As on December 31, 2016, total exposure to capital market was below the regulatory threshold of 25% of capital.

2.40.5 Liquidity risk

Liquidity Risk arises out of the company's inability to meet short term obligation 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 Department also oversees the asset liability maturity position, recommend and implement appropriate measures to encounter liquidity risk. There is a Asset Liability Management Committee (ALCO) to continuously keep tab on the liquidity position of the company.

2.40.6 Operational risk

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

To address the operational risk, an appropriate internal control system is in place within the Organization. A separate Internal Control and Compliance Department oversees the compliance of approved operational guidelines and procedures in all activities. The Department has direct access to the Board Audit Committee. Chief Executive Officer acts as the supervisor of the Department. Compliance section ensures the compliance of rules regulations and inspection report of external & internal auditors. Principle work of internal audit section is to reinforce the control system if deviated.

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2.41 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 Reporting Period	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**
First-time adoption of International Financial Reporting Standards	1	N/A
Share Based Payment	2	N/A
Business Combination	3	Applied
Insurance Contracts	4	N/A
Non-Current Assets Held for Sale and Discontinued Operations	5	N/A
Exploration for and evaluation of Mineral Resources	6	N/A
Financial Instruments: Disclosure	7	Applied (*)
Operating Segments	8	Applied
Consolidated Financial Statements	10	Applied
Joint Arrangements	11	N/A
Disclosure of Interests in other Entities	12	N/A
Fair Value Measurement	13	N/A

N/A = Not Applicable

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

(Figures in BDT)

		2016	2015
3	**Cash**		
3.1	**Cash in hand**		
	In local currency	2,001	140,591
	In foreign currency	-	-
		2,001	140,591
3.2	**Balance with Bangladesh Bank and its agent bank(s)**		
	With Bangladesh Bank		
	In local currency	255,443,110	193,288,676
	In foreign currency	-	-
		255,443,110	193,288,676
	With Sonali Bank Ltd. as agent of Bangladesh Bank	-	-
		255,443,110	193,288,676
	Total (3.1+3.2)	**255,445,111**	**193,429,267**

3.3 **Statutory deposits**

Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

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:

a) Cash Reserve Requirement		
Required reserve (2.5% of average total term deposit of November)	281,947,000	174,661,265
Cash reserve in average maintained with Bangladesh bank	285,370,000	175,975,888
Surplus / (deficit)	**3,423,000**	**1,314,623**
b) Statutory Liquidity Reserve		
Required reserve (5% of average total liabilities of November)	736,467,290	452,349,620
Liquidity reserve in average maintained including CRR	1,572,245,150	502,019,323
Surplus / (deficit)	**835,777,860**	**49,669,703**

The surplus mostly comprises of deposits maintained with banks kept under lien against verious facilities.

3(a)	**Consolidated Cash**		
	Cash in hand		
	International Leasing and Financial Services Limited	2,001	140,591
	International Leasing Securities Limited	41,392	14,436
	IL Capital Limited	5,479	7,326
		48,872	162,353
	Balance with Bangladesh Bank and its agent bank(s)		
	International Leasing and Financial Services Limited	255,443,110	193,288,676
		255,443,110	**193,288,676**
		255,491,982	**193,451,029**
4	**Balance with banks and other financial institutions**		
	In Bangladesh (note-4.1)	2,608,850,876	448,817,984
	Outside Bangladesh	-	-
		2,608,850,876	**448,817,984**

(Figures in BDT)

4.1 In Bangladesh	2016	2015
a) Current deposits		
Al-Arafah Islami Bank Ltd.	158,834	12,751
Basic Bank Ltd.	4,426	7,805
The City Bank Ltd.	-	-
Dhaka Bank Ltd.	-	-
Dutch Bangla Bank Ltd.	1,102,423	87,169
Eastern Bank Ltd.	77,427	49,201
Jamuna Bank Ltd.	-	-
Mercantile Bank Ltd.	9,393	10,774
Mutual Trust Bank Ltd.	6,924	9,145
Prime Bank Limited	6,124,185	2,284,091
Shahjalal Islami Bank Ltd.	42,521	18,162,492
South East Bank Ltd.	103,007	103,007
Standard Bank Limited	71,604	74,952
NCC Bank Ltd	9,070	-
	7,709,814	**20,801,386**
b) Short-term deposit		
AB Bank Ltd.	720,858	701,523
Bank Alfalah Ltd.	4,125,819	897,331
Bank Asia Ltd.	14,665,097	67,431,831
BRAC Bank Ltd.	535,245	1,082
Dhaka Bank Ltd.	4,039,519	3,937,438
Bank Alfalah Ltd.	-	-
Eastern Bank Ltd.	4,722,508	4,694,018
Modhumoti Bank Ltd.	2,653	3,315
ONE Bank Ltd.	602	1,707
The Premier Bank Ltd.	2,152,654	483,318
South East Bank Ltd.	299,236	291,216
Uttara Bank Ltd.	9,071	9,921
Jamuna Bank Ltd.	1,074,942	1,065,297
	32,348,204	**79,517,997**
c) Fixed deposits		
FAS Finance and Investment Ltd.	200,000,000	100,000,000
ONE Bank Limited	18,792,859	18,498,601
Peoples Leasing & Finance Ltd.	2,200,000,000	100,000,000
South Bangla Agri. & Com. Bank Ltd.	150,000,000	100,000,000
Uttara Finance and Investment Ltd.	-	30,000,000
	2,568,792,859	**348,498,601**
Total (a+b+c)	**2,608,850,876**	**448,817,984**

4.2 Maturity grouping of balance with banks and other financial institutions

On demand	7,709,814	20,801,386
Up to 1 month	201,141,063	228,016,598
Over 1 month but not more than 3 months	200,000,000	100,000,000
Over 3 months but not more than 6 months	2,200,000,000	100,000,000
Over 6 months but not more than 1 year	-	-
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	2,608,850,876	**448,817,984**

(Figures in BDT)

		2016	2015
4(a)	**Consolidated balance with banks and other financial institutions**		
	Inside Bangladesh		
	International Leasing and Financial Services Limited	2,608,850,876	448,817,984
	International Leasing Securities Limited	363,576,276	188,951,027
	Balance with banks and other financial institutions	363,576,276	431,468,667
	Adjustment for consolidation	-	(242,517,639)
	IL Capital Limited	21,069,276	120,132,033
	Balance with banks and other financial institutions	35,162,515	120,132,033
	Adjustment for consolidation	(14,093,239)	-
		2,993,496,428	**757,901,044**
	Outside Bangladesh	-	-
		2,993,496,428	**757,901,044**
5	**Investments**		
	Investment classified as per nature:		
	(i) Government securities		
	Bangladesh Govt. Treasury Bonds (note-5.1)	485,400,000	484,100,000
		485,400,000	**484,100,000**
	(ii) Other investment		
	Shares (note-5.2)	346,502,579	320,001,084
		346,502,579	**320,001,084**
	Total (i+ii)	**831,902,579**	**804,101,084**
5.1	**Bangladesh Govt. Treasury Bonds**		
	15 years Bangladesh Govt. Treasury Bonds	252,400,000	252,400,000
	20 years Bangladesh Govt. Treasury Bonds	233,000,000	231,700,000
		485,400,000	**484,100,000**
5.2	**Investment in shares**		
	a) Quoted		
	ACI Limited	17,506,368	-
	ACME Laboratories Ltd	5,399,936	-
	AIBL Mutual Fund	5,333,321	20,248,408
	Asian Tiger Sandhani Life Growth Fund		1,532,476
	Lafarg Surma	4,184,985	-
	MJL		4,302,108
	Beximco Pharma	26,014,800	-
	Global BD Mutual Fund		-
	Brac Bank Ltd	4,366,721	-
	Detta Brac Housing Finance		-
	The City Bank Limited	1,065,116	5,140,375
	EXIM Bank Ltd.		8,766,220
	Fareast Knitting & Dyeing Industries Ltd.		9,483,805
	First Security Bank Ltd	6,900,650	
	Heidelberg Cement Bd. Ltd.	27,813,440	74,589,467
	GSP Finance	2,247,970	-
	Ifad Autos Ltd.	498,992	-
	Khulna Power Company Ltd.	40,314,560	15,580,867
	Afteb automobile	3,045,695	-
	Delta life Insurance Ltd	1,010,757	3,280,494
	Olympic Accessories Limited	761,241	-
	MBL 1st Mutual Fund		3,799,070
	NCCBL Mutual Fund-1		4,760,286
	Power Grid Company of Bangladesh Ltd.		9,045,866
	Premier Cement Limited	11,634,895	-
	Prograssive Life Insurance Co. Ltd.	4,733,907	16,433,257
	RAK Ceramics Ltd.	33,557,600	42,022,069
	Ratanpur Steel Re-Rolling Mills Ltd.		67,750,865
	Saiham Cotton Mills Ltd.		16,287,732

		(Figures in BDT) 2016	2015
	SAPORT	2,665,975	-
	Shahjibazar Power Co. Ltd.	24,768,816	15,243,092
	Simtex Industries Limited	26,135,868	-
	UPGDCL	39,664,500	-
	BBS Bangladesh	2,708,100	
	Summit Power Ltd.	16,481,423	-
	Qasem drycell	2,344,512	-
	Singer BD	2,100,654	
	Fuwang Ceramics	9,066,769	
	YPL Yaekin Polymer	11,315	
	United Commercial Bank Ltd.		1,734,629
	RD food	5,728,554	
	LINDEBD	13,437,117	
		341,504,557	**320,001,084**
	b) Un-quoted	-	-
	LR Global BD	4,998,022	
	Total (a+b)	**346,502,579**	**320,001,084**
5.3	**Maturity grouping of investments**		
	On demand	-	-
	Up to 1 month	341,504,557	320,001,084
	Over 1 month but not more than 3 months	-	-
	Over 3 months but not more than 6 months	-	-
	Over 6 months but not more than 1 year	4,998,022	-
	Over 1 year but not more than 5 years	-	-
	Over 5 years	485,400,000	484,100,000
		831,902,579	**804,101,084**
5(a)	**Consolidated investments**		
	a) Government securities		
	International Leasing and Financial Services Limited	485,400,000	484,100,000
	International Leasing Securities Limited	-	-
	IL Capital Limited	-	-
		485,400,000	**484,100,000**
	b) Other investment		
	International Leasing and Financial Services Limited	346,502,579	320,001,084
	International Leasing Securities Limited	723,420,825	329,313,017
	IL Capital Limited	216,245,429	185,326,374
		1,286,168,833	**834,640,475**
	Total (a+b)	**1,771,568,833**	**1,318,740,475**
6	**Leases, loans and advances**		
6.1	**Broad category-wise break up**		
	Inside Bangladesh		
	Leases (note-6.1.1)	2,443,956,143	2,872,655,632
	Loans, cash credits, overdrafts, etc. (note-6.1.2)	27,286,281,583	16,135,919,404
		29,730,237,726	**19,008,575,036**
	Outside Bangladesh	-	-
		29,730,237,726	**19,008,575,036**
6.1.1	**Leases**		
	Net investment in leases (note - 6.1.1.1)	2,190,230,110	2,474,704,738
	Advances for leases (note -6.1.1.2)	29,522	43,710,790
	Accounts receivables	277,891,653	384,419,342
	Principal	185,557,434	134,546,770
	Interest	92,334,219	249,872,572
	Other payables	(24,195,142)	(30,179,239)
		2,443,956,143	**2,872,655,632**

	(Figures in BDT) 2016	2015
6.1.1.1 Net investment in leases		
Gross lease receivable	2,815,185,215	3,131,465,715
Less: Unearned lease income	624,955,105	656,760,977
Net lease receivable	**2,190,230,110**	**2,474,704,738**

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.

6.1.1.2 Advance for leases

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	29,522	43,710,790
Local equipment	-	-
	29,522	**43,710,790**

6.1.1.3 Maturity grouping of leases		
On demand	104,240,103	354,240,103
Up to 1 month	115,060,766	28,342,626
Over 1 month but not more than 3 months	254,539,344	187,534,006
Over 3 months but not more than 1 year	982,458,952	330,089,400
Over 1 year but not more than 5 years	791,654,710	1,694,351,748
Over 5 years	196,002,267	278,097,748
	2,443,956,143	**2,872,655,632**

6.1.2 Loans, cash credits, overdrafts, etc		
Time loan (note-6.1.2.1)	23,305,036,367	13,540,114,480
Work order & factoring (note-6.1.2.2)	377,630,856	55,798,638
Home loan (note-6.1.2.3)	266,524,034	380,162,495
Other loans (note-6.1.2.4)	3,330,119,331	2,135,097,220
Staff loan (note-6.1.2.5)	6,970,995	24,746,571
	27,286,281,583	**16,135,919,404**

6.1.2.1 Time loan		
Principal outstanding	21,347,396,030	12,861,894,446
Accounts receivables	2,185,333,473	752,416,248
Principal	1,332,344,647	469,035,567
Interest	852,988,826	283,380,681
Other payables	(227,693,136)	(74,196,214)
	23,305,036,367	**13,540,114,480**

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		
Principal outstanding	376,182,501	51,775,000
Accounts receivables	6,585,128	5,815,471
Principal	-	4,483,870
Interest	6,585,128	1,331,601
Other payables	(5,136,773)	(1,791,833)
	377,630,856	**55,798,638**

6.1.2.3 Home loan		
Principal outstanding	238,414,477	356,119,379
Accounts receivables	35,747,707	29,333,488
Principal	18,920,559	15,171,274
Interest	16,827,148	14,162,214
Other payables	(7,638,150)	(5,290,372)
	266,524,034	**380,162,495**

(Figures in BDT)

		2016	2015
	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	**Other loans**		
	Loan to subsidiary	2,159,041,512	2,065,074,859
	Principal outstanding	1,909,999,880	1,909,999,880
	Interest receivables	249,041,632	155,074,979
	Treasury line	1,171,077,819	70,022,361
	Principal outstanding	1,169,000,000	70,000,000
	Interest receivables	2,077,819	22,361
		3,330,119,331	2,135,097,220
6.1.2.4.1	Loan to subsidiary represents amount receivable from International Leasing Securities Limited (ILSL), a wholly owned subsidiary company of International Leasing and Financial Services Limited (ILFSL). ILSL has been paying installment against this loan as per specified schedule. As of December 31, 2016 exposure to ILSL represents 96.67% of the capital of ILFSL. By taking into consideration of the total amount of loan outstanding, business forecast of ILSL and forecasted equity growth of ILFSL it expected to bring down the exposure within 30% of capital of ILFSL within shortest possible time. ILFSL has submitted its plan to the regulator regarding the issue.		
6.1.2.5	**Staff loan**		
	Principal outstanding	6,970,995	24,660,943
	Accounts receivables	-	85,628
	Principal	-	-
	Interest	-	85,628
		6,970,995	24,746,571
6.1.2.6	**Maturity grouping of loans, cash credits, overdrafts, etc.**		
	On demand	711,384,128	861,384,128
	Up to 1 month	1,758,856,045	18,404,443
	Over 1 month but not more than 3 months	2,277,383,745	677,316,220
	Over 3 months but not more than 1 year	5,958,173,016	2,809,097,624
	Over 1 year but not more than 5 years	10,518,444,205	9,210,789,578
	Over 5 years	6,062,040,444	2,558,927,410
		27,286,281,583	16,135,919,404
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	-	
b)	Leases, loans and advances to Chief Executive and other Senior Executives	1,086,402	19,720,546
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	27	12
	Amount of outstanding advances	16,218,000,000	6,681,439,404
	Amount of classified advances	-	-
	Measures taken for recovery	-	-
d)	**Industry-wise leases, loans and advances**		
	Agriculture	640,927,271	331,989,450
	Textile & Garments	4,638,498,093	3,458,399,322
	Transport & Communication	733,670,052	874,119,149
	Food production/processing industry	2,343,490,576	518,248,856
	Iron, Steel & Engineering industry	823,619,159	1,682,004,290
	Chemical & Pharmaceuticals	1,725,592,977	2,488,821,487
	Service Industry	4,048,502,305	4,694,269,269
	Plastic Industry	1,020,954,323	238,669,634
	Paper, Printing packaging	678,056,569	220,844,922
	Telecommunication/information technology	707,223,759	341,220,235
	Real Estate & Housing	380,529,908	232,027,683
	Ship and Ship making industry	465,002,157	-
	Education	44,625,550	124,625,550
	Hospital and medical equipment	198,201,645	292,325,299
	Trade & Commerce	4,666,534,540	1,680,333,224
	Power & Energy	2,478,057,199	517,749,128
	Others	4,136,751,644	1,312,927,537
		29,730,237,726	19,008,575,036

		(Figures in BDT) 2016	2015
e)	**Sector-wise leases, loans and advances**		
	Inside Bangladesh		
	Government & autonomous bodies	-	-
	Financial institutions (private)	1,171,077,819	75,394,042
	Other public sector		-
	Private sector	28,559,159,907	18,933,180,994
		29,730,237,726	19,008,575,036
	Outside Bangladesh	-	-
		29,730,237,726	19,008,575,036
f)	**Geographical location-wise leases, loans and advances**		
	Inside Bangladesh		
	Urban		
	Dhaka region	27,878,909,987	17,452,632,959
	Chittagong region	1,712,039,844	1,465,975,218
	Khulna region		-
	Rajshahi region	139,287,895	89,966,859
	Rangpur region	-	-
	Sylhet Region	-	-
		29,730,237,726	19,008,575,036
	Rural	-	-
		29,730,237,726	19,008,575,036
	Outside Bangladesh	-	-
		29,730,237,726	19,008,575,036
6.3	**Classification of leases, loans and advances**		
	a) Unclassified		
	Standard	28,309,864,688	17,332,928,679
	Special mention account (SMA)	26,183,016	278,593,439
		28,336,047,704	17,611,522,118
	b) Classified		
	Sub-standard	366,368,299	187,298,675
	Doubtful	21,036,184	313,126,842
	Bad / Loss	1,006,785,538	896,627,401
		1,394,190,022	1,397,052,918
	Total (a+b)	29,730,237,726	19,008,575,036
6.4	**Particulars of leases, loans and advances**		
(i)	Leases and loans considered good in respect of which the Company is fully secured	17,789,331,731	9,392,984,668
(ii)	Loans considered good against which the Company holds no security other than the debtors' personal guarantee	6,989,775,392	8,572,837,296
(iii)	Loans considered good and secured by the personal undertaking of one or more parties in addition to the to the personal guarantee of the debtors	2,378,891,767	1,042,753,072
(iv)	Loans adversely classified; provision not maintained there against	-	-
(v)	Loans due from Directors either separately or jointly with any other persons	-	-
(vi)	Loans due from Officers either separately or jointly with any other persons	6,970,995	24,746,571
(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	-	-

		(Figures in BDT) 2016	2015
(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.	-	11,859,816
(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	1,171,077,819	75,394,042
(xi)	Classified leases, loans and advances on which interest has not been charged	1,394,190,022	1,397,052,918
	A. Increase/decrease of provision (specific)	(50,957,226)	(10,671,788)
	Amount of debts written-off	526,652,200	360,040,206
	Amount realized against the debts previously written-off	(17,652,714)	(15,107,261)
	B. Provision kept against the debt classified as bad/loss at the end of the reporting period	227,274,609	218,982,574
	C. Amount of interest creditable to the interest suspense account	112,261,123	76,851,742
(xii)	Cumulative amount of the written-off leases/loans		
	Openning Balance	360,040,206	251,661,409
	Amount written-off during the year	166,611,994	108,378,797
	Cumulative to date	526,652,200	360,040,206
	Written-off leases/loans for which law suit filed	526,652,200	360,040,206

6(a) Consolidated leases, loans and advances

Inside Bangladesh		
Leases		
International Leasing and Financial Services Limited	2,443,956,143	2,872,655,632
Loans, cash credits, overdrafts, etc.		
International Leasing and Financial Services Limited	25,127,240,071	14,070,844,545
Loans	27,286,281,583	16,135,919,404
Adjustment for consolidation	(2,159,041,512)	(2,065,074,859)
International Leasing Securities Limited	3,120,041,603	3,311,646,147
IL Capital Limited	15,434,896	28,420,327
	30,706,672,713	**20,283,566,651**
Outside Bangladesh	-	-
	30,706,672,713	**20,283,566,651**

7 Fixed assets including premises, furniture & fixtures

Motor vehicles	37,578,490	26,996,686
Office decoration	22,162,301	22,141,190
Office equipment	10,785,215	10,983,200
Furniture & fixtures	25,079,737	6,579,650
Computer accessories	7,383,225	5,588,513
	102,988,968	**72,289,239**
Less: Accumulated depreciation	48,665,575	45,494,342
Net book value at the end of the year	**54,323,393**	**26,794,897**

7.1 Intangible Assets - Computer software

Cost	**3,281,250**	
Less: Accumulated amortisation	**204,696**	
	3,076,554	-

(Figures in BDT)

		2016	2015
7(a)	**Consolidated Fixed assets including premises furniture & fixtures**		
	Motor vehicles	45,762,490	40,218,445
	Office decoration	49,202,339	59,624,821
	Office equipment	16,840,160	19,691,779
	Furniture & fixtures	27,467,603	10,942,025
	Computers & accessories	27,632,340	26,422,498
		166,904,932	156,899,568
	Less: Accumulated depreciation	101,575,092	110,812,088
	Net book value at the end of the year	65,329,840	46,087,480
7.1(a)	**Consolidated Intangible Assets - Computer software**		
	Intangible Assets - Computer software		
	Cost	3,281,250	
	Less: Accumulated amortisation	204,696	
		3,076,554	-
8	**Other assets**		
	Inside Bangladesh		
	Income generating:		
	Investment in Subsidiary (note-8.1)	1,249,979,300	1,249,979,300
	Income receivable on FDR & investments (note-8.2)	55,480,259	15,590,062
		1,305,459,559	1,265,569,362
	Non-income generating:		
	Receivable from/(payable to) Subsidiary (note 8.3)	1,077	-
	Advance, deposit and Prepaid expenses (note-8.4)	154,857,641	33,635,181
	Advance corporate tax (note -8.5)	544,944,437	416,009,964
	Deferred tax assets (note- 8.6)	4,753,860	7,400,561
	Other receivables	-	-
		704,557,015	457,045,707
		2,010,016,574	1,722,615,069
	Outside Bangladesh	-	-
		2,010,016,574	1,722,615,069
8.1	**Investment in subsidiary**		
	Share capital-ILSL (note- 8.1.1)	999,999,400	999,999,400
	Share capital-ILCL (note- 8.1.2)	249,979,900	249,979,900
		1,249,979,300	1,249,979,300

8.1.1 This represents 9,999,994 nos. of ordinary shares of International Leasing Securities Limited subscribed by International Leasing And Financial Services Limited out of their 10,000,000 nos. of shares of Tk. 100 each.

8.1.2 This represents 2,499,799 nos. of ordinary shares of IL Capital Limited subscribed by International Leasing And Financial Services Limited out of their 2,500,000 nos. of shares of Tk. 100 each.

8.2	**Income receivable on FDR & investments**		
	a) Interest receivables		
	Interest receivables - FDR	45,327,113	5,497,027
	Coupon receivables - treasury bond	10,153,146	10,093,035
		55,480,259	15,590,062
	b) Fees, commission and brokerage receivables	-	-
	Total (a+b)	55,480,259	15,590,062

(Figures in BDT)

	2016	2015
8.3 Receivable from/(payable to) Subsidiary		
Receivable from/(payable to) ILCL	1,077	-
Receivable from/(payable to) ILSL	-	-
	1,077	-
8.4 Advance, deposit and Prepaid expenses		
Advances for software , fixed assets & others	17,922,946	6,757,904
Deposit to Central Depository Bangladesh Limited (CDBL) for telephone	364,000	364,000
Advance for investment in share	101,085,495	1,149,165
Advance office rent	35,485,200	25,364,112
Advance for legal expenses	-	-
	154,857,641	33,635,181

8.4.1 The amount represents advance against office rent of Head Office and Chittagong Branch which will be adjusted with each month's rent as per agreement with the land lord.

8.5 Advance corporate tax		
Balance as on January 01	416,009,964	344,185,797
Paid during the year	128,934,472	110,418,067
Less: settlement of previous years' tax liabilities		38,593,899
Balance as on Dec31	544,944,437	416,009,964

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, 2016	(Taxable)/deductable temporary difference	
			2016	2015
Fixed assets including premises, furniture & fixtures (note-7)	64,362,730	57,399,947	6,962,783	9,123,167
Gratuity (note-11.1)	-	(4,921,859)	4,921,859	9,378,235
			11,884,642	18,501,402
Applicable tax rate			40.00%	40.00%
Deferred tax assets during the year			4,753,857	7,400,561

The change in deferred tax assets is shown below:		
Balance as at 1st January	7,400,561	11,614,574
Addition/(Adjustment) during the year	(2,646,701)	(4,214,013)
Balance as on Dec 31	4,753,860	7,400,561

8.7 Maturity grouping of other assets		
On demand	-	-
Up to 1 month	-	-
Over 1 month but not more than 3 months	18,460,140	15,590,062
Over 3 months but not more than 1 year	122,138,124	33,635,181
Over 1 year but not more than 5 years	28,884,123	423,410,525
Over 5 years	1,840,534,187	1,249,979,300
	2,010,016,574	1,722,615,069

(Figures in BDT)

		2016	2015
8(a)	**Consolidated Other assets**		
	Inside Bangladesh		
	Income generating:		
	International Leasing and Financial Services Limited	55,480,259	15,590,062
	Other assets - incom generating	1,305,459,559	1,265,569,362
	Adjustment for consolidation	(1,249,979,300)	(1,249,979,300)
	International Leasing Securities Limited	-	-
	IL Capital Limited	-	-
		55,480,259	15,590,062
	Non-income generating:		
	International Leasing and Financial Services Limited	704,555,938	457,045,707
	Other assets - non-incom generating	704,557,015	457,045,707
	Adjustment for consolidation	(1,077)	-
	International Leasing Securities Limited	263,025,728	145,540,741
	Other assets - non-incom generating	263,025,728	146,539,872
	Adjustment for consolidation	-	(999,131)
	IL Capital Limited	18,947,398	15,151,568
	Other assets - non-incom generating	18,976,586	15,151,568
	Adjustment for consolidation	(29,188)	-
		986,529,064	617,738,016
		1,042,009,323	633,328,078
	Outside Bangladesh	-	-
		1,042,009,323	633,328,078
9	**Borrowing from banks, other financial institutions and agents**		
9.1	**Inside Bangladesh**		
	Bank overdraft (note- 9.1.1)	1,359,960,978	374,936,836
	Call borrowing (note- 9.1.2)	530,000,000	990,000,000
	REPO liability (note- 9.1.3)	551,769,088	362,315,326
	Short term borrowing (note-9.1.4)	1,070,000,000	-
	Borrowing under refinancing scheme (note-9.1.5)	116,408,742	94,782,568
	Long term borrowing (note-9.1.6)	5,475,766,122	3,143,015,390
		9,103,904,930	4,965,050,121
	Outside Bangladesh	-	-
		9,103,904,930	4,965,050,121
	Inside Bangladesh		
9.1.1	**Bank overdraft**		
	AL- Arafah Islami Bank Ltd.	500,000,000	280,000,000
	BRAC Bank Ltd.	(2,469,735)	13,959,108
	Mercantile Bank Limited	278,840,130	-
	Mutual Trust Bank Ltd.	195,031,987	1,820,888
	EBL	-	-
	ONE Bank Ltd.	(11,398,212)	(2,300,845)
	Prime Bank Ltd.	102,100,962	4,852,839
	Pubali Bank Ltd.	101,582,125	6,137,589
	Shahjalal Bank Ltd.	50,000,000	-
	The Premier Bank Ltd.	146,273,721	70,467,257
		1,359,960,978	374,936,836

(Figures in BDT)

	2016	2015
9.1.2 Call borrowing		
Agrani Bank Ltd.	50,000,000	200,000,000
Dhaka Bank Ltd	90,000,000	-
Basic Bank Ltd.	90,000,000	-
Dutch-Bangla Bank Ltd.		90,000,000
Jamuna Bank Ltd.		100,000,000
Janata Bank Ltd.		50,000,000
Mercantile Bank Ltd.		100,000,000
Modhumoti Bank Ltd.		170,000,000
Mutual Trust Bank Ltd.	120,000,000	90,000,000
NRB Bank Ltd.	-	-
One Bank Ltd.		90,000,000
Sonali Bank Ltd.	180,000,000	-
Southeast Bank Ltd.		-
Standard Bank Ltd.		100,000,000
	530,000,000	990,000,000
9.1.3 REPO liability		
Sonali Bank Ltd.	-	178,925,586
BRAC Bank Ltd.	551,769,088	-
The City Bank Ltd.	-	183,389,741
	551,769,088	362,315,326
9.1.4 Short term borrowing		
Bangladesh Development Bank	100,000,000	-
IPDC of Bangladesh Limited	100,000,000	-
Midland Bank Limited		-
Meridian Finance Ltd	300,000,000	-
Premier bank ltd		
Union capital		
Farmers Bank ltd	50,000,000	
Reliance Finance Limited	520,000,000	-
	1,070,000,000	-
9.1.5 Borrowing under refinancing scheme		
Fund from Bangladesh Bank for SME financing	88,015,208	57,289,830
Fund from Bangladesh Bank for housing financing	25,530,783	28,005,659
Fund from RPGCL for DCFP financing	2,862,751	9,487,079
	116,408,742	94,782,568

9.1.5.1 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.

9.1.6 Long term borrowing		
Al Arafah Bank Ltd.	1,104,509,982	-
Bank Asia Ltd.	155,791,211	189,553,288
Basic Bank Ltd.	235,454,509	178,974,254
BRAC Bank Ltd.		74,999,597
Dutch Bangla Bank Ltd.	563,607,279	458,723,834
Fareast Finance & Investment Ltd.	-	-
Jamuna Bank Ltd.	214,705,349	166,982,305
Mercantile Bank Ltd.	1,364,829,204	241,134,970
Modhumoti Bank Ltd.	156,168,851	189,666,331
Premier Bank Ltd.	798,480,150	264,411,233
Prime Bank Ltd.	135,917,610	172,143,934
Pubali Bank Ltd.	63,964,573	84,978,409
Shahjalal Islami Bank Ltd.	82,327,989	78,843,316
Social Islami Bank Ltd.	-	-
Southeast Bank Ltd.		19,964,714
Standard Bank Ltd.	115,216,364	179,419,192
Uttara Bank Ltd.	484,793,051	843,220,013
	5,475,766,122	3,143,015,390

(Figures in BDT)

		2016	2015
9.2	**Security wise grouping of borrowing from banks, other financial institutions and agents**		
	Secured	7,390,358,939	3,889,754,631
	Unsecured	1,713,545,991	1,075,295,490
		9,103,904,930	4,965,050,121

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.

9.3	**Maturity grouping of borrowing from banks, other financial institutions and agents**		
	On demand	530,000,000	990,000,000
	Up to 1 month	257,421,847	82,394,895
	Over 1 month but within 3 months	708,416,930	204,239,856
	Over 3 months but within 1 year	1,239,701,015	793,250,970
	Over 1 year but within 5 years	2,285,144,410	2,479,344,082
	Over 5 years	4,083,220,728	415,820,318
		9,103,904,930	4,965,050,121

9(a)	**Consolidated borrowing from banks, other financial institutions and agents**		
	Inside Bangladesh		
	International Leasing and Financial Services Limited	9,103,904,930	4,965,050,121
	International Leasing Securities Limited	728,454,375	929,247,381
	Borrowing from banks, other financial institutions and agents	2,638,454,255	2,839,247,261
	Adjustment for consolidation	(1,909,999,880)	(1,909,999,880)
	IL Capital Limited	-	-
	Borrowing from banks, other financial institutions and agents	-	-
	Adjustment for consolidation	-	-
		9,832,359,305	5,894,297,502
	Outside Bangladesh	-	-
		9,832,359,305	5,894,297,502

10	**Deposits and other accounts**		
	Term deposits (note - 10.1)	20,966,448,152	12,488,551,383
	Other deposits (note- 10.2)	944,167,232	920,900,142
		21,910,615,384	13,409,451,525

10.1	**Term deposits**		

These represent deposits from individuals and institutions under the Company's term deposit schemes for a period of not less than three months both from institutions and individuals. Break up of term deposit according to their sources is given below:

	Deposits from banks and financial institutions	9,910,000,000	6,200,000,000
	Deposits from other than banks and financial institutions	11,056,448,152	6,288,551,383
		20,966,448,152	12,488,551,383
10.1.1	**Maturity analysis of term deposits**		
	a) Deposits from banks and financial institutions		
	Payable on demand	-	-
	Up to 1 month	880,000,000	710,000,000
	Over 1 month but within 3 months	450,000,000	392,500,000
	Over 3 months but within 1 year	3,751,153,856	1,067,500,000
	Over 1 year but within 5 years	4,828,846,144	4,030,000,000
	Over 5 years but within 10 years	-	-
	Over 10 years	-	-
		9,910,000,000	6,200,000,000

(Figures in BDT)

	2016	2015
b) Deposits from other than banks and financial institutions		
Payable on demand	-	-
Up to 1 month	865,361,102	146,195,393
Over 1 month but within 3 months	602,017,716	321,002,856
Over 3 months but within 1 year	953,652,468	649,131,255
Over 1 year but within 5 years	2,668,070,176	2,080,407,480
Over 5 years but within 10 years	5,964,346,690	3,089,814,399
Over 10 years	3,000,000	2,000,000
	11,056,448,152	**6,288,551,383**
Total (a+b)	**20,966,448,152**	**12,488,551,383**

10.1(a) Consolidated term deposits

International Leasing and Financial Services Limited	20,952,354,913	12,246,033,743
Term deposits	20,966,448,152	12,488,551,383
Adjustment for consolidation	(14,093,239)	(242,517,639)
	20,952,354,913	**12,246,033,743**

10.2 Other deposits

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:

Non-interest bearing security deposits		
Leases	445,911,683	54,145,161
Time loans	484,868,092	70,291,693
Home loans	1,906,409	2,631,761
Work order loans	441,126	441,127
	933,127,310	**127,509,741**
Interest bearing security deposits	**11,039,922**	**793,390,401**
	944,167,232	**920,900,142**

10.2.1 Maturity analysis of other deposits

Payable on demand	21,236,586	36,813,660
Up to 1 month	500,500	70,400
Over 1 month but within 3 months	3,512,654	2,590,060
Over 3 months but within 1 year	23,456,987	11,744,875
Over 1 year but within 5 years	678,923,601	662,281,179
Over 5 years but within 10 years	215,724,539	207,342,468
Over 10 years	812,365	57,500
	944,167,232	**920,900,142**

11 Other liabilities

Deferred liability-employees' gratuity (note- 11.1)	4,921,859	9,378,235
Training fund (note-11.2)	354,771	354,771
Un-claimed refund warrant/dividend (note- 11.3)	5,173,375	5,185,530
Interest suspense account (note-11.4)	112,261,123	76,851,742
Payables & accrued expenses (note-11.5)	871,329,021	480,678,682
Liability under finance lease	3,500,761	4,992,168
Provision for leases, loans and advances (note - 11.6)	545,347,993	501,146,764
Provision for diminution in value of investments	21,784,291	34,453,236
Provision for income tax (note- 11.7)	652,835,038	569,221,343
	2,217,508,231	**1,682,262,470**

(Figures in BDT)

11.1 Deferred liability-employees' gratuity	2016	2015
Balance as at 1st January	9,378,235	16,617,030
Add: provision made during the year	3,210,330	4,966,820
Less: payment made during the year	7,666,706	12,205,615
Balance as at Dec31	**4,921,859**	**9,378,235**

11.2 Training Fund 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.

11.3 Un-claimed refund warrant/dividend		
Un-claimed refund warrant	716,194	716,194
Un-claimed dividend	4,457,181	4,469,336
	5,173,375	**5,185,530**

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, 2016. It is anticipated that it will take some more time to liquidate this liability fully.

11.4 Interest suspense account		
Balance as at 1st January	76,851,742	95,805,710
Add: suspended during the year	318,349,621	305,000,533
Less: realized during the year	282,940,240	322,610,506
Less: written off during the year	-	1,343,995
Balance as at Dec 31	**112,261,123**	**76,851,742**

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	31,056,614	19,710,824
Loans	81,204,509	57,140,917
	112,261,123	**76,851,742**

11.5 Payables & accrued expenses

a) Interest payables

Interest payable on bank overdraft	6,558,323	626,667
Interest payable on call borrowing	188,542	121,764
Interest payable on REPO liability	-	111,948
Interest payable on short-term borrowing	6,800,861	-
Interest payable on long-term borrowing	-	-
Interest payable on borrowing under refinancing scheme (note-11.5.1)	281,941	278,888
Interest payable on deposits from banks and FIs	270,269,861	145,456,596
Interest payable on deposits from other than banks and FIs	475,027,088	309,526,542
	759,126,616	**456,122,404**

		(Figures in BDT)
	2016	2015
b) Other payables		
Payable for fractional bonus & right share	1,736,899	1,734,716
Payable for Tax/VAT deducted at source	1,545,004	4,130,829
Payable for bank guarantee & commission	-	-
Liability for expenses & other payables	99,537,803	9,308,034
Payable for Private Sector Development (PSD) program (note- 11.5.2)	9,382,699	9,382,699
	112,202,405	**24,556,277**
Total (a+b)	**871,329,021**	**480,678,682**

11.5.1 Interest payable on borrowing under refinancing scheme

Fund from Bangladesh Bank for SME financing	187,487	163,466
Fund from Bangladesh Bank for housing financing	83,990	84,868
Fund from RPGCL for DCFP financing	10,464	30,555
	281,941	**278,888**

11.5.2 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.

11.6 Provision for leases, loans and advances

Movements of provision for leases, loans and advances:

a) Specific provision on classified leases, loans and advances		
Balance at January 01	321,010,662	331,682,450
Fully provided debts written off during the year (note- 11.6.1)	(165,441,713)	(107,034,802)
Recovery of amounts previously written off	2,545,453	4,272,728
Net charge to Profit and Loss Account	111,939,034	(40,929,102)
Provision made for the year	133,902,240	(13,623,973)
Recoveries and provision no longer required	(21,963,206)	(27,305,129)
	270,053,436	**321,010,662**
b) General provision on unclassified leases, loans and advances		
Balance at January 01	180,136,102	139,207,000
Provision made/(no longer required) for the year	95,158,455	40,929,102
	275,294,557	**180,136,102**
Total (a+b)	**545,347,993**	**501,146,764**

Break up of provision for leases, loans and advances :

a) Specific provision on classified leases, loans and advances		
Sub-standard	38,345,342	30,089,297
Doubtful	4,433,485	71,938,791
Bad and loss	227,274,609	218,982,574
	270,053,436	**321,010,662**
b) General provision on unclassified lease, loans and advances		
Standard	274,001,769	166,694,069
SMA	1,292,788	13,442,033
	275,294,557	**180,136,102**
Total (a+b)	**545,347,993**	**501,146,764**

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 ammended 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. 534.12 million and actual provision in the books of accounts under this head has been kept at Tk. 545.35 million.

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(Figures in BDT)

	2016	2015

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		344,932,945	240,826,876
No. of account written-off	5	36	31
No. of lessee/loanee written-off	4	24	20
Total leases/loans written-off	**166,611,994**	**526,652,200**	**360,040,206**
Interest suspense against lessee/loanee written-off	1,170,281	32,687,134	31,516,853
Provision adjusted against lessee/loanee written-off	165,441,713	493,965,066	328,523,353
Recovery against lessee/loanee written-off	(2,545,453)	(17,652,714)	(15,107,261)
Balance as at December 31	**164,066,541**	**508,999,486**	**344,932,945**

11.7 Provision for income tax

Balance as on January 01	569,221,343	489,614,570
Add: provision made during the year	83,613,695	118,200,672
Less: settlement of previous years tax liability	-	38,593,899
Balance as at Dec 31	**652,835,038**	**569,221,343**

11.8 Maturity analysis of other liabilities

Payable on demand	14,961,167	32,049,017
Up to 1 month	34,373,650	1,232,451
Over 1 month but within 3 months	46,443,597	22,801,125
Over 3 months but within 1 year	1,132,687,904	674,745,961
Over 1 year but within 5 years	874,249,323	876,637,884
Over 5 years but within 10 years	114,792,591	74,796,032
Over 10 years	-	-
	2,217,508,231	**1,682,262,470**

11(a) Consolidated other liabilities

International Leasing and Financial Services Limited	2,217,479,043	1,681,263,339
Other liabilities	2,217,508,231	1,682,262,470
Adjustment for consolidation	(29,188)	(999,131)
International Leasing Securities Limited	550,078,018	195,567,269
Other liabilities	799,119,650	350,642,248
Adjustment for consolidation	(249,041,632)	(155,074,979)
IL Capital Limited	19,937,894	99,594,105
Other liabilities	19,938,973	99,594,105
Adjustment for consolidation	(1,079)	-
	2,787,494,956	**1,976,424,713**

(Figures in BDT)

		2016	2015
12	**Share capital**		
12.1	**Authorized**		
	200,000,000 nos. of ordinary shares of taka 10 each	2,000,000,000	2,000,000,000
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	786,126,000
	8,553,930 Ordinary Shares of Tk. 10 each issued as bonus share	85,539,300	-
		1,796,325,300	1,710,786,000

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

Date	Particulars	Addition in		Cumulative	
		No. of shares	Amount of paid-up capital	No. of shares	No. of shares
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	835,640	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
30-Nov-11	Share Split	162,932,000	-	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
26-May-16	Bonus Shares	8,553,930	85,539,300	179,632,530	1,796,325,300
Total		179,632,530	1,796,325,300		

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

Composition of shareholdings as of December 31, 2016

Particulars	No. of shares	% of holding	Amount
a) Corporate	**87,938,071**	**48.95%**	**879,380,710**
Shaw Wallace Bangladesh Limited	31,191,898	17.36%	311,918,980
Nature Enterprise Limited	14,700,000	8.18%	147,000,000
BR International Limited	14,647,500	8.15%	146,475,000
New Tech Enterprise Limited	14,092,650	7.85%	140,926,500
HAL International Limited	13,306,023	7.41%	133,060,230
b) Individual	**6,939,197**	**3.86%**	**69,391,970**
Mrs. Rosy Ahmad	5,586,323	3.11%	55,863,230
Mr. Jamal Uddin Ahmad	1,352,874	0.75%	13,528,740
c) General shareholders	**84,755,262**	**47.18%**	**847,552,620**
Institutions/corporate	35,848,653	19.96%	358,486,530
Individual	48,063,665	26.76%	480,636,650
Non-resident Bangladeshi	842,944	0.47%	8,429,440
Total (a+b+c)	**179,632,530**	**100%**	**1,796,325,300**

(Figures in BDT)

	2016	2015
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)	1,796,325,300	1,710,786,000
	1,796,325,300	1,710,786,000
Minimum required paid up capital	1,000,000,000	1,000,000,000
Excess in paid up capital	796,325,300	710,786,000

As per DFIM Circular No. 08 dated August 02, 2010 and Prudential Guidelines on Capital Adequacy and Market Discipline (CAMD) 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, 2016 was Taka 2,485,244,164 as against available core capital of Taka 2,257,700,000 and supplimentary capital of Taka 276,400,000 making a total eligible capital of Taka 2,534,100,000 thereby showing a surplus capital of Taka 48,855,836 at that date. Details are shown below:

a) Core capital (Tier-I)		
Paid-up capital (note-12.2)	1,796,325,300	1,710,786,000
Statutory reserve (note-13)	364,054,009	341,203,000
Retained earnings/surplus (note-14)	101,444,958	95,580,221
Total eligible/actual tier-I capital	2,261,824,267	2,147,569,221
b) Supplementary capital (Tier-II)		
General Provision (Unclassified loans up to specified limit+SMA+ off balance sheet exposure)	275,294,557	180,136,102
Total eligible/actual tier-II capital	275,294,557	180,136,102
A) Total eligible/actual capital maintained (a+b)	2,537,118,824	2,327,705,323
Total assets including off-balance sheet exposures		-
B) Total risk weighted assets	24,852,441,636	22,625,826,572
C) Required capital based on risk weighted assets (10% on B)	2,485,244,164	2,262,582,657
Total capital surplus (A-C)	51,874,661	65,122,666
Capital adequacy ratio (CAR) based on Basel II framework	10.21%	10.29%

13 Statutory reserve		
Balance as at January 01	341,203,000	319,624,000
Addition during the year	22,851,009	21,579,000
Balance as at December 31	364,054,009	341,203,000

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.22,858,509 to Statutory Reserve Fund for the year 2016. During the year the Company has transferred Tk. 22,858,509 to the Statutory Reserve Fund from current year's profit.

14 Retained earnings/surplus		
Balance as at 1st January	95,580,221	94,804,635
Less: cash dividend for last year	-	85,539,300
Less: stock dividend for last year	85,539,300	-
	10,040,921	9,265,335
Retained surplus for the year	91,404,037	86,314,886
	101,444,958	95,580,221

(Figures in BDT)

		2016	2015
14(a)	**Consolidated retained earnings/surplus**		
	Balance as at 1st January	143,408,224	126,087,416
	Less: cash dividend for last year	-	85,539,300
	Less: stock dividend for last year	85,539,300	-
		57,868,924	**40,548,116**
	Retained surplus for the year	**102,998,757**	**102,860,107**
	Retained surplus tranferred from minority for new issuance of shares by subsidiary	-	-
		160,867,680	**143,408,224**
15	**Non-controlling / minority interest**		
	a) Share capital		
	International Leasing Securities Limited	600	600
	IL Capital Limited	20,100	20,100
		20,700	**20,700**
	b) Retained earnings/surplus as at 1st January		
	International Leasing Securities Limited	22	15
	IL Capital Limited	711	488
		733	**503**
	c) Retained surplus for the year		
	International Leasing Securities Limited	1	7
	IL Capital Limited	838	223
		839	230
	Balance as at Dec 31 (a+b+c)	**22,272**	**21,433**
16	**Net asset value per share**		
	Total assets	35,493,852,813	22,204,333,337
	Total liabilities	33,232,028,545	20,056,764,116
	Net asset	**2,261,824,267**	**2,147,569,221**
	Number of share outstanding	179,632,530	179,632,530
	Net asset value per share	**12.59**	**11.96**
16(a)	**Consolidated net asset value per share**		
	Total assets	36,837,645,672	23,233,074,757
	Total liabilities	34,516,398,683	21,037,677,534
	Net asset	**2,321,246,990**	**2,195,397,224**
	Number of share outstanding	179,632,530	179,632,530
	Net asset value per share	**12.92**	**12.22**
17	**Contingent liabilities**		
17.1	**Letters of guarantee**		
	Letters of guarantee (local)	72,720,063	547,175,505
	Counter guarantees	500,000,000	39,309,268
		572,720,063	**586,484,773**
	Money for which the Company is contingently liable in respect of guarantees given favoring:		
	Banks and other financial institutions	72,720,063	253,129,919
	Others - DSE & ICB	500,000,000	333,354,854
		572,720,063	**586,484,773**

(Figures in BDT)

		2016	2015
18	**Statement of comprehensive income**		
	a) Income:		
	Interest, discount and similar income (note-18.1)	3,009,275,475	2,168,870,958
	Dividend income (note-21.1)	17,004,606	1,168,450
	Fees, commission and brokerage (note- 22)	4,009,123	3,488,324
	Gainsless losses arising from dealing in securities	-	-
	Gainsless losses arising from investment securities	-	-
	Gainsless losses arising from dealing in foreign currencies	-	-
	Income from non-Company assets	-	-
	Other operating income (note- 23)	1,601,998	3,991,620
	Profitless losses on interest rate changes	-	-
		3,031,891,201	2,177,519,351
	b) Expenses:		
	Interest, fee and commission, etc. (note- 20)	2,456,497,603	1,678,276,807
	Losses on loans and advances	-	-
	Administrative expenses (note-18.2)	131,173,120	96,214,565
	Other operating expenses (note-33)	17,796,490	10,514,567
	Depreciation/amortization on assets (note-32)	9,312,100	9,965,054
		2,614,779,313	1,794,970,993
	Profit before provisions (a-b)	417,111,888	382,548,359
18.1	**Interest, discount and similar income**		
	Interest income - Lease	225,955,613	296,029,109
	Interest income - time loan	2,159,394,253	1,414,883,999
	Interest income - work order loan	26,661,899	10,286,474
	Interest income - home loan	43,277,258	67,906,593
	Interest income- short term loan	409,187,801	324,052,201
	Interest income - staff loan	1,262,932	3,078,862
	Interest income - deposit with banks/FIs	70,484,910	35,491,760
	Coupon income - government treasury bonds	44,551,708	44,360,545
	Gain/(loss) on sale of shares	28,499,101	(27,218,584)
		3,009,275,475	2,168,870,958
18.2	**Administrative expenses**		
	Salary and allowances	77,652,154	60,238,302
	Rent, taxes, insurance & electricity	31,072,794	13,738,613
	Legal expenses	1,913,174	1,990,046
	Postage, stamp & telecommunication	1,875,843	1,779,409
	Stationery, printing & advertisement	6,275,589	5,004,975
	Managing Director's salary & benefits	8,270,000	7,132,207
	Directors' fees	1,940,400	1,010,850
	Auditors' fees	287,500	230,000
	Repair of the Company's assets	1,885,666	5,090,162
		131,173,120	96,214,565
19	**Interest income**		
	Interest income - lease	225,955,613	296,029,109
	Interest income - time loan	2,159,394,253	1,414,883,999
	Interest income - work order & Factoring loan	26,661,899	10,286,474
	Interest income - home loan	43,277,258	67,906,593
	Interest income - short term loan	409,187,801	324,052,201
	Interest income - staff loan	1,262,932	3,078,862
	Coupon income - government treasury bonds	44,551,708	44,360,545
	Interest income - fixed deposit with banks	69,865,531	34,744,542
	Interest income - balance with banks	619,379	747,217
		2,980,776,374	2,196,089,542

(Figures in BDT)

		2016	2015
19(a)	**Consolidated interest income**		
	International Leasing and Financial Services Limited	2,980,776,374	1,872,393,591
	Interest income	2,980,776,374	2,196,089,542
	Adjustment for consolidation		(323,695,951)
	International Leasing Securities Limited	362,194,745	457,408,296
	Interest income	362,194,745	464,102,313
	Adjustment for consolidation		(6,694,017)
	IL Capital Limited	6,630,475	10,298,255
	Interest income	6,630,475	16,389,302
	Adjustment for consolidation		(6,091,047)
		3,349,601,594	**2,340,100,142**
20	**Interest expense on deposits and borrowings etc.**		
	a) Interest expense on deposits		
	Interest on term deposits, bank and financial institutions	678,903,908	434,290,273
	Interest on term deposits, other than bank and financial institutions	923,278,680	685,320,785
	Direct deposit expenses	46,624,415	24,367,673
	Interest expense on security deposits (interest bearing)	96,684,411	95,249,042
		1,745,491,414	**1,239,227,772**
	b) Interest expense on borrowings		
	Interest on call borrowing	38,592,208	58,987,472
	Interest on short-term borrowing	46,175,944	7,241,250
	Interest on long-term borrowing	540,984,668	324,890,792
	Interest on borrowing under refinancing scheme	4,989,279	5,341,873
	Interest on bank overdraft	60,080,890	22,432,225
	Interest expense on REPO liability	19,461,327	19,205,879
	Finance charge for obligation under finance lease	721,873	949,543
		711,006,189	**439,049,035**
	Total (a+b)	**2,456,497,603**	**1,678,276,807**
20(a)	**Consolidated Interest expense on deposits and borrowings etc.**		
	a) Interest expense on deposits		
	International Leasing and Financial Services Limited	1,745,491,414	1,226,442,709
	Interest expense on deposits	1,745,491,414	1,239,227,772
	Adjustment for consolidation	-	(12,785,064)
		1,745,491,414	**1,226,442,709**
	b) Interest expense on borrowings		
	International Leasing and Financial Services Limited	711,006,189	439,049,035
	International Leasing Securities Limited	428,557,666	135,403,006
	Interest expense on borrowings	428,557,666	459,098,957
	Adjustment for consolidation		(323,695,951)
		1,139,563,855	**574,452,040**
		2,885,055,269	**1,800,894,749**
21	**Investment income**		
	Dividend income (note- 21.1)	17,004,606	1,168,450
	Gain/(loss) on bonds & shares	28,499,101	(27,218,584)
		45,503,707	**(26,050,134)**
21.1	**Dividend income**		
	Dividend income from investment in subsidiary Co.	-	-
	Dividend income from investment in quoted shares	17,004,606	1,168,450
		17,004,606	**1,168,450**

(Figures in BDT)

21(a) Consolidated investment income

	2016	2015
International Leasing and Financial Services Limited	45,503,707	(26,050,134)
Investment income	45,503,707	(26,050,134)
Adjustment for consolidation	-	-
International Leasing Securities Limited	64,908,293	(4,123,930)
IL Capital Limited	22,944,621	1,440,734
	133,356,621	**(28,733,330)**

22 Commission, fees, exchange and brokerage

Processing fees - leases	498,479	585,114
Processing fees - time loan	3,015,945	1,913,556
Processing fees - work order	465,351	261,927
Processing fees - home loan	29,348	100,065
Guarantee commission	-	627,661
	4,009,123	**3,488,324**

22(a) Consolidated commission, fees, exchange and brokerage

International Leasing and Financial Services Limited	4,009,123	3,488,324
International Leasing Securities Limited	101,825,942	126,231,938
Commission, fees, exchange and brokerage	101,825,942	126,939,696
Adjustment for consolidation		(707,758)
IL Capital Limited Limited	4,218,825	6,535,502
	110,053,890	**136,255,764**

Consolidated fees, commission and brokerage from International Leasing Securities Limited represents net brokerage income.

23 Other operating income

Gain on sale of leased assets	1,036,054	224,444
Gain on sale of fixed assets	479,988	3,679,621
Income from written-off accounts	-	-
Miscellaneous income	85,956	87,555
	1,601,998	**3,991,620**

23(a) Consolidated other operating income

International Leasing and Financial Services Limited	1,601,998	3,991,620
International Leasing Securities Limited	1,006,315	3,564,428
IL Capital Limited	427,026	-
	3,035,339	**7,556,047**

24 Salary and allowances

Basic salary and other allowances	72,519,529	53,105,338
Company's contribution to provident fund	1,922,295	2,166,144
Gratuity	3,210,330	4,966,820
	77,652,154	**60,238,302**

24(a) Consolidated salary and allowances

International Leasing and Financial Services Limited	77,652,154	60,238,302
International Leasing Securities Limited	40,996,870	43,826,897
IL Capital Limited	5,786,061	7,609,550
	124,435,085	**111,674,749**

(Figures in BDT)

		2016	2015
25	**Rent, taxes, insurance & electricity**		
	Rent, rate and taxes	27,851,741	11,909,912
	Insurance	-	178,230
	Electricity, gas and water	3,221,053	1,650,471
		31,072,794	**13,738,613**
25a)	**Consolidated rent, taxes, insurance & electricity**		
	International Leasing and Financial Services Limited	31,072,794	13,738,613
	International Leasing Securities Limited	16,124,884	17,470,106
	IL Capital Limited	2,424,622	1,013,356
		49,622,300	**32,222,075**
26	**Legal expenses**		
	Legal expenses	1,562,374	1,801,318
	Other professional charges	350,800	188,728
		1,913,174	**1,990,046**
26(a)	**Consolidated legal expenses**		
	International Leasing and Financial Services Limited	1,913,174	1,990,046
	International Leasing Securities Limited	550,162	145,305
		2,463,336	**2,135,351**
27	**Postage, stamp & telecommunication**		
	Postage, stamp, internet	1,073,768	1,016,386
	Telephone	802,075	763,023
		1,875,843	**1,779,409**
27(a)	**Consolidated postage, stamp & telecommunication**		
	International Leasing and Financial Services Limited	1,875,843	1,779,409
	International Leasing Securities Limited	925,775	1,161,706
	IL Capital Limited	220,777	373,489
		3,022,395	**3,314,604**
28	**Stationery, printing and advertisements**		
	Printing and stationery	4,492,891	3,614,709
	Publicity and advertisement	1,782,698	1,390,266
		6,275,589	**5,004,975**
28(a)	**Consolidated stationery, printing and advertisements**		
	International Leasing and Financial Services Limited	6,275,589	5,004,975
	International Leasing Securities Limited	573,764	3,113,169
	IL Capital Limited	84,258	704,355
		6,933,611	**8,822,499**
29	**Managing Director's salary and benefits**		
	Remuneration	3,300,000	5,032,386
	Other benefits	4,970,000	2,099,821
		8,270,000	**7,132,207**

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(Figures in BDT)

		2016	2015
30	**Directors' fees & meeting expenses**		
	Directors' fee for attending board meeting	1,297,200	700,350
	Executive Committee members' fee for attending EC meeting	312,000	207,000
	Audit Committee members' fee for attending AC meeting	331,200	103,500
		1,940,400	**1,010,850**

No director has been paid any remuneration for any special service rendered other than fees paid for attending meeting of the directors.

30(a)	**Consolidated directors' fees & meeting expenses**		
	International Leasing and Financial Services Limited	1,940,400	1,010,850
	International Leasing Securities Limited	191,000	192,070
	IL Capital Limited	97,750	126,500
		2,229,150	**1,329,420**
31	**Auditors' fees**		
	Statutory audit fee	287,500	230,000
		287,500	**230,000**
31(a)	**Consolidated auditors' fees**		
	International Leasing and Financial Services Limited	287,500	230,000
	International Leasing Securities Limited	77,628	77,628
	IL Capital Limited	40,250	46,000
		405,378	**353,628**
32	**Depreciation, amortization and repair of assets**		
	a) Depreciation		
	Motor vehicles	4,969,989	5,233,578
	Office decoration	1,691,040	1,735,271
	Office equipment	614,529	1,037,219
	Furniture & fixtures	1,091,721	781,682
	Computer accessories	944,821	1,177,304
		9,312,100	**9,965,054**
	b) Amortization		
	Computer Software	**204,696**	
		204,696	-
	c) Repairs		
	Office equipment	282,899	249,939
	Vehicles	1,602,767	4,840,223
		1,885,666	**5,090,162**
	Total (a+b+C)	**11,402,462**	**15,055,216**
32(a)	**Consolidated depreciation, amortization and repair of assets**		
	a) Depreciation		
	International Leasing and Financial Services Limited	9,312,100	9,965,054
	International Leasing Securities Limited	4,542,653	6,210,198
	IL Capital Limited	4,154,566	4,297,766
		18,009,319	**20,473,018**
	b) Amortization		
	International Leasing and Financial Services Limited	**204,696**	
		204,696	-

(Figures in BDT)

	2016	2015
b) Repairs		
International Leasing and Financial Services Limited	1,885,666	5,090,162
International Leasing Securities Limited	369,768	604,049
IL Capital Limited	39,265	250,729
	2,294,699	5,944,940
Total (a+b+c)	20,508,714	26,417,958

33 Other expenses

Fuel expenses for vehicles	1,591,585	1,080,056
Office maintenance	2,853,716	883,033
Training expenses	629,184	280,240
Books, magazines and newspapers	35,659	27,753
Fees and subscription	2,530,201	1,612,790
Bank charges	1,331,298	1,268,282
Entertainment	4,019,392	1,428,844
CIB service charge	35,860	22,520
Business development expenses	1,372,334	2,175,876
Hospitalization expense	175,864	331,570
Traveling and conveyance expenses	3,221,397	1,403,604
	17,796,490	10,514,567

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.

33(a) Consolidated other expenses

International Leasing and Financial Services Limited	17,796,490	9,806,809
Other expenses	17,796,490	10,514,567
Adjustment for consolidation		(707,758)
International Leasing Securities Limited	7,416,828	11,517,261
IL Capital Limited	1,477,008	2,013,361
	26,690,326	23,337,432

34 Provision against leases, loans and advances

On classified leases, loans and advances	133,902,240	(18,543,965)
On un-classified leases, loans and advances	95,158,455	151,563,352
	229,060,695	133,019,388

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. 216,391,750 has been made for the year 2016 which is considered to be adequate by the Management of the Company.

34(a) Consolidated Provision against leases, loans and advances

International Leasing and Financial Services Limited	229,060,695	133,019,388
International Leasing Securities Limited	-	2,720,000
IL Capital Limited		157,274
	229,060,695	135,896,662

35 Provision for diminution in value of investments

Shares		
Provision for quoted shares	(12,668,945)	19,220,400
Provision for un-quoted shares	-	-
	(12,668,945)	19,220,400

35(a) Consolidated Provision for diminution in value of investments

Shares		
International Leasing and Financial Services Limited	(12,668,945)	19,220,400
International Leasing Securities Limited	2,720,000	5,814,209
IL Capital Limited	7,194,104	2,236,053
	(2,754,841)	27,270,662

(Figures in BDT)

		2016	2015
36	**Provision for tax**		
	Current tax	83,613,695	118,200,672
	Deferred tax	2,646,701	4,214,013
		86,260,396	122,414,685
36.1	**Average effective tax rate**		
	The average effective tax rate is calculated below as per Bangladesh Accounting Standard 12 "Income Tax"		
	Accounting profit before provision & tax	416,907,192	382,548,359
	Tax expense	86,260,396	122,414,685
	Average effective tax rate	20.69%	32.00%
36(a)	**Consolidated Provision for tax**		
	International Leasing and Financial Services Limited	86,260,396	122,414,685
	International Leasing Securities Limited	25,715,689	26,646,722
	IL Capital Limited	2,279,335	875,883
		114,255,420	149,937,290
36(a).1	**Consolidated average effective tax rate**		
	The average effective tax rate is calculated below as per Bangladesh Accounting Standard 12 "Income Tax"		
	Accounting profit before provision & tax	466,411,879	437,543,951
	Tax expense	114,255,420	149,937,290
	Average effective tax rate	24.50%	34.27%
37	**Earning Per Share (EPS)**		
	Basic earnings per share have been calculated as under:		
	Earning attributable to ordinary shareholders (profit after tax)	114,255,046	107,893,886
	Weighted average number of ordinary shares outstanding during the year	179,632,530	179,632,530
	Earning per share (EPS)	0.64	0.60
	No diluted earnings per share is required to be calculated for the period 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)	125,849,766	124,439,107
	Weighted average number of ordinary shares outstanding during the year	179,632,530	179,632,530
	Earning per share (EPS)	0.70	0.69

38 **Disclosure on Audit committee**

The Audit Committee comprises of the following

Name	Status with the Company	Status with the Committee	Educational Qualification
Mr. Md. Zahirul Alam,FCA	Independent Director	Chairman	Fellow of the Institute of Chartered Accountants of Bangladesh.
Mr. M. Nurul Alam	Director	Member	MBA from Institute of Business Administration(DU).
Mr. Nasim Anwar, FCA	Director	Member	Fellow of the Institute of Chartered Accountants of Bangladesh.
Mr. Md. Nowsherul Islam	Director	Member	M. A from University of Dhaka
Mr.M Abul Hashem	Director	Member	M.com from University of Chittagong
Mr. Md. Rafiqul Islam Khan, ACS	Company Secretary	Secretary of the Committee	Associate of the Institute of Chartered Secretaries of Bangladesh.

(Figures in BDT)

	2016	2015

During the year 2016 Audit Committee Meeting hold 5 nos. of meeting and transacted the business as stated below:

SL. No.	Meeting		Business transacted
	No.	Date	
1	43rd	31/Jan/16	Review of the comprehensive inspection report of Bangladesh bank for the year 2014
2	44th	19/Feb/16	Proposal for procurement of core banking solution named BANKULTIMUS
3	45th	17/Apr/16	Review and approval of Internal Audit plan 2016, Review of the report on the activities of the Audit Committee for the year 2015 and Review of Audited Financial Statements of the company for the year ended December 31, 2015 & Recommendation for appointment of the statutory auditor for the year 2016 & fixation of remuneration
4	46th	12/May/16	Review and recommendation on company's of First Quarter (Q1) un-audited financial statements
5	47th	28/May/16	Review of quarterly internal audit report submitted by the internal control and compliance department
6	48th	31/Jul/16	Review and recommendation on company's of Half Yearly un-audited financial statements
7	49th	30/Oct/16	Review of the comprehensive inspection report of the Bangladesh bank for the year ended December 31, 2015 and reply of the management thereon and Review and recommendation on company's of Third Quarter (Q3) un-audited financial statements

39 Related party disclosures

39.1 Particulars of directors of the Company as of December 31, 2016

Sl. No.	Name of Directors	Designation	Shareholding Status
1	Mr. M. A. Hashem	Chairman	Independent Director
2	Mr. Nasim Anwar, FCA	Director	Nominated by Newtech Enterprise Ltd. holds 7.85 % shares
3	Mrs. Papia Banerjee	Director	
4	Mr. M. Abul Hashem	Director	Nominated by Shaw Wallace Bangladesh Limited holds 17.36% shares
5	Mr. M. Nurul Alam	Director	
6	Mr. Bashudeb Banerjee	Director	Nominated by BR International Ltd. holds 8.15% shares
7	Mr. Md. Anwarul Kabir	Director	
8	Mr. Md. Nowsherul Islam	Director	Nominated by Nature Enterprise Ltd. holds 8.18% shares
9	Mrs. Momtaz Begum	Director	
10	Mr. Md. Zahirul Alam, FCA	Independent Director	Not Applicable
11	Mr. Md. Nuruzzaman	Independent Director	Not Applicable
12	Mr. Rashedul Haque	Managing Director	Not Applicable, Ex-officio

(Figures in BDT)

	2016	2015

39.2 Name of Directors and their interest in different entities as on December 31, 2016

Sl. No.	Name of Directors	Status with the Company	Entities where they are Interested
1	Mr. M. A. Hashem	Chairman	**Chairman:** 1) Transvent International Ltd 2) Greenland Equities Ltd 3) Support for Society of Rural Development 4) IL Capital Limited
2	Mr. Muhammed Abul Hashem	Director	**Director:** IL Capital Limited
3	Mr. M. Nurul Alam	Director	**Chairman:** International Leasing Securities Limited **Managing Director :** 1) Shaw Wallace Bangladesh Limited 2) SW Shipping Limited **Director:** 1) National Housing Finance & Investment Ltd 2) SW Multimedia Limited
4	Mr. Nasim Anwar, FCA	Director	**Chairman:** Taniya Trading House (Pvt.) Limited **Managing Director:** Far East Shares & Securities Limited **Vice President:** Institute of Chartered Accountants of Bangladesh **Nominated Director:** Banco Energy Generation Ltd **Partner:** Syful Shamsul Alam & Co.
5	Mr. Bashudeb Banerjee	Director	**Managing Director:** Deya Oil Limited MST Marine Services & Traders Limited **Sponsor Director:** MTB Marine Ltd Eeta & Tiles Limited Zed Shipping Lines Ltd MST Pharma And Healthcare Limited Rainforest Properties Ltd **Proprietor:** Newtech Enterprise
6	Mrs. Papia Banerjee	Director	**Director:** Deya Shipping Ltd Teekmarks Shipping Ltd Amader Marine Co. Limited Deya Oil Limited
7	Mrs. Momtaz Begum	Director	**Director:** MST Marine Services & Traders Limited Teekmarks Shipping Ltd Deya Shipping Ltd HC Marine Ltd

(Figures in BDT)

Sl. No.	Name of Directors	Status with the Company	Entities where they are Interested	2016	2015
8	Mr. Md. Nowsherul Islam	Director	**Director:** MST Marine Services & Traders Limited Eeta & Tiles Limited Deya Oil Limited		
9	Mr. Md. Anwarul Kabir	Director	n/a		
10	Mr. Md. Zahirul Alam, FCA	Independent Director	**Director:** International Leasing Securities Ltd **Independent Director:** Dulla Mia Cotton & Spinning Mills Ltd Kay & Que (Bangladesh) Ltd **Member of the Trustees:** The COAST		
11	Mr. Md. Nuruzzaman	Independent Director	Barrister at Law **Member:** Honourable Society of Lincoln's Inn, London, UK. Bangladesh Bar Council, Dhaka. Institution of Engineers of Bangladesh Supreme Court of Bangladesh. Dhaka Bar Association, Dhaka. **Director:** IL Capital Limited		
12	Mr. Rashedul Haque	Managing Director	**Director:** International Leasing Securities Ltd IL Capital Limited		

39.3 Transactions with directors and their related entities

Name of the party	Name of the director	Relationship	Nature of transaction	2016	2015
Mr. Nasim Anwar, FCA	Mr. Nasim Anwar, FCA	Self	Term Deposit	(3,344,106)	(5,350,439)
S.W. Shipping Ltd.	Mr. M. Nurul Alam	Common Director	Term Deposit	(31,780,000)	(41,023,500)
S W Multimedia Limited	Mr. M. Nurul Alam	Director	Term Deposit	(4,914,332)	(4,512,591)
A F Mujibur Rahman Foundation	Mr. M. Nurul Alam	Trustee	Term Deposit	(152,480,730)	(161,394,123)

		(Figures in BDT)	
		2016	2015

40 Events after the reporting period

40.1 Dividend for the year - 2016

The Board of Directors at their 203rd meeting held on April 23, 2017 recommended to the shareholders stock dividend (bonus share) @ 5% amounting to Tk. 89,816,265 (i.e. 1 bonus share for every 20 fully paid shares held at the record date) subject to the approval of the shareholders at the 21st Annual General Meeting (AGM) scheduled to be held on 15 June, 2017.

Proposed dividend consists of:

Cash	-	-
Bonus share	89,816,265	85,539,300
	89,816,265	**85,539,300**

Proposed dividend will be distributed from:

Retained surplus for the year	89,816,265	85,539,300
Past accumulated retained earnings/surplus	-	-
	89,816,265	**85,539,300**

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, 2016

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, 2016

43 Number of employees engaged for the whole year and drawing remuneration of Tk. 35,000 and above per annum was 30.

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 met 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 23, 2017

Chairman | Director | Managing Director | Companr Secretary

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Schedule of investment in shares (Quoted)

Annexure - A

(Figures in BDT)

Name of the company	Category of Share	Face value	Nos. of share	Cost as of 31-Dec-16	Average cost	Quoted rate per share as of 31-Dec-16	Total market value as of 31-Dec-16	Unrealized Gain/(Loss) as of 31-Dec-16	Provision for Loss
ACI Limited	A	10	37,500	17,506,368	466.84	385.50	14,456,250	(3,050,118)	(3,050,118)
ACME Laboratories Ltd	A	10	51,000	5,399,936	105.88	99.00	5,049,000	(350,936)	(350,936)
AIBL Mutual Fund	A	10	730,592	5,333,322	7.30	8.30	6,063,914	730,592	730,592
Lafarg Surma	A	10	50,000	4,184,985	83.70	82.10	4,105,000	(79,985)	(79,985)
Beximco Pharma	A	10	300,000	26,014,800	86.72	80.80	24,240,000	(1,774,800)	(1,774,800)
Brac Bank ltd	A	10	65,858	4,366,721	66.31	64.10	4,221,498	(145,223)	(145,223)
City Bank Ltd	A	10	40,000	1,065,116	26.63	27.20	1,088,000	22,884	22,884
First Security Bank Ltd	A	10	500,000	6,900,650	13.80	13.90	6,950,000	49,350	49,350
Heidelberg Cement Bd Ltd	A	10	50,000	27,813,440	556.27	552.30	27,615,000	(198,440)	(198,440)
GSP Finance	A	10	100,000	2,247,970	22.48	22.90	2,290,000	42,030	42,030
Ifad Autos Ltd	A	10	5,000	498,993	99.80	100.20	501,000	2,008	2,008
Kulna power company Ltd	A	10	550,000	40,314,560	73.30	62.50	34,375,000	(5,939,560)	(5,939,560)
Aftab automobile	A	10	50,000	3,045,695	60.91	56.70	2,835,000	(210,695)	(210,695)
Delta life insurance Ltd	A	10	10,000	1,010,757	101.08	100.60	1,006,000	(4,757)	(4,757)
Olympic accessories Ltd	A	10	36,550	761,241	20.83	26.00	950,300	189,059	189,059
Premier cement Ltd	A	10	122,570	11,634,896	94.92	91.20	11,178,384	(456,512)	(456,512)
Progressive Life insurance co Ltd	Z	10	83,051	4,733,907	57.00	53.60	4,451,534	(282,373)	(282,373)
RAK ceremics Ltd	A	10	500,000	33,557,600	67.12	61.90	30,950,000	(2,607,600)	(2,607,600)
SAPORT	A	10	50,000	2,665,975	53.32	51.50	2,575,000	(90,975)	(90,975)
Shahjibazar power co ltd	A	10	160,000	24,768,816	154.81	136.10	21,776,000	(2,992,816)	(2,992,816)
Simtex Industries Ltd	A	10	1,226,990	26,135,869	21.30	21.50	26,380,285	244,416	244,416
UPGDCL	A	10	255,535	39,664,500	155.22	141.60	36,183,756	(3,480,744)	(3,480,744)
BBS Bangladesh	A	10	50,000	2,708,100	54.16	51.80	2,590,000	(118,100)	(118,100)
Summit power Ltd	A	10	422,226	16,481,423	39.03	37.00	15,622,362	(859,061)	(859,061)
Qasem drycell	A	10	25,000	2,344,513	93.78	94.20	2,355,000	10,488	10,488
Singer BD	A	10	11,000	2,100,655	190.97	192.50	2,117,500	16,845	16,845
Fuwang ceremics	A	10	509,770	9,066,769	17.79	18.20	9,277,814	211,045	211,045
YPL Yaekin polymer	A	10	1,141	11,316	9.92	30.40	34,686	23,371	23,371
RD Food	A	10	299,407	5,728,554	19.13	18.90	5,658,792	(69,762)	(69,762)
LINDEBD	A	10	9,500	13,437,119	1,414.43	1,296.00	12,312,000	(1,125,119)	(1,125,119)
Total				341,504,566			319,209,075	(22,295,492)	(22,295,492)

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Schedule of fixed assets

Annexure - B

(Figures in BDT)

Particulars	COST				DEPRECIATION					Written down value as at December 31, 2016
	Balance as at January 01, 2016	Addition during the Year	Disposal during the Year	Balance as at December 31, 2016	Rate (%)	Balance as at January 01, 2016	Charged during the Year	Adjustment during the Year	Balance as at December 31, 2016	
Motor vehicles	26,996,686	23,385,804	12,804,000	37,578,490	20	8,970,378	4,969,989	5,349,400	8,590,967	28,987,523
Office decoration	22,141,190	21,111	-	22,162,301	15	17,503,184	1,691,040	-	19,194,224	2,968,077
Office equipment	10,983,200	65,956	263,941	10,785,215	20	9,965,008	614,529	263,694	10,315,842	469,373
Furniture & fixtures	6,579,650	18,731,087	231,000	25,079,737	20	4,761,537	1,091,721	124,791	5,728,467	19,351,270
Computer Accessories	5,588,513	2,197,458	402,746	7,383,225	33	4,294,235	944,821	402,982	4,836,074	2,547,151
Total as at December 31, 2016	**72,289,239**	**44,401,416**	**13,701,687**	**102,988,968**		**45,494,342**	**9,312,100**	**6,140,867**	**48,665,575**	**54,323,393**
Total as at December 31, 2015	**68,739,400**	**10,881,442**	**3,533,651**	**76,087,191**		**44,943,465**	**9,425,608**	**3,084,268**	**51,284,806**	**24,802,385**

Schedule of intangible assets

Particulars	COST				DEPRECIATION					Written down value as at December 31, 2016
	Balance as at January 01, 2016	Addition during the Year	Disposal during the Year	Balance as at December 31, 2016	Rate (%)	Balance as at January 01, 2016	Charged during the Year	Adjustment during the Year	Balance as at December 31, 2016	
Computer Software	-	3,281,250	-	3,281,250	33	-	204,696	-	204,696	3,076,554
Total as at December 31, 2016	-	**3,281,250**	-	**3,281,250**		-	**204,696**	-	**204,696**	**3,076,554**

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Schedule of consolidated fixed assets

Annexure - B(a)

(Figures in BDT)

Particulars	COST				DEPRECIATION					Written down value as at December 31, 2016
	Balance as at January 01, 2016	Addition during the Year	Disposal during the Year	Balance as at December 31, 2016	Rate (%)	Balance as at January 01, 2016	Charged during the Year	Adjustment during the Year	Balance as at December 31, 2016	
Motor vehicles	40,218,445	26,478,137	20,934,092	45,762,490	20	15,807,302	6,971,612	10,034,406	12,744,508	33,017,982
Office decoration	59,624,821	593,381	11,015,863	49,202,339	15	46,882,015	5,491,345	10,857,863	41,515,497	7,686,842
Office equipment	19,691,779	65,956	2,917,575	16,840,160	20	17,876,791	982,289	2,600,745	16,258,335	581,825
Furniture & fixtures	10,942,025	18,815,087	2,289,509	27,467,603	20	8,197,744	1,477,728	1,890,148	7,785,324	19,682,279
Computers & accessories	26,422,498	3,093,752	1,883,910	27,632,340	33	22,048,236	3,086,345	1,863,153	23,271,428	4,360,912
Total as at December 31, 2016	156,899,568	49,046,313	39,040,949	166,904,932		110,812,088	18,009,319	27,246,315	101,575,092	65,329,840
Total as at December 31, 2015	153,803,693	23,169,586	20,073,712	156,899,568		106,565,529	20,473,018	16,226,459	110,812,088	46,087,480

Schedule of consolidated intangible assets

Particulars	COST				DEPRECIATION					Written down value as at December 31, 2016
	Balance as at January 01, 2016	Addition during the Year	Disposal during the Year	Balance as at December 31, 2016	Rate (%)	Balance as at January 01, 2016	Charged during the Year	Adjustment during the Year	Balance as at December 31, 2016	
Computer Software	-	3,281,250	-	3,281,250	33	-	204,696	-	204,696	3,076,554
Total as at December 31, 2016	-	3,281,250	-	3,281,250		-	204,696	-	204,696	3,076,554

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Financial Highlights

Annexure - C

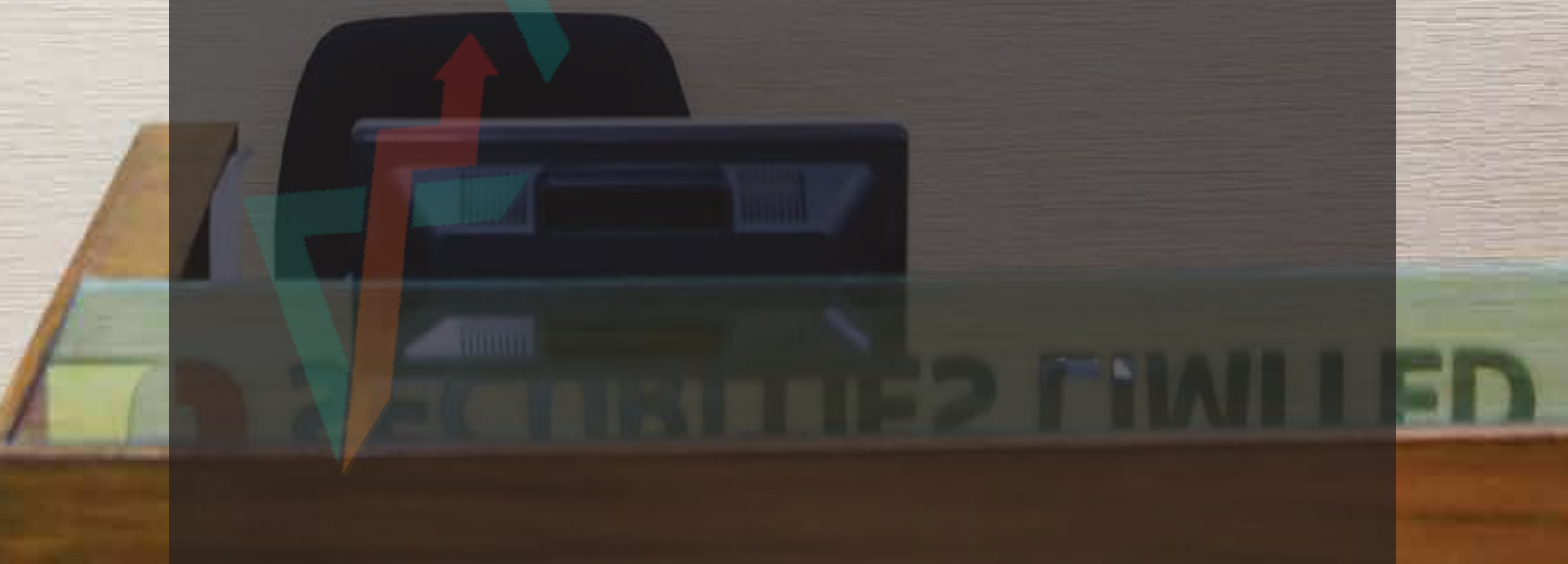
(Figures in BDT)

SL. No.	Particulars	2016	2015	2014	2013	2012	2011	2010
1	Paid-up capital	1,796,325,300	1,710,786,000	1,710,786,000	1,710,786,000	1,710,786,000	1,629,320,000	509,162,500
2	Paid-up Capital surplus/(deficit)	796,325,300	710,786,000	710,786,000	710,786,000	710,786,000	710,786,000	314,660,000
3	Total capital	2,261,824,267	2,373,642,248	2,125,214,635	2,084,262,214	2,215,625,126	2,108,609,749	1,398,198,454
4	Total assets	35,493,852,813	23,231,183,679	17,516,706,624	17,542,215,470	16,590,839,058	16,288,124,334	16,274,965,871
5	Total Deposits	21,910,615,384	13,166,933,885	10,392,660,500	9,982,201,215	9,128,539,313	8,425,124,666	8,408,600,874
6	Total leases, loans and advances	29,730,237,726	20,283,566,651	14,478,187,971	15,483,925,851	14,041,637,394	13,870,984,147	13,112,292,398
7	Total contingent liabilities and commitments	572,720,063	586,484,773	774,675,664	813,577,041	611,577,041	564,046,821	859,173,705
8	Leases, loans and advances to deposits ratio	1.36	1.54	1.39	1.55	1.54	1.65	1.56
9	% of classified leases, loans and advances to total leases, loans and advances	4.69%	6.89%	9.97%	7.74%	8.16%	9.27%	9.18%
10	Profit after tax and provisions	114,255,046	122,548,259	110,722,314	(54,779,944)	59,282,935	(56,576,683)	343,108,981
11	Classified leases, loans and advances	1,394,190,022	1,397,052,918	1,443,988,891	1,199,116,376	1,145,254,455	1,286,405,225	1,203,882,735
12	Provision kept against classified leases, loans and advances	545,347,993	321,010,662	442,316,700	307,388,000	274,337,789	403,768,600	390,086,700
13	Provision surplus/(deficit)	12,255,318	(41,976,000)	(55,234,300)	362,120	35,101	1,521,000	2,255,000
14	Cost of fund	9.73%	10.80%	12.85%	13.43%	15.88%	13.79%	10.72%
15	Interest earning assets	35,522,584,973	22,354,996,847	17,904,530,986	16,964,031,504	16,000,171,472	15,724,622,400	15,810,887,049
16	Non-interest earning assets	1,315,060,699	878,077,910	856,877,249	578,183,966	590,667,586	563,501,934	464,078,822
17	Return on investment	12.37%	12.16%	13.50%	3.52%	14.09%	13.04%	15.60%
18	Return on assets	1.31%	1.31%	1.61%	-0.23%	0.70%	0.40%	4.05%
19	income from investment	133,356,621	(28,733,330)	45,927,733	2,030,042	(34,987,841)	(42,691,436)	248,095,679
20	Operating profit per share*	3.20	2.78	2.11	0.48	0.38	1.48	16.43
21	Earning per share*	0.70	0.69	0.74	(0.32)	0.35	(0.56)	6.74
22	Price earning ratio*	18.13	12.70	18.33	(49.34)	58.29	(84.24)	36.45

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

INTERNATIONAL LEASING SECURITIES LIMITED

Directors of International Leasing Securities Limited
Management Team
Auditors' Report to the Shareholders
Statement of Financial Position
Statement of Comprehensive Income
Statement of Cash Flows
Statement of Changes of Equity
Notes to the Financial Statements



DIRECTORS OF INTERNATIONAL LEASING SECURITIES LIMITED



Mr. M. Nurul Alam, Chairman



Mr. Md. Zahirul Alam, FCA, Director



Mr. Rashedul Haque, Director



Mr. Syed Abed Hasan, Director



Ms. Nahida Runai, Director



Mr. Mostofa Muidur Rahman, Director

ILSL MANAGEMENT



Front Row from Left
Mr. A.S.M. Ahasan Habib Chowdhury
Chief Operating Officer
Mr. Md. Zakir Hossain
Head of Trade
Middle Row from Left
Mr. Nazmus Sakib
Head of Compliance & HR
Ms. Rezwana Nasreen
Head of Research
Mr. Kazi Muhammad Rashedul Huque
Head of Office Administration
Back Row from Left
Mr. Md. Emdadul Karim
Head of Settlement
Mr. Mohammad Noore Rabbi
Head of Finance & Accounts
Mr. Md. Mohin Uddin
Head of IT

ILSL TEAM





INTERNATIONAL LEASING SECURITIES LIMITED

AUDITORS' REPORT
&
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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 31 December, 2016 and the related Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes and all related Financial Statements of International Leasing Securities Limited.

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 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 the Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining on test basis, evidence supporting the amounts and disclosures in the Financial Statements. 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 prepared in accordance with the Bangladesh Financial Reporting Standards (BFRS), give a true and fair view Statement of the company's affairs as of December 31, 2016, and the results of its financial performance and its cash flows for the year then ended and comply with the Companies Act, 1994; Securities & Exchange Rules, 1987, Dhaka Stock Exchange Rules 1954, Chittagong Stock Exchange Rules 1995 and other applicable laws and regulations.

AUDITORS' REPORT
to the Shareholders of
INTERNATIONAL LEASING SECURITIES LIMITED

We also report that;

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branch offices not visited by us;

(c) 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;

(d) the financial position of the company as of December 31, 2016 and the profit for the period have been properly reflected in the Financial Statements and the Financial Statements have been prepared in accordance with Bangladesh Financial Reporting Standard (BFRS) ;

(e) the expenditure incurred and payments made were for the purpose of the Company's business;

(f) the information and explanation required by us have been received and found satisfactory;

g) the records and statements submitted by the branches properly maintained in the Financial Statements.

Dated: Dhaka
March 21, 2017

Zoha Zaman Kabir Rashid & Co.
Chartered Accountants

AMARSTOCK

INTERNATIONAL LEASING SECURITIES LIMITED

Statement of Financial Position

as at December 31, 2016

(Figures in BDT)

	Notes	2016	2015
ASSETS			
Cash and cash equivalents	3	363,617,666	188,965,463
Investments	4	723,420,825	571,830,656
Property, Plant and Equipments	5	5,741,497	8,008,174
Receivable from customers	6	3,120,041,603	3,311,646,147
Receivable from DSE and CSE	7	160,776,351	7,996,198
Other assets	8	102,249,377	138,543,674
Total assets		**4,475,847,318**	**4,226,990,312**
LIABILITIES AND CAPITAL			
Liabilities			
Loans	9	2,638,454,255	2,839,247,261
Payable to customers	10	181,923,395	120,157,915
Payable to DSE and CSE	11	7,174,846	8,001,649
Other liabilities	12	610,021,412	222,482,684
Total liabilities		**3,437,573,907**	**3,189,889,509**
Capital / Shareholders' equity			
Paid- up capital	13.1	1,000,000,000	1,000,000,000
Retained earnings	14	38,273,412	37,100,803
Total Shareholders' equity		**1,038,273,412**	**1,037,100,803**
Total liabilities and Shareholders' equity		**4,475,847,318**	**4,226,990,312**
Net asset value (NAV) per share	15	103.83	103.71

These financial statements should be read in conjuction with the annexed note

Chairman | Director | Company Secretary

Dated : Dhaka
March 21 ,2017

Zoha Zaman Kabir Rashid & Co.
Chartered Accountants

INTERNATIONAL LEASING SECURITIES LIMITED

Statement of Comprehensive Income

For the year ended December 31, 2016

(Figures in BDT)

	Notes	2016	2015
Turnover			
DSE		36,925,731,427	42,943,033,045
CSE		3,085,037,397	4,969,493,121
		40,010,768,824	**47,912,526,166**
OPERATING INCOME			
Brokerage income	16	112,209,476	138,602,613
Direct charges	17	(10,383,535)	(11,662,917)
Net brokerage income		**101,825,941**	**126,939,696**
Interest income	18	362,194,746	464,102,313
Interest expense	19	(428,557,666)	(459,098,957)
Net interest income		**(66,362,920)**	**5,003,356**
Other operating income	20	1,006,315	3,564,428
Income from investment	21	64,908,293	(4,123,930)
Total operating income (A)		**101,377,629**	**131,383,549**
OPERATING EXPENSES			
Salaries and allowances	22	40,996,870	43,826,897
Rent, taxes, insurance, electricity, etc.	23	16,124,884	17,470,106
Legal expenses	24	550,162	145,305
Postage, stamp, telecommunication, etc.	25	925,775	1,161,706
Stationery, printing, advertisements, etc.	26	573,764	3,113,169
Directors' fees & meeting expenses	27	191,000	192,070
Auditors' fees	28	77,628	77,628
Depreciation and repair of assets	29	4,912,421	6,814,247
Other expenses	30	7,416,828	11,517,261
Total operating expenses (B)		**71,769,331**	**84,318,389**
Profit before provision (C=A-B)		**29,608,297**	**47,065,161**
Provision for unrealized loss in dealer account		-	5,814,209
Provision for contingency		2,720,000	2,720,000
Total Provision (D)	31	**2,720,000**	**8,534,209**
Profit before tax E=(C-D)		**26,888,297**	**38,530,952**
Tax expenses	32	25,715,689	26,646,722
Profit after tax		**1,172,608**	**11,884,229**
Earnings per share (EPS)	33	**0.12**	**1.19**

These financial statements should be read in conjuction with the annexed note

Chairman | Director | Company Secretary

Dated : Dhaka
March 21 ,2017

Zoha Zaman Kabir Rashid & Co.
Chartered Accountants

INTERNATIONAL LEASING SECURITIES LIMITED

Statement of Cash Flows

For the year ended December 31, 2016

(Figures in BDT)

		2016	2015
A)	**Cash flows from operating activities**		
	Brokerage income received	101,825,941	126,939,696
	Interest receipts	362,194,746	464,102,313
	Interest payments	(428,557,666)	(299,335,088)
	Payments to employees	(40,996,870)	(43,826,897)
	Income taxes paid	(34,080,860)	(30,226,825)
	Income received from investment	9,787,504	3,466,413
	Receipts from other operating activities	940,930	3,564,355
	Payments for other operating activities	(30,772,461)	(40,491,492)
	Cash generated from operating activities before changes in operating assets and liabilities	**(59,658,736)**	**184,192,474**
	Increase/ decrease in operating assets and liabilities		
	Net changes in receivable from customers	191,604,544	300,361,920
	Net changes in receivable from DSE and CSE	(152,780,152)	80,979,947
	Other assets	43,546,317	17,327,685
	Net changes in payable to customers	56,955,353	4,093,896
	Net changes in payable to DSE and CSE	(826,803)	2,905,421
	Net changes in other liabilities	105,928,178	(363,173,205)
		244,427,437	**42,495,664**
	Net cash from operating activities	**184,768,701**	**226,688,138**
B)	**Cash flows from investing activities**		
	Proceeds from sale of securities	(253,153,771)	19,059,258
	Net change of investment	101,563,602	(162,952,076)
	Net change against purchase/sale of property, plant and equipment	2,266,677	4,671,189
	Net cash used in investing activities	**(149,323,492)**	**(139,221,629)**
C)	**Cash flows from financing activities**		
	Receipts of long term loan	340,000,000	740,000,000
	Repayment of long term loan	(200,793,006)	(723,960,605)
	Dividend paid	-	-
	Share deposit money	-	-
	Increase in equity	-	-
	Net Cash from financing activities	**139,206,994**	**16,039,395**
D)	Net increase / (decrease) in cash and cash equivalents (A+ B + C)	174,652,202	103,505,903
E)	Cash and cash equivalents at beginning of the year	188,965,463	85,459,560
F)	**Cash and cash equivalents at end of the year (D+E)**	**363,617,666**	**188,965,463**
	Cash and cash equivalents at end of the year		
	Cash in hand	41,392	14,436
	Balance with banks and other financial institutions	363,576,274	188,951,027
		363,617,666	**188,965,463**

These financial statements should be read in conjuction with the annexed note

Chairman | Director | Company Secretary

Dated : Dhaka
March 21 ,2017

Zoha Zaman Kabir Rashid & Co.
Chartered Accountants

INTERNATIONAL LEASING SECURITIES LIMITED

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2016

(Figures in BDT)

Particulars	Share Capital	Retained Earnings	Total
Balance as at January 01, 2015	1,000,000,000	25,216,574	1,025,216,574
Changes during the year			
Profit after tax and provision for the year	-	11,884,229	11,884,229
Increase in share capital	-	-	-
Net Changes in 2015	-	11,884,229	11,884,229
Balance as at December 31, 2015	1,000,000,000	37,100,803	1,037,100,803
Changes during the year			
Profit after tax and provision for the year	-	1,172,608	1,172,608
Net Changes in 2016	-	1,172,608	1,172,608
Balance as at December 31, 2016	1,000,000,000	38,273,412	1,038,273,412

These financial statements should be read in conjuction with the annexed note

Chairman | Director | Company Secretary

Dated : Dhaka
March 21 ,2017

Zoha Zaman Kabir Rashid & Co.
Chartered Accountants

INTERNATIONAL LEASING SECURITIES LIMITED

Notes to the financial statements

For the year ended December 31, 2016

1 Company and its activities

1.1 Corporate information

International Leasing Securities Limited (ILSL) is a Public 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 Hossain Tower, 1st Floor 116, Bir Pratick Gazi Golam Dostogir Road, Naya Paltan,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 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.

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%

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 Statnderd-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.

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- 33. 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, 2016 to December 31, 2016.

2.16 Reporting currency

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

2.17 General

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

b) Previous year's figures have been rearranged whenever necessary to conform to current year's presentation.

		(Figures in BDT) 2016	2015
3	**Cash and cash equivalents**		
	Cash in hand	41,392	14,436
	Cash at bank (note- 3.1)	363,576,274	188,951,027
		363,617,666	**188,965,463**
3.1	**Cash at bank**		
	Bank Alfalah Ltd.	2,254,446	3,876,335
	Eastern Bank Limited	193,953	156,890,624
	Standard Chartered Bank	(4,810,126)	(3,980,309)
	One Bank Ltd	104,212,760	29,965,847
	One Bank Ltd. (PIAP)	261,706,938	2,059,910
	The Farmers Bank Ltd.	1,164	2,395
	Modhumoti Bank Ltd.	16,416	35,186
	Jamuna Bank Ltd.	725	101,040
		363,576,274	**188,951,027**
4	**Investments**		
	Investment in shares of DSE (note-4.1)	56,300,000	56,300,000
	Investment in shares of CSE (note 4.2)	103,944,686	103,944,686
	Investment in FDR (note-4.3)	146,460,288	248,023,889
	Investment in dealer account (note-4.4)	416,715,851	163,562,081
		723,420,825	**571,830,656**

4.1 This includes 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. After demutualization, as per allotment letter ref. DSE/BA/Allotment/2013/13740-009 dated November 02 2013 & Allotment no. 13009 , the total ordinary shares are 7,215,106 nos @ Tk. 10 each where 40% shares are credited under BO Account no. 1204220030590007 of International Leasing Securities Limited and 60% of total shares are preserved in the blocked account maintained by DSE as per The Exchanges Demutualization Act 2013.In addition to these, the company obtained TREC certificate from DSE to carryout brokerage business in Bangladesh.

4.2 This represents 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).After demutualization, as per allotment letter no. CSE/Dem/LOA/080 dated October 31 2013 & Allotment no. 080, the total ordinary shares are 4,287,330 nos @ Tk. 10 each where 40% shares are credited under BO Account no. 1204220030590007 of International Leasing Securities Limited and 60% shares are preserved in the blocked account maintained by CSE as per The Exchanges Demutualization Act 2013. In addition to these, the company obtained TREC certificate from CSE to carryout brokerage business in Bangladesh.

4.3	**Investment in FDR**		
	International Leasing And Financial Services Ltd.	146,460,288	242,517,639
	EXIM Bank Limited	-	5,506,250
		146,460,288	**248,023,889**

(Figures in BDT)

	2016	2015

4.4 Detail of Investment in shares through Dealer Account as of December 31, 2016 are given below:

Name of Securities	Number of shares	Cost Value	Market Value	Unrealized Gain/(Loss)
ACI Ltd.	133,411	55,048,011	51,429,941	(3,618,070)
Aman Food Ltd.	22,540	1,588,308	1,550,752	(37,556)
Atlas BD. Ltd.	5,000	546,500	547,000	500
BBS	232,434	12,418,216	12,040,081	(378,135)
BDCOM Online Ltd.	293,000	7,836,739	7,530,100	(306,639)
Beximco Pharma	50,637	4,089,115	4,091,470	2,355
Doreen Power Ltd.	25,000	2,554,870	2,557,500	2,630
Emeraild Oil Ltd.	9,827	314,295	387,184	72,888
Envoy Textiles Ltd.	40,000	1,602,000	1,552,000	(50,000)
Fortune Shoes	10,063	100,630	511,200	410,570
ICB	153,285	17,699,259	16,018,283	(1,680,977)
IFAD Autos Ltd.	10,000	878,234	1,002,000	123,766
Intech Online	22,500	291,825	342,000	50,175
IPDC	695,771	29,409,350	29,709,422	300,071
KPCL	540,000	40,407,758	33,750,000	(6,657,758)
Lafarge Surma Ceement Ltd.	75,000	6,473,325	6,157,500	(315,825)
Lankabangla Ist	200,000	20,000,000	20,000,000	-
Linde BD	27,966	38,920,452	36,243,936	(2,676,516)
National	3,000	353,400	378,600	25,200
Pioneer	116,761	3,637,049	3,526,182	(110,867)
Quasem Drycelles Ld.	691,771	66,454,177	65,164,828	(1,289,348)
RAK	500,000	32,070,909	30,950,000	(1,120,909)
Rangpur Foundry Ltd.	20,000	2,175,593	2,166,000	(9,593)
RSRM	55,000	2,585,550	4,037,000	1,451,450
SAIF Power Ltd.	109,700	5,776,220	5,550,820	(225,400)
SIMTEX Industries	400,000	8,320,000	8,600,000	280,000
Summit Power Ltd.	102,962	3,817,014	3,809,594	(7,420)
ACME	65,232	6,479,967	6,457,968	(21,999)
IBN Sina	24,319	4,889,995	4,827,322	(62,674)
United Airwayes	1,011,211	4,954,934	6,977,356	2,022,422
Yakin Polymer	1,141	11,319	34,686	23,368
PIAP (Pacific Denim)	3,000,000	30,000,000	-	-
Cash at Bank	-	5,010,837	-	-
		416,715,851	**367,900,724**	**(13,804,291)**

5 Property, plant and equipments

Motor vehicles	8,184,000	9,600,000
Office decoration	11,173,543	21,617,136
Office equipment	5,580,566	8,234,200
Furniture & fixtures	1,572,845	3,373,882
Computers & accessories	15,792,488	16,620,292
	42,303,442	**59,445,510**
Less: accumulated depreciation	36,561,946	51,437,336
Net book value at the end of the year (See annexure-1 for details)	**5,741,497**	**8,008,174**

(Figures in BDT)

	2016	2015

6 Receivable from customers

Receivable from customer represents margin loan extended to them against purchase of shares. This also includes accrued interest capitalized on monthly basis. Considering recoverability of the receivables the amount has been classified under the following two categories:

Interest earning receivable	1,484,513,141	1,346,559,127
Non-interest earning receivable	1,635,528,462	1,965,087,019
	3,120,041,603	**3,311,646,147**

7 Receivable from DSE and CSE

Receivable from DSE (note-7.1)	160,123,323	7,927,256
Receivable from CSE (note-7.2)	653,028	68,942
	160,776,351	**7,996,198**

The above amounts represent receivable from Dhaka Stock Exchange Limitied and Chittagong Stock Exchange Limited against sale of shares by customers through the Exchanges. Detail break-up of the amounts are given in the following notes:

7.1 Receivable from DSE

Grouping of Shares	Date of Transaction	Amount	Amount
Z	18-Dec-16	1,027,569	-
Z	19-Dec-16	585,540	-
Z	20-Dec-16	891,592	-
Z	21-Dec-16	2,024,158	-
Z	22-Dec-16	253,477	-
Z	26-Dec-16	591,222	-
Z	27-Dec-16	1,219,975	-
ABGN	28-Dec-16	30,647,138	-
Z	28-Dec-16	201,563	-
ABGN	29-Dec-16	112,454,945	-
Z	29-Dec-16	10,226,144	-
Z	22-Dec-15	-	147,417
Z	22-Dec-15	-	304,332
Z	23-Dec-15	-	3,628
Z	24-Dec-15	-	10,800
Z	27-Dec-15	-	62,240
Z	28-Dec-15	-	113,250
Z	29-Dec-15	-	63,798
Z	30-Dec-15	-	46,896
ABGN	31-Dec-15	-	2,755,695
Z	31-Dec-15	-	4,419,200
Total		160,123,323	7,927,256

(Figures in BDT)

		2016	2015

7.2 Receivable from CSE

Grouping of Shares	Date of Transaction	Amount	Amount
Z	19-Dec-16	86,589	-
Z	19-Dec-16	94,921	-
Z	19-Dec-16	7,433	-
Z	19-Dec-16	15,585	-
Z	19-Dec-16	41,462	-
Z	19-Dec-16	407,037	-
Z	23-Dec-15	-	1,277
Z	28-Dec-15	-	11,490
Z	29-Dec-15	-	46,372
ABGN	30-Dec-15	-	9,802
Total		653,028	68,942

8 Other assets

Accrued Interest on FDR	12,294,942	1,420,548
Block interest under ICB Loan Scheme	-	10,098,439
Reschedule Loan - ICB	-	106,648,159
Successful Application Account - IPO	1,559,770	-
Loan to Employees	4,760,593	2,906,672
Receivable- Other	57,505,441	-
Advance Office Rent (note - 8.1)	12,467,750	10,832,581
Advance Corporate Tax (note - 8.2)	12,708,381	5,456,361
Advance for office space in DSE building at Nikunja	850,000	850,000
Security Deposit BTTB & CDBL	102,500	131,761
Prepaid Expense	-	199,155
	102,249,377	138,543,674

8.1 Advance office rent

Advance rent for Head Office	4,158,000	2,236,138
Advance rent for Agrabad Branch	3,226,750	4,029,763
Advance rent for Khatungonj Branch	1,975,000	1,275,000
Advance rent for Sylhet Branch	-	183,680
Advance rent for Narayangonj Branch	3,108,000	3,108,000
	12,467,750	10,832,581

8.2 Advance Corporate Tax represents amount deducted by bank/FI from interest on FDR & other deposits and tax deducted from dividend income.

9 Loans

Loan - ILFSL (note-9.1)	1,909,999,880	1,909,999,880
Loan - ICB Small Investors Fund (note-9.2)	-	133,354,854
Loan - Other Financiers	728,454,375	795,892,527
	2,638,454,255	2,839,247,261

(Figures in BDT)

		2016	2015

9.1 The loan was availed from International Leasing and Financial Services Limited (parent company of ILSL). The company has been paying interest on this loan as per specified payment schedule. Principal repayment will start from August 25, 2016 as per the said schedule.

9.2 The above loan was availed from Investment Corporation of Bangladesh (ICB) as per SEC letter ref. # SEC/SRI/SSC/2011/18 /249 dated 28/12/2011 through a original circular of The Government Republic of Bangladesh - Finance Ministry (Circular ref. # 53. 014.031.00.00.085.2005(7)-435 dt. 27/11/2011) was published for giving fund as loan at 9% interest against huge loss of Small Investors at share market in the year 2010. In this circumstances, we have taken loan in three phases (1st sanction letter ref. # ICB/BITOBAI/2014/40 dt. 12/02/2014 amount 159,898,623/-, 2nd sanction letter ref. # ICB/BITOBAI/2015/72 dt. 18/02/2015 amount 452,079,632/- and the 3rd sanction letter ref. # ICB/51/161 dt. 28/05/2015 amount 24,036,228/-) of small investors where we have received Tk. 229,142,783/- in total. The company has been repaying principal along with interest @ 7% on querterly basis to ICB which has been repaid fully by December 2016.

10	Payable to customers	181,923,395	120,157,915

This represents amount payable to customers against sale of shares and/or receipts for purchasing of shares.

11 Payable to DSE and CSE

Payable to DSE (note-11.1)	3,325,275	4,509,130
Payable to CSE (note- 11.2)	3,849,570	3,492,519
	7,174,846	8,001,649

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:

11.1 Payable to DSE

Grouping of Shares	Date of Transaction	Amount	Amount
ABGN	29-Dec-16	354,221	-
Z	29-Dec-16	2,971,054	-
Z	31-Dec-15	-	4,406,600
ABGN	31-Dec-15	-	98,032
Z	31-Dec-15	-	4,498
Total		3,325,275	4,509,130

11.2 Payable to CSE

Grouping of Shares	Date of Transaction	Amount	Amount
Z	28-Dec-16	233,920	
ABGN	29-Dec-16	3,422,893	
Z	29-Dec-16	192,758	
Z	31-Dec-15	-	3,365,805
Z	31-Dec-15	-	126,714
Total		3,849,570	3,492,519

12 Other liabilities

Payable and accrued expenses (Note- 12.1)	578,318,793	197,843,276
Provision for unrealized loss in dealer account (note - 12.2)	6,842,649	6,842,649
Provision for income tax (note- 12.3)	11,259,970	6,916,759
Provision for contingency (note- 12.4)	13,600,000	10,880,000
	610,021,412	222,482,684

(Figures in BDT)

		2016	2015
12.1	**Payable and accrued expenses**		
	a) Interest payables		
	Interest payable - Fareast Finance & Investment Ltd.	-	3,022,223
	Interest payable - ILFSL	253,975,799	155,074,979
	Interest payable - Midas Finance	2,875,000	
	Interest payable - Premier Leasing	1,444,444	1,666,667
	Interest payable - FAS Finance	10,512,500	-
	Interest payable - ICB Small Investors Fund	-	1,057,878
		268,807,743	**160,821,747**
	b) Other payables		
	CDBL & BO account maintenance fee payable to CDBL	3,314,008	487,331
	Office maintenance	124,405	78,823
	Accrued-postage & courier	-	8,392
	Accrued-advertisement	-	33,350
	Audit fee	77,629	77,626
	Utilities	4,200	7,000
	Telephone	74,681	78,891
	Payable for others	137,272	234,332
	Payable Salary	-	488,820
	Printing and stationary	42,898	288,534
	Entertainment	13,393	28,987
	Accrued-electricity bill	91,638	194,175
	Provision for gratuity	4,657,854	4,493,518
	Fund Block A/C- IPO	261,791,565	-
	Internet payable	90,000	102,000
	Inter Company - Current A/C	8,640,138	-
	Interest suspense account	30,418,247	30,418,247
	Suspense A/C	33,122	1,502
		309,511,050	**37,021,529**
	Total (a+b)	**578,318,793**	**197,843,276**
12.2	**Provision for Unrealized loss in dealer account**		
	Balance as at 1st January	6,842,649	1,028,440
	Add: provision/adjustment made during the year	-	5,814,209
		6,842,649	**6,842,649**
12.3	**Provision for income tax**		
	Balance as at 1st January	6,916,759	5,040,501
	Add: Provision made during the year	4,343,210	1,876,258
	Less: settlement of previous year tax liability	-	-
		11,259,970	**6,916,759**
12.4	**Provision for contingency**		
	Balance as at 1st January	10,880,000	8,160,000
	Add: provision/adjustment made during the year	2,720,000	2,720,000
		13,600,000	**10,880,000**

(Figures in BDT)

		2016	2015
13	**Share capital**		
	Authorised		
	10,000,000 nos. of ordinary shares of Taka 100 each	1,000,000,000	1,000,000,000
13.1	**Issued, subscribed & paid up**		
	10,000,000 nos. of ordinary shares of Taka 100 each.	1,000,000,000	1,000,000,000

Composition of shareholdings

Particulars	No. of shares	% of holding	Amount
a) Corporate	9,999,994	99.99994%	999,999,400
International Leasing & Financial Services Ltd.	9,999,994	99.99994%	999,999,400
b) Individual	6	0.00006%	600
Mr. Jamal Uddin Ahmad	1	0.00001%	100
Mr. Mizanur Rahman	1	0.00001%	100
Mr. Bashudeb Banerjee	1	0.00001%	100
Mr. Rashedul Haque	1	0.00001%	100
Ms. Nahida Runai	1	0.00001%	100
Mr. Md. Saiful Islam Akhand	1	0.00001%	100
Total (a+b)	10,000,000	100.00%	1,000,000,000

14	**Retained earnings**		
	Retained earnings as at 1st January	37,100,803	25,216,574
	Add: profit/loss after tax for the year	1,172,608	11,884,229
	Closing Balance	38,273,412	37,100,803
15	**Net asset value (NAV) per share**	103.83	103.71

(Figures in BDT)

		2016	2015
16	**Brokerage income**		
	DSE	102,486,663	130,108,762
	CSE	9,722,814	8,493,851
		112,209,476	**138,602,613**

This represents brokerage commission earned from selling and buying of securities on behalf of the clients.

17	**Direct charges**		
	Hawla charges	185,510	270,994
	Laga charges	10,198,025	11,391,923
		10,383,535	**11,662,917**
18	**Interest income**		
	Interest on margin loan	327,388,645	443,605,831
	Interest on FDR- ILFSL	24,893,218	1,568,339
	Interest on FDR- Other	83,725	5,644,183
	Interest on ICB	-	5,126,421
	Interest on bank account	9,447,296	6,491,558
	Other interest income	381,861	1,665,981
		362,194,746	**464,102,313**
19	**Interest expense**		
	Interest Expenses- ILFSL	295,461,233	318,125,163
	Interest expense-other Financiers-Midas Financing	10,729,955	15,482,150
	Interest expense-other Financiers-Fareast Finance	755,555	17,512,102
	Interest expenses-OBL	-	6,636,626
	Interest expenses-Other	10,435,317	4,954,608
	Interest Waived expenses-ICB(HO)	-	3,878,856
	Interest Expenses - ICB Small Investors	5,839,618	9,244,374
	Interest expenses-LankaBangla	8,235,355	15,686,937
	Interest expenses-Fareast Motor Lease	103,275	305,803
	Interest expenses-Prime Finance	11,373,440	19,476,179
	Interest expenses-Modhumoti Bank Ltd.	8,616,974	12,095,468
	Interest expenses-Premier Leasing	14,027,777	14,916,667
	Interest expenses-The Farmers Bank Ltd.	-	5,746,524
	Interest expenses-FAS Finance	62,979,167	15,037,500
		428,557,666	**459,098,957**

This represents interest on term loan taken from ILFSL and other financiers.

20	**Other operating income**		
	CDBL charges & BO maintenance fee recovered	-	2,221,859
	Service charge from PIAP	378,040	436,553
	Gain on sale of fixed assets	436,064	117,525
	Other Income	192,211	788,491
		1,006,315	**3,564,428**

(Figures in BDT)

		2016	2015
21	**Income from Investment**		
	Realized gain/(loss) from Investment in dealer A/C	43,772,105	(7,590,342)
	Dividend income	11,348,684	3,466,413
	Dividend income from DSE and CSE	9,787,504	-
		64,908,293	**(4,123,930)**

The shareholders of Dhaka Stock Exchange Limited (DSE) in their 54th AGM held on March 31, 2016 approved 10% Cash Dividend (i.e. Tk. 1.00 per share of Tk. 10.00 each) for the year ended June 2015 where ILSL's Gross Dividend amount of Tk. 7,215,106/- was as income against 7,215,106 shares.

The shareholders of Chittagong Stock Exchange Limited (CSE) in their 21st AGM held on May 21, 2016 approved 6% Cash Dividend (i.e. Tk. 0.60 per share of Tk. 10.00 each) for the year 2015 where ILSL's Gross Dividend amount of Tk. 2,572,398/- was as income against 4,287,330 shares.

22	**Salary and allowances**		
	Salary & allowances	37,654,111	40,372,997
	Other benefits	3,342,759	3,453,900
		40,996,870	**43,826,897**
23	**Rent, taxes, insurance, electricity, etc.**		
	Rent, rate and taxes	13,890,359	14,882,676
	Insurance Premium	44,195	241,417
	Electricity, gas and water	2,190,330	2,346,014
		16,124,884	**17,470,106**
24	**Legal expenses**		
	Legal expenses	550,162	145,305
		550,162	**145,305**
25	**Postage, stamp , telephone etc.**		
	Postage, stamp	58,356	156,983
	Telephone	867,419	1,004,723
		925,775	**1,161,706**
26	**Stationery, printing and advertisements, etc.**		
	Printing and stationery	432,875	1,351,961
	Publicity and advertisement	140,889	1,761,208
		573,764	**3,113,169**
27	**Directors' fees and meeting expenses**		
	Directors' fees and meeting expenses	**191,000**	**192,070**

No director has been paid any remuneration for any special service rendered.

28	**Auditors' fees**		
	Statutory audit fee	**77,628**	**77,628**

(Figures in BDT)

		2016	2015
29	**Depreciation, amortization and repair of assets**		
	a) Depreciation		
	Motor Vehicles	1,420,969	1,623,293
	Office Decoration	1,420,333	1,978,524
	Office Equipment	272,900	340,816
	Furniture & Fixtures	259,415	412,877
	Computers & Accessories	1,169,036	1,854,689
		4,542,653	**6,210,198**
	b) Repairs		
	Repair & Maintenance	369,768	604,049
		369,768	**604,049**
	Total (a+b)	**4,912,421**	**6,814,247**
30	**Other expenses**		
	Fuel & Repair expenses for vehicles	633,688	1,427,285
	Fuel and Power for generator	145,969	120,140
	Office Maintenance	2,035,808	2,107,071
	Fees and subscription	128,900	245,954
	Loan processing fee	40,000	24,150
	License and renewal	547,531	848,793
	Bank charges	293,352	286,790
	Entertainment	847,401	1,108,376
	Business development expenses	236,214	1,455,926
	Hospitalization Expenses	110,075	282,201
	Training expenses	21,000	87,050
	Travelling and conveyance	225,293	209,195
	Internet and connectivity	2,151,597	3,314,331
		7,416,828	**11,517,261**
31	**Provision for loss in dealer account & contingency**		
	Provision for unrealized loss in dealer account	-	5,814,209
	Loss for contingency	2,720,000	2,720,000
		2,720,000	**8,534,209**

The provisions have been created for unrealized loss in dealer account and for two fraud cases as per decision of the Board of Directors.

32	**Tax expenses**		
	Current tax provision (note-32.1)	4,343,210	1,876,258
	Tax paid on brokerage income (note- 32.2)	21,372,479	24,770,464
		25,715,689	**26,646,722**

		(Figures in BDT)	
		2016	2015

32.1 Current tax provision represents provision made for net interest income and other operating income @ 35% rounded off to nearest Taka.

32.2 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.

33 Earnings per share (EPS)

Basic earnings per share have been calculated as under:

Earning attributable to ordinary shareholders (profit after tax)	1,172,608	11,884,229
Number of ordinary shares outstanding during the year	10,000,000	10,000,000
Earning per share (EPS)	**0.12**	**1.19**

34 Related party disclosure

The company has entered into various transactions with its parent company International leasing and Financial Services Limited (ILFSL) during the year. The balance of transations with ILFSL as of December 31,2016 stands at Tk.2,172.61 million (including accrued interest) as Payable against Term Loan & Others and Tk. 158.75 million (including accrued interest) as Receivable against Fixed Deposite Receipt (FDR). As of December 31, 2015 the amounts were Tk. 2,065.07 million and Tk.243.52 million respectively.

35 Number of employees

Company has 64 number of employees as on December 31, 2016.

36 Events after balance sheet date

There is no significant event after the balance sheet date.

37 Approval of financial statements

These financial statements were approved by the Board of Directors in their meeting held on March 21, 2017 for placement in the AGM of the Company

Chairman | Director | Company Secretary

INTERNATIONAL LEASING SECURITIES LIMITED

Schedule of fixed assets

Annexure - 1

(Figures in BDT)

Particulars	COST				DEPRECIATION					Written down value as at December 31, 2016
	Balance as at January 01, 2016	Addition during the period	Adjustment/ Disposal during the period	Balance as at December 31, 2016	Rate (%)	Balance as at January 01, 2016	Charged during the period	Adjustment/ Disposal during the period	Balance as at December 31, 2016	
Motor vehicles	9,600,000	3,092,333	(4,508,333)	8,184,000	20%	5,812,573	1,420,969	(3,080,000)	4,153,542	4,030,458
Office decoration	21,617,136	572,270	(11,015,863)	11,173,543	15%	19,860,261	1,420,333	(10,857,863)	10,422,731	750,812
Office equipment	8,234,200	-	(2,653,634)	5,580,566	20%	7,532,797	272,900	(2,337,051)	5,468,646	111,920
Furniture & fixtures	3,373,882	84,000	(1,885,037)	1,572,845	15%	2,879,675	259,415	(1,682,958)	1,456,132	116,714
Computers & accessories	16,620,292	653,360	(1,481,164)	15,792,488	33%	15,352,030	1,169,036	(1,460,171)	15,060,895	731,593
Total as at December 31, 2016	**59,445,510**	**4,401,963**	**(21,544,031)**	**42,303,442**		**51,437,336**	**4,542,653**	**(19,418,043)**	**36,561,946**	**5,741,497**
Total as at December 31, 2015	**58,377,443**	**1,543,455**	**(475,388)**	**59,445,510**		**45,698,080**	6,210,198	**(470,942)**	**51,437,336**	**8,008,174**

IL CAPITAL LIMITED



Directors of IL Capital Limited
Auditors' Report to the Shareholders
Statement of Financial Position
Statement of Comprehensive Income
Statement of Cash Flows
Statement of Changes of Equity
Notes to the Financial Statements

AMAR STOCK

DIRECTORS OF IL CAPITAL LIMITED



Mr. M.A. Hashem, Chairman



Mr. Muhammed Abul Hashem, Director



Mr. Md. Nuruzzaman, Director



Mr. Rashedul Haque, Director



Mr. Syed Abed Hasan, Director



Ms. Nahida Runai, Director

MARSTOCK



IL CAPITAL LIMITED

AUDITORS' REPORT
&
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

AUDITORS' REPORT
to the Shareholders of
IL Capital Limited

We have audited the accompanying financial statements of IL Capital Limited (The Company) which comprises the Statements of Financial Position as at December 31, 2016 and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information disclosed in Notes 1 to 28 and Annexure A & B.

Management's responsibility for the financial statements

Management of the company is responsible for the preparation and fair presentation of these financial statements of the Company in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Securities and Exchange Rules 1987 and the Company 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 company'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 of the company, 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, 2016 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 profit or loss and other 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
March 16, 2017

Rahman Mostafa Alam & Co.
Chartered Accountants

IL CAPITAL LIMITED

Statement of Financial Position

as at December 31, 2016

(Figures in BDT)

	Notes	2016	2015
PROPERTY AND ASSETS			
Cash and cash equivalents	3	21,074,754	120,139,359
Investment	4	230,338,668	185,326,374
Fixed assets including premises, furniture and fixtures	5	5,264,949	11,284,409
Receivable from customer	6	15,434,896	28,420,327
Other assets(2015: Restated)	7	18,976,586	15,151,568
Total assets		**291,089,853**	**360,322,037**
EQUITY AND LIABILITIES			
Liabilities			
Payable to customers	8	3,496,256	83,168,530
Other liabilities	9	16,442,717	16,425,575
Total liabilities		**19,938,973**	**99,594,105**
Capital / Shareholders' equity			
Paid- up capital	10	250,000,000	250,000,000
Retained Earnings	11	21,150,880	10,727,932
Total Shareholders' equity		**271,150,880**	**260,727,932**
Total liabilities and Shareholders' equity		**291,089,853**	**360,322,037**
Net asset value per share(2015: Restated)	12	**108.46**	**104.29**

The accompanying notes from 1 to 28 & annexure-A & B form an integral part of these Financial Statements.

Chairman | Director | Company Secretary

Signed in terms of our separate report of even date.

Dated: Dhaka
March 16, 2017

Rahman Mostafa Alam & Co.
Chartered Accountants

IL CAPITAL LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2016

(Figures in BDT)

	Notes	2016	2015
OPERATING INCOME			
Interest income	13	6,630,475	16,389,302
Net interest income		**6,630,475**	**16,389,302**
Commission, fees and charges	14	4,218,825	6,535,502
Income from own investment	15	22,944,621	1,440,734
Other Income	16	427,026	-
Total operating income (A)		**34,220,947**	**24,365,538**
OPERATING EXPENSES			
Salary and allowances	17	5,786,061	7,609,550
Rent, taxes, insurance, electricity etc.	18	2,424,622	1,013,356
Postage, stamp & telecommunication	20	220,777	373,489
Stationery, printing & advertisements	21	84,258	704,355
Directors' fees & meeting expenses	22	97,750	126,500
Auditors' fees	23	40,250	46,000
Depreciation, amortization and repair of assets	24	4,193,833	4,548,495
Other expenses	25	1,477,008	2,013,361
Total operating expenses (B)		**14,324,560**	**16,435,106**
Profit before provision and tax (C=A-B)		**19,896,387**	**7,930,432**
Provision for unrealized loss in own portfolio (D)	26	7,194,104	2,393,327
Profit/(loss) before tax (C-D)		**12,702,283**	**5,537,105**
Tax expense(2015: Restated)	19	2,279,335	875,883
Profit after tax		**10,422,948**	**4,661,222**
Earnings per share(2015: Restated)	27	**4.17**	**1.86**

The accompanying notes from 1 to 28 & annexure-A & B form an integral part of these Financial Statements.

Chairman | Director | Company Secretary

Signed in terms of our separate report of even date.

Dated : Dhaka
March 16 ,2017

Rahman Mostafa Alam & Co.
Chartered Accountants

IL CAPITAL LIMITED

Statement of Cash Flows

For the year ended December 31, 2016

(Figures in BDT)

	2016	2015
Cash flow from operating activities		
Interest receipts in cash	6,601,287	19,800,842
Dividend receipts in cash	5,779,564	1,666,625
Commission, fees and charges	4,218,825	6,535,502
Cash payments to employees	(5,786,061)	(7,609,550)
Advance income tax	(1,700,050)	(5,032,922)
Income receipt from investment	17,165,057	-
Payments for other operating expenses	(4,383,928)	(4,529,125)
Other assets	6,409,280	(12,734,868)
Other liabilities	(84,648,202)	58,839,862
Net cash inflow/(outflow) from operating activities	**(56,344,229)**	**56,936,366**
Cash flow from investing activities		
Investment in TDR	(14,093,239)	135,823,189
Investment in Share	(30,919,055)	(103,099,555)
Net change against purchase/sale of property, plant and equipment	2,291,918	(5,825,759)
Net cash inflow/ (outflow) from investing activities	**(42,720,376)**	**26,897,875**
Cash flow from financing activities		
Paid-up Capital	-	-
Term Loan	-	-
Interim Dividend paid	-	-
Net cash inflow/(outflow) from financing activities	-	-
Net cash inflow/(outflow) for the year	**(99,064,605)**	**83,834,241**
Opening balance of cash and cash equivalents	120,139,359	36,305,118
Closing balance of cash and cash equivalents	**21,074,754**	**120,139,359**

Chairman | Director | Company Secretary

IL CAPITAL LIMITED

Statement of Changes in Equity

For the year ended December 31, 2016

Particulars	Amount in Taka		
	Share Capital	Retained Earnings	Total
Balance as at December 31, 2014	250,000,000	6,066,710	256,066,710
Issuance of Ordinary Share	-	-	-
			-
Profit after tax during the year 2015(Restated)	-	4,661,222	4,661,222
			-
Interim Dividend	-	-	-
Balance as at December 31, 2015	250,000,000	10,727,932	260,727,932
Issuance of Ordinary Share	-	-	-
Profit after tax during the year 2016	-	10,422,948	10,422,948
Interim Dividend	-	-	-
Balance as at December 31, 2016	250,000,000	21,150,880	271,150,880

Chairman | Director | Company Secretary

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IL CAPITAL LIMITED

Notes to the financial statements

For the year ended December 31, 2016

1 Company and its activities

1.1 Corporate information

IL Capital Limited 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 Hossain Tower (2nd Floor), 116, Bir Protik Gazi Golam Dostogir Road, Naya Paltan, 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 followed 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. As per merchant bank rules and regulation the company has to mentioned provision for unrealized loss on mark to market basis, hence ***IAS 39 Financial Instruments: Recognition and Measurement*** could not be followed.

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 ***BAS 7 Statement of Cash Flows.*** Cash and cash equivalents for cash flow statement 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 and 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 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%
- Computer and 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 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 *BAS 23 Borrowing Costs.*

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.

Deferred tax

The company accounts for deferred tax as per *BAS 12 Income Taxes*. This is provided using the liability method for all temporary timing differences arising between the tax base of the assets and liabilities and their carrying value for financial reporting purposes. Tax rate prevailing at the statement of financial position date is used to determine deferred tax asset or liability.

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

2.10 Earning Per Share (EPS)

The Company calculates Earnings per share (EPS) in accordance with ***BAS 33 Earning Per Share,*** which is shown in the face of the Statement of Profit or Loss and Other Comprehensive Income. 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 the Reporting Period

BAS 10 Events after the Reporting Period contains requirements for when events after the end of the reporting period should be adjusted in the financial statements. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period (the latter being disclosed where material).

There were no material events have occurred after the reporting period which could affect the values stated in the financial statements.

2.12 Accounting Policies, Changes in Accounting Estimates and Errors

BAS 8 Accounting Policies, Changes in Accounting Estimates and Errors is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors.

The standard requires compliance with any specific BFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

Company adopted deferred tax accounting policy during the year.

2.13 Restatement of comparative figures

As per BAS 1 Presentation of Financial Statements when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, it must also present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period.

Comparative information for the year of 2015 has been restated for all numerical information in the financial statements and wherever necessary the narrative and disclosure notes have been changed to conform to the restated figures for understanding the current year's financial statements. Detail about the restatement is disclosed in note numbers 7 and 19.

2.14 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.

2.15 Reporting currency

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

2.16 Uniform accounting policies

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

		(Figures in BDT) 2016	2015
3.0	**Cash and cash equivalents**		
	Cash in hand	5,479	7,326
	Cash in transit	-	4,500,000
	Cash at bank (note- 3.1)	21,069,275	115,632,033
		21,074,754	**120,139,359**
3.1	**Cash at bank**		
	Eastern Bank Limited	-	70,555
	One Bank Limited	20,241,283	114,612,092
	Bank Al Falah	343,092	254,337
	Bank Asia Limited	484,900	695,049
		21,069,275	**115,632,033**
4.0	**Investment**		
	Investment in share	183,745,429	185,326,374
	Investment in pre IPO share	32,500,000	-
	Investment in TDR with ILFSL (note- 4.1)	14,093,239	-
		230,338,668	**185,326,374**
4.1	Investment in TDR with ILFSL		
	Opening balance	-	135,823,189
	Add: investment made during the year	34,093,239	50,000,000
	Less: encashment during the year	(20,000,000)	(185,823,189)
		14,093,239	-
5.0	**Fixed assets including premises, furniture & fixtures**		
	Motor Vehicles		3,621,759
	Office Decoration	15,866,495	15,866,495
	Office equipment	474,379	474,379
	Furniture & Fixtures	815,021	988,493
	Computer & accessories	4,456,627	4,213,693
		21,612,522	**25,164,819**
	Less: Accumulated depreciation	(16,347,573)	(13,880,410)
	Net book value at the end of the year (Annexure-1)	**5,264,949**	**11,284,409**
6.0	**Receivable from customer**	**15,434,896**	**28,420,327**
	(This represents amount receivable from customer against share purchased.)		
7.0	**Other assets**		
	A. Income generating:		
	Interest receivable on TDR	29,188	-
		29,188	-
	B. Non-income generating:		
	Advance, deposit and prepaid expenses (note- 7.1)	200,000	203,500
	Advance corporate tax	1,201,604	3,134,024
	Tax deducted at source	3,463,971	4,904,955
	Deferred tax asset/(liability)(note-7.2)	2,484,160	1,891,078
	Advance office rent-Hossain Tower	4,055,615	-
	Prepaid insurance	-	5,833
	Receivable from broker	7,542,048	5,012,178
		18,947,398	**15,151,568**
	Total other Assets (A+B)(2015: Restated)	**18,976,586**	**15,151,568**

The adjustment is made for deferred tax asset which increases the total asset for the year of 2015.

		(Figures in BDT) 2016	2015
7.1	**Advance, deposit and prepaid expenses**		
	Security deposit CDBL	200,000	200,000
	Security deposit - Alpine fresh	-	3,500
		200,000	203,500
7.2	**Deferred tax asset/(liability)**		
	Tax base of fixed assetes	11,889,376	16,327,282
	Carrying values of fixed assets as per accounts	5,264,948	11,284,409
	(Taxable)/ deductible temporary difference	**6,624,428**	**5,042,874**
	Applicable tax rate	37.50%	37.50%
	Deffered tax during the year	**2,484,160**	**1,891,078**
	The company adopted deferred tax accounting policy during the year of 2016.		
8.0	**Payable to customers**	3,496,256	83,168,530
	(This represents amount payable to customer against sale of share and/or receipts for purchase of shares.)		
9.0	**Other Liabilities**		
	Provision for income tax (Note-9.1)	5,963,179	8,164,214
	Provision for unrealized loss on own portfolio	9,560,011	2,236,053
	Provision for margin loan	154,349	284,203
	Unpaid dividend	7	7
	Liability for expenses (Note-9.2)	755,171	5,741,098
	Fund block account- IPO	10,000	-
		16,442,717	16,425,575
9.1	**Provision for income tax**		
	Opening balance	8,164,214	11,401,304
	Add: Tax provision during the year(Note-19)	2,872,418	2,766,961
	Less: Adjustment during the year	(5,073,453)	(6,004,051)
		5,963,179	8,164,214
9.2	**Liability for expenses & other payables**		
	Audit fee	34,500	34,500
	Telephone bill	-	1,045
	Drinking water bill	-	725
	Courier bill payable	-	9,500
	BO account maintenance fee payable to CDBL	27,257	2,400
	Software license fee	101,887	101,887
	Payable to broker	580,663	5,591,041
	other payable	1,204	-
	Withholding Tax and VAT	8,583	-
	Inercompany Payable	1,077	-
		755,171	5,741,098
10.0	**Share capital**		
	Authorized capital		
	20,000,000 nos. of ordinary shares of taka 100 each	2,000,000,000	2,000,000,000

(Figures in BDT)

	2016	2015
10.1 Issued, subscribed & paid up		
2,500,000 nos. of ordinary shares of taka 100 each fully paid.	250,000,000	250,000,000
	250,000,000	250,000,000

Composition of shareholdings

Particulars	No. of shares	Amount	Amount
a) Corporate	2,499,799	100	249,979,900
International Leasing And Financial Services Ltd.	2,499,799	100	249,979,900
b) Individual	201	100	20,100
Mr. Jamal Uddin Ahmad	1	100	100
Mr. Rashedul Haque	100	100	10,000
Mr. Syed Abed Hasan	50	100	5,000
Ms. Nahida Runai	50	100	5,000
Total	2,500,000	100	250,000,000

11.0 Retained Earnings		
Opening balance	10,727,932	6,066,710
Add. Profit after tax for the year	10,422,948	4,661,222
Less: Interim Dividend paid for the year	-	-
Closing balance	21,150,880	10,727,932
12.0 Net asset value per share		
Total assets	291,089,853	360,322,037
Total liabilities	19,938,973	99,594,105
Net asset	271,150,880	260,727,932
Number of share outstanding	2,500,000	2,500,000
Net asset value per share	108.46	104.29
13.0 Interest income		
Interest income from TDR	1,099,482	6,091,047
Interest income from savings account	1,320,022	3,927,964
Interest income margin loan	4,210,971	6,370,291
	6,630,475	16,389,302
14.0 Commission, fees and charges		
BO account maintenance fee	2,000	26,304
Management fee	253,580	457,550
Commission	2,938,072	5,515,937
CDBL Charge - income	116,543	-
Cheque dishonour charge	7,500	10,500
Underwriting fees	901,120	525,000
PIA processing charge	10	211
	4,218,825	6,535,502

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		(Figures in BDT) 2016	2015
15.0	**Income from own investment**		
	Realized gain from investment	17,165,057	(225,891)
	Dividend income	5,779,564	1,666,625
		22,944,621	1,440,734
16.0	**Other Income**		
	Gain on sale of fixed assets	427,026	-
		427,026	-
17.0	**Salary and allowances**		
	Basic salary and other allowances	5,515,683	7,127,900
	Staff provident fund	270,378	351,834
	Gratuity	-	16,268
	Internee allowance	-	113,548
		5,786,061	7,609,550
18.0	**Rent, taxes, insurance, electricity etc.**		
	Office rent	2,133,185	845,220
	Electricity and utility	291,437	168,136
		2,424,622	1,013,356
19.0	**Tax Expenses**		
	Total tax provision during the year	2,872,418	2,766,961
	Less: Adjustment for deferred tax (income)/expense	(593,083)	(1,891,078)
	Tax Expenses(2015: Restated)	2,279,335	875,883
20.0	**Postage, stamp & telecommunication**		
	Telephone	82,761	87,372
	Internet	128,200	159,530
	Web design	9,424	81,925
	Courier	392	44,662
		220,777	373,489
21.0	**Stationery, printing and advertisements**		
	Printing and stationery	84,258	101,926
	Monthly publication	-	602,429
		84,258	704,355
22.0	**Directors' fees & meeting expenses**		
	Directors' fee for attending board meeting	97,750	126,500
		97,750	126,500
23.0	**Auditors' fees**		
	Statutory audit fee	40,250	46,000
		40,250	46,000
24.0	**Depreciation, amortization and repair of assets**		
	a) Depreciation - (Annexure-1)		
	Motor Vehicles	580,654	724,352
	Office Decoration	2,379,974	2,379,974
	Office equipment	94,860	94,876
	Furniture & Fixtures	126,592	148,274
	Computer & accessories	972,488	950,290
		4,154,568	4,297,766
	b) Repairs		
	Vehicles	17,095	181,090
	Computer, office equipments etc.	300	19,810
	Office premises	-	12,250
	Generator	21,870	37,579
		39,265	250,729
	Total (a+b)	4,193,833	4,548,495

		(Figures in BDT)	
		2016	2015
25.0	**Other expenses**		
	Fuel expenses	104,557	216,234
	Office maintenance	47,765	45,989
	Books, magazines and newspapers	5,015	16,384
	Fees and subscription	1,123,371	1,058,670
	Bank charges	46,325	149,812
	Entertainment	12,515	72,146
	Traveling and conveyance expenses	31,110	96,021
	Training expenses	15,000	-
	Marketing expenses	-	328,300
	Hospitalization expenses	35,000	23,805
	CDBL charges	37,450	6,000
	Internet and connectivity expenses	18,900	-
		1,477,008	**2,013,361**
26.0	**Provision for loss on investment and loan**		
	Provision for unrealized loss on own portfolio investment	7,323,958	2,236,053
	Provision for margin loan	(129,854)	157,274
		7,194,104	**2,393,327**
27.0	**Earnings Per Share (EPS)**		
	Basic earnings per share		
	Earning attributable to ordinary shareholders (profit after tax)	10,422,948	4,661,222
	Number of ordinary shares outstanding during the year	2,500,000	2,500,000
	Earnings per share(2015: Restated)	**4.17**	**1.86**

28.0 **Events after statement of financial position date:**

There is no significant event after the statement of financial position date.

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IL CAPITAL LIMITED

Schedule of fixed assets

Annexure - A

Fixed assets including premises, furniture & fixtures

(Figures in BDT)

Particulars	COST				DEPRECIATION					Written down value as at December 31, 2016
	As at January 01, 2016	Addition during the Year	Adjustment during the Year	As at December 31, 2016	Rate (%)	As at January 01, 2016	Charged during the Year	Adjustment during the Year	As at December 31, 2016	
Motor Vehicles	3,621,759	-	3,621,759	-	20%	1,024,352	580,654	1,605,006	-	-
Office Decoration	15,866,495	-	-	15,866,495	15%	9,518,571	2,379,974	-	11,898,545	3,967,950
Office equipment	474,379	-	-	474,379	20%	378,984	94,860	-	473,844	535
Furniture & Fixtures	988,493	-	173,472	815,021	15%	556,532	126,592	82,399	600,725	214,296
Computer & accessories	4,213,693	242,934	-	4,456,627	33%	2,401,971	972,488	-	3,374,459	1,082,168
										-
Total as at December 31, 2016	25,164,819	242,934	3,795,231	21,612,522		13,880,410	4,154,568	1,687,405	16,347,573	5,264,949
Total as at December 31, 2015	19,339,060	5,825,759	-	25,164,819		9,582,644	4,297,766	-	13,880,410	11,284,409

IL CAPITAL LIMITED

Schedule of Investment (Own Portfolio)

As at December 31, 2016

Annexure - B

(Figures in BDT)

Instrument Name	Total Quantity	Average Cost	Total Cost	Market Price	Market Value	Unrealized Gain/(Loss)
Heidelberg Cement BD Ltd.	62,351	607	37,858,532	552	34,436,457	(3,422,075)
Linde Bangladesh Limited	5,000	1,379	6,894,889	1,296	6,480,000	(414,889)
Quasem Drycells	78,178	96	7,491,157	94	7,364,368	(126,789)
RAKCERAMIC	504,723	73	36,764,478	62	31,242,354	(5,522,124)
BSCCL	50,000	119	5,928,575	119	5,930,000	1,425
Delta Life Insurance	70,686	109	7,683,300	101	7,111,012	(572,288)
EBL First Mutual Fund	312,141	6	1,811,510	6	1,935,274	123,764
NLI First Mutual Fund	210,000	13	2,725,653	13	2,751,000	25,347
Sino Bangla Industries Ltd.	24,475	33	816,648	29	707,328	(109,320)
Square Pharmaceuticals Ltd.	3,920	249	976,704	249	976,472	(232)
AIBL1STIMF	900,000	8	7,220,610	8	7,470,000	249,390
IFIC Bank	160,000	21	3,438,816	21	3,344,000	(94,816)
Fu-Wang Ceramic	200,000	18	3,690,380	18	3,640,000	(50,380)
Ifad Autos Ltd	2,000	-	-	100	200,400	200,400
One Bank Limited	270,599	18	4,835,604	18	4,951,962	116,358
SEBL1STMF	100,000	12	1,213,250	12	1,220,000	6,750
Yeakin Polymer Limited	1,141	9	10,376	30	34,699	24,322
Grameen MF 2ND Scheme	250,000	12	3,028,500	12	3,075,000	46,500
IPDC	205,000	43	8,781,872	43	8,753,500	(28,372)
MJL Bangladesh Ltd	133,468	121	16,128,674	120	15,962,773	(165,901)
PHP First Mutual Fund	200,000	5	1,044,220	5	1,080,000	35,780
Fortune Shoes Limited	10,063	10	100,630	51	511,200	410,570
KPCL	240,000	75	17,975,400	63	15,000,000	(2,975,400)
RSRMSTEEL	101,500	47	4,755,204	73	7,450,100	2,694,896
Doreen Power Generations and Systems Limited	25,000	103	2,570,430	102	2,557,500	(12,930)
Summit Alliance Port Ltd.	0	47	19	52	21	2
			183,745,429		**174,185,418**	**(9,560,011)**

SHAREHOLDERS' ADDITIONAL INFORMATION



Company Chronicles
Letter of Transmittal
Notice of AGM
Proxy Form & Attendance Slip

STOCK

COMPANY CHRONICLES

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 07, 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 Finance 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. (now, BRAC EPL Investments Ltd.) to act as Issue Manager
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	:	Enlisted with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd.
October 06, 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., a 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 dealership and brokerage operation under membership of Chittagong Stock Exchange
November 07, 2010	:	Commencement of Stock Brokerage Operation at Khatunganj Branch
December 12, 2010	:	Commencement of Stock Brokerage Operation at Sylhet Branch
April 04, 2012	:	License to operate as a Merchant Banker in favor of IL Capital Limited (ILCL)
May 04, 2016	:	Relocation of Registered and Corporate Head Office at DR Tower
February 16, 2017	:	Inauguration of Uttara Branch
February 26, 2017	:	Inauguration of Sylhet Branch

LETTER OF TRANSMITTAL

All Shareholders,
Bangladesh Bank,
Registrar of Joint Stock Companies and Firms,
Bangladesh Securities and Exchange Commission,
Dhaka Stock Exchange Limited, and
Chittagong Stock Exchange Limited.
Dear Sir(s):

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2016

We are pleased to enclose a copy of the Annual Report together with the Audited Financial Statements including Consolidated and Separate Balance Sheet as at December 31, 2016 and Income Statements, Cash Flow Statements and Changes in Equity Statements for the year ended December 31, 2016 along with notes thereon of International Leasing And Financial Services Limited and its subsidiaries (International Leasing Securities Limited and IL Capital Limited) for your kind perusal and record.

Thank you.

Yours sincerely,

Md. Rafiqul Islam Khan, ACS
Company Secretary

AMARSTOCK

NOTICE OF THE 21ST ANNUAL GENERAL MEETING

Notice is hereby given to all the members of International Leasing And Financial Services Limited that the 21st Annual General Meeting (AGM) of the Company will be held on Thursday, June 15, 2017 at 11.00 a.m. at the "FARS Hotel & Resorts" 212, Shahid Syed Nazrul Islam Sharani , Purana Paltan, Dhaka - 1000, to transact the following businesses:

A 2017-21- 01	: To receive, consider and adopt the Financial Statements of the Company for the year ended December 31, 2016 and the Reports of the Directors and the Auditors thereon.
A 2017-21- 02	: To approve dividend for the year ended December 31, 2016;
A 2017-21- 03	: To elect Directors and to approve the appointment of Independent Directors;
A 2017-21- 04	: To appoint the Auditors for the year 2017 and fixation of their remuneration;

By order of the Board

Md. Rafiqul Islam Khan, ACS
Company Secretary

Notes:

i) The Shareholders, whose name will appear in the Share Register of the company on the Record Date i.e. May 16, 2017 will be eligible to attend the 21st AGM and entitled to get dividend.

ii) 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 with a revenue stamp of Tk.20.00 must be deposited at the registered office of the Company not later than 48 hours before the meeting.

iii) Admission into the Meeting room will be allowed on production of the Attendance Slip attached with the Proxy Form.

iv) As per Listing Regulations, no food or gift will be provided at the AGM.

AMARSTOCK

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

PROXY FORM

Tk. 20/-
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 **21st Annual General Meeting** of the Company to be held on June 15, 2017 at 11:00 am at "FARS Hotel & Resorts", 212, Shahid Syed Nazrul Islam Sharani , Purana Paltan, Dhaka - 1000 and at any adjournment thereof.

As witness my hand this ..... Day of June 2017

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 **21st Annual General Meeting** of the Company to be held on "FARS Hotel & Resorts", 212, Shahid Syed Nazrul Islam Sharani , Purana Paltan, Dhaka - 1000.

Signature

N.B. The Member attending the meeting is kindly requested to mention the registered name and folio no./BO ID on this slip and present the same at the registration counter on the day of the meeting.

AMARSTOCK

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

REGISTERED & HEAD OFFICE

DR Tower (13th Floor)
65/2/2, Bir Protik Gazi Golam Dostogir Road, Purana Paltan
Dhaka-1000. Tel- +880-2-9559639, 9586671-75,
Fax- +880-2-9559640, Email- info@ilfsl.com

EXTENDED HEAD OFFICE

Hossain Tower (3rd Floor)
116, Bir Protik Gazi Golam Dostogir Road, (Box Culvert Road)
Naya Paltan, Dhaka-1000.

UTTARA BRANCH OFFICE

House No-21, 3rd Floor
Sonargaon Janapath Road, Sector-13
Uttara, Dhaka-1230.

CHITTAGONG BRANCH OFFICE

Ayub Trade Centre (7th Floor), 1269/B, Sk. Mujib Road
Agrabad C/A, Chittagong-4100.

SYLHET BRANCH OFFICE

Firoze Centre, (5th Floor), Chowhatta
Sylhet-3100.

SUBSIDIARY COMPANIES OF INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

INTERNATIONAL LEASING SECURITIES LIMITED

Hossain Tower (1st Floor)
116, Bir Protik Gazi Golam Dostogir Road
Naya Paltan, Dhaka-1000.
Tel- +880-2-9344093, 9344561, 58315391-5, Fax- +880-2-9343841
Email- securities@ilslbd.com

IL CAPITAL LIMITED

Hossain Tower (2nd Floor)
116, Bir Protik Gazi Golam Dostogir Road,
Naya Paltan, Dhaka-1000.
Tel- +880-2-58315389, Fax- +880-2-58315387
Email- info@il-capital.com

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www.ilfsl.com

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