

ANNUAL REPORT

2018



**INTERNATIONAL LEASING AND
FINANCIAL SERVICES LIMITED**

A Financial Institution that Cares



**INTERNATIONAL LEASING AND
FINANCIAL SERVICES LIMITED**

A Financial Institution that Cares



**INTERNATIONAL
LEASING**





International Leasing And Financial Services Limited (ILFSL), one of the oldest financial institution in Bangladesh has successfully passed its 23 years with glory.

Starting from humble beginnings in 1996, ILFSL has strived over a period of 23 years to strike a perfect balance and harmony between the interests of the multiple stakeholder groups that it represents. With a genuine concern for the well-being of our depositors, hirers, employees and shareholders, we have strived to meet the differing needs and aspirations of each and every one of them.

Achieving this balance over a sustained period of time has made the journey of 23 years a most fulfilling and gratifying one.

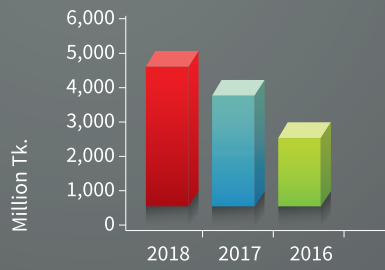
As we embody our core values of trust and innovation in an integrated People, Planet, Profit business philosophy, we look forward to maintaining this balance and continuing our journey steadfastly into the future, whilst embracing the exciting challenges and opportunities that await us.

The year under review was an excellent one for your company, as we achieved an outstanding growth rate in the industry in profitability and assets, even as we are trying to innovate new financial products and services that serve the needs of the country.

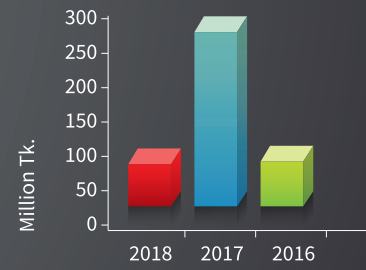
Read this report and find out just how distinctive our offering is, as we continue to expand our portfolio and our presence, serving our many stakeholders with excellence.



Operating Revenue

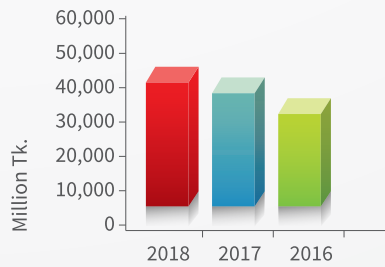


Net Profit

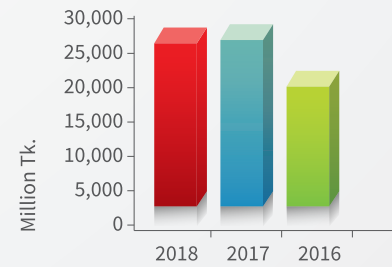


KEY HIGHLIGHTS

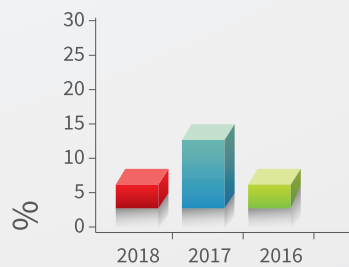
Total Assets



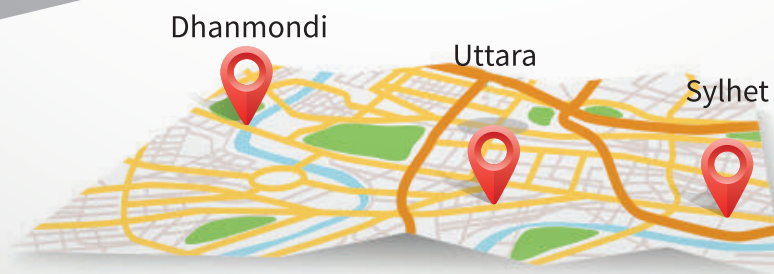
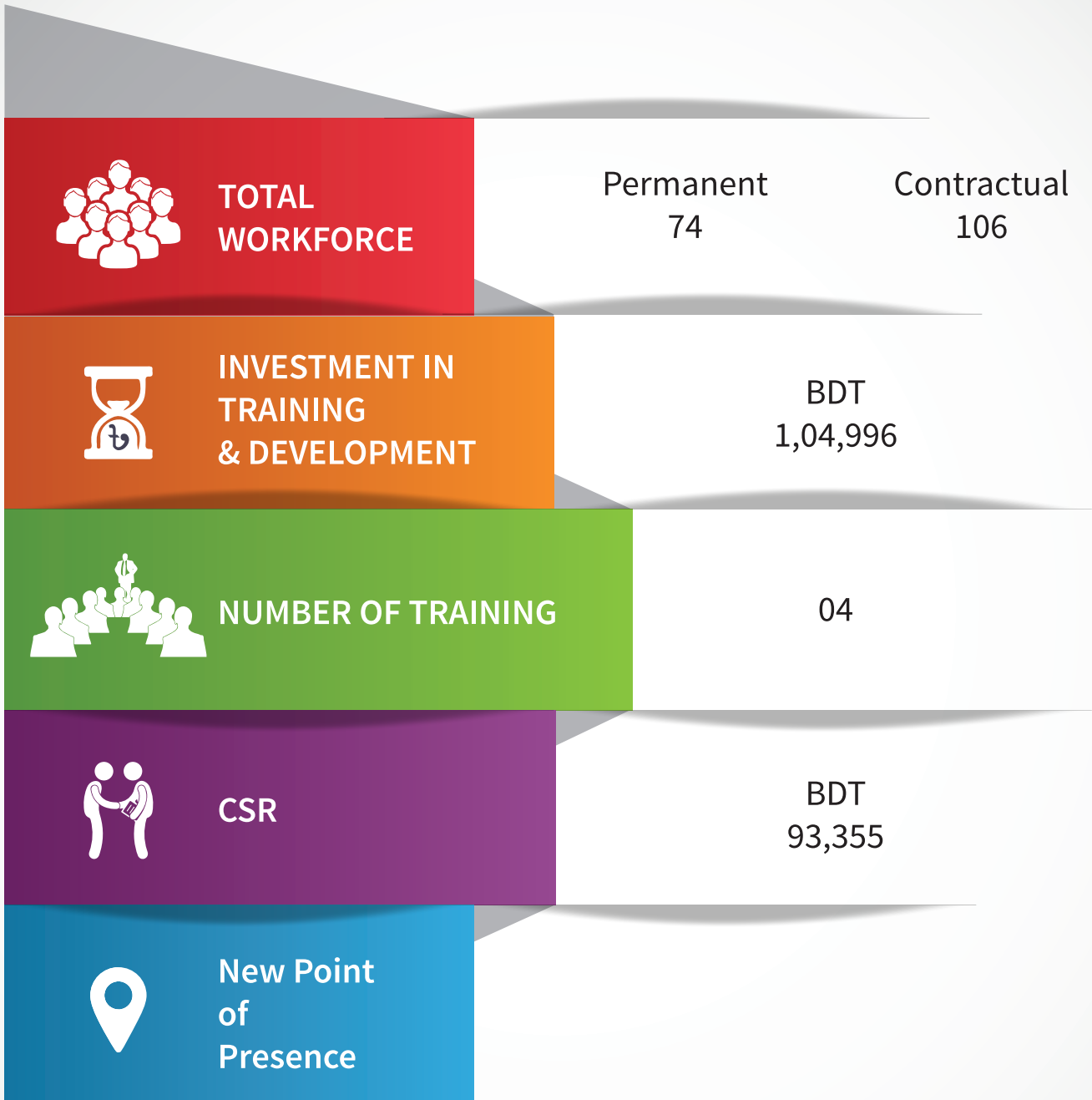
Total Deposit



Dividend



NON FINANCIAL HIGHLIGHTS



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Overview

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- Product and Services
- Membership and Bankers
- 22nd AGM

About This Report

Presenting the twenty second integrated Annual Report, International Leasing And Financial Services Limited (ILFSL) 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 2018. As a leading non-bank financial institution in Bangladesh, the Company fully recognizes its responsibility towards 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.

The integrated approach seeks to enable stakeholders to make informed assessments and decision on ILFSL, inter alia, its strategy, operational and financial performance, social and environment responsibility, corporate stewardship and future prospects. Towards this end, the Company has progressively moved towards transparency and cohesiveness in its reporting efforts, combining financial reporting including statutory reporting requirements with management commentary and sustainability reporting.

Report Scope

This integrated Annual Report of ILFSL presents both financial and non-financial information of the Company for the financial year ended 31st December 2018 which was derived from the economic, social and environmental performance of the Company. It has been prepared in line with the Integrated Reporting Framework issued by the International Integrated Reporting Council.

Financial Statements that appear in this report have been prepared in accordance with the Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards (BASs & BFRSs) issued by the Institute of Chartered Accountants of Bangladesh (ICAB). Where applicable, the Company has followed the following rules and regulations of the country:

- The Companies Act, 1994
- The Financial Institutions Act, 1993
- The Financial Institutions Regulations, 1994
- Securities and Exchange Rules, 1987
- The Listing Regulations, 2015
- Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards (BASs & BFRSs)
- The Income Tax Ordinance, 1984
- Relevant Rules, Regulations and Circular of Bangladesh Bank
- Any other applicable laws and regulations of the land

The Code of Best Practice on Corporate Governance is in line with the (Corporate Governance Code issued by Bangladesh Securities and Exchange Commission (BSEC) vide their notification no. BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 June 2018.

Reporting Boundary and Materiality

The Annual Report this year comprises reports covering the Company's operations spanning the head office and the branch network for the financial year ended 31st December 2018. Wherever relevant, the preceding years' performance and indicators have been reflected for comparative analysis. In addition, the report also provides summary reviews on the performance of ILFSL's two subsidiaries: International Leasing Securities Limited and IL Capital Limited for the year ended 31st December 2018.

External Assurance and Test of Compliance

The Financial Statements together with related notes are audited by MABS & J Partners, Chartered Accountants, Bangladesh and their assurance is given on page 93 of this Report. External assurance is also obtained from M/s. Poddar & Associates, Cost and Management Accountants on Corporate Governance Compliance.

Sl	Description of Report	External Assurer
1	Consolidated and Separate Financial Statements of International Leasing And Financial Services Limited	MABS & J Partners Chartered Accountants
2	Consolidated and Separate Financial Statements of International Leasing Securities Limited	Ahmed Zaker & Co. Chartered Accountants
3	Financial Statements of IL Capital Limited	Ahmed Zaker & Co. Chartered Accountants
4	Corporate Governance	Poddar & Associates Cost and Management Accountants
5	Provident Fund	Ahmed Zaker & Co. Chartered Accountants
6	Gratuity Fund	

Forward- looking statements

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.

Presentation

Printed copies of this report will be posted to shareholders and regulatory bodies in line with ILFSL’s commitment towards Green banking for reducing the corporate’s carbon footprint. However, this report will be made available on the official website at www.ilfsl.com in PDF formats.

Contact

Questions and inquiries on this Integrated Annual Report 2018 and information presented therein are to be directed to:

The Chief Financial Officer &
The Company Secretary
International Leasing And Financial Services Limited
65/2/2, Bir Protik Gazi Golam Dostogir Road
Purana Paltan, Dhaka – 1000, Bangladesh
Tel: +880 -2- 9559639, 9586671-75
Fax: +880 -2- 9559640

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 reputed 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 of 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 & CORPORATE 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

COMPANY E-MAIL

info@ilfsl.com

COMPANY WEBSITE

www.ilfsl.com

CHAIRMAN

M. A. Hashem

MANAGING DIRECTOR

Rashedul Haque

CHIEF FINANCIAL OFFICER

Syed Abed Hasan

HEAD OF INTERNAL CONTROL & COMPLIANCE

Md. Rezaul Islam

COMPANY SECRETARY

Rahat Mahmud

AUDITOR

MABS & J Partners
Chartered Accountants

Branch and Subsidiaries of ILFSL

ILFSL

Head Office Extension

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

Agrabad Branch, Chittagong

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

Dhanmondi Branch

Bikalpa Dental Clinic and Commercial Complex,
Plot # 74 (3rd Floor), Road # 5/A,
Satmashjid Road, Dhanmondi, Dhaka
Phone: +88-02-9634975, 963514

Sylhet Branch

Firoze Centre, (5th Floor), Chouhatta
Sylhet-3100.
Phone: +880-821-710034

Uttara Branch

House No-21, 3rd Floor
Sonargaon Janapath Road, Sector-13
Uttara Dahka-1230
Tel: +88-02-48954423-24

Subsidiaries of ILFSL

International Leasing Securities Limited Corporate Head Office

Hossain Tower (1st Floor),
116, Bir Protik Gazi Golam Dastogir Road
(Culvert Road) Naya Paltan, Dhaka-1000.
Phone: +880-2-9344093
Fax: +880-2-9343841
Email: securities@ilsibd.com
Website: www.ilsibd.com

Agrabad Branch, Chittagong

Ayub Trade Centre (8th Floor),
1269/B, Sk.Mujib Road, Agrabad C/A,
Chittagong-4100.
Phone: +880-31-2514621-6
Fax: +880-31-2514628

Khatungonj Branch, Chittagong

BSM Centre (2nd Floor),
119/122, Amir Market, Khatungonj,
Chittagong-4000.
Phone: +880-31-2866971-74
Fax: +880-31-2866975

Sylhet Branch

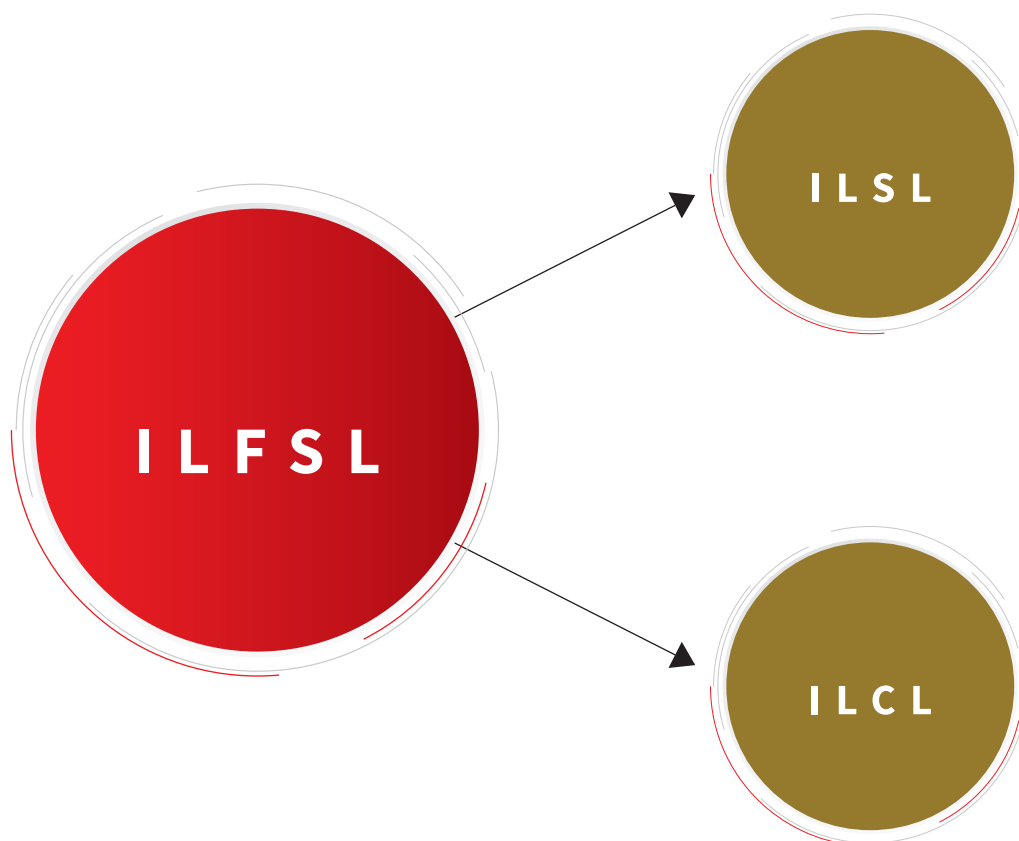
Firoz Centre (5th Floor),
Chouhatta, Sylhet Sadar
Sylhet-3100.
Phone: +0821-7100340821-710034
Fax: +880-821-710266

IL Capital Limited Corporate Head Office

Hossain Tower (2nd Floor),
116, Bir Protik Gazi Golam Dastogir Road
(Culvert Road) Naya Paltan, Dhaka-1000.
Phone: +880-2-58315389
Fax: +880-2-58315387
Email: info@il-capital.com
Website: www.il-capital.com

Group Structure

The Group consists of a total of three companies including the Parent International Leasing And Financial Services Limited (ILFSL). ILFSL has direct holding on two companies International Leasing Securities Limited (ILSL) and IL Capital Limited (ILCL).



Group shareholding structure of ILFSL

Sl	Name of Subsidiary	Business Location	Ownership Interest
1	International Leasing Securities Limited	Bangladesh	99.99994%
2	IL Capital Limited	Bangladesh	99.99196%

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
- Monthly Income Deposit
- Double Money Deposit
- Deposit Pension Scheme (DPS)

Brokerage & Merchant Banking Service

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

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)
Institute of Bankers of Bangladesh (IBB)



Bankers

Bank Al Falah Limited
Premier Bank Limited
BRAC Bank Limited
Bank Asia Limited
Eastern Bank Limited
One Bank Limited
Al Arafah Islami Bank Limited
BASIC Bank Limited
Dutch Bangla Bank Limited
Jamuna Bank Limited
Mercantile Bank Limited
Modhumoti Bank Limited
Mutual Trust Bank Limited
Prime Bank Limited
Pubali Bank Limited
Shahajalal Islami Bank Limited
South East Bank Limited
Uttara Bank Limited





22nd Annual General Meeting in Progress



Management Discussion & Analysis

- ILFSL Sustainability approach
- Stakeholder Engagement approach
- Review of Economic environment
- Human Capital
- Managing Director's Review
- Operational and Financial Highlights
- Financial Highlights
- Graphical Presentation of Performance
- Historical Record on Dividend payment

ILFSL Sustainability Approach

ILFSL operates with continuous and significant emphasis on economic, social and environmental sustainability on which the sustainability of the Company depends on. The core values of ILFSL is about managing and contributing towards the sustainability of these components mainly via creating and distributing economic value, serving our people and conserving nature. The entire business structure and the strategy is developed in line with the well accepted philosophy, so that the core values are preserved and the role of the Company on ensuring economic, environmental and social sustainability continues.

ILFSL Strategy

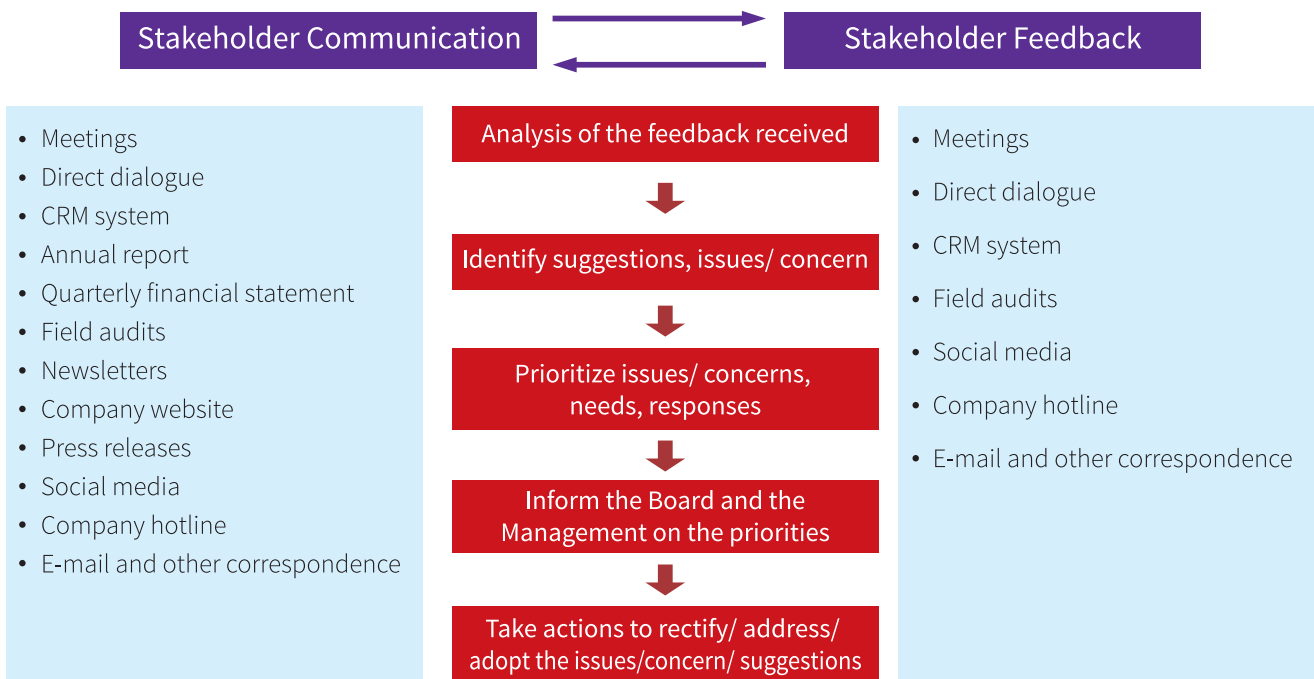


Stakeholder Engagement approach Our major stakeholders



Stakeholder assessment is an ongoing process in the Company, where the findings are being incorporated into the regular decision making and to plan the long-term approaches that will be aligned to the Company's Strategic Plan. In addition to the regular assessments, regular stakeholder feedback surveys also will be conducted to re-affirm the policy changes and course of action taken to address the issues in a systematic manner. The engagement actions also will be carried out with continuous refinement to obtain precise feedback, maintaining highest level of transparency and quality of information to ensure the process of engagement to be fortified further.

Stakeholder Engagement Process



Review of Economic Environment

The past decade has been characterized by fragile growth, high investor uncertainty and periodic spikes in global financial market volatility. As crisis-related fragilities and the adverse effects of other recent shocks gradually subside, the world economy has strengthened. Towards the end of 2016, global economic activity began to see a modest pickup, which extended into 2017.

World industrial production has accelerated, in cycle with a recovery in global trade that has been predominantly driven by stronger demand in East Asia. Confidence and economic sentiment indicators have also generally strengthened, especially in developed economies. Investment conditions have improved, amid stable financial markets, strong credit growth, and a more solid macroeconomic outlook.

At the global level, world gross product (WGP) is forecast to expand at a steady pace of 3.0 per cent in 2018 and 2019. Developing economies remain the main drivers of global growth. In 2018, East and South Asia accounted for nearly half of global growth, as both regions continue to expand at a rapid pace. The Chinese economy alone contributed about one-third of global growth during the year.

However, stronger economic activity has not been shared evenly across countries and regions, with many parts of the world yet to regain a healthy rate of growth. Moreover, the longer-term potential of the global economy continues to bear a scar from the extended period of weak investment and low productivity growth that followed the global financial crisis.

Bangladesh Context

The economy of Bangladesh has been able to maintain sustained economic growth even in the face of global financial crisis.

According to the final estimate of BBS, GDP growth for FY2017-18 reached 7.86 percent, significantly higher than the growth of 7.28 percent in the preceding fiscal year. Among the broad sectors of GDP, the contribution of agriculture and service sector to GDP slid down by 0.51 percentage point to 14.23 percent and by 0.74 percentage point to 52.11 percent which was offset by an increased share of industry by 1.24 percentage point to 33.66 percent in relation to the preceding year.

During the period broad agriculture sector registered a growth of 4.19 percent, up by 1.22 percentage point compared to the previous year due to the better performance of most of its sectors and sub-sectors. Crop and horticulture grew to 3.06 percent, 2.10 percentage point higher than the previous year. Animal farming sub-sector progressed than the year before, but 'forest and related services' sub-sector declined. Fishing sector similarly grew at a rate of 6.37 percent, 0.14 percentage point higher than the previous year.

In FY2017-18, broad industry sector grew by 12.06 percent, higher than the growth of 10.22 percent in the previous year. In broad industry sector, the growth of mining and quarrying sector declined to 7.00 percent in FY2017-18 from 8.89 percent in FY2016-17. In contrast, manufacturing sector, 'electricity, gas and water supply' sector and construction sector experienced a growth of 13.40 percent, 9.19 percent and 9.92 percent respectively.

Of the manufacturing sector, large and medium-scale manufacturing sector grew at a pace of 14.26 percent compared to the growth of 11.20 percent in the preceding year but small scale manufacturing sector exhibited a growth of 9.25 percent, slightly lower than FY2016-17. Of the 'electricity, gas and water supply' sector electricity and gas sub-sector registered a faster growth in relation to the previous year.

In FY2017-18 broad service sector grew by 6.39 percent, down by 0.30 percentage point a year earlier. Among the broad service sector, wholesale and retail trade, hotel and restaurants, real estate, renting and business activities and community, social and personal services performed better than the year before, but some other sectors such as transport, storage and communication, financial intermediation, public administration and defense, education, health and social works exhibited slightly lower pace of progress.

Continuing the upward trend per capita GDP of Bangladesh reached US\$1,675 in FY2017-18 from US\$1,544 a year earlier. Likewise, per capita national income increased to US\$1,751 in FY2017-18, US\$141 higher than the previous year as per the final estimates of BBS.

NBFI Sector

NON-Bank Financial Institutions (NBFIs) are playing crucial role by providing additional services that cannot be usually provided by banks. The NBFIs, the more multi-faced products and services have taken their in the competitive financial market to satisfy the challenging demands of the customers. NBFIs also play an important role in the capital market as well as real estate sector of Bangladesh.

Due to the liquidity crisis in the banking sector, 2018 was not a smooth year for the Non-Bank Financial Institution (NBFI) sector. Out of the 34 NBFIs, almost 18 of them failed to post significant growth in 2018. One of the most important factors behind the slow growth is liquidity crisis. The liquidity crisis in the banking sector was the prime reason behind this lagging growth in the NBFIs sector. The main source of NBFIs funding comes from three main sources: retail depositors, credit line from banks and cash inflows from ongoing investments. The banks limited their credit lines to the NBFIs due to restrictions on their Advance Deposit Ratio (AD Ratio). As a result, for deposits the financial institutions had to make a choice towards retail investors. It is mentionable that retail deposits are more expensive than credit line from banks. Taking deposits from retail investors increased the cost of fund for NBFIs. All these decreased the profits of the NBFIs sector as spread decreased. Through NBFIs tried to increase the lending rates but this measure was not well accepted by the investors. In addition, NBFIs faced stiff competition from banks which made it difficult for this sector to increase the rates. In some cases if NBFIs succeeded in increasing their lending rates, then there were problems with repayments of these loans. Thus, overall the NBFI sector posted lower profits in 2018 due to higher cost of fund and lower spread.

Human Capital

Success and failure of an organization purely depends on its human resources. A strong and dedicated workforce is the heart of International Leasing and Financial Services Limited (ILFSL), without which the Company would not have succeeded for 23 years. We give utmost importance to have an enthusiastic and vibrant work teams at all levels.

At ILFSL, we recognize that our employees are the key to our success and nothing can be achieved without their engagement. Our Human Resources Policy encompasses the guidelines which constitute a solid basis for effective Human Resources Management throughout the organization. It explains to all ILFSL employees the vision and mission of the Human Resources function and illustrates every aspect of our employees' lifecycle. The ILFSL Management inspires all the employees in their actions and in their dealings with others.

The Company recognizes that implementing HR best practices increases its probability of achieving these objectives. As a result, the Company has compiled a comprehensive set of policies which is used to handle all HR related matters. These policies outline procedures to be followed in relation to recruitment, training, professional and career development, professional conduct, promotion, succession and performance evaluation, amongst many others. The HR policies are regularly reviewed so that ILFSL is able to provide an above-industry-standard offering to all employees, thereby increasing its chances of attracting and retaining the best talent.

All employees are given a set of well-defined Key Performance Indicators that are aligned to the Company's strategic, corporate and operational objectives. This guarantees that when each employee achieves his/her KPIs, the Company as a whole is able to reap the benefits, together with the employees.

Employee Engagement

ILFSL is of the strong belief that consistent, meaningful engagement with the employees is of paramount importance to the well-being of the Company. It ensures that the employees carry out their responsibilities in an efficient, professional manner whilst maintaining a consistently high quality. As a result, the Company engages with employees as follows:

Engagement method	Frequency
Management meetings and target evaluation meetings	Monthly
Open door policy	All the time
Performance appraisals	Annually
Corporate Planning	Annually
E-mails and memos	Regularly
Internal training and development sessions	Periodically
Branch/division level short meetings	Periodically
Individual/ small group feedback sessions	Regularly
Employee satisfaction survey	Annually
Employee exit interviews	As required

Employee Management

At ILFSL, managing employees primarily focuses on creating a healthy work environment where employees:

- can perform at their optimum level
- can continuously develop their knowledge
- are presented with challenging tasks and projects
- are rewarded and recognized for their achievements
- are able to envision a clear career path

Employee Composition of ILFSL

At the end of the reporting period, 180 employees contributed to the Company's growth, out of which 74 are of the permanent category. Within the permanent cadre, 74% of the staff are male and 26% are female. Similarly, when comparing age composition, ILFSL has a good balance as the youth segment below 30 years is 55% of the total strength. Another 37% is represented by employees who are below 40 years. This means that the Company has a strong combination of junior and senior employees who are in a position to grow with the Company in the years to come.

Recruitment and Retention

ILFSL is an equal opportunity employer and therefore demonstrates no bias whatsoever towards any gender, ethnic group or religion in relation to recruitment. The Company's HR policy clearly states that all new recruits to the organization would be evaluated on their qualifications, experience, competencies and value creation ability for the job role in question. This is followed strictly giving all candidates equal opportunity for selection for a given job role as long as they meet the criteria for it. The Company follows the same approach in terms of employee retention. As the Company continues to expand operations, the year has shown a steady rise in the number of employees. Total number of employees as at 31st December 2018 stood at 180, down from the 204 at the end of the 2017 financial year. There were 31 new recruits, out of which the majority were males, to suit the business segment they are to be deployed in.

Recruitment Policy

Diversity in employees brings with it different strengths to the organization and helps make the workforce a stronger collective unit. ILFSL is always willing to employ individuals from different geographical locations, religions, ethnic groups as it enables the employees better relate to the customers they service.

Remuneration Policy

Remuneration of all employees is strictly linked to the individual's performance during a given period based on Key Performance Indicators (KPIs) communicated to the employee at the beginning of the employment period. To spearhead ILFSL's future growth ambitions, it is imperative that the Company attracts the best talent available in the market and also has in place relevant HR-related policies, systems and processes that is able to clearly identify and retain the best talent. As a policy, the Company offers a salary which is well above the regulatory requirements at the entry level. Additionally, the Company also offers the following benefits:

Employment Benefits:

- Enhanced 10% contribution to PF by Employer
- Incentives as entitled
- Performance-based bonuses
- Annual increments
- Travelling/Fuel allowances
- Mobile allowances as entitled
- Gratuity
- Medical scheme
- Festival advances
- Educational expenses reimbursement
- Staff Loans
- Marriage Gifts

Employee Promotion

ILFSL's recruitment policy gives preference to internal recruitment in the event of a vacancy that needs to be filled. This is in line with the Company's employee retention strategy where regular promotions have been identified as a key criterion in sustaining employee motivational levels.

Training and Development

Training and development is a key component of ILFSL's HR Policy. The Company's HR Division spearheads all training aspects on a regularly based on the Company's expectations as well as the requirements from the management and relevant divisions. A comprehensive, systematic training and development plan that addresses all the skills gaps that have been identified is collated at the beginning of each year. This plan helps fulfill all the training needs of the employee and will provide them with all the necessary knowledge and skills to carry out their duties and responsibilities in a proper manner and contribute to the Company's value creation process.

Managing Director's Review



Dear Shareholders,

It is my pleasure and privilege to present before you an outline about our achievement during the financial year 2018 as well as what we have planned to achieve in 2019 and onwards.

2018 was a challenging and difficult year for the global economy and financial sector. In volatile economic conditions, through dramatic shifts in technology and regulatory changes, our insight forged by experience enabled us to manage change and to help our stakeholders do the same.

In the last three years, Bangladesh's economic expansion has been quite impressive from the perspective of GDP growth rate, which was seven-plus percent both years, according to figures from government and other sources. Yet, as data has revealed, and as experts have overwhelmingly concurred, the growth rates could have been significantly higher.

Our Performance

We are proud that our efforts to build a great firm have been recognized. International Leasing and Financial Services Limited garnered the Runner up Award under "Non-Bank Financial Institution Category" at the Corporate Governance Excellence Awards 2016 organized by the Institution of Chartered Secretaries of Bangladesh (ICSB).

Non-bank financial institutions (NBFI) represent one of the most important parts of a financial system. In Bangladesh, NBFIs are new in the financial system as compared to banking financial institutions (BFIs). The operations of Non-Bank Financial Institutions are to some extent different from the traditional commercial Banks. The financing modes of the NBFIs are long term in nature. In order to ensure flow of term loans and to meet the credit gap, NBFIs have immense importance in the economy. In addition, non-bank financial sector is important to increase the mobilization of term savings and for the sake of providing support services to the capital market.

Whilst moving up to a medium sized company by crossing the Tk. 45.58 billion mark in total assets. Interest income grew by 18.76%, to Tk. 5005 million whilst interest expense was almost same compare to previous year. Consequently, Net Interest Income amounted to Tk. 768 million for Financial Year 2018 reflecting an increase of 19.81% compare to previous year. On account of new recruitments, business expansion and the restricting process of the Company, overheads decrease by 2.71% to Tk. 323 million. Profit before Tax of Tk. 363.41 million. However, Net Profit After Tax decreased by 71% to Tk. 112 million. The 4% growth in the Lending Portfolio was achieved as a result of business expansion as per our strategic plan. We have diversified into new business by growing the loan portfolio - both secured and unsecured and business and personal loans, to ensure the creation of shareholder value.

Building a Greater and Sustainable Company

ILFSL has a performance driven culture, quality of working relationships, healthy work life balance and best practices attracts sharp peoples and retains the top talents. The company encourages open communication, feedback and discussions about any matter of importance to employees; so that they are well informed and can contribute to the change happening across the organization. In 2018, our main focus was achieving operational efficiency, business growth and human resource development in line with our strategic plan. We developed our human resources who have constantly worked with dedication to achieve excellent results over the years. We also created an environment that supports the professional development of our staff members. Customer service remained at the core of all our activities. Changes were effected to our lending policy and procedures to improve customer satisfaction through enhanced convenience, speed and simplicity of service. Besides our head office, or Uttara, Dhanmondi and Sylhet branches are providing services door to door in different location. We strongly believe that building an even better institution for the long-term is the best way for us to enhance shareholder value.

Focusing on talent

Talent management, including senior management succession planning, is a key board responsibility, essential to supporting ILFSL's strategic objectives. We take a comprehensive approach to pipeline development that includes early identification of key candidates and in-depth evaluations of the skills and expertise required for both the near and medium term. As the NBFI industry continues to evolve, a diversity of experiences, perspectives and backgrounds represented at all levels of management becomes a critical advantage and key to successfully executing on the organization's strategy.

Future Outlook

We are proud of our unique Company culture, expressed by our vision, mission and values, which creates a clear framework for how we operate our business responsibly. Our overarching objective is to deepen customer loyalty. Hence, we are shifting to a much more customer-centric model, through increased investments in technology, product innovation and improved access. Our geographic footprint will be expanded in strategically important locations to serve a wider customer base. Simultaneously, we will contribute towards country's overall economic growth by supporting the development of every social segment through our financial products and services.

Our Gratitude

Our excellent past performance and strong reputation in the financial services industry was possible through our highly engaged and passionate team. We thank the Management Team and the staff members for their dedication and commitment over the years. We are grateful to the Chairman and the Board of Directors for their visionary leadership and guidance. Our appreciation is extended to our shareholders, customers and depositors for their unwavering loyalty and confidence in us. We are grateful to the regulators for their advice and continued guidance.

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 three years journey. 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.

At last, I, on behalf of the management, would like to express my gratitude to the Government of the Peoples Republic of Bangladesh, Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), Registrar of Joint Stock Companies and Firms (RJSC), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE), partner Banks and Financial Institutions, Customers, Legal Advisors, Auditors and all other stakeholders for their continuous support, guideline and co-operations.

Thank you very much.



Rashedul Haque
Managing Director

MAJOR PERFORMANCE INDICATOR

Figures in Million Tk.

	2018	2017	2016	2015	2014	2013
A. Financial Performance						
Total Revenue	5,051.36	4,628.76	3,596.05	2,455.18	2,359.29	2,488.39
Total Expenses	4,560.83	3,905.78	3,129.64	2,017.63	1,998.92	2,179.97
Operating Profit	814.50	1,055.43	710.99	437.54	360.38	308.42
Financial Expenses	4,236.85	3,573.33	2,885.06	1,800.89	1,789.54	1,996.42
Profit Before Tax	363.41	498.66	240.11	274.38	292.54	257.40
Provision/Deferral of Tax	251.13	218.71	216.39	151.83	166.56	140.65
Net Profit After Tax	112.29	388.12	125.85	122.55	125.98	116.75
Portfolio	38,984.87	38,018.23	32,478.24	21,602.31	17,225.95	15,134.40
Long Term Debt	39,336.42	39,635.35	31,728.38	13,918.50	9,335.03	8,109.12
Paid Up Capital	2,112.48	1,886.14	1,796.33	1,710.79	1,710.79	1,710.79
Shareholders' Equity	2,821.65	2,709.36	2,321.25	2,193.51	2,156.50	2,116.06
Dividend	5% Stock	12% Stock	5% Stock	5% Stock	5% Cash	5% Cash
B. Financial Ratios						
Return on Equity	4.06%	17.19%	6.06%	5.59%	5.84%	5.52%
Earning Per Share	0.53	2.06	0.67	0.72	0.74	0.68
Debt Equity Ratio	9.97	10.69	9.43	6.35	4.33	3.83
Fin. Expense Coverage Ratio	1.18	1.21	1.21	1.24	1.2	1.15
Net Asset Value	13.36	14.36	12.31	12.82	12.61	12.37
Dividend Payout Ratio	0.97	0.83	0.89	0.70	0.68	0.73
Dividend	5%	12%	5%	5%	5%	5%

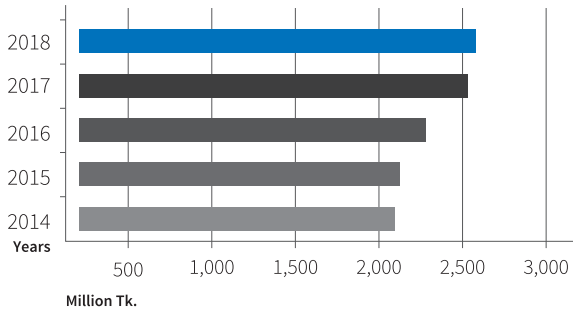
FINANCIAL HIGHLIGHTS

Sl. No.	Particulars	2018	2017
1	Paid-up capital	2,112,478,540	1,886,141,560
2	Paid-up Capital surplus/(deficit)	1,112,478,540	886,141,560
3	Total capital	2,722,478,343	2,586,118,585
4	Total assets	44,771,237,989	43,590,493,519
5	Total Deposits	28,783,911,435	28,978,022,624
6	Total leases, loans and advances	36,901,104,462	34,962,806,891
7	Total contingent liabilities and commitments	750,000,000	899,718,630
8	Leases, loans and advances to deposits ratio	0.95	0.90
9	% of classified leases, loans and advances to total leases, loans and advances	4.56%	4.71%
10	Profit after tax and provisions	136,359,758	324,294,318
11	Classified leases, loans and advances	1,681,645,548	1,646,933,504
12	Provision kept against classified leases, loans and advances	540,000,000	427,208,511
13	Provision surplus/(deficit)	49,192,688	718,797
14	Cost of fund	12.03%	9.58%
15	Interest earning assets	43,991,806,514	43,887,804,055
16	Non-interest earning assets	779,431,475	1,018,224,518
17	Return on investment	0.33%	1.46%
18	Return on assets	0.31%	1.65%
19	Income from investment	(63,571,514)	189,033,577
20	Operating profit per share*	2.26	3.18
21	Earning per share*	0.65	2.06
22	Price earning ratio*	21.22	10.74

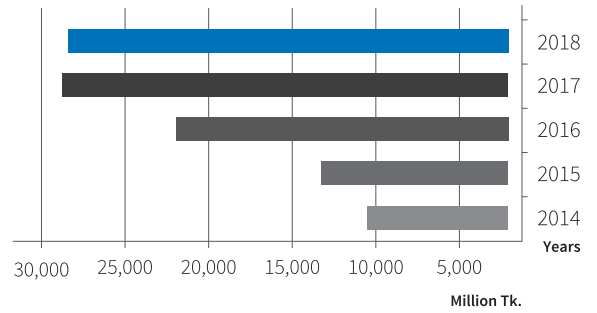
* Operating profit per share, Earning per share and Price earning ratio are not re-stated.

GRAPHICAL PRESENTATION OF PERFORMANCE

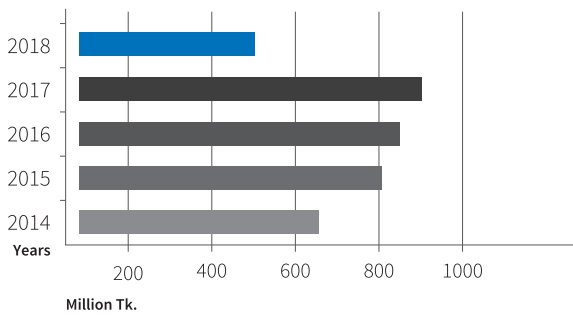
Shareholders' Fund



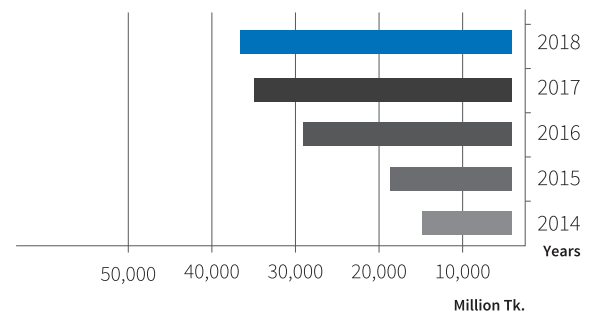
Deposit Growth



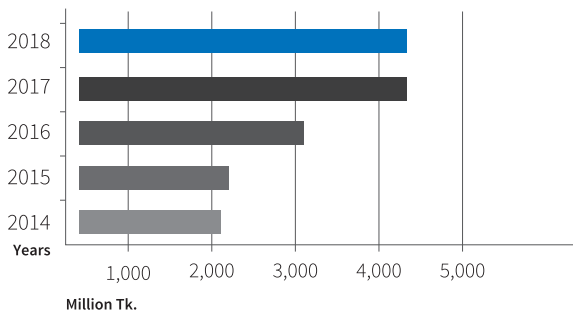
Investment



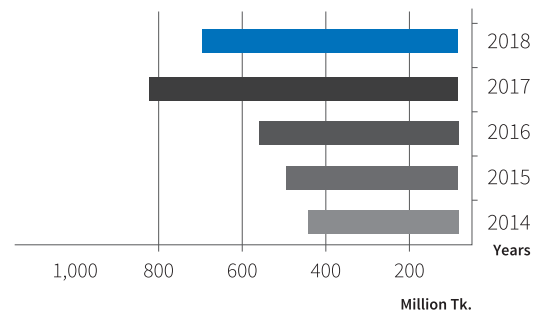
Leases, Loans, Advances



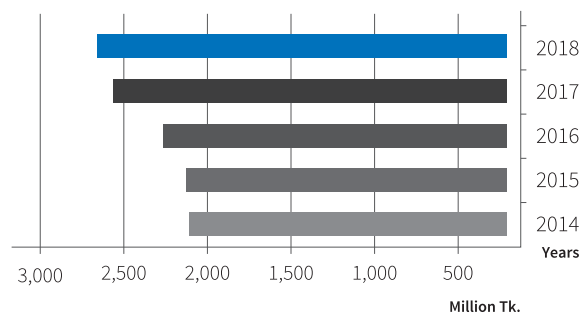
Operating Revenue



Operating Income

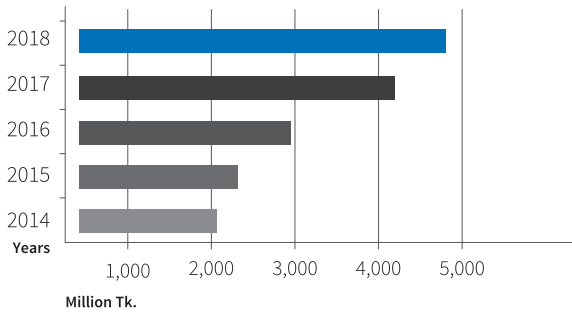


Net Asset

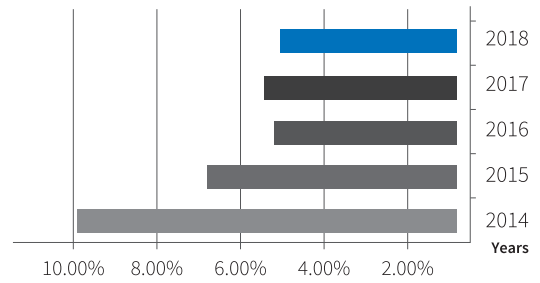


GRAPHICAL PRESENTATION OF PERFORMANCE

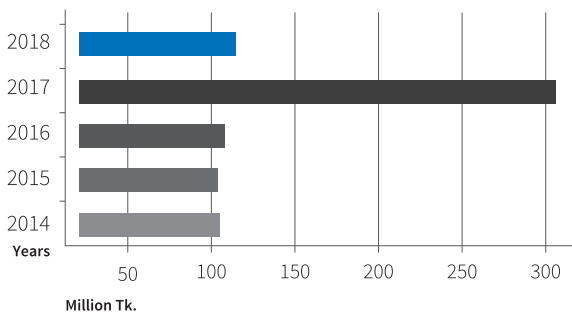
Interest Income



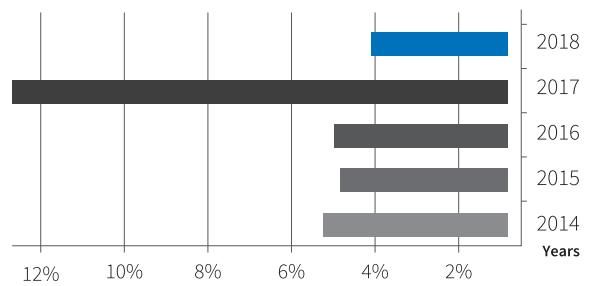
Rate of NPL



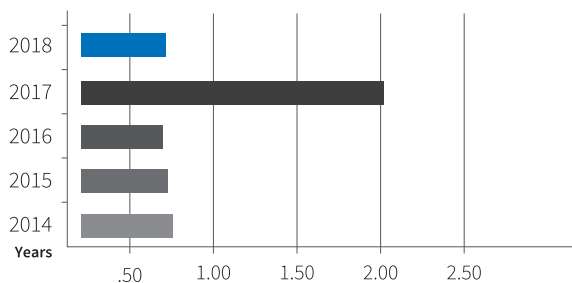
Net Profit



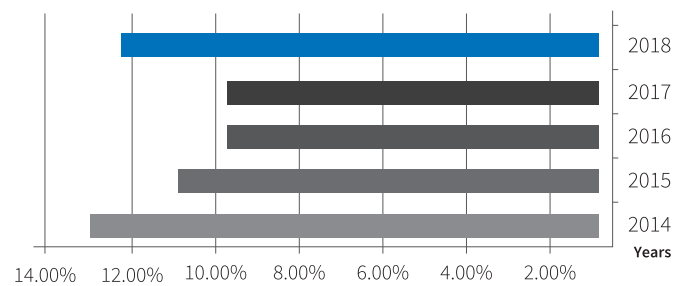
Return on shareholders' fund



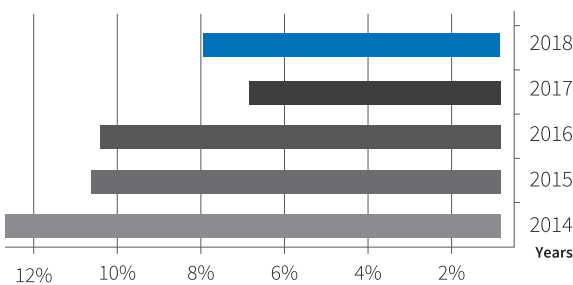
Earnings per share



Cost of Fund



Capital Adequacy Ratio



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%
2016	1,886,141,560	5%		5%
2017	211,247,854	12%		12%



Governance and Risk Management

- Capital and Shareholding Structures
- Profile of Directors
- Audit Committees
- Executive Committees
- Key Management
- Statement of Risk Management
- Disclosure Under pillar-3 ILFSL
- Chairman's Remarks
- 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

Capital and Shareholding Structures

Capital	Taka
Authorized 300,000,000 ordinary shares of Tk.10 each	3,000,000,000
Issued, subscribed and paid up 211,247,854 ordinary shares of Tk. 10 each	2,112,478,540

Composition of Shareholdings (as on December 31, 2018)

Particulars	No. of shares	% of holding	Amount
a) Directors' Shareholding	87,767,286	41.54%	877,672,860
Shaw Wallace Bangladesh Limited	36,681,671	17.36%	366,816,710
Nature Enterprise Limited	17,287,200	8.18%	172,872,000
BR International Limited	17,225,460	8.15%	172,254,600
New Tech Enterprise Limited	16,572,955	7.85%	165,729,550
b) General Shareholders	123,480,568	58.46%	1,234,805,680
Institutions/corporate	56,720,048	26.85%	567,200,480
Individual	63,993,174	30.30%	639,931,740
Non-resident Bangladeshi/Foreign	2,767,346	1.31%	27,673,460
Total (a+b)	211,247,854	100%	2,112,478,540

Profile of Directors

Mr. M. A. Hashem **Chairman**

Mr. M. A. Hashem joined the Board of International Leasing And Financial Services Limited 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.

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 degree in Economics from Chittagong University and later did MBA (major in Finance) from Institute of Business Administration (IBA), Dhaka University. He is formerly Honorary Consul of Greece.

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 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 also played vital role for different private organizations and Non-Government Organizations like Multimode Group and The Coast.

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 groups in Bangladesh.

Mr. Anwar is a dedicated professional who has been actively participating in the development of accountancy profession for the last 25 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 Hussain Farhad & Co., Chartered Accountants, which is a 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.

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 sponsors 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 sponsors of Marine Group.

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 initiators and key promoter of MST Group which is engaged in Cargo transportation business in river 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.

Engr. Md. Nuruzzaman
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.

Mr. Rashedul Haque
Managing Director

Mr. Rashedul Haque joined International Leasing And Financial Services Limited (ILFSL) as the Managing Director 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. Mr. Haque is the Member of the Executive Committee of Bangladesh Leasing and Finance Companies Association (BLFCA). He sits on the Board of International Leasing Securities Limited and IL Capital Limited as a Director of the company. He is a Business Graduate from International Islamic University, Kuala Lumpur, Malaysia and an MBA in Finance.

Audit Committee

Mr. Md. Zahirul Alam, FCA	Chairman
Mr. M. Nurul Alam	Member
Mr. Nasim Anwar, FCA	Member
Mr. Md. Nowsherul Islam	Member
Mr. Muhammed Abul Hasem	Member

Executive Committee

Mr. Nasim Anwar, FCA	Chairman
Mr. M. A. Hashem	Member
Mr. M. Nurul Alam	Member
Mr. Bashudeb Banerjee	Member
Mr. Md. Nowsherul Islam	Member

Key Management

Mr. Rashedul Haque	Managing Director
Mr. Syed Abed Hasan	Chief Financial Officer
Ms. Nahida Runai	Head of HR & Admin
Mr. Mostofa Muidur Rahman	Head of SME & SAMLD
Mr. Al Mamun Shohag	Head of Corporate Finance
Mr. Md. Rezaul Islam	Head of CRM & ICC
Mr. Md. Mubasher Chowdhury	Head of Information Technology
Ms. Mithila Yesmin Hoque	Head of Liability Operations
Mr. Avik Sinha	Treasury In Charge
Mr. Rahat Mahmud	Company Secretary

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 ensure 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.

ILFSL's Risk Management Aspects



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 NBF. It includes both uncertainty involved in repayment of the NBF'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 NBF 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.

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 NBF'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 NBF 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.

MEASURES TAKEN FOR THE ASPECT:

- Establishment and execution of internal policies, procedures and controls to identify and report instances of money laundering and terrorism financing.
- Appointment of the Chief Anti Money Laundering Officer (CAMLCO), Deputy Chief Anti Money Laundering Officer (DCAMLCO), Branch Anti Money Laundering 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.

Disclosure Under Pillar-3 Market Discipline

A) Scope of application

Qualitative Disclosures:

The name of the top corporate entity in the group to which this guidelines applies.

International Leasing & Financial Services Limited

An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).

The ILFSL Group has two wholly owned subsidiaries: International Leasing Securities Limited and IL Capital Limited, which are fully consolidated.

Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.

Not applicable.

Quantitative Disclosures:

The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.

Not applicable.

B) Capital structure

Qualitative Disclosures

Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.

Tier 2 capital includes:

- i) General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) for Credit Risk;
- ii) Revaluation reserves:
 - 50% Revaluation reserve for fixed assets; 45% Revaluation reserve for securities;
- iii) All other preference shares.

Conditions for maintaining regulatory capital:

The calculation of Tier 1 capital, and Tier 2 capital, shall be subject to the following conditions:

- i) The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.
 - 50% of revaluation reserves for fixed assets and 45% of revaluation reserves for securities are eligible for Tier 2 capital.

Quantitative Disclosures:

The amount of Tier 1 capital, with separate disclosure of:

Particulars	figures in BDT CRORE
Paid up capital	211.25
Non-repayable share premium account	-
Statutory reserve	45.71
General reserve	-
Retained earnings	25.65
Minority interest in subsidiaries	-
Non-cumulative irredeemable preference shares	-
Dividend equalization account	-
Total Tier 1 capital	282.61
(c) The total amount of Tier 2 capital	40.63
(d) Other deductions from capital	-
(e) Total eligible capital	323.24

C) Capital Adequacy

Qualitative Disclosures

A summary discussion of the FI's approach to assessing the adequacy of its capital to support current and future activities.

Risk Weighted Assets (RWA) and Capital Adequacy Ratio (CAR)

ILFSL has adopted Standardized Approach for computation of Capital Charge for Credit Risk and Market Risk while Basic Indicator Approach for Operational Risk. Total Risk Weighted Assets (RWA) of the Company is determined by multiplying the capital charge for market risk and operational risk by the reciprocal of the minimum capital adequacy ratio i.e. 10% and adding the resulting figures to the sum of risk weighted assets for credit risk. Total RWA is then used as denominator while total Eligible Regulatory Capital as on numerator to derive Capital Adequacy Ratio

Strategy to achieve the required Capital Adequacy

Operational level:

Immediate measures:

- Asking unrated Corporate clients to have credit rating from External Credit Assessment Institutions (ECAIs) recognized by Bangladesh Bank;
- Rigorous monitoring of overdue contracts to bring those under 90 days overdue;

Continuous measures:

- Concentrating on SME clients having exposure up to BDT 1 crore as this will carry 75% fixed risk weight (for regular contracts only);
- Financing clients having good credit rating;
- Using benefit of credit risk mitigation by taking eligible financial collaterals against transactions;
- Focusing more on booking high spread earning assets and thus increasing retained earnings.

Strategic level:

- Injecting fresh capital by issuing subordinated bond.

Quantitative Disclosures:

Sl. No.	Particulars	figures in BDT CRORE
b)	Capital requirement for Credit Risk	4,072.91
c)	Capital requirement for Market Risk	81.33
d)	Capital requirement for Operational Risk	103.59

(e) Total and Tier 1 Capital ratio:

Particulars	Consolidated	Stand Alone
CAR on Total capital basis (%)	7.59	7.39
CAR on Tier 1 capital basis (%)	6.64	6.44

D) Credit Risk

Qualitative Disclosures

(a) *The general qualitative disclosure requirement with respect to credit risk, including:*

Definitions of past due and impaired (for accounting purposes)

As per the Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline for Financial Institutions, the unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off) will be risk weighted as per risk weights of respective balance sheet exposures. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation.

Description of approaches followed for specific and general allowances and statistical methods;

Specific and General provisions are maintained according to the relevant Bangladesh Bank guideline. For Example, 0.25% provision is maintained against SME-Standard loan/ lease, 1% provision is maintained against good loans (other than SME-Standard loan/ lease, 5% against SMA loan/ lease, 20% against sub-standard loan/ lease, 50% against doubtful loan/ lease and 100% against bad/loss loan/ lease after deducting the amount of interest expenses and value of eligible securities from the outstanding balance of classified accounts.

Discussion of the FI's credit risk management policy. Implementation of various strategies to minimize risk:

To encounter and mitigate credit risk the following control measures are taken place at ILFSL:

Visiting the client's business premises, conducting all other necessary due diligence required for extending credit facility;

Assessing the repayment capacity and the past payment performance of customer before financing;

Analyzing and verifying the provided financial statement & related information as well as financial condition in case of unstructured accounts to identify the risk;

Annual review of clients;

Adequate insurance coverage for funded assets;

Vigorous monitoring and follow up by Special Assets Management and collection Team;

Strong follow up of compliance of credit policies by Credit Administration Department;

Taking collateral and performing valuation and legal vetting on the proposed collateral;

Seeking legal opinion from internal and external lawyer for any legal issues;

Maintaining neutrality in politics and following arm's length approach in related party transactions;

Regular review of market situation and industry exposure;

Sector-wise portfolio is maintained within specific limits to ensure diversification of loan assets;

Coordination of all pre and post sanction activities of all necessary loan documents.

In addition to the industry best practices for assessing, identifying and measuring risks, ILFSL also considers Guidelines for Managing Core Risks of financial institutions issued by the Country's Central Bank, Bangladesh Bank; vide FID Circular No. 10 dated September 18, 2005 for management of risks.

Approved Credit Policy by the Board of Directors

The Board of Directors has approved the Credit Policy for the company where major policy guidelines, growth strategy, exposure limits (for particular sector, product, individual company and group) and risk management strategies have been described/stated in detail.

Separate Credit Risk Management (CRM) Department

An independent Credit Risk Management (CRM) Department is in place, at ILFSL, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets. Research team of CRM regularly reviews market situation and exposure of ILFSL in various industrial sub-sectors. CRM has been segregated from Credit Administration Department in line with Central Bank's Guidelines. CRM assess credit risks and suggest mitigations before recommendation of every credit proposal while Credit Administration confirms that adequate security documents are in place before disbursement.

Special Assets Management and Collection Team

A strong Law and Recovery Team monitors the performance of the loans & advances, identify early signs of delinquencies in portfolio, and take corrective measures to mitigate risks, improve loan quality and to ensure recovery of loans in a timely manner including legal actions.

Independent Internal Control and Compliances Department (ICC)

Appropriate internal control measures are in place at ILFSL. ILFSL has also established Internal Control and Compliances Department (ICC) to ensure, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control and documentation procedures. ICC frames and implements policies to encounter such risks.

Credit Approval Process

To ensure quick service and mitigation of credit risk, the approval process is maintained a standard operating procedure (SOP) developed by the Management of ILFSL.

Credit Quality and Portfolio Diversification

ILFSL believes in diversification in terms of products as well as sectors. To mitigate the Credit Risk, the company diversifies its loan exposure to different sectors conforming the Central Bank's requirements. Threshold limit is set for any sector so that any adverse impact on any industry has minimum effect on ILFSL's total return. Central Bank's instructions are strictly followed in determining Single Borrower/Large Loan limit. Significant concentration of credit in terms of groups or geographical location is carefully avoided to minimize risk.

Early Warning System

Performance of loans is regularly monitored to trigger early warning system to address the loans and advances whose performance show any deteriorating trend. It enables the company to grow its credit portfolio with ultimate objective to protect the interest of stakeholders.

NPL Management

ILFSL measures its loan portfolio in terms of payment arrears. The impairment levels on the loans and advances are monitored regularly.

As per FID Circular No.3 dated March 15, 2007:

1. Loan/Lease, classified as bad/loss and with 100% provision, can only be written-off.
2. Approval from the Board of Directors has to be taken before write-off.
3. The financial institutions should constantly try to recover the loan/lease written-off amount. If legal action has not been taken against the client, legal charges should be placed before the write off.
4. To expedite the legal settlement or collection of the due amount, third party agents can be appointed by the financial institutions.
5. A separate ledger should be maintained for the written off loans/leases and the accumulated written off value should be disclosed separately under the heading of "notes to the account" in the annual report/balance sheet of the financial institutions.
6. Even if the loan/lease has been written off, the client should be classified as defaulter and reported to CIB accordingly.

Detail records for all such write off accounts are meticulously maintained and followed up.

Counterparty Credit Rating

ILFSL is taking initiatives to rate the Corporate Clients of the company immediately by the External Credit Assessment Institutions (ECAIs)/Rating Agencies duly recognized by the Central Bank.

Methods used to measure Credit Risk

As per the directives of Bangladesh Bank, 'The Standardized approach' is applied by the company to measure its Credit Risk.

Quantitative Disclosures:

(b) Total gross credit risk exposures broken down by major types of credit exposure.

Particulars	figures in BDT CRORE
Leasing	184.36
Term loan	3,344.35
Real estate finance	12.06
Work order finance	36.27
Short term loan	112.21
Staff loan	0.87

(c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.

Particulars	figures in BDT CRORE
Dhaka Division	3,550.80
Chittagong Division	125.38
Rajshahi Division	13.93

(c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.

Particulars	figures in BDT CRORE
Agriculture	161.18
Textile & Garments	619.07
Transport & Communication	158.49
Food production/processing industry	194.81
Iron, Steel & Engineering industry	109.19
Chemical & Pharmaceuticals	216.62
Service Industry	267.30
Plastic Industry	108.33
Paper, Printing packaging	25.51
Telecommunication/information technology	70.05
Real Estate & Housing	125.56
Ship and Ship making industry	60.76
Education	29.18
Hospital and medical equipment	-
Trade & Commerce	679.29
Power & Energy	177.50
Others	687.26

Beside these, ILFSL group portfolio includes total margin loan to clients by our capital market subsidiaries (International Leasing Securities limited and IL Capital Limited) of amount Tk. 354.94 but does not include Loan to subsidiaries paid by International Leasing and Financial Services Limited of amount BDT 214.15 crore, which should be deducted from the portfolio Therefore, the total industry exposure amount to 3,637.07.

(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

Particulars	figures in BDT CRORE
Repayable on demand	259.15
Over 1 month but not more than 3 months	115.74
Over 3 months but not more than 1 year	631.50
Over 1 year but not more than 5 years	2,109.91
Over 5 year	573.81
Total	3690.11

(f) Gross Non Performing Assets (NPAs)

Non Performing Assets (NPAs) to Outstanding Loans & advances

Movement of Non Performing Assets (NPAs)

Particulars	figures in BDT CRORE
Opening balance	164.69
Additions	8.93
Reductions	5.46
Closing balance	168.16

Movement of specific provisions for NPAs

Particulars	figures in BDT CRORE
Opening balance	42.72
Provisions made during the period	0.27
Write-off	3.75
Write-back of excess provisions	33.28
Closing balance	5.96

E) Equities: banking book positions

Qualitative Disclosures

The general qualitative disclosure requirement with respect to equity risk, including:

Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and

Total equity shares holdings are for capital gain purpose.

Discussion of important policies covering the valuation and accounting of equity holdings in the banking book positions. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.

Quoted shares are valued at cost prices and if the total cost of a particular share is lower than the market value of that particular share, then provision are maintained as per terms and condition of regulatory authority. On the other hand, unquoted share is valued at cost price or book value as per latest audited accounts.

Quantitative Disclosures

Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.

Particulars	Cost Price	Market Price
Quoted shares	67.17	40.17
Unquoted shares	.50	.50

The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.

- Nil

Particulars	Cost Price
Total unrealized gains (losses)	(12.4)
Total latent revaluation gains (losses)	-
Any amounts of the above included in Tier 2 capital	-

Capital requirements broken down by appropriate equity groupings, consistent with the FI's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.

Specific Risk-	Market value of investment in equities is BDT 40.17 crore. Capital Requirement is 10% of the said value which stand to BDT 4.02 crore.
General Risk-	Market value of investment in equities is BDT 40.17 crore. Capital Requirement is 10% of the said value which stand to BDT 4.02 crore.

F) Interest rate in the banking book

Qualitative Disclosures

The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits.

Interest rate risk in the banking book arises from mismatches between the future yield of an assets and their funding cost. Assets Liability Committee (ALCO) monitors the interest rate movement on a regular basis. ILFSL measure the Interest Rate Risk by calculation Duration Gap i.e. a positive Duration Gap affect company's profitability adversely with the increment of interest rate and a negative Duration Gap increase the company's profitability with the reduction of interest rate.

Quantitative Disclosures

The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk broken down by currency (as relevant).

Maturity wise Distribution of Assets-Liabilities

Particulars	1 to 30/31 day (1 month)	Over 1 month to 2 Months	Over 2 months to 3 Months	Over 1 month to 6 Months	Over 6 months to 1 Year
1	2	3	4	5	6
A. Total Rate sensitive Liabilities (A)	137.21	356.52	373.79	740.84	681.40
B. Total Rate sensitive Assets (B)	225.51	417.04	431.88	780.01	718.78
C. Mismatch	88.30	60.52	58.10	39.17	37.38
D. Cumulative Mismatch	88.30	148.83	206.92	246.09	283.48
E. Mismatch (%)	64.36	16.98	15.54	5.29	5.49

Interest Rate Risk - Increase in Interest Rate

Magnitude of Shock	Minor	Moderate	Major
	2%	4%	6%
Change in the value of Bond Portfolio	-6.97	-13.94	-20.91
Net Interest Income	5.67	11.34	17.01
Revised Regulatory Capital	321.94	320.64	319.34
Risk Weighted Assets	2987.74	2987.74	2987.74
Revised CAR (%)	10.78%	10.73%	10.69%

G) Market risk

Qualitative Disclosures

Views of BOD on trading/investment activities

All the Market Risk related policies/guidelines are duly approved by BOD. The BOD sets limit and review and updates the compliance on regular basis aiming to mitigate the Market risk.

Methods used to measure Market risk

Market Risk is the probability of losing assets in balance sheet and off- balance sheet position arising out of volatility in market variables i.e. interest rate, exchange rate and prices of securities. In order to calculate the market risk for trading book purposes the company uses Standardized (rule based) Approach where capital charge for interest rate risk, price and foreign exchange risk is determined separately.

Market Risk Management system

Policies and processes for mitigating market risk

Market Risk has been managed as per instruction of the Board of Directors of the company where a clear instruction has been given on Loan Deposit Ratio, Liquidity Contingency Plan, Local Regulatory Compliance, Recommendation / Action Plan etc. Treasury manages the Market Risk with the help of Asset Liability Management Committee (ALCO) and Asset Liability Management (ALM) Desk in the following fashion:

Interest Risk Management

Treasury Division reviews the risks of changes in income of the Company as a result of movements in market interest rates. In the normal course of business, ILFSL tries to minimize the mismatches between the duration of interest rate sensitive assets and liabilities. Effective Interest Rate Risk Management is done as under:

Market analysis

Market analysis over interest rate movements are reviewed by the Treasury of the company. The type and level of mismatch interest rate risk of the company is managed and monitored from two perspectives, being an economic value perspective and an earning perspective.

GAP analysis

ALCO has established guidelines in line with central Bank's policy for the management of assets and liabilities, monitoring and minimizing interest rate risks at an acceptable level. ALCO in its regular monthly meeting analyzes Interest Rate Sensitivity by computing GAP i.e. the difference between Rate Sensitive Assets and Rate Sensitive Liability and take decision of enhancing or reducing the GAP according to prevailing market situation aiming to mitigate interest rate risk.

Continuous Monitoring

Company's treasury manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assumed risks.

Equity Risk Management

Equity Risk is the risk of loss due to adverse change in market price of equities held by the Company. Equity Risk is managed by the following fashion:

ILFSL minimizes the Equity Risks by Portfolio diversification as per investment policy of the company.

Quantitative Disclosures

The capital requirements for Market Risk:

Particulars	figures in BDT CRORE
Interest rate risk	
Equity position risk	8.14
Foreign Exchange Position and Commodity risk (if any)	

H) Operational Risk:

Qualitative disclosure:

(a) Views of Board on system to reduce Operational Risk:

All the policies and guidelines of internal control and compliances are duly approved by the Board. The Board delegates its authority to Executive Committee and to ManCom members as per company policy of delegation of authority. Audit Committee of the Board directly oversees the activities of internal control and compliance as per good governance guideline issued by Securities and Exchange Commission.

Performance gap of executives and staffs

ILFSL's recruitment strategy is based on retaining and attracting the most suitable people at all levels of the business and this is reflected in our objective approach of recruitment and selection. The approach is based on the requirements of the job (both now and in the near future), matching the ability and potential of the individual. Qualification, skills and competency form our basis for nurturing talent. We are proud to state that favorable job responsibilities are increasingly attracting greater participation from different level of employees in the ILFSL family. We aim to foster a sense of pride in working for ILFSL and to be the employer of choice. As such there exists no performance gap in ILFSL.

Potential external events

No such potential external event exists to raise operational risk of ILFSL at the time of reporting.

Policies and procedures for mitigating operational risk:

ILFSL has also established Internal Control and Compliances Department (ICC) to address operational risk and to frame and implement policies to encounter such risks. ICC assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risk in line with the approved policies.

Approach for calculating capital charge for operational risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. ILFSL uses basic indicator approach for calculation capital charge against operational risk i.e. 15% of average positive annual gross income of the company over last three years.

Quantitative Disclosures:

(b) Capital requirement for operational risk:

Particulars	figures in BDT CRORE
Capital requirement for operational risk:	10.36

Chairman's Remarks

Bismillahir Rahmanir Rahim

Dear fellow shareholders, distinguished members of the Board of Directors, ladies and gentlemen, Assalamu Alaikum.

On behalf of my colleagues, I am honored to share the story of 2018 and our ongoing journey with relentless effort to achieve desired results for ILFSL in future.

International Leasing And Financial Services Limited (ILFSL) has a clear purpose to help clients thrive and communities prosper. This simple statement unites your board of directors, the management team and dedicated employees as we focus on delivering long-term shareholder value by ensuring positive outcomes for all stakeholders. Change has become a hallmark of our times and in 2018 ILFSL successfully executed on its key strategies, moved forward on its transformation priorities and welcomed new talent in the organization.

Overseeing our strategy

One of the board's most critical roles is to provide stewardship of ILFSL's strategic direction. We provide guidance to management as it builds a Digitally Enabled company and focuses on markets and segments where ILFSL is positioned to succeed. In order to anticipate and respond to a dynamic, marketplace, we advise management on its strategic plans, challenge assumptions and assist in identifying and building pathways to sustainable growth within the company's risk appetite.



Robust risk management

The board assesses management's plans to ensure business opportunities are balanced against sound risk management priorities and an effective enterprise-wide framework. We actively engage with management to assure that a strong risk culture is supported at all levels of ILFSL and that the Company's risk management function is independent from the businesses. We also provide guidance on, and approve the Company's risk appetite, and maintain open communications with regulators.

Good governance

Your board champions ILFSL's culture of 'doing what's right' and our core values of integrity and accountability. We help establish and promote ethical standards and behavior across all levels of the organization, working to foster business that considers impacts to society, the economy and the environment. Diversity of gender, thought and experience is critical to successful board oversight, and our board culture encourages transparency, active engagement and productive debate.

Once again in 2017, we were recognized for our approach, winning Best Overall Governance at the Excellence in Governance Awards from Institute of Chartered Secretaries of Bangladesh. We also continue to refine the skills and experience needed to provide orderly board succession and strengthen our ranks to support ILFSL's future strategic goals.

Last year performance

During the year under review, we reached a milestone of disbursed during the year and finally showed a post tax profit of Tk. 11.23 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.

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.

Shareholder engagement

Working with our stakeholders is an important component of our governance process. Committed to the creation of long-term value, we will continue to look for new and effective ways to meaningfully engage with investors, clients and the communities we serve.

On behalf of the board, I would like to thank Mr. Rashedul Haque, Managing Director and his leadership team for their commitment and dedication to helping realize ILFSL's vision of being recognized as one of the most trusted and successful financial institutions. We would also like to express the board's deep appreciation to ILFSL employees who deliver the very best to our clients and communities every day.

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.



M.A. Hashem
Chairman

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, MABS & J Partners, 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. BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 June, 2018, Podder & 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 those 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 market-based economy of Bangladesh is one of the fastest growing economies in the world. In 2018, per-capita income was estimated as per IMF data at US\$ 4,561 (PPP) and US\$ 1,754 (Nominal). Bangladesh has come a long way in its economic growth. From a meager US \$ 5.70 billion in 1972, the gross domestic product (GDP) increased to US\$ 285.82 billion in 2018. The Bangladesh economy is the 42nd largest in the world in nominal terms and 31st largest in terms of Purchasing Power Parity (PPP). Recently, Bangladesh graduated from least developed country (LDC) status to a lower middle income country, and hopes to become a developed country by 2041.

Considerable increase in per capita income has been made possible by sustained economic growth. The growth in the manufacturing (led predominantly by the ready-made garments (RMG) sector), 'electricity, gas and water supply' and the construction sub-sectors experienced positive growth. Within the manufacturing sector increase, large industries experienced positive growth, while it remained largely unchanged in the case of small-scale industries. Within the services sector, growth in trade, hotels and restaurants and transport, storage and communication remained unchanged; and real estate declined. Financial intermediations registered positive growth, though at a low rate.



Fiscal Management

The Bangladesh economy going for take-off for its long- hauls flight to the developed country club. Last year it reached the boarding gate for the flight to the developing country club that land in 2024. After a short transit it will continue with its onward journey, with another stopover at the higher middle-income country club in 2030. If all goes well, it will reach its final destination in 2041. Parliament passed the Tk 5,23,190 crore national budget for 2019-20 fiscal year. The new budget also emphasized on power and energy sector, ICT sector, education, and industrialization in the country.

Inflation

Bangladesh inflation rate eased to 5.52 percent in June of 2018 from 5.63 percent in the previous month. It was the lowest inflation since February, as prices of both food (5.40 percent vs 5.49 percent in May) and non-food products (5.71 percent vs 5.84 percent) went up at a softer pace. Regarding non-food items, cost slowed for clothing & footwear (5.94 percent vs 9.60 percent); transport & communication (7.48 percent vs 8.72 percent) and recreation & culture (2.24 percent vs 2.25 percent). In contrast, price advanced faster for rent, fuel & lighting (4.82 percent vs 4.24 percent); miscellaneous goods & services (8.29 percent vs 6.52 percent) and health (2.93 percent vs 2.39). On a monthly basis, consumer prices increased 0.31 percent, rebounding from a 1.18 percent drop in May. Inflation Rate in Bangladesh averaged 6.52 percent from 1994 until 2019, reaching an all time high of 16 percent in September of 2011 and a record low of -0.03 percent in December of 1996. Foreign

Exchange Reserve

Bangladesh's reserve stood at \$ 31.06 billion after the country in early November in 2018 made its last payment of \$ 1.13 billion to Asian Clearing Union (ACU) against imports during the September-October from ACU member countries including India. The reserve dropped further by \$700 million, following the payment to ACU, standing at 30.99 billion. The previous lowest foreign exchange reserve was \$ 30.39 billion in July 2016. The level of reserve hit the record \$ 33.44 billion in June 2017. The country had to make some large payments against imports of fuel oil, LNG and fertilizer imported by the government in October-November. Before, October, the country's import payment for the first quarter (July-September) of the current fiscal year 2018-19 grew by 11.48 per cent year-on-year to hit \$13.59 billion. Until the current account deficit stabilizes, the foreign exchange reserves are expected to decrease.

Money Market

Bangladesh's money market has been volatile due to the deepening problems in the banking sector. The problems include: liquidity crisis, non-performing loans, growing gap between lending and deposit growth, widening current account deficit, a distortion in the interest rate market and a lack of skilled manpower. The central bank should adopt a zero tolerance policy to rescheduling default loans by bypassing its regulations as many influential borrowers frequently enjoy the facility. At the end of March, 2018 the total default loans in the banking sector stood at Tk 88,589 crore, up from Tk 74,303 crore at the end of December 2017.

Capital Market Review

Capital market of Bangladesh passed a challenging year in 2018. After posting a good return of 24% in 2017, broad index DSEX declined by 13.8% in 2018, wiping out USD 4.3 bn of market capitalization. Average daily turnover amounted to USD 65.6 mn in 2018, down by 37.0% than that in 2017.

The market correction was largely driven by decline in financial sector scripts. In 2018, financial sector was adversely affected by rising interest rate and growing NPL problems which dominated its stock market performance. Financial composite which includes Bank, NBFI and Insurance declined by 18.6% against overall market decline of 13.8%. On the other hand, outperforming the market in 2018 Macro factors reigned supreme in 2018. Expectations of currency devaluation prompted foreign fund managers to book profit, partially liquidating their stakes in local blue-chips. Large cap dominated Telecommunication and Pharmaceuticals were hit the hardest by this wave and declined significantly, despite solid fundamentals. Bank and NBFI lost over 20% of Market price in 2018, suffering from asset quality and interest rate concerns.

NBFIs Performance in 2018

Non-Bank Financial Institutions (NBFIs) are playing crucial role by providing additional financial service that cannot be usually provided by banks. The NBFIs, with more multifaceted products and services have taken their place in the competitive financial market to satisfy the changing demands of the customers. NBFIs also play an important role in the capital market as well as in real estate sector of Bangladesh. Like the banks, most of the NBFIs have separate subsidiaries to operate merchant banking activities. NBFIs are supervised by Bangladesh Bank following as risk based supervisory system. NBFIs showed strong performance in terms of growth in assets and deposits in FY 18. NBFIs have been given license and regulated under the Financial Institution Act, 1993. At present, the minimum paid up capital for NBFIs in BDT 2.00 billion as per the Financial Institution Regulation, 1994. NBFIs business line is narrow in comparison with Banks in Bangladesh. NBFIs are allowed to take term deposit for three months and above. Presently, out of 34 NBFIs, 3 are Government owned, 12 are joint venture and the rest 19 are locally private owned. The branch network of NBFIs increased in 2018.

ILFSL's Operational Review of 2018

Riding on relative political stability, few financial scams and severe liquidity crisis in the later part of 2018, the financial sector was almost slump. In such a situation, ILFSL also exhibited a substantial progress in many of the business lines during 2018. Total asset of the group grew by 1.50% from BDT 44.90 billion in 2017 to BDT 45.58 billion in 2018. 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.

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 decreased by 2.85% from BDT 28,965.90 million in 2017 to BDT 28,139.34 million in 2018. The company's Leases, loans and advances portfolio reached BDT 37,822.72 million in 2018 compared to BDT 36,370.71 million in 2017.

In 2018, consolidated total operating income was Tk. 814.50 Million compare to 1050.43 million in 2017. Consolidated total operating expenses was Tk. 323.97 million compare to Tk. 332.45 million in 2017. Consolidated Net Profit After tax was Tk. 112.28 in 2018. Consolidated Earnings per Share (EPS) stood at Tk. 0.53.

2018 started with steady political environments that boost up the confidence of the business community throughout the year. However, liquidity crisis in 2018 poses a new challenge for most of the Treasurer in the Banking and Non-Banking sector. The inter-bank call money market remained liquid and stable in 2018. Deposit was our key sources of fund especially public deposit. You will be happy to know that we expanded our Liability Management Division in 2018 did an excellent job to mobilize deposit and as of December 31, 2018 our Term Deposit portfolio stood at BDT 27,514 million.

During the year deposit portfolio has been decreased by BDT 655 million. 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 2018. 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.

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 in 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 and cutting edge sell side research base. ILSL posted after tax net profit of BDT 3.91 million which was BDT 72.45 million in the year 2017.

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 2018 ILCL has incurred net loss of BDT 27.98 million as against net profit after tax amounting to BDT 3.86 million in 2017.

Financial result and appropriation of profit

The Company posted profit before tax for the year end 2018 amounting to BDT 363.41 million. Net Profit After Tax was Tk. 112.28 against Tk. 388.11 in 2017. Consolidated Earnings Per Share (EPS) in 2018 was Tk. 0.53 compare to Tk. 1.84 in 2017.

2018 was a challenging year towards the growth and 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 2018. The Directors are pleased to report the financial results for the year 2018:

Particulars	Taka
Operating Revenue	814,503,768
Operating Expenses	323,979,198
Operational Profit before provisions & Tax	490,524,570
Provision for doubtful accounts	127,109,987
Profit before taxes	363,414,583
Tax Expense	251,127,033
Profit after Tax	112,287,550

Key Operating and Financial Data

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

Declaration of Dividend

The Board of Directors in its 228th meeting held on June 29, 2019 recommended 5% Stock Dividend for the year ended on December 31, 2019 subject to approval the shareholders at 23rd Annual General Meeting scheduled to be held on August 22, 2019.

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 of 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.

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.

Material changes after Balance Sheet date

There have been no material changes and commitments between the end of 2018 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 December 31, 2018.

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 second Annual General Meeting and being eligible offered themselves for re-election as per Articles of Association of the Company:

1. Mr. Muhammed Abul Hashem
2. Mr. Md. Anwarul Kabir
3. Mr. Nasim Anwar FCA

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

Appointment of Independent Director

The appointment of Mr. Md. Nuruzzaman as Independent Director will expire on July 28, 2019 and Mr. M. A. Hashem as Independent

Director will expire on October 30, 2019. Renewal of Mr. Md. Nuruzzaman and Mr. M. A. Hashem as Independent Director might take place in the upcoming meeting and subsequently be placed in the 23rd Annual General Meeting for approval as per Corporate Governance Guidelines of Bangladesh Securities and Exchange Commission.

Shareholding Pattern

The shareholding pattern as per Clause 5 (xxiii) of BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80: dated June 03, 2018 is shown in details in the relevant report in this Annual Report.

Board Meeting & Attendance

During the year 2018, 11 (thirteen) nos. of Meetings of the Board of Directors were held.

Auditors

M/s. MABS & J Partners, Chartered Accountants, have completed their first year as statutory auditor of the Company. M/s. MABS & J Partners, Chartered Accountants, as external Auditor of the Company for the year 2018 with an audit fee of BDT 300,000 plus VAT at the applicable rate.

The Board in its meeting held on June 29, 2019 recommended the shareholders to appoint M/s. MABS & J Partners, Chartered Accountants at a remuneration of BDT 300,000 plus VAT. We have also taken the prior approval from Bangladesh Bank to appoint M/s. MABS & J Partners, Chartered Accountants, until conclusion of 24th AGM.

Reporting on Corporate Governance Compliance

Pursuant to BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 03, 2018 the company has taken certificate on Compliance of the Corporate Governance Code from Podder & Associates Cost & Management Accountant, which report can be found in this Annual Report.

Corporate and Financial Reporting Framework

- 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.

Branch Operation

You will be happy to know that ILFSL opened its three new branches at Uttara, Sylhet and Dhanmondi. ILFSL is also planning to open few more branches at 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 and Exchange Commission (BSEC), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE), Registrar of Joint Stock Companies and Firms (RJSC), 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, HICC 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	36,681,671	17.36%
Mr. Muhammed Abul Hashem			
Mr. Md. Nowsherul Islam	Representative Director of Nature Enterprise Limited	7,287,200	8.18%
Mrs. Momtaz Begum			
Mr. Bashudeb Banerjee	Representative Director of BR International Limited	7,225,460	8.15%
Mr. Md. Anwarul Kabir			
Mr. Nasim Anwar, FCA	Representative Director of Newtech Enterprise Limited	16,572,955	7.85%
Mrs. Papia Banerjee			
Mr. Md. Zahirul Alam, FCA	Independent Director	0	0%
Mr. Md. Nuruzzaman	Independent Director	0	0%
Mr. Rashedul Haque	Managing Director	0	0%
Mr. Syed Abed Hasan	Chief Financial Officer	0	0%
Mr. Md. Rezaul Islam	Head of Internal Control & Compliance	0	0%
Mr. Rahat Mahmud	Company Secretary	0	0%

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

Name	Designation	No. of shares owned	%
Ms. Nahida Runai	Executive Vice President	0	0%
Ms. Mostofa Muidur Rahman	Senior Vice President	0	0%
Mr. Al Mamun Shohag	Vice President	0	0%
Mr. Md. Rafsan Riad Chowdhury	Assistant Vice President	0	0%
Mr. Md. Mubasher Chowdhury	Senior Manager	0	0%

SHAREHOLDERS HOLDING 10% OR MORE VOTING RIGHTS

Name	Designation	No. of shares owned	%
Shaw Wallace Bangladesh Limited	Shareholder	36,681,671	17.36%

ATTENDANCE OF BOARD OF DIRECTORS

ANNEXURE-2

Meeting Attended by the Directors of ILFSL During 2018

Name of Directors	Board of Directors meeting				Executive Committee meeting				Audit Committee meeting				Total Remuneration paid for the year 2018
	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	11	11	100	101,200	-	-	-	-	-	-	-	-	1,01,200
Mr. M. Nurul Alam	11	11	100	101,200	-	-	-	-	7	7	100	64,400	1,65,600
Mr. Zahirul Alam, FCA	11	11	100	101,200	-	-	-	-	7	7	100	64,400	1,65,600
Mr. Nasim Anwar, FCA	11	9	82	82,800	-	-	-	-	7	5	72	46,000	1,28,800
Mr. Bashudeb Banerjee	11	10	91	92,000	-	-	-	-	-	-	-	-	92,000
Mr. Papia Banerjee	11	10	91	92,000	-	-	-	-	-	-	-	-	92,000
Mr. Momtaz Begum	11	5	46	46,000	-	-	-	-	-	-	-	-	46,000
Mr. Muhammed Abul Hashem	11	11	100	101,200	-	-	-	-	7	7	100	64,400	1,65,600
Mr. Md. Nowsherul Islam	11	5	46	46,000	-	-	-	-	7	4	57	36,800	82,800
Mr. Md. Anwarul Kabir	11	10	91	92,000	-	-	-	-	-	-	-	-	92,000
Mr. Md. Nuruzzaman	11	9	82	82,800	-	-	-	-	-	-	-	-	82,800
Mr. Rashedul Haque	11	11	100	N/A	-	-	-	-	7	7	100	N/A	N/A
				9,38,400								2,76,000	12,14,400

Report on Corporate Governance

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.

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 Managing Director of the company. As per guidelines of the central bank, approval of the central bank to be obtained for the appointment of the Managing Director along with the remuneration and other benefits.

Remuneration policy of the Managing Director 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 and 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.

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 and 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 the Financial Statements part.

Auditors Certificate on Corporate Governance

The Company has complied with all mandatory requirements of Corporate Governance Guidelines as enumerated in the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 and its subsequent amendments by Bangladesh Securities and Exchange Commission. M/s Podder & Associates, Cost And Management Accountants have certified that the Company has complied with the conditions of Corporate Governance as stipulated under the corporate Governance Guidelines which is details in this annual Report.

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 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. 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.

CERTIFICATE ON CORPORATE GOVERNANCE



PODDER & ASSOCIATES

Cost and Management Accountants

Report to the Shareholders of International Leasing And Financial Services Limited on compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by **International Leasing And Financial Services Limited** for the year ended on 31st December 2018. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, Dated: 3 June 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code 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 the Corporate Governance Code.

This is scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- (a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission except conditions number 1(7)(a), 1(7)(b), 4(ii), 6 & 9(2);
- (b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
- (d) The governance of the company is highly satisfactory.

For, Podder & Associates

Jayanta Kumer Podder
Cost & Management Accountants

Place: Dhaka
Dated: 15th July 2019

International Leasing And Financial Services Limited

Status of Compliance with the Corporate Governance Guideline (CGC)

For the period ended 31st December 2018

Status of compliance with the conditions imposed by the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under Condition No. 9.00)

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (IF ANY)
		Complied	Not Complied	
1	Board of Directors			
1(1)	Boards size			
	The total number of members of a company's Board of Directors (hereinafter referred to as "Board") shall not to be less than 5 (five) and more than 20 (twenty).	✓		The Board is comprised of 12 Directors including Managing Director.
1(2)	Independent Directors			
1(2)(a)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s);	✓		There are Three Independent Directors in the ILFSL Board.
1(2)(b)	For the purpose of this clause 'Independent directors' means a director-			
1(2)(b)(i)	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;	✓		Does not hold any share of the Company
1(2)(b)(ii)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company;	✓		'The Independent Directors have declared their compliances.
1(2)(b)(iii)	Who has not been an executive of the company in immediately preceding 2 (two) financial years;	✓		
1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies;	✓		
1(2)(b)(v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	✓		
1(2)(b)(vi)	Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	✓		
1(2)(b)(vii)	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 or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	✓		
1(2)(b)(Viii)	Who is not an independent director in more than 5 (five) listed companies;	✓		



CERTIFICATE ON CORPORATE GOVERNANCE

1(2)(b)(ix)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBF);	√		
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude;	√		
1(2)(c)	The independent director(s) shall be appointed by the board and approved by the shareholders in the Annual General Meeting (AGM);	√		
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days;	√		
1(2)(e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only:	√		
1(3)	Qualification of Independent Director			
1(3)(a)	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.	√		
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or bussiness association;			N/A
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid up capital of Tk. 100.00 million or of a listed company;	√		
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or bussiness or law;			N/A
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law;			
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;			√
1(3)(c)	The independent director(s) shall have at least 10(ten) years of experiences in any field mentioned in clause (b);	√		
1(3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.			No such deviation occurred
1(4)	Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer			
1(4)(a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	√		



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1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	√		
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	√		
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive officer;	√		
1(4)(e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		No such event was occurred to execute such option
1(5)	The Directors' Report to the Shareholders			
1(5)(i)	An industry outlook and possible future developments in the industry;	√		
1(5)(ii)	The Segment-wise or product-wise performance;	√		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		
1(5)(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		
1(5)(v)	A discussion on continuity of any extraordinary activities and their implications (gain or loss);			No such event arose
1(5)(vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or through any others instruments;	√		
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing etc;			No such event arose
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial Performance and Annual Financial Statements;	√		
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		
1(5)(xi)	A statement that 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;	√		
1(5)(xii)	A statement that proper books of account of the issuer company have been maintained;	√		
1(5)(xiii)	A statement that 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;	√		
1(5)(xiv)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;	√		
1(5)(xv)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√		



CERTIFICATE ON CORPORATE GOVERNANCE

1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√		
1(5)(xvii)	A statement that there is no Significant doubt upon the issuer company's ability to continue as going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed;	√		
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;	√		
1(5)(xix)	A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized;	√		
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;			The Board has declared 5% stock dividend.
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;			N/A
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director;	√		
1(5)(xxiii)	A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by:-			
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details);	√		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance their spouses and minor children (name-wise details);	√		
1(5)(xxiii)(c)	Executives;	√		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details).	√		
1(5)(xxiv)	In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:-			
1(5)(xxiv)(a)	a brief resume of the directors	√		
1(5)(xxiv)(b)	nature of his/her expertise in specific functional areas;	√		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
1(5)(xxv)	Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in financial statements.			
1(5)(xxv)(a)	Accounting policies and estimation for preparation of financial statements;	√		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;			N/A



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1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	√		
1(5)(xxv)(d)	compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	√		
1(5)(xxv)(e)	briefly explain the financial and economic scenario of the country and the globe;	√		
1(5)(xxv)(f)	risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and	√		
1(5)(xxv)(g)	future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	√		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A ; and	√		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C .	√		
1(6)	Meetings of the Board of Directors			
	The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.	√		
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC), for the Chairperson of the Board, other board members and Chief Executive Officer of the company.			N/A
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company.			N/A
2	Governance of Board of Directors of Subsidiary Company			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company.	√		
2(b)	At least 1 (one) independent director of the Board of the holding company shall be a director on the Board of the subsidiary company.	√		
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	√		



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2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	√		
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		
3	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO) Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC)	√		
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	√		
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	√		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	√		
3(2)	Requirement to attend Board of Director's Meetings			
	The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board:	√		
3(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief;			
3(3)(a)(i)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
3(3)(a)(ii)	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;	√		
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent illegal or violation of the code of conduct for the company's Board or its member;	√		
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√		



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4	Board of Director's Committee.- For ensuring good governance in the company, the Board shall have at least following sub-committees			
4(i)	Audit Committee;	√		
4(ii)	Nomination and Remuneration Committee			As per Bangladesh Bank Guidelines, ILFSL being a Financial Institution (FI) can only form two subcommittees of the Board: Audit Committee (AC) and Executive Committee (EC). No other Sub committee of the Board is permitted by Bangladesh Bank. However, to comply with this clause of CGC and BSEC, we have addressed the issue with Bangladesh Bank through Bangladesh leasing and Finance Companies Association (BLFCA). Till date of reporting we have not received any direction in this regard.
5	Audit Committee.-			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The company shall have an Audit Committee as a sub-committee of the Board;	√		
5(1)(b)	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;	√		
5(1)(c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing.	√		
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	√		
5(2)(b)	The Board shall appoint members of the audit committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1(one) independent director;	√		
5(2)(c)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;	√		
5(2)(d)	When the term of service of any Committee members expires or there is any circumstance causing any Committee member to be unable to hold office before 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 shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	√		
5(2)(e)	The company secretary shall act as the secretary of the Committee.	√		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		



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5(3)	Chairman of the Audit Committee			
5(3)(a)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an Independent director;	√		
5(3)(b)	In the absence of the Chairperson of the audit committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular chairperson shall be duly recorded in the minutes.	√		
5(3)(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM):	√		
5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year: Provided that any emergency meeting in addition to regular meeting may be convened at the request of any one of the members of the Committee;	√		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√		
5(5)	The Audit Committee shall:-			
5(5)(a)	Oversee the financial reporting process;	√		
5(5)(b)	Monitor choice of accounting policies and principles;	√		
5(5)(c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance plan and review of the Internal Audit and Compliance Report;	√		
5(5)(d)	Oversee hiring and performance of external auditors.	√		
5(5)(e)	Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√		
5(5)(f)	Review along with the management, the annual financial statements before submission to the board for approval;	√		
5(5)(g)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval;	√		
5(5)(h)	Review the adequacy of internal audit function;	√		
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	√		
5(5)(j)	Review statement of all related party transactions submitted by the management;	√		
5(5)(k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors.	√		
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors;	√		



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5(5)(m)	Oversee whether the proceeds raised through Initial public Offering (IPO) or Repeat public Offering(RPO) or Rights Share offer have been utilized as per the purpose stated in relevent offer document or prospectus approved by the Commission:			N/A
5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	√		
5(6)(a)(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
5(6)(a)(ii)(a)	report on conflicts of interests;			No such event occurred
5(6)(a)(ii)(b)	suspected or presumed fraud or irregularity or material defect identified in the internal internal audit and compliance process or in the financial statements;control system;			No such event occurred
5(6)(a)(ii)(c)	suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations;			No such event occurred
5(6)(a)(ii)(d)	any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;			No such event occurred
5(6)(b)	Reporting to the Authorities:-			
	If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.			No such event occurred
5(7)	Reporting to the Shareholders and General Investors			
	Report on activities carried out by the Audit Committee, including any report made to the Board under condition 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	√		
6	Nomination and remuneration Committee(NRC)			
				As per Bangladesh Bank Guidelines, ILFSL being a Financial Institution (FI) can only form two subcommittees of the Board: Audit Committee (AC) and Executive Committee (EC). No other Sub committee of the Board is permitted by Bangladesh Bank. However, to comply with this clause of CGC and BSEC, we have addressed the issue with Bangladesh Bank through Bangladesh leasing and Finance Companies Association (BLFCA). Till date of reporting we have not received any direction in this regard.
6(1)	Responsibility to the Board of Directors			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;			
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;			



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6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).		
6(2)	Constitution of the NRC		
6(2)(a)	The Committee shall comprise of at least three members including an independent director;		
6(2)(b)	All member of the Committee shall be non-executive directors;		
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;		
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;		
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;		
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;		
6(2)(g)	The company secretary shall act as the secretary of the Committee;		
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;		
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.		
6(3)	Chairperson of the NRC		
6(3)(a)	The Board shall select 1(one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;		
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;		
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders;		
6(4)	Meeting of the NRC		
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;		
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;		
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);		



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6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.			
6(5)	Role of the NRC			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;			
6(5)(b)	NRC shall oversee, among others, the following matters and make report with recommendation to the Board:			
6(5)(b)(i)	Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:			
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;			
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and			
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;			
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;			
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;			
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board;			
6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria;			
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies;			
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.			
7	External or Statutory Auditors			
7(1)	The issuer shall not engage its external or statutory auditors to perform the following services of the company, namely :-			MABS & J Partners, Chartered Accountants have declared such independence during their appointment.
7(1)(i)	Appraisal or valuation services or fairness opinions;	√		
7(1)(ii)	Financial information system design and implementation;	√		
7(1)(iii)	Book-keeping or other services related to the accounting records or financial statement;	√		
7(1)(iv)	Broker - dealer services;	√		
7(1)(v)	Actuarial services;	√		
7(1)(vi)	Internal audit services or special audit services;	√		



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7(1)(vii)	Any services that the Audit Committee determines.	√		MABS & J Partners, Chartered Accountants have declared such independence during their appointment.
7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition No.9(1);	√		
7(1)(ix)	Any other service that creates conflict of interest	√		
7(2)	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; his or her family members also shall not hold any shares in the said company:	√		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	√		
8	Maintaining a website by the Company.-			
8(1)	The Company shall have an official website linked with the website of the stock exchange.	√		Web Address is: www.ilfsl.com
8(1)	The company shall keep the website functional from the date of listing.	√		
8(1)	The company shall make available the detailed disclosures on its website as required under the regulations of the concerned stock exchange(s)	√		The required information are available in www.ilfsl.com
9	Reporting and Compliance of Corporate Governance.-			
9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.	√		'Required certification has been obtained from "PODDER & ASSOCIATES" Cost & Management Accountants for the year ended 31st December 2018
9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the Shareholders in the annual general meeting.	√		Board recommended the Professional for due appointment by the Shareholders in Upcoming AGM
9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	√		



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

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 in compliance 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;	
	(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 the compliance were within the policies, procedures, law and regulations.
- To determine if the assets are safeguarded and ensure 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 works across the ILFSL group to all division and departments of its operations. Whether they are adhering to the policies, procedures, laws and regulations.

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.
- Ensuring gradual up gradation of IT sector – for obtaining/generation of correct, definite and true financial data and other reports in line with regulators requirement.

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.

The key operations and the internal control procedures applicable to them are described below:

With a View to ensure correct, safe, secure, stable & effective transaction processing, Finance and Accounts Department of ILFSL is working with utmost efficiency & Professionalism. 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 of the 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 assess and improve the accuracy and reliability of the accounting and financial information.

The internal control and compliance department closely coordinates with the 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 through the legal counsel.

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 and prepared as per the requirement of BSEC and Bangladesh Bank requirements before publication;
- 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 Code dated June 3, 2018.

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

The Committee is responsible and reports to the Board of Directors. The Managing Director and the Chief Financial Officer attend committee meeting by invitation. Mr. Rahat Mahmud, 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 held Seven (7) meetings during the year under review. The attendance of Committee members at meetings is stated in this annual report. Members of the senior management of the company were invited to participate at meetings as and when required. The proceedings of the Audit Committee meetings are regularly reported to the Board of Directors.

The Audit Committee reviewed the annual financial statements for the year 2018 and placed it to the Board of Directors along with its recommendations. 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 (BSEC), 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:

Activities:

The Committee carried out the following activities during the year 2018:

(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

The committee supports the Board of Directors to discharge their responsibility for the preparation of Financial Statements that reflect a true and fair view of the financial performance and financial position based on the company's accounting records and in terms of the Bangladesh Accounting Standard.

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.

(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 to 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' in compliance of BSEC circular stipulations.

(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 and 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.



Sd/-

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-from 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



Sustainable Development Report

- Corporate Social Responsibility
- Report on Going Concern
- Green Banking Activities
- Value Added Statement
- 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 2018.

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 2018 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 2018 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, 2018 the Company's total paid up capital stands at Taka 211.24 crore, while the minimum paid up capital as required by Bangladesh Bank is Taka 200.00 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 appealing 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.

VALUE ADDED STATEMENT

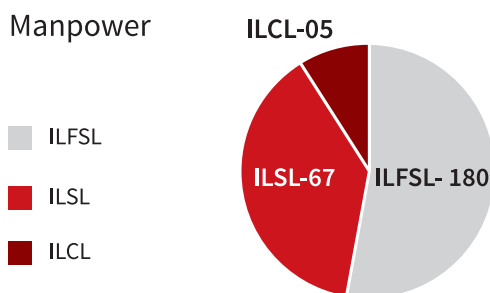
(Figures in BDT)

Value Added	2018		2017	
	Amount	Percentage	Amount	Percentage
Value added				
Operating revenue	5,050,164,619		4,627,008,566	
Cost of borrowing	(4,236,852,821)		(3,573,325,326)	
	813,311,798		1,053,683,240	
Other income	1,191,970		1,747,087	
	814,503,768		1,055,430,327	
Provision for future losses	(127,109,987)		(224,317,128)	
Operating expenses (excluding staff cost & depreciation)	(110,490,065)		(127,295,888)	
	576,903,716	100%	703,817,311	100%
Distribution of value addition				
Shareholders as dividend	105,623,927	18.31%	226,336,987	32.16%
Employees as salaries and other benefits	186,620,500	32.35%	178,715,480	25.39%
Government as income tax	251,127,033	43.53%	110,543,919	15.71%
	543,371,460	94.19%	515,596,387	73.26%
Retained for reinvestment				
Depreciation & amortisation	26,868,633	4.66%	26,439,862	3.76%
Retained earnings and other reserves	6,663,623	1.16%	161,781,062	22.99%
	33,532,256	5.81%	188,220,924	26.74%
	576,903,716	100.00%	703,817,311	100.00%
Employees' statistics				
Number of employees at year end	180		204	
Operational income per employee	28,056,470		22,681,415	
Value added per employee	3,205,021		3,450,085	

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 180 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.

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.



Financial Statements of ILFSL & The Group

- Auditors' Report to the Shareholders
- Consolidated Statement of Financial Position
- Consolidated Statement of Profit and Loss Account
- Consolidated Statement of Cash Flows
- Consolidated Statement of Changes in Shareholders' Equity
- Statement of Financial Position
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- Schedule of Consolidated Fixed Assets
- Financial Highlights

Auditors' Report and Audited Financial Statements
Of
INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED
and it's Subsidiaries

DR Tower (13th Floor)
65/2/2, Bir Protik Gazi Golam Dostogir Road
Purana Paltan, Dhaka-1000

For the year ended December 31, 2018

A U D I T E D

AUDITOR:

MABS & J Partners

Chartered Accountants

SMC Tower (7th Floor), 33, Banani C/A, Road 17, Dhaka-1213, Bangladesh

Phone:+880-2-9821057-58,+880-2-9821365-66,

E-mail: tafhimiqbal@gmail.com, Web: www.mabsj.com

Independent Auditor's Report

To the shareholders of International Leasing and Financial Services Limited (ILFSL)

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated financial statements of **International Leasing and Financial Services Limited** and its subsidiaries (the "Group") as well as the separate financial statements of **International Leasing and Financial Services Limited** (the "Company"), which comprise the consolidated and separate balance sheet as at 31 December 2018, and the consolidated and separate profit and loss account, consolidated and separate statement of changes in equity and consolidated and separate cash flow statement for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, **except for the effect of the matter described in the basis for qualified opinion paragraphs**, the accompanying consolidated financial statements of the Group and separate financial statements of the Company give a true and fair view of the consolidated balance sheet of the Group and the separate balance sheet of the Company as at 31 December 2018, and of its consolidated and separate profit and loss accounts and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note # 2 and comply with the Financial Institutions Act, 1993, the Rules and Regulations issued by the Bangladesh Bank, the Companies Act, 1994 and other applicable Laws and Regulations.

Basis for Qualified Opinion

Reference Note No. -11: Other Liabilities

As per FID circular no. 08 dated 03 August 2002, the company is to maintain provision against invested asset (classified or declassified) considering the quality of investment according to FID circulars of Bangladesh Bank. During the course of our audit we have verified investment asset (loan, lease and advance) and identified that a provision of BDT 2,584,370,665 should have been maintained against classified investment asset (loan, lease and advance) as against provision of BDT 59,584,853 made by the company. There is thus a provision shortfall of BDT 2,524,785,812.

Going Concern

We draw attention to note no. 38 to the financial statements which describes the events or matters that may cast significant doubt on the Company's ability to continue as going concern. Our opinion is not modified in respect of those events or matters.

Emphasis of Matters

We also draw attention to the various notes of the financial statements, which describe the effects of events or matters. Our opinion is not modified in respect of those events or matters.

1. Reference Note No.- 3.3(a): Cash Reserve Ratio (CRR)

An amount of BDT 6,349,453 has been shown as Cash Reserve maintained with Bangladesh Bank. As per FID circular no. 06 of Bangladesh Bank dated 06 November 2003, 2.5% of total term deposit should be kept as reserve with Bangladesh Bank as Cash Reserve Ratio (CRR) which comes to BDT 314,459,152 (2.5% of term deposits of BDT 12,578,366,099). But management has kept CRR amounting to BDT 6,349,453 based on average term deposit of November 2018. The actual CRR is thus 98% lower than the required amount.

2. Reference Note No.- 12.3: Capital Adequacy Ratio (CAR)

Regulatory capital (core capital and supplementary capital) should have been maintained at BDT 4,049,464,564 as per section 4 (Gha) of the Financial Institutions Regulations 1994 (as amended) and Bangladesh Bank circular no. 05 and 08 dated 24 July 2011 and 02 August 2010 respectively of The Department of Financial Institutions and Markets (DFIM). However, the capital of the Company is BDT 3,202,893,490. The shortfall in regulatory capital of BDT 846,571,074 stands 21% lower than the minimum requirement.

3. Reference Note No.- 6.1.2.4: Other Loan

As per sec. 14(1) Ga of Financial Institutions Act 1993 (as amended), the outstanding amount of exposure to a single person/counterparty or a group cannot exceed 30% of the capital at any point of time without the prior approval of the Bangladesh Bank. However, the company has extended loan facilities to its subsidiary beyond 30% of its capital. The company has outstanding loan amount of BDT 2,283,999,659 to its subsidiary-International Leasing Securities Limited which is 81% of total capital employed as on 31 December 2018. The exposure to a single borrower is much more than what should have been as per Financial Institutions Act 1993 (as amended).

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements for 2018. These matters were addressed in the context of the audit of the financial statements, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below our description of how our audit addressed the matters provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. These results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Risk	Our response to the risk
<p>The process for estimating the provision for loans and advances portfolio associated with credit risk is significant and complex. For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions. For the collective analysis, these provisions are manually processed that deals with voluminous databases, assumptions and calculations for the provision estimates of complex design and implementation.</p> <p>At year end of 2018 the Group reported total gross loans and advances of BDT 37,822,725,755 (2017: BDT 36,370,716,954) and provision for loans and advances of BDT 540,000,000 (2017: BDT 427,208,511).</p> <p>We have focused on the following significant judgments and estimates which could give rise to material misstatement or management bias:</p> <ul style="list-style-type: none"> • Completeness and timing of recognition of loss events in accordance with criteria set out in FID circular no 08, dated 03 August 2002, FID circular no. 03, dated 03 May 2006 and FID circular no.03 dated 29 April 2013; • For individually assessed provisions, the measurement of the provision may be dependent on the valuation of collateral, estimates of exit values and the timing of cash flows; • Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates; 	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> • Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process; • Identification of loss events, including early warning and default warning indicators; <p>Reviewed quarterly classification of loans (CL); Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> • Reviewed the adequacy of the companies general and specific provisions; • Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information; • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
<p>See note # 06 and 11 to the financial statements</p>	
<p>Measurement of deferred tax assets</p> <p>In 2018, the Group and the Company reports net deferred tax assets (DTA) amounted to BDT 9,650,619 (2017: BDT 7,621,059) Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the recognition and measurement of DTAs and the assumptions used in estimating the Group's future taxable income. We also assessed the completeness and accuracy of the data used for the estimations of future taxable income. We involved tax specialists to assess key assumptions, controls, recognition and measurement of DTA's. Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Tax.</p>
<p>See note # 8.6 to the financial statements</p>	

Other information

The other information comprises all of the information in the Annual Report other than the consolidated and separate financial statements and our auditor's report thereon. We expect to obtain the Annual report after the date of our auditor's report. Management is responsible for the other information.

Our opinion on the consolidated and separate financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated and separate financial statements and internal controls

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements of the Group and also separate financial statements of the Company in accordance with IFRSs as explained in note 2 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Financial Institutions Act, 1993 and the Bangladesh Bank guidelines require the management to ensure effective internal audit, internal control and risk management functions of the Company. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the Companies Act, 1994, the Securities and Exchange Rules, 1987, the Financial Institutions Act, 1993 and the rules and regulations issued by Bangladesh Bank, 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 purpose of our audit and made due verification thereof;
- (ii) 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;
- (iii) the consolidated balance sheet and consolidated profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (iv) the expenditures incurred and payments made were for the purpose of the Company's business for the year;
- (v) the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- (vi) adequate provisions have been made for loans, advances, leases, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- (vii) the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (viii) the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- (ix) statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- (x) taxes and duties were collected and deposited in the Government treasury by the Company as per Government instructions found satisfactory based on test checking; nothing has come to our attention that the Company has adopted any unethical means i.e. "Window dressing" to inflate the profit and mismatch between the maturity of assets and liabilities;
- (xi) proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- (xii) based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;
- (xiii) the Company has complied with relevant laws pertaining to capital, reserve, and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- (xiv) we have reviewed over 80% of the risk weighted assets of the Group & Company and we have spent around 960 person hours for the audit of the books and accounts of the Company;
- (xv) the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- (xvi) the Company has complied with the "First Schedule" of the Financial Institutions Act, 1993 in preparing these financial statements; and
- (xvii) all other issues which in our opinion are important for stakeholders of the Company have been adequately disclosed in the audit report.

Dated: Dhaka
June 29, 2019


MABS & J Partners
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position

as on December 31, 2018

(Figures in BDT)

		2018	2017
PROPERTY AND ASSETS			
Cash	3(a)	7,897,936	108,766,099
In hand (including foreign currencies)		88,396	103,949
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		7,809,540	108,662,150
Balance with banks and other financial institutions	4(a)	5,455,234,738	5,763,097,811
In Bangladesh		5,455,234,738	5,763,097,811
Outside Bangladesh		-	-
Money at call and short notice		-	-
Investments	5(a)	1,162,148,123	1,647,514,730
Government		485,400,000	485,400,000
Others		676,748,123	1,162,114,730
Leases, loans and advances	6(a)	37,822,725,755	36,370,716,954
Leases		1,843,582,965	2,200,740,860
Loans, cash credits, overdrafts, etc.		35,979,142,790	34,169,976,094
Fixed assets including premises, furniture and fixtures	7(a)	54,865,954	71,325,635
Intangible Asset	7.1 (a)	910,929	1,993,741
Other assets	8(a)	1,080,095,327	942,613,604
Non - financial institutional assets		-	-
Total assets		<u>45,583,878,762</u>	<u>44,906,028,574</u>
LIABILITIES AND CAPITAL			
Liabilities			
Borrowing from banks, other financial institutions and agents	9(a)	11,197,078,788	10,669,445,404
Deposits and other accounts		28,139,343,546	28,965,908,604
Term deposits	10.1(a)	27,514,163,426	28,169,299,104
Other deposits	10.2	625,180,120	796,609,500
Other liabilities	11(a)	3,425,782,573	2,561,288,261
Total liabilities		<u>42,762,204,907</u>	<u>42,196,642,269</u>
Capital / Shareholders' equity		2,821,654,482	2,709,364,684
Paid-up capital	12.2	2,112,478,540	1,886,141,560
Statutory reserve	13	456,184,825	428,912,873
Retained earnings/surplus	14(a)	252,991,117	394,310,251
Non-controlling / minority interest	15	19,373	21,621
Total liabilities and Shareholders' equity		<u>45,583,878,762</u>	<u>44,906,028,574</u>
Net asset value per share	16(a)	13.36	12.83

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES
Consolidated Statement of Financial Position

For the year ended December 31, 2018

		(Figures in BDT)	
	Notes	2018	2017
CONSOLIDATED OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17	750,000,000	899,718,630
Acceptances and endorsements		-	-
Letters of guarantee	17.1	750,000,000	899,718,630
Other commitments		-	-
Total Off-Balance Sheet items including contingent liabilities		750,000,000	899,718,630

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
June 29, 2019



MABS & J Partners
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Consolidated Statement of Profit and Loss Account

For the year ended December 31, 2018

(Figures in BDT)

	Notes	2018	2017
OPERATING INCOME			
Interest income	19(a)	5,005,588,279	4,215,190,112
Interest expense on deposits and borrowings etc.	20(a)	(4,236,852,821)	(3,573,325,326)
Net interest income		768,735,458	641,864,786
Investment income	21(a)	(63,571,514)	189,033,577
Commission, fees, exchange and brokerage	22(a)	108,147,854	222,784,877
Other operating income	23(a)	1,191,970	1,747,087
Total operating income (A)		814,503,768	1,055,430,327
OPERATING EXPENSES			
Salaries and allowances	24(a)	180,188,167	169,795,480
Rent, taxes, insurance & electricity	25(a)	45,222,605	43,643,455
Legal expenses	26(a)	5,208,212	6,219,224
Postage, stamp & telecommunication	27(a)	3,702,824	3,705,229
Stationery, printing & advertisements	28(a)	6,327,233	10,843,560
Managing Director's salary and benefits	29	6,432,333	8,920,000
Directors' fees & meeting expenses	30(a)	1,535,700	1,933,900
Auditors' fees	31(a)	738,875	505,891
Depreciation, amortization & repair of assets	32(a)	26,868,633	29,065,157
Other expenses	33(a)	47,754,616	57,819,334
Total operating expenses (B)		323,979,198	332,451,230
Profit before provision & tax (C=A-B)		490,524,570	722,979,097
Provision against leases, loans and advances	34(a)	150,084,235	215,700,530
Provision for diminution in value of investments	35(a)	(22,974,248)	8,616,598
Total provision (D)		127,109,987	224,317,128
Total profit before tax (C-D)		363,414,583	498,661,968
Provision for tax	36(a)	251,127,033	110,543,919
Net profit after tax		112,287,550	388,118,049
Non-controlling / minority interest		(2,248)	354
Net profit attributable to shareholders of the Company		112,289,798	388,117,695
Appropriations			
Statutory reserve		27,271,952	64,858,864
General reserve		-	-
		27,271,952	64,858,864
Retained surplus		85,017,846	323,258,831
Earnings per share (EPS)	37(a)	0.53	1.84

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



Chairman



Director



Managing Director



Company Secretary



MABS & J Partners
Chartered Accountants

Dated: Dhaka
June 29, 2019

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

	(Figures in BDT)	
	2018	2017
A) Cash flows from operating activities		
Interest receipts in cash	4,500,986,517	3,859,531,310
Interest payments	(4,625,571,326)	(3,634,137,355)
Dividend receipts	24,372,058	26,593,115
Fees, commission & brokerage receipts in cash	108,147,853	222,784,877
Recoveries of loans previously written off	194,000	353,255
Cash payments to employees	(186,620,501)	(178,715,480)
Income taxes paid	(49,831,180)	(127,240,115)
Receipts from other operating activities	1,191,970	1,747,087
Payments for other operating activities	(113,886,942)	(128,378,701)
Cash generated from/(used in) operating activities before changes in operating assets and liabilities	(341,017,551)	42,537,993
Increase / (decrease) in operating assets and liabilities		
Leases, loans and advances to banks and other FIs	-	-
Leases, loans and advances to customers	(948,384,142)	(5,308,738,694)
Other assets	(87,650,543)	226,635,833
Deposits from other banks / borrowings	117,546,132	3,001,979,215
Deposits from customers	(772,681,809)	4,214,964,972
Other liabilities account of customers	(171,429,381)	(147,557,733)
Other liabilities	875,758,904	(496,754,951)
Net Increase / (decrease) in operating assets and liabilities	(986,840,839)	1,490,528,643
Net cash from/(used in) operating activities	(1,327,858,390)	1,533,066,636
B) Cash flows from investing activities		
Proceeds from sale of securities	233,749,881	581,468,326
Payments for purchases of securities	163,673,154	(294,974,766)
Net change against purchase/sale of fixed assets	(5,929,263)	(30,270,032)
Receipts/(Payments) against lease obligation	-	(3,500,761)
Net cash from/(used in) investing activities	391,493,772	252,722,767
C) Cash flows from financing activities		
Receipts of long term loan	191,776,515	2,669,683,008
Repayment of long term loan	(167,743,133)	(1,462,596,911)
Net draw down/(payment) of short term loan	503,600,000	(370,000,000)
Dividend paid	-	-
Net Cash from/(used in) financing activities	527,633,382	837,086,097
D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)	(408,731,236)	2,622,875,501
E) Effects of exchange rate changes on cash and cash equivalents	-	-
F) Cash and cash equivalents at beginning of the period	5,871,863,910	3,248,988,410
G) Cash and cash equivalents at end of the period (D+E+F)	5,463,132,674	5,871,863,910
Cash and cash equivalents at end of the period represents		
Cash in hand (including foreign currencies)	88,396	103,949
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	7,809,540	108,662,150
Balance with banks and other financial institutions {notes 4 (a)}	5,455,234,738	5,763,097,811
Total Cash and cash equivalents as of Dec 31	5,463,132,674	5,871,863,910
Net Operating Cash Flows Per Share (NOCFPS)	(6.29)	7.26



Chairman



Director



Managing Director



Company Secretary

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

Dated: Dhaka
June 29, 2019



MABS & J Partners
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2018

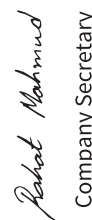
(Figures in BDT)

Particulars	Paid-up Capital	Statutory Reserve	Retained Earnings	Total	Non-controlling / minority interest	Total
Balance as at January 01, 2018	1,886,141,560	428,912,873	394,310,251	2,709,364,684	21,621	2,709,386,305
Stock dividend for the year 2017	226,336,980	-	(226,336,980)	-	-	-
Profit transferred to reserve	-	27,271,952	-	27,271,952	-	27,271,952
Retained surplus for the period from Jan to Dec - 2018	-	-	85,017,846	85,017,846	(2,248)	85,015,598
Balance as at Dec 31, 2018	2,112,478,540	456,184,825	252,991,117	2,821,654,482	19,373	2,821,673,855
Balance as at January 01, 2017	1,796,325,300	364,054,009	160,867,680	2,321,246,989	22,272	2,321,269,261
Stock dividend for the year 2016	89,816,260	-	(89,816,260)	-	-	-
Interim Dividend for the year 2017	-	-	-	-	(1,005)	(1,005)
Profit transferred to reserve	-	64,858,864	-	64,858,864	-	64,858,864
Retained surplus for the period from Jan to Dec -2017	-	-	323,258,831	323,258,831	354	323,259,185
Balance as at Dec 31, 2017	1,886,141,560	428,912,873	394,310,251	2,709,364,684	21,621	2,709,386,305


Chairman

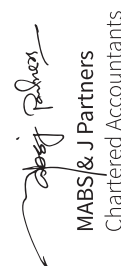

Director


Managing Director


Company Secretary

Signed in terms of our separate report of even date

Dated: Dhaka
June 29, 2019


MABS & J Partners
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Statement of Financial Position

as on December 31, 2018

		(Figures in BDT)	
	Notes	2018	2017
PROPERTY AND ASSETS			
Cash	3	7,854,874	108,704,490
In hand (including foreign currencies)	3.1	45,334.00	42,340
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	3.2	7,809,540.00	108,662,150
Balance with banks and other financial institutions	4	5,145,513,660	5,464,153,316
In Bangladesh	4.1	5,145,513,660	5,464,153,316
Outside Bangladesh		-	-
Money at call and short notice		-	-
Investments	5	503,766,182	899,924,485
Government	5(i)	485,400,000	485,400,000
Others	5(ii)	18,366,182	414,524,485
Leases, loans and advances	6	36,901,104,462	34,962,806,891
Leases	6.1.1	1,843,582,965	2,200,740,860
Loans, cash credits, overdrafts, etc.	6.1.2	35,057,521,497	32,762,066,031
Fixed assets including premises, furniture and fixtures	7	41,546,309	55,204,241
Intangible Asset	7.1	910,929	1,993,741
Other assets	8	2,170,541,573	2,097,706,355
Non - financial institutional assets		-	-
Total assets		44,771,237,989	43,590,493,519
LIABILITIES AND CAPITAL			
Liabilities			
Borrowing from banks, other financial institutions and agents	9	10,218,340,989	9,811,125,815
Deposits and other accounts	10	28,783,911,435	28,978,022,624
Term deposits	10.1	28,158,731,315	28,181,413,124
Other deposits	10.2	625,180,120	796,609,500
Other liabilities	11	3,046,507,222	2,215,226,495
Total liabilities		42,048,759,646	41,004,374,934
Capital / Shareholders' equity		2,722,478,343	2,586,118,585
Paid-up capital	12.2	2,112,478,540	1,886,141,560
Statutory reserve	13	456,184,825	428,912,873
Retained earnings/surplus	14	153,814,978	271,064,152
Total liabilities and Shareholders' equity		44,771,237,989	43,590,493,519
Net asset value per share	16	12.89	12.24

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Statement of Financial Position

as on December 31, 2018

(Figures in BDT)

	Notes	2018	2017
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17	750,000,000	899,718,630
Acceptances and endorsements		-	-
Letters of guarantee	17.1	750,000,000	899,718,630
Other commitments		-	-
Total Off-Balance Sheet items including contingent liabilities		<u>750,000,000</u>	<u>899,718,630</u>

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
June 29, 2019



MABS & J Partners
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Statement of Profit and Loss Account

For the year ended December 31, 2018

(Figures in BDT)

	Notes	2018	2017
OPERATING INCOME			
Interest income	19	4,893,287,667	4,198,161,112
Interest expense on deposits and borrowings etc.	20	(4,114,914,812)	(3,463,424,582)
Net interest income		778,372,855	734,736,530
Investment income	21	(86,507,654)	94,491,157
Commission, fees, exchange and brokerage	22	603,514	5,142,434
Other operating income	23	66,092	572,056
Total operating income (A)		692,534,807	834,942,177
OPERATING EXPENSES			
Salaries and allowances	24	111,884,171	112,964,189
Rent, taxes, insurance & electricity	25	30,792,818	30,157,202
Legal expenses	26	2,190,357	2,727,529
Postage, stamp & telecommunication	27	2,386,737	2,499,311
Stationery, printing & advertisements	28	5,720,837	9,987,696
Managing Director's salary and benefits	29	6,432,333	8,920,000
Directors' fees & meeting expenses	30	1,143,200	1,674,400
Auditors' fees	31	345,000	365,020
Depreciation, amortization & repair of assets	32	20,336,323	20,099,525
Other expenses	33	34,696,681	45,412,458
Total operating expenses (B)		215,928,457	234,807,330
Profit before provision & tax (C=A-B)		476,606,350	600,134,847
Provision against leases, loans and advances	34	150,084,235	215,700,530
Provision for diminution in value of investments	35	(22,808,082)	3,007,198
Total provision (D)		127,276,153	218,707,728
Total profit before tax (C-D)		349,330,197	381,427,119
Provision for tax	36	212,970,439	57,132,801
Net profit after tax		136,359,758	324,294,318
Appropriations			
Statutory reserve		27,271,952	64,858,864
General reserve		-	-
		27,271,952	64,858,864
Retained surplus		109,087,806	259,435,454
Earnings per share (EPS)	37	0.65	1.54

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
June 29, 2019



MABS & J Partners
Chartered Accountants

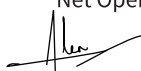
INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Statement of Cash Flows

For the year ended December 31, 2018

(Figures in BDT)

	2018	2017
A) Cash flows from operating activities		
Interest receipts in cash	4,201,625,928	3,784,796,298
Interest payments	(3,725,413,202)	(3,402,612,553)
Dividend receipts	6,323,378	21,964,867
Fees and commission receipts in cash	603,514	5,142,434
Recoveries of loans previously written off	194,000	353,255
Cash payments to employees	(118,316,504)	(121,884,189)
Income taxes paid	(53,057,552)	(123,361,499)
Receipts from other operating activities	66,092	572,057
Payments for other operating activities	(80,398,836)	(95,881,196)
Cash generated from/(used in) operating activities before changes in operating assets and liabilities	231,626,818	69,089,472
Increase / (decrease) in operating assets and liabilities		
Leases, loans and advances to banks and other FIs	-	-
Leases, loans and advances to customers	(1,109,554,921)	(4,825,453,795)
Other assets	(19,777,666)	35,671,718
Deposits from other banks / borrowings	750,000,000	3,000,000,000
Deposits from customers	(772,681,809)	4,214,964,972
Other liabilities account of customers	(171,429,381)	(147,557,733)
Other liabilities	(35,742,385)	(329,537,344)
Net Increase / (decrease) in operating assets and liabilities	(1,359,186,162)	1,948,087,819
Net cash from/(used in) operating activities	(1,127,559,344)	2,017,177,291
B) Cash flows from investing activities		
Proceeds from sale of securities	321,693,453	1,782,899,106
Payments for purchases of securities	(18,366,182)	(1,778,394,723)
Net change against purchase/sale of fixed assets	(2,472,373)	(16,839,979)
Receipts against lease obligation	-	(3,500,761)
Net cash from/(used in) investing activities	300,854,898	(15,836,357)
C) Cash flows from financing activities		
Receipts of long term loan	71,358,306	2,539,817,796
Repayment of long term loan	(167,743,132)	(1,462,596,911)
Net draw down/(payment) of short term loan	503,600,000	(370,000,000)
Dividend paid	-	-
Net Cash from/(used in) financing activities	407,215,174	707,220,885
D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)	(419,489,272)	2,708,561,819
E) Effects of exchange rate changes on cash and cash equivalents	-	-
F) Cash and cash equivalents at beginning of the period	5,572,857,806	2,864,295,987
G) Cash and cash equivalents at end of the period (D+E+F)	5,153,368,534	5,572,857,806
Cash and cash equivalents at end of the period represents		
Cash in hand (including foreign currencies)	45,334	42,340
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	7,809,540	108,662,150
Balance with banks and other financial institutions {notes 4 (1)}	5,145,513,660	5,464,153,316
Total Cash and cash equivalents as of Dec 31	5,153,368,534	5,572,857,806
Net Operating Cash Flows Per Share (NOCFPS)	(5.34)	9.55



Chairman



Director



Managing Director



Company Secretary



MABS & J Partners
Chartered Accountants

Dated: Dhaka
June 29, 2019

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2018

(Figures in BDT)

Particulars	Paid-up Capital	Statutory Reserve	Retained Earnings	Total
Balance as at January 01, 2018	1,886,141,560	428,912,873	271,064,152	2,586,118,585
Stock dividend for the year 2017	226,336,980	-	(226,336,980)	-
Profit transferred to reserve	-	27,271,952	-	27,271,952
Retained surplus for the period from Jan to Dec - 2018	-	-	109,087,806	109,087,806
Balance as at December 31, 2018	2,112,478,540	456,184,825	153,814,978	2,722,478,343
Balance as at January 01, 2017	1,796,325,300	364,054,009	101,444,959	2,261,824,269
Stock dividend for the year 2016	89,816,260	-	(89,816,260)	-
Profit transferred to reserve	-	64,858,864	-	64,858,864
Retained surplus for the period from Jan to Dec - 2017	-	-	259,435,454	259,435,454
Balance as at December 31, 2017	1,886,141,560	428,912,873	271,064,152	2,586,118,585



Chairman



Director



Managing Director



Company Secretary

Signed in terms of our separate report of even date

Dated: Dhaka
June 29, 2019



MABS & J Partners
Chartered Accountants

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

LIQUIDITY STATEMENT (Analysis of maturity of assets and liabilities)

as on December 31, 2018

(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	45,334	-	-	-	-	45,334
Balance with Bangladesh Bank and its agent	7,809,540	-	-	-	-	7,809,540
Balance with banks and other financial institutions	526,663,660	2,400,000,000	477,350,000	1,741,500,000	-	5,145,513,660
Money at call and short notice	-	-	-	-	-	-
Investments	18,366,182	-	-	-	485,400,000	503,766,182
Leases, loans and advances	2,591,520,293	1,157,389,266	6,314,995,288	21,099,100,452	5,738,099,163	36,901,104,462
Fixed assets including premises, furniture and fixtures	-	-	-	-	42,457,238	42,457,238
Other assets	4,178,103	17,757,119	149,326,168	721,363,488	1,277,916,695	2,170,541,573
Non banking assets	-	-	-	-	-	-
Total assets (A)	3,148,583,112	3,575,146,385	6,941,671,456	21,820,463,940	7,543,873,096	44,771,237,989
Liabilities:						
Borrowings from banks, other financial institutions and agents	890,064,744	1,394,200,000	2,991,405,365	4,942,670,880	-	10,218,340,989
Term deposits	2,086,292,581	5,298,152,761	12,263,808,640	6,468,476,235	2,042,001,098	28,158,731,315
Other deposits	9,838,623	5,111,139	128,697,558	293,203,226	188,329,574	625,180,120
Provision and other liabilities	275,097,177	463,971,351	973,085,242	1,124,594,019	176,880,953	3,013,628,742
Total liabilities (B)	3,261,293,125	7,161,435,251	16,356,996,805	12,828,944,360	2,407,211,625	42,015,881,166
Net liquidity gap (A - B)	(112,710,013)	(3,586,288,866)	(9,415,325,349)	8,991,519,580	5,136,661,471	2,755,356,823



Chairman



Director



Managing Director



Company Secretary



MABS & J Partners
Chartered Accountants

Signed in terms of our separate report of even date

Dated: Dhaka
June 29, 2019

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARIES

Notes to the consolidated financial statements for the year ended December 31, 2018

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.

1.5 Uttara branch

The company opened its branch in Uttara, Dhaka on 16 February 2017. The approval of opening of this branch was obtained from Bangladesh Bank on 25 January 2017 vide approval letter no. DFIM (L)/1053/38/2017-198.

1.6 Sylhet branch

The company opened its branch in Sylhet on 26 February 2017. The approval of opening of this branch was obtained from Bangladesh Bank on 25 January 2017 vide approval letter no. DFIM (L)/1053/38/2017-198.

1.7 Dhanmondi branch

The company opened its branch in Dhanmondi on 03 August, 2017. The approval of opening of this branch was obtained from Bangladesh Bank on 15 June, 2017 vide approval letter no. DFIM (L)/1053/38/2017-1454.

2. Basis of preparation and significant accounting policies

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 International Accounting Standards (IAS) and/or International Financial Reporting Standards (IFRS) 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 IFRSs 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 IAS/IFRS 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 IAS and IFRS. As such the company has departed from those contradictory requirements of IAS / IFRS in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below.

2.2.1 Investment in shares and securities

IFRS: As per requirements of IAS 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 IFRS 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

IFRS: As per IAS 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 IAS 39 "Financial Instruments: Recognition and Measurement".

2.2.3 Other comprehensive income

IFRS: As per IAS 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

IFRS: Loans and advances to customers are generally classified as 'loans and receivables' as per IAS 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 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 IAS 39. As such full disclosure and presentation requirements of IFRS 7 and IAS 32 cannot be made in the financial statements.

2.2.6 Financial guarantees

IFRS: As per IAS 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

IFRS: Cash and cash equivalent should be reported as cash item as per IAS 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

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

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

IFRS: 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)

IFRS: Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per IAS 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

IFRS: There is no concept of off-balance sheet items in any IFRS; 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

IFRS: 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

IFRS: 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 International Financial Reporting Standard (IFRS) 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 Going Concern

The Company has adequate resources to continue in operation for foreseeable future. The going concern basis is used in preparing the financial statements.

2.5 Use of estimates and judgment

Preparation of the financial statements in conformity with IAS 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.

2.6 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 International 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".

2.7 Branch accounting

The company has 5 branches including Head Office at Dhaka and Chittagong and no overseas branch as on December 31, 2018. Accounts of the branch are maintained at head office from which these accounts are drawn up.

2.8 Statement of cash flows

The cash flow statement is prepared in accordance with International Accounting Standard (IAS) 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.

2.9 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 2018.

2.10 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.

2.11 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, 2018 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.

2.12 Leases

As per IAS 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 IAS 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.

2.13 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.

2.14 Recognition of fixed assets and depreciation (IAS 16 'Property, Plant & Equipment')

Recognition

An item of fixed assets is recognised 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 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 of payments where finance charge is recognized as interest expenses and the redemption of payment as adjustment of liability.

2.15 Intangible assets (IAS- 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.

2.16 Revenue recognition (IFRS 15, "Revenue from Contracts with Customers")

As per IFRS 15; Revenue from Contracts with Customers, revenue is recognized when a contract with a customer that is within the scope of this standard only when all of the criteria are met: (a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations; (b) rights of the each party regarding the goods or services to be transferred; (c) the payment terms for the goods or services to be transferred; (d) the contract has commercial substance (i.e. the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and (e) it is probable that the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

2.16.1 Income from lease (IAS 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.

2.16.2 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.

2.16.3 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.

2.16.4 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.

2.16.5 Income from investment in shares

- *Dividends (IFRS 15, "Revenue from Contracts with Customers")*
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.

2.16.6 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.

2.16.7 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.

2.17 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.

2.18 Borrowing cost

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

2.19 Accrued expenses, provisions and other payables

As per IAS 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 provision is the best estimate of settlement amount at balance sheet date.

2.20 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 Classified		
	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%

2.21 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.

2.22 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.

2.23 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.

2.24 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 International 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.

2.25 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.

2.26 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.

2.27 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.

2.28 Related party disclosure (IAS- 24)

As per International 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.

2.29 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.

2.30 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 International Accounting Standards (IAS)-10, "events after the reporting period".

2.31 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.

2.32 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 IFRS-8 "Operating Segment" is not applicable.

2.33 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.

2.34 Reporting currency

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

2.35 Reporting period

The financial statements of the company and its subsidiaries cover one calendar year from 01 January 2018 to 31 December 2018.

2.36 Directors' responsibility statement

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

2.37 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.

2.38 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.

2.39 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.
- 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.
- Investments are on the basis of their residual maturity term.
- Deposit and other accounts are on the basis of their maturity term and behavioral past trends.
- Other liabilities are on the basis of their maturity/settlement term.

2.40 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 of 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

2.41 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.

2.41.1 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.

2.41.2 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.

2.41.3 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.

2.41.4 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, 2018, total exposure to capital market was below the regulatory threshold of 25% of capital.

2.41.5 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.

2.41.6 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 internal auditors. Principle work of internal audit section is to reinforce the control system if deviated.

2.41.7 Money Laundering and Terrorist Financing Risk

In ILFSL, money laundering and terrorist financing risk takes two broad dimensions:

- a) Business risk i.e. the risk that ILFSL may be used for money laundering or terrorism financing and
- b) Regulatory risk i.e. the risk that ILFSL fails to meet regulatory obligations under the Money Laundering Prevention Act 2012 and Anti-Terrorism Act 2009 (amended in 2013)

To mitigate the risk, ILFSL, while adhering to various guidelines and circulars issued by the Bangladesh Financial Intelligence Unit (BFIU), put in a place a strict compliance program consisting of the following components:

- a) Development and implementation of internal policies, procedures and controls to identify and report instances of money laundering and terrorism financing;
- b) Creation of structure and sub-structure within the organization, headed by a Central Compliance Unit (CCU), for AML and CFT compliance;
- c) Appointment of an AML/CFT Compliance officer, known as the Chief Anti Money Laundering Officer (CAMLCO), to lead the CCU;
- d) Independent audit function including internal and external audit function to test the programs;
- e) Ongoing employee training programs.

2.42 Status of Compliance of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs):

IAS Title	IAS 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
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
Financial Reporting in Hyperinflationary Economics	29	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
IFRS Title	IFRS 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
Financial Instruments	9	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
Regulatory Deferral Accounts	14	N/A
Revenue from Contracts with Customers	15	Applied

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)

	2018	2017
3 Cash		
3.1 Cash in hand		
In local currency	45,334	42,340
In foreign currency	-	-
	<u>45,334</u>	<u>42,340</u>
3.2 Balance with Bangladesh Bank and its agent bank(s)		
With Bangladesh Bank		
In local currency	7,809,540	108,662,150
In foreign currency	-	-
	<u>7,809,540</u>	<u>108,662,150</u>
With Sonali Bank Ltd. as agent of Bangladesh Bank	-	-
	<u>7,809,540</u>	<u>108,662,150</u>
Total (3.1+3.2)	<u><u>7,854,874</u></u>	<u><u>108,704,490</u></u>
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. Statutory Liquidity Reserve maintained by the Company is in excess of the statutory requirements, as shown below:		
a) Cash Reserve Requirement		
Required reserve (2.5% of average total term deposit of November)	314,459,152	336,084,332
Cash reserve in average maintained with Bangladesh bank	6,349,453	184,230,781
Surplus / (deficit)	<u><u>(308,109,699)</u></u>	<u><u>(151,853,551)</u></u>
b) Statutory Liquidity Reserve		
Required reserve (5% of average total liabilities of November)	776,262,578	859,921,917
Liquidity reserve in average maintained including CRR	4,910,192,311	4,509,253,036
Surplus / (deficit)	<u><u>4,133,929,733</u></u>	<u><u>3,649,331,118</u></u>
The surplus mostly comprises of deposits maintained with banks kept under lien against various facilities.		
3(a) Consolidated Cash		
Cash in hand		
International Leasing and Financial Services Limited	45,334	42,340
International Leasing Securities Limited	39,002	49,163
IL Capital Limited	4,060	12,446
	<u>88,396</u>	<u>103,949</u>
Balance with Bangladesh Bank and its agent bank(s)		
International Leasing and Financial Services Limited	7,809,540	108,662,150
	<u>7,809,540</u>	<u>108,662,150</u>
	<u>7,897,936</u>	<u>108,766,099</u>
4 Balance with banks and other financial institutions		
In Bangladesh (note-4.1)	5,145,513,660	5,464,153,316
Outside Bangladesh	-	-
	<u>5,145,513,660</u>	<u>5,464,153,316</u>

(Figures in BDT)

4.1 In Bangladesh	2018	2017
a) Current deposits		
Al-Arafah Islami Bank Ltd.	25,782	561,245
Basic Bank Ltd.	1,550	2,815
Bank Asia	265,542	8,013
One Bank	2,360,575	2,466,696
Dutch Bangla Bank Ltd.	(8,412)	1,154,797
Eastern Bank Ltd.	61,917	63,067
Jamuna Bank Ltd.	2,455,776	10,000
Mercantile Bank Ltd.	6,633	8,013
Mutual Trust Bank Ltd.	260,623	125
Prime Bank Limited	-	223,015
Shahjalal Islami Bank Ltd.	101,330	141,240
South East Bank Ltd.	103,007	103,007
Standard Bank Limited	67,734	69,827
NCC Bank Ltd	7,920	9,070
Woori Bank Ltd.	121,748	3,850
	<u>5,831,725.00</u>	<u>4,824,780</u>
b) Short-term deposit		
AB Bank Ltd.	748,999	733,558
Bank Alfalah Ltd.	2,786,207	43,877
Bank Asia Ltd.	3,594,681	4,971,496
BRAC Bank Ltd.	535,245	535,245
Dhaka Bank Ltd.	4,251,839	4,143,607
Midland Bank Ltd.	27,565	19,098
Eastern Bank Ltd.	4,778,718	4,746,170
Modhumoti Bank Ltd.	-	662
ONE Bank Ltd.	-	1
The Premier Bank Ltd.	97,604	2,198,385
South East Bank Ltd.	312,685	306,055
Uttara Bank Ltd.	7,309	8,204
Jamuna Bank Ltd.	1,086,104	1,079,152
	<u>18,226,956</u>	<u>18,785,510</u>
c) Fixed deposits		
FAS Finance and Investment Ltd.	604,092,500	400,000,000
ONE Bank Limited	21,734,220	20,543,026
Peoples Leasing & Finance Ltd.	2,225,725,000	2,270,000,000
Reliance Finance Ltd.	812,584,375	750,000,000
Jamuna Bank Limited	-	600,000,000
Premier Leasing Ltd.	411,087,500	400,000,000
Union Bank Limited	1,046,231,384	1,000,000,000
	<u>5,121,454,979</u>	<u>5,440,543,026</u>
Total (a+b+c)	<u><u>5,145,513,660</u></u>	<u><u>5,464,153,316</u></u>
4.2 Maturity grouping of balance with banks and other financial institutions		
On demand	5,831,725	4,824,780
Up to 1 month	520,831,935	459,328,536
Over 1 month but not more than 3 months	2,400,000,000	2,550,000,000
Over 3 months but not more than 6 months	477,350,000	2,450,000,000
Over 6 months but not more than 1 year	1,741,500,000	-
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	<u>5,145,513,660</u>	<u>5,464,153,316</u>

Notes to the consolidated financial statements - continued

(Figures in BDT)

4(a)	Consolidated balance with banks and other financial institutions	2018	2017
	Inside Bangladesh		
	International Leasing and Financial Services Limited	5,145,513,660	5,464,153,316
	International Leasing Securities Limited	305,813,744	262,054,580
	Balance with banks and other financial institutions	792,164,019	262,054,580
	Adjustment for consolidation	(486,350,275)	-
	IL Capital Limited	3,907,334	36,889,915
	Balance with banks and other financial institutions	162,124,948	49,003,935
	Adjustment for consolidation	(158,217,614)	(12,114,020)
		<u>5,455,234,738</u>	<u>5,763,097,811</u>
	Outside Bangladesh	-	-
		<u>5,455,234,738</u>	<u>5,763,097,811</u>
5	Investments		
	Investment classified as per nature:		
	(i) Government securities		
	Bangladesh Govt. Treasury Bonds (note-5.1)	485,400,000	485,400,000
		<u>485,400,000</u>	<u>485,400,000</u>
	(ii) Other investment		
	Shares (note-5.2)	18,366,182	414,524,485
		<u>18,366,182</u>	<u>414,524,485</u>
	Total (i+ii)	<u>503,766,182</u>	<u>899,924,485</u>
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	233,000,000
		<u>485,400,000</u>	<u>485,400,000</u>
5.2	Investment in shares		
	a) Quoted		
	ACI Formulation	-	15,021,363
	Al-Arafah Bank	-	59,614,800
	Aman Cotton Mills	313,840	-
	Bashundhara Paper Mills Limited	864,560	-
	Confidence Cement Ltd.	-	2,397,100
	Far East Knitting & Dyeing Industries Ltd.	-	16,514,078
	First Security Bank Ltd	-	15,510,150
	GENEXIL	104,670	-
	ICB	-	4,355,699
	Ifad Autos Ltd.	-	23,078,358
	IFIC Bank	-	20,571,300
	Lanka Bangla Finance	-	66,290,400
	Mercantile Bank	-	12,694,785
	MIDASFIN	-	1,269,239
	Meghna Life	1,347,879	-
	Nahee Aluminium	-	62,246
	Northern Jute Mills Limited	-	4,278,991
	OIMEX	-	64,800
	Premier Bank	-	34,859,400
	Prime Bank	-	34,986,869
	PTL	-	335,123
	Pharma Aid	624,196	-
	RAK Ceramics Ltd.	-	26,460,735
	Shahjibazar Power Co. Ltd.	-	53,171,803
	Simtex Industries Limited	9,978,095	-
	SS Steel Limited	134,920	-
	The City Bank Limited	-	5,356,690
	Union Capital	-	12,632,536
		<u>13,368,160</u>	<u>409,526,463</u>
	b) Un-quoted		
	LR Global BD	4,998,022	4,998,022
	Total (a+b)	<u>18,366,182</u>	<u>414,524,485</u>

(Figures in BDT)

	2018	2017
5.3 Maturity grouping of investments		
On demand	-	-
Up to 1 month	18,366,182	414,524,485
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	-	-
Over 1 year but not more than 5 years	-	-
Over 5 years	485,400,000	485,400,000
	<u>503,766,182</u>	<u>899,924,485</u>
5(a) Consolidated investments		
a) Government securities		
International Leasing and Financial Services Limited	485,400,000	485,400,000
International Leasing Securities Limited	-	-
IL Capital Limited	-	-
	<u>485,400,000</u>	<u>485,400,000</u>
b) Other investment		
International Leasing and Financial Services Limited	18,366,182	414,524,485
International Leasing Securities Limited	594,269,081	563,000,303
IL Capital Limited	64,112,860	184,589,941
	<u>676,748,123</u>	<u>1,162,114,730</u>
Total (a+b)	<u>1,162,148,123</u>	<u>1,647,514,730</u>
6 Leases, loans and advances		
6.1 Broad category-wise break up		
Inside Bangladesh		
Leases (note-6.1.1)	1,843,582,965	2,200,740,860
Loans, cash credits, overdrafts, etc. (note-6.1.2)	35,057,521,497	32,762,066,031
	<u>36,901,104,462</u>	<u>34,962,806,891</u>
Outside Bangladesh	-	-
	<u>36,901,104,462</u>	<u>34,962,806,891</u>
6.1.1 Leases		
Net investment in leases (note - 6.1.1.1)	1,566,089,042	1,999,100,488
Advances for leases (note -6.1.1.2)	-	-
Accounts receivables	339,032,952	223,901,306
Principal	226,383,498	149,506,296
Interest	112,649,454	74,395,010
Other payables	(61,539,029)	(22,260,934)
	<u>1,843,582,965</u>	<u>2,200,740,860</u>
6.1.1.1 Net investment in leases		
Gross lease receivable	1,663,308,825	2,123,200,785
Less: Unearned lease income	97,219,783	124,100,297
Net lease receivable	<u>1,566,089,042</u>	<u>1,999,100,488</u>

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.

Notes to the consolidated financial statements - continued

(Figures in BDT)

6.1.1.2 Advane for leases	2018	2017
<p>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:</p>		
Imported equipment	-	-
Local equipment	-	-
	<u>-</u>	<u>-</u>
6.1.1.3 Maturity grouping of leases		
On demand	227,340,518	201,640,372
Up to 1 month	18,189,435	24,996,112
Over 1 month but not more than 3 months	120,353,618	57,704,353
Over 3 months but not more than 1 year	211,841,332	377,019,669
Over 1 year but not more than 5 years	1,087,383,390	1,539,380,354
Over 5 years	178,474,672	-
	<u>1,843,582,965</u>	<u>2,200,740,860</u>
6.1.2 Loans, cash credits, overdrafts, etc		
Time loan (note-6.1.2.1)	31,159,507,251	28,868,841,931
Work order & factoring (note-6.1.2.2)	362,708,502	407,142,384
Home loan (note-6.1.2.3)	120,585,528	190,389,239
Other loans (note-6.1.2.4)	3,406,053,109	3,283,968,213
Staff loan (note-6.1.2.5)	8,667,107	11,724,264
	<u>35,057,521,497</u>	<u>32,762,066,031</u>
6.1.2.1 Time loan		
Principal outstanding	26,833,219,937	26,204,021,596
Accounts receivables	4,796,109,473	3,269,330,362
<i>Principal</i>	<u>2,924,071,251</u>	<u>1,993,231,175</u>
<i>Interest</i>	<u>1,872,038,222</u>	<u>1,276,099,187</u>
Other payables	(469,822,159)	(604,510,027)
	<u>31,159,507,251</u>	<u>28,868,841,931</u>
<p>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.</p>		
6.1.2.2 Work order & factoring		
Principal outstanding	331,834,448	382,860,142
Accounts receivables	30,924,054	24,498,637
<i>Principal</i>	<u>-</u>	<u>-</u>
<i>Interest</i>	<u>30,924,054</u>	<u>24,498,637</u>
Other payables	(50,000)	(216,396)
	<u>362,708,502</u>	<u>407,142,384</u>
6.1.2.3 Home loan		
Principal outstanding	87,908,968	153,275,014
Accounts receivables	35,306,229	39,017,260
<i>Principal</i>	<u>18,686,893</u>	<u>20,651,069</u>
<i>Interest</i>	<u>16,619,336</u>	<u>18,366,191</u>
Other payables	(2,629,669)	(1,903,035)
	<u>120,585,528</u>	<u>190,389,239</u>
<p>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.</p>		

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
6.1.2.4 Other loans		
Loan to subsidiary	2,283,999,659	2,141,533,179
<i>Principal outstanding</i>	1,862,595,751	1,909,999,880
<i>Interest receivables</i>	421,403,908	231,533,299
Treasury line	1,122,053,450	1,142,435,035
<i>Principal outstanding</i>	1,117,000,000	1,139,000,000
<i>Interest receivables</i>	5,053,450	3,435,035
	3,406,053,109	3,283,968,213

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, 2017 exposure to ILSL represents 82.80% of the capital of ILFSL. By taking into consideration for reduction of single party exposure limit of 30% of capital, ILFSL has already submitted on dated March 27, 2018 time bound action plan regarding reduction of loan outstanding below 30% of capital within 2025 against the letter issued by DFIM of Bangladesh Bank to Bangladesh Leasing and Finance Companies Association on dated March 08, 2018.

6.1.2.5 Staff loan

Principal outstanding	8,667,107	11,724,264
Accounts receivables	-	-
<i>Principal</i>	-	-
<i>Interest</i>	-	-
	8,667,107	11,724,264

6.1.2.6 Maturity grouping of loans, cash credits, overdrafts, etc.

On demand	1,871,476,414	1,478,119,837
Up to 1 month	474,513,926	1,486,801,207
Over 1 month but not more than 3 months	1,037,035,648	5,325,088,994
Over 3 months but not more than 1 year	6,103,153,956	10,912,291,095
Over 1 year but not more than 5 years	20,011,717,062	11,507,669,198
Over 5 years	5,559,624,491	2,052,095,700
	35,057,521,497	32,762,066,031

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	397,945	-
b) Leases, loans and advances to Chief Executive and other Senior Executives	1,562,827	1,086,402
c) Number of clients with outstanding amount and classified leases, loans and advances exceeding 15% of total capital of the Company is as follows :		
Number of clients	18	27
Amount of outstanding advances	12,177,787,425	16,218,000,000
Amount of classified advances	-	-
Measures taken for recovery	-	-

(Figures in BDT)

	2018	2017
d) Industry-wise leases, loans and advances		
Agriculture	1,611,848,429	1,455,518,196
Textile & Garments	6,190,730,673	5,868,404,330
Transport & Communication	1,584,885,387	1,488,677,589
Food production/processing industry	1,948,060,938	2,079,796,083
Iron, Steel & Engineering industry	1,091,945,612	950,967,620
Chemical & Pharmaceuticals	2,166,239,224	2,386,048,253
Service Industry	2,673,024,115	3,808,270,477
Plastic Industry	1,083,285,048	1,304,792,039
Paper, Printing packaging	255,118,498	240,433,533
Telecommunication/information technology	700,506,009	806,734,127
Real Estate & Housing	1,255,571,388	1,114,849,560
Ship and Ship making industry	607,587,263	570,238,425
Education	291,755,131	314,275,131
Hospital and medical equipment	-	-
Trade & Commerce	6,792,937,817	5,515,761,495
Power & Energy	1,775,043,215	1,904,916,320
Others	6,872,565,715	5,153,123,713
	<u>36,901,104,462</u>	<u>34,962,806,891</u>
e) Sector-wise leases, loans and advances		
Inside Bangladesh		
Government & autonomous bodies	-	-
Financial institutions (private)	1,122,053,450	1,142,435,035
Other public sector	-	-
Private sector	35,779,051,012	33,820,371,856
	<u>36,901,104,462</u>	<u>34,962,806,891</u>
Outside Bangladesh	-	-
	<u>36,901,104,462</u>	<u>34,962,806,891</u>
f) Geographical location-wise leases, loans and advances		
Inside Bangladesh		
Urban		
Dhaka region	35,507,976,252	33,474,642,921
Chittagong region	1,253,817,315	1,348,853,075
Khulna region	-	-
Rajshahi region	139,310,895	139,310,895
Rangpur region	-	-
Sylhet Region	-	-
	<u>36,901,104,462</u>	<u>34,962,806,891</u>
Rural	-	-
	<u>36,901,104,462</u>	<u>34,962,806,891</u>
Outside Bangladesh	-	-
	<u>36,901,104,462</u>	<u>34,962,806,891</u>

(Figures in BDT)

	2018	2017
6.3 Classification of leases, loans and advances		
a) Unclassified		
Standard	33,350,077,469	33,280,884,537
Special mention account (SMA)	1,869,381,444	34,988,849
	<u>35,219,458,913</u>	<u>33,315,873,386</u>
b) Classified		
Sub-standard	263,724,043	405,625,891
Doubtful	9,303,805	263,085,724
Bad / Loss	1,408,617,701	978,221,890
	<u>1,681,645,549</u>	<u>1,646,933,504</u>
Total (a+b)	<u>36,901,104,462</u>	<u>34,962,806,891</u>
6.4 Particulars of leases, loans and advances		
(i) Leases and loans considered good in respect of which the Company is fully secured	30,769,278,037	28,981,183,910
(ii) Loans considered good against which the Company holds no security other than the debtors' personal guarantee	6,131,826,425	5,981,622,981
(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	321,381,545	382,115,213
(iv) Loans adversely classified; provision not maintained there against	-	-
(v) Loans due from Directors either separately or jointly with any other persons	397,945	1,245,134
(vi) Loans due from Officers either separately or jointly with any other persons	8,667,107	11,724,264
(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	-	-
(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.	3,317,500	8,370,500
(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	1,122,053,450	1,142,435,035
(xi) Classified leases, loans and advances on which interest has not been charged	1,681,645,549	1,646,933,504
A. Increase/decrease of provision (specific)	(45,904,231)	(164,564,352)
Amount of debts written-off	973,787,963	932,558,563
Amount realized against the debts previously written-off	(18,199,969)	(18,005,969)
B. Provision kept against the debt classified as bad/loss at the end of the reporting period	9,051,097	16,305,327
C. Amount of interest creditable to the interest suspense account	243,639,843	106,364,933
(xii) Cumulative amount of the written-off leases/loans		
Opening Balance	932,558,563	526,652,200
Amount written-off during the year	41,229,400	405,906,363
Cumulative to date	973,787,963	932,558,563
Written-off leases/loans for which law suit filed	973,787,963	932,558,563

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
6(a) Consolidated leases, loans and advances		
Inside Bangladesh		
Leases		
International Leasing and Financial Services Limited	1,843,582,965	2,200,740,860
Loans, cash credits, overdrafts, etc.		
International Leasing and Financial Services Limited	32,773,521,838	30,620,532,852
Loans	35,057,521,497	32,762,066,031
Adjustment for consolidation	(2,283,999,659)	(2,141,533,179)
International Leasing Securities Limited	3,199,188,242	3,509,635,181
IL Capital Limited	6,432,710	39,808,061
	37,822,725,755	36,370,716,954
Outside Bangladesh	-	-
	37,822,725,755	36,370,716,954
7 Fixed assets including premises, furniture & fixtures		
Motor vehicles	40,367,177	40,367,177
Office decoration	24,447,313	24,447,313
Office equipment	15,361,995	15,638,080
Furniture & fixtures	31,140,088	31,140,088
Computer accessories	12,619,590	9,078,869
	123,936,163	120,671,527
Less: Accumulated depreciation	82,389,854	65,467,286
Net book value at the end of the year	41,546,309	55,204,241
7.1 Intangible Assets - Computer software		
Cost	3,281,250	3,281,250
Less: Accumulated amortisation	2,370,321	1,287,509
	910,929	1,993,741
7(a) Consolidated Fixed assets including premises furniture & fixtures		
Motor vehicles	51,373,677	48,551,177
Office decoration	56,571,241	60,172,514
Office equipment	23,763,302	24,753,083
Furniture & fixtures	33,231,730	33,898,604
Computers & accessories	26,404,161	30,167,709
	191,344,111	197,543,087
Less: Accumulated depreciation	136,478,157	126,217,452
Net book value at the end of the year	54,865,954	71,325,635
7.1(a) Consolidated Intangible Assets - Computer software		
Intangible Assets - Computer software		
Cost	3,281,250	3,281,250
Less: Accumulated amortisation	2,370,321	1,287,509
	910,929	1,993,741

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
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)	148,940,338	109,305,600
	<u>1,398,919,638</u>	<u>1,359,284,900</u>
Non-income generating:		
Receivable from/(payable to) Subsidiary (note 8.3)	(4.00)	-
Advance, deposit and Prepaid expenses (note-8.4)	40,222,002.00	59,193,460
Advance corporate tax (note -8.5)	721,363,488.00	668,305,936
Deferred tax assets (note- 8.6)	9,650,619.00	7,621,059
Other receivables	385,830.00	3,301,000
	<u>771,621,935</u>	<u>738,421,455</u>
	<u>2,170,541,573</u>	<u>2,097,706,355</u>
Outside Bangladesh	-	-
	<u>2,170,541,573</u>	<u>2,097,706,355</u>
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
	<u>1,249,979,300</u>	<u>1,249,979,300</u>
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	138,198,636	98,563,898
Coupon receivables - treasury bond	10,741,702	10,741,702
	<u>148,940,338</u>	<u>109,305,600</u>
b) Fees, commission and brokerage receivables	-	-
Total (a+b)	<u>148,940,338</u>	<u>109,305,600</u>
8.3 Receivable from/(payable to) Subsidiary		
Receivable from/(payable to) ILCL	(4)	-
Receivable from/(payable to) ILSL	-	-
	<u>(4)</u>	<u>-</u>
8.4 Advance, deposit and Prepaid expenses		
Advances for software, fixed assets & others	17,759,119	21,033,390
Deposit to Central Depository Bangladesh Limited (CDBL) for telephone	364,000	364,000
Advance to ILFSLPF	(2,000)	2,005,000
Advance for investment in share	4,178,107	10,279,920
Advance office rent (note- 8.4.1)	17,922,776	25,511,151
Advance for legal expenses	-	-
	<u>40,222,002</u>	<u>59,193,460</u>
8.4.1 The amount represents advance against office rent of Head Office, Chittagong, Uttara, Sylhet & Dhanmondi 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	668,305,936	544,944,436
Paid during the year	53,057,552	123,361,499
Less: settlement of previous years' tax liabilities	-	-
Balance as on December 31	<u>721,363,488</u>	<u>668,305,936</u>

(Figures in BDT)

8.6 Deferred tax assets

2018

2017

Deferred tax asset/(liability) is recorded under liability method as required by IAS- 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, 2018	(Taxable)/deductible temporary difference	
			2018	2017
Fixed assets including premises, furniture & fixtures (note-7)	62,305,480	42,457,238	19,848,242	12,686,704
Gratuity (note-11.1)	-	(5,886,743)	5,886,743	6,365,943
			25,734,985	19,052,647
Applicable tax rate			37.50%	40.00%
Deferred tax assets during the year			9,650,619	7,621,059

The change in deferred tax assets is shown below:

Balance as at 1st January	7,621,059	4,753,860
Addition/(Adjustment) during the year	2,029,560	2,867,199
Balance as on Dec 31	9,650,619	7,621,059

8.7 Maturity grouping of other assets

On demand	-	-
Up to 1 month	4,178,103	4,218,325
Over 1 month but not more than 3 months	17,757,119	2,526,370
Over 3 months but not more than 1 year	149,326,168	3,301,000
Over 1 year but not more than 5 years	721,363,488	728,375,761
Over 5 years	1,277,916,695	1,359,284,900
	2,170,541,573	2,097,706,355

8(a) Consolidated Other assets

Inside Bangladesh

Income generating:

International Leasing and Financial Services Limited	148,940,338	109,305,600
Other assets - income generating	1,398,919,638	1,359,284,900
Adjustment for consolidation	(1,249,979,300)	(1,249,979,300)
International Leasing Securities Limited	-	-
IL Capital Limited	-	-
	148,940,338	109,305,600

Non-income generating:

International Leasing and Financial Services Limited	771,621,939	738,421,455
Other assets - non-income generating	771,621,935	738,421,455
Adjustment for consolidation	4	-
International Leasing Securities Limited	144,147,371	82,783,343
Other assets - non-income generating	169,301,939	82,783,343
Adjustment for consolidation	(25,154,568)	-
IL Capital Limited	15,385,679	12,103,206
Other assets - non-income generating	20,076,024	12,270,537
Adjustment for consolidation	(4,690,345)	(167,331)
	931,154,989	833,308,004
	1,080,095,327	942,613,604

Outside Bangladesh

	-	-
	1,080,095,327	942,613,604

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
9 Borrowing from banks, other financial institutions and agents		
9.1 Inside Bangladesh		
Bank overdraft (note- 9.1.1)	2,991,405,365.00	2,826,435,213
Call borrowing (note- 9.1.2)	339,400,000.00	550,000,000
REPO liability (note- 9.1.3)	550,664,744.00	547,891,764
Short term borrowing (note-9.1.4)	1,394,200,000.00	680,000,000
Borrowing under refinancing scheme (note-9.1.5)	63,747,279.00	95,985,591
Long term borrowing (note-9.1.6)	4,878,923,601.00	5,110,813,247
	<u>10,218,340,989</u>	<u>9,811,125,815</u>
Outside Bangladesh	-	-
	<u>10,218,340,989</u>	<u>9,811,125,815</u>
Inside Bangladesh		
9.1.1 Bank overdraft		
AL- Arafah Islami Bank Ltd.	500,000,000	500,000,000
BRAC Bank Ltd.	(1,193,618)	(2,557,636)
Mercantile Bank Limited	1,809,512,631	1,649,373,391
Mutual Trust Bank Ltd.	214,469,847	46,610,766
ONE Bank Ltd.	82,093,127	207,217,168
Pubali Bank Ltd.	103,076,832	102,327,504
Shahjalal Bank Ltd.	44,790,000	50,000,000
The Premier Bank Ltd.	108,656,546	120,585,000
Woori Bank Ltd.	130,000,000	152,879,021
	<u>2,991,405,365</u>	<u>2,826,435,213</u>
9.1.2 Call borrowing		
Janata Bank Ltd.	169,400,000	190,000,000
Mutual Trust Bank Ltd.	-	200,000,000
Sonali Bank Ltd.	170,000,000	160,000,000
	<u>339,400,000</u>	<u>550,000,000</u>
9.1.3 REPO liability		
Sonali Bank Ltd.	-	-
Janata Bank Ltd.	550,664,744	547,891,764
The City Bank Ltd.	-	-
	<u>550,664,744</u>	<u>547,891,764</u>
9.1.4 Short term borrowing		
Bangladesh Development Bank Limited	23,500,000	100,000,000
IPDC of Bangladesh Limited	16,500,000.00	200,000,000
Meridian Finance Ltd	305,000,000.00	30,000,000
Union capital	250,000,000.00	-
GSP Finance Company (Bangladesh) Limited	-	150,000,000
South Bangla Agricultural Bank Limited	276,000,000.00	200,000,000
Fas Finance & Investment Limited	50,000,000.00	-
IIDFC	2,500,000.00	-
Rupali Bank Limited	67,000,000.00	-
NRB Bank Limited	48,000,000.00	-
Mercantile Bank Limited	130,000,000.00	-
Peoples Leasing	40,000,000.00	-
NRB Commercial Bank Limited	15,000,000.00	-
United Commercial Bank Limited	20,000,000.00	-
National Housing	147,500,000.00	-
National Finance	3,200,000.00	-
	<u>1,394,200,000</u>	<u>680,000,000</u>
9.1.5 Borrowing under refinancing scheme		
Fund from Bangladesh Bank for SME financing	43,164,103	72,908,150
Fund from Bangladesh Bank for housing financing	20,583,174	23,077,439
Fund from RPGCL for DCFP financing	2	2
	<u>63,747,279</u>	<u>95,985,591</u>

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
9.1.5.1	<p>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.</p>	
9.1.6 Long term borrowing		
UAE Bd Ltd	76,187,229	92,026,280
Al Arafah Bank Ltd.	1,153,003,774	1,174,276,685
Bank Asia Ltd.	92,052,546	117,767,956
Basic Bank Ltd.	139,467,800	177,627,963
Dutch Bangla Bank Ltd.	325,086,691	455,349,262
Jamuna Bank Ltd.	176,148,593	212,810,186
Mercantile Bank Ltd.	1,871,259,361	1,549,699,507
Modhumoti Bank Ltd.	93,240,557	118,118,877
Premier Bank Ltd.	614,086,005	640,437,940
Prime Bank Ltd.	65,572,505	96,310,435
Pubali Bank Ltd.	37,489,958	42,952,714
Shahjalal Islami Bank Ltd.	24,557,668	50,658,905
Midland Bank Ltd	78,042,899	88,656,697
Standard Bank Ltd.	-	42,608,388
Uttara Bank Ltd.	132,728,015	251,511,451
	4,878,923,601	5,110,813,247
9.2 Security wise grouping of borrowing from banks, other financial institutions and agents		
Secured	8,420,993,710	8,485,140,226
Unsecured	1,797,347,279	1,325,985,589
	10,218,340,989	9,811,125,815
<p>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.</p>		
9.3 Maturity grouping of borrowing from banks, other financial institutions and agents		
On demand	339,400,000	550,000,000
Up to 1 month	550,664,744	727,891,764
Over 1 month but within 3 months	1,394,200,000	733,236,395
Over 3 months but within 1 year	2,991,405,365	2,559,306,764
Over 1 year but within 5 years	4,942,670,880	5,240,690,892
Over 5 years	-	-
	10,218,340,989	9,811,125,815
9(a) Consolidated borrowing from banks, other financial institutions and agents		
Inside Bangladesh		
International Leasing and Financial Services Limited	10,218,340,989	9,811,125,815
International Leasing Securities Limited	978,737,799	858,319,589
Borrowing from banks, other financial institutions and agents	2,841,333,549	2,768,319,469
Adjustment for consolidation	(1,862,595,750)	(1,909,999,880)
IL Capital Limited	-	-
Borrowing from banks, other financial institutions and agents	-	-
Adjustment for consolidation	-	-
	11,197,078,788	10,669,445,404
Outside Bangladesh		
	-	-
	11,197,078,788	10,669,445,404

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
10 Deposits and other accounts		
Term deposits (note - 10.1)	28,158,731,315	28,181,413,124
Other deposits (note- 10.2)	625,180,120	796,609,500
	<u>28,783,911,435</u>	<u>28,978,022,624</u>
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	13,070,852,593	14,153,987,500
Deposits from other than banks and financial institutions	15,087,878,722	14,027,425,624
	<u>28,158,731,315</u>	<u>28,181,413,124</u>
10.1.1 Maturity analysis of term deposits		
a) Deposits from banks and financial institutions		
Payable on demand	-	-
Up to 1 month	1,357,500,000	1,748,500,000
Over 1 month but within 3 months	2,633,352,593	4,292,834,669
Over 3 months but within 1 year	9,080,000,000	7,085,000,000
Over 1 year but within 5 years	-	1,027,652,831
Over 5 years but within 10 years	-	-
Over 10 years	-	-
	<u>13,070,852,593</u>	<u>14,153,987,500</u>
b) Deposits from other than banks and financial institutions		
Payable on demand	-	-
Up to 1 month	728,792,581	677,569,320
Over 1 month but within 3 months	2,664,800,168	2,477,504,416
Over 3 months but within 1 year	3,183,808,640	2,960,034,324
Over 1 year but within 5 years	6,468,476,235	6,013,838,722
Over 5 years but within 10 years	2,042,001,098	1,895,478,842
Over 10 years	-	3,000,000
	<u>15,087,878,722</u>	<u>14,027,425,624</u>
Total (a+b)	<u>28,158,731,315</u>	<u>28,181,413,124</u>
10.1(a) Consolidated term deposits		
International Leasing and Financial Services Limited	27,514,163,426	28,169,299,104
Term deposits	28,158,731,315	28,181,413,124
Adjustment for consolidation	(644,567,889)	(12,114,020)
	<u>27,514,163,426</u>	<u>28,169,299,104</u>
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	34,244,243	39,133,720
Time loans	37,024,665	36,910,362
Home loans	1,584,338	1,584,338
Work order loans	441,127	441,127
	<u>73,294,373</u>	<u>78,069,546</u>
Interest bearing security deposits	<u>551,885,747</u>	<u>718,539,954</u>
	<u>625,180,120</u>	<u>796,609,500</u>

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
10.2.1 Maturity analysis of other deposits		
Payable on demand	-	-
Up to 1 month	9,838,623	12,536,452
Over 1 month but within 3 months	5,111,139	6,512,654
Over 3 months but within 1 year	128,697,558	163,987,456
Over 1 year but within 5 years	293,203,226	373,601,892
Over 5 years but within 10 years	188,329,574	239,971,046
Over 10 years	-	-
	625,180,120	796,609,500
11 Other liabilities		
Deferred liability-employees' gratuity (note- 11.1)	5,886,743	6,365,943
Training fund (note-11.2)	354,771	354,771
Un-claimed refund warrant/dividend (note- 11.3)	5,164,760	5,164,760
Interest suspense account (note-11.4)	243,639,843	106,364,933
Payables & accrued expenses (note-11.5)	1,321,642,659	932,141,050
Provision for leases, loans and advances (note - 11.6)	540,000,000	427,208,511
Provision for diminution in value of investments	1,983,408	24,791,489
Provision for income tax (note- 11.7)	927,835,038	712,835,038
	3,046,507,222	2,215,226,495
11.1 Deferred liability-employees' gratuity		
Balance as at 1st January	6,365,943	4,921,859
Add: provision made during the year	997,265	3,210,336
Less: payment made during the year	1,476,465	1,766,252
Balance as at Dec31	5,886,743	6,365,943
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	4,448,566	4,448,567
	5,164,760	5,164,760
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, 2018. 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	106,364,933	112,261,123
Add: suspended during the year	407,959,715	501,117,237
Less: realized during the year	266,942,151	435,300,330
Less: written off during the year	3,742,654	71,713,096
Balance as at Dec 31	243,639,843	106,364,933
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, 2018 are given below:		
Leases	70,882,845	16,335,677
Loans	172,756,998	90,029,256
	243,639,843	106,364,933

(Figures in BDT)

	2018	2017
11.5 Payables & accrued expenses		
a) Interest payables		
Interest payable on bank overdraft	43,110,643	37,806,533
Interest payable on call borrowing	235,695	275,000
Interest payable on REPO liability	54,699,640	1,475,190
Interest payable on short-term borrowing	11,980,831	1,101,806
Interest payable on long-term borrowing	-	-
Interest payable on borrowing under refinancing scheme (note-11.5.1)	59,201	59,201
Interest payable on deposits from banks and FIs	421,104,954	303,680,887
Interest payable on deposits from other than banks and FIs	527,923,661	535,970,963
	<u>1,059,114,625</u>	<u>880,369,578</u>
b) Other payables		
Payable for fractional bonus & right share	1,719,880	1,741,964
Payable for Tax/VAT deducted at source	213,660,072	6,205,269
Payable for bank guarantee & commission	-	-
Liability for expenses & other payables	37,765,383	34,441,540
Payable for Private Sector Development (PSD) program (note- 11.5.2)	9,382,699	9,382,699
	<u>262,528,034</u>	<u>51,771,471</u>
Total (a+b)	<u>1,321,642,659</u>	<u>932,141,050</u>
11.5.1 Interest payable on borrowing under refinancing scheme		
Fund from Bangladesh Bank for SME financing	53,057	53,057
Fund from Bangladesh Bank for housing financing	-	-
Fund from RPGCL for DCFP financing	6,144	6,144
	<u>59,201</u>	<u>59,201</u>
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	270,053,436	270,053,436
Fully provided debts written off during the year (note- 11.6.1)	(334,193,267)	(334,193,267)
Recovery of amounts previously written off	194,000	353,255
Net charge to Profit and Loss Account	(55,036,356)	169,275,660
Provision made for the year	(55,036,356)	202,145,117
Recoveries and provision no longer required	-	(32,869,457)
	<u>59,584,853</u>	<u>105,489,084</u>
b) General provision on unclassified leases, loans and advances		
Balance at January 01	275,294,557	275,294,557
Provision made/(no longer required) for the year	205,120,590	46,424,870
	<u>480,415,147</u>	<u>321,719,427</u>
Total (a+b)	<u>540,000,000</u>	<u>427,208,511</u>
Break up of provision for leases, loans and advances :		
a) Specific provision on classified leases, loans and advances		
Sub-standard	20,072,682	59,109,633
Doubtful	30,461,074	30,074,124
Bad and loss	9,051,097	16,305,327
	<u>59,584,853</u>	<u>105,489,084</u>
b) General provision on unclassified lease, loans and advances		
Standard	478,717,515	320,021,795
SMA	1,697,632	1,697,632
	<u>480,415,147</u>	<u>321,719,427</u>
Total (a+b)	<u>540,000,000</u>	<u>427,208,511</u>

Notes to the consolidated financial statements - continued

(Figures in BDT)

2018

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Provision for classified and un-classified leases, loans and advances has been made on the basis of analysis of portfolio made by the Management of the Company as per FID Circular # 08 of 2002 as amended from time to time by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank. As per FICL submitted to Bangladesh Bank, the required provision as per calculation made under FID Circular was Tk. 490.81 million and actual provision made in the books of accounts under this head has been kept at Tk. 540 million.

Moreover, in excess of the afore mention amount provision, an amount of Tk. 2,524 million is required to be made, as per the Financial Institutes Inspection Department of Bangladesh Bank mentioned in their inspection report as per inspection conducted by them on February 17, 2019.

However, Bangladesh Bank has given us the permission vide letter no. FIID/I-16/2019-745 dated June 19, 2019 to make up the shortfall in provision by December 31, 2019

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	Cumulative	Cumulative
Balance at January 01		914,552,594	508,999,486
No. of account written-off	7	50	43
No. of lessee/loanee written-off	6	34	28
Total leases/loans written-off	41,229,400	973,787,963	932,558,563
<i>Interest suspense against lessee/loanee written-off</i>	3,742,654	108,142,884	104,400,230
<i>Provision adjusted against lessee/loanee written-off</i>	37,486,746	865,645,079	828,158,333
Recovery against lessee/loanee written-off	(194,000)	(18,199,969)	(18,005,969)
Balance as at December 31	41,035,400	955,587,994	914,552,594
11.7 Provision for income tax			
Balance as on January 01		712,835,038	652,835,038
Add: provision made during the year		215,000,000	60,000,000
Less: settlement of previous years tax liability		-	-
Balance as at Dec 31		927,835,038	712,835,038
11.8 Maturity analysis of other liabilities			
Payable on demand		144,787,392	106,428,793
Up to 1 month		130,309,785	95,786,745
Over 1 month but within 3 months		463,971,351	341,051,177
Over 3 months but within 1 year		973,085,242	715,285,257
Over 1 year but within 5 years		1,124,594,019	826,654,735
Over 5 years but within 10 years		176,880,953	130,019,789
		3,013,628,742	2,215,226,495
11(a) Consolidated other liabilities			
International Leasing and Financial Services Limited		3,016,662,308	2,215,059,164
<i>Other liabilities</i>		3,046,507,222	2,215,226,495
<i>Adjustment for consolidation</i>		(29,844,914)	(167,331)
International Leasing Securities Limited		386,317,093	318,472,834
<i>Other liabilities</i>		807,720,998	550,006,133
<i>Adjustment for consolidation</i>		(421,403,905)	(231,533,299)
IL Capital Limited		22,803,172	27,756,263
<i>Other liabilities</i>		22,803,172	27,756,263
<i>Adjustment for consolidation</i>		-	-
		3,425,782,573	2,561,288,261

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
12 Share capital		
12.1 Authorized		
300,000,000 nos. of ordinary shares of taka 10 each	<u>3,000,000,000</u>	<u>3,000,000,000</u>
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	85,539,300
89,81,626 Ordinary Shares of Tk. 10 each issued as bonus share	89,816,260	89,816,260
2,26,33,698 Ordinary Shares of Tk. 10 each issued as bonus share	226,336,980	-
	<u>2,112,478,540</u>	<u>1,886,141,560</u>

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
15-Jun-17	Bonus Shares	8,981,626	89,816,260	188,614,156	1,886,141,560
05-Jul-18	Bonus Shares	22,633,698	226,336,980	211,247,854	2,112,478,540
Total		211,247,854	2,112,478,540		

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, 2018

Particulars	No. of shares	% of holding	Amount
a) Corporate	87,767,286	41.55%	877,672,860
Shaw Wallace Bangladesh Limited	36,681,671	17.36%	366,816,710
Nature Enterprise Limited	17,287,200	8.18%	172,872,000
BR International Limited	17,225,460	8.15%	172,254,600
New Tech Enterprise Limited	16,572,955	7.85%	165,729,550
b) General shareholders	123,480,568	58.45%	1,234,805,680
Institutions/corporate	48,988,755	23.19%	489,887,550
Individual	69,771,508	33.03%	697,715,080
Non-resident Bangladeshi	4,720,305	2.23%	47,203,050
Total (a+b)	211,247,854	100%	2,112,478,540

(Figures in BDT)

	2018	2017
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)	2,112,478,540	1,886,141,560
	<u>2,112,478,540</u>	<u>1,886,141,560</u>
Minimum required paid up capital	1,000,000,000	1,000,000,000
Excess in paid up capital	<u>1,112,478,540</u>	<u>886,141,560</u>
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, 2018 was Taka 404.95 crore as against available core capital of Taka 272.25 crore and supplementary capital of Taka 48.04 crore making a total eligible capital of Taka 320.29 thereby showing a deficit capital of Taka 84.65 crore at that date. Details are shown below:		
a) Core capital (Tier-I)		
Paid-up capital (note-12.2)	2,112,478,540	1,886,141,560
Statutory reserve (note-13)	456,184,825	428,912,873
Retained earnings/surplus (note-14)	153,814,978	271,064,153
Total eligible/actual tier-I capital	<u>2,722,478,343</u>	<u>2,586,118,585</u>
b) Supplementary capital (Tier-II)		
General Provision (Unclassified loans up to specified limit+SMA+ off balance sheet exposure)	480,415,147	346,510,916
Total eligible/actual tier-II capital	<u>480,415,147</u>	<u>346,510,916</u>
A) Total eligible/actual capital maintained (a+b)	<u>3,202,893,490</u>	<u>2,932,629,501</u>
B) Total risk weighted assets	40,494,645,638	45,262,637,620
C) Required capital based on risk weighted assets (10% on B)	<u>4,049,464,564</u>	<u>4,526,263,762</u>
Total capital surplus/(Deficit) (A-C)	<u>(846,571,074)</u>	<u>(1,593,634,261)</u>
Capital adequacy ratio (CAR) based on Basel II framework	<u>7.91%</u>	<u>6.48%</u>
13 Statutory reserve		
Balance as at January 01	428,912,873	364,054,009
Addition during the year	27,271,952	64,858,864
Balance as at December 31	<u>456,184,825</u>	<u>428,912,873</u>
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. 27,271,952 to Statutory Reserve Fund for the year 2018. During the year the Company has transferred Tk. 27,271,952 to the Statutory Reserve Fund from current year's profit.		
14 Retained earnings/surplus		
Balance as at 1st January	271,064,152	101,444,958
Less: cash dividend for last year	-	-
Less: stock dividend for last year	226,336,980	89,816,260
	<u>44,727,172</u>	<u>11,628,698</u>
Retained surplus for the year	109,087,806	259,435,454
	<u>153,814,978</u>	<u>271,064,152</u>

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
14(a) Consolidated retained earnings/surplus		
Balance as at 1st January	394,310,251	160,867,680
Less: cash dividend for last year	-	-
Less: stock dividend for last year	226,336,980	89,816,260
	<u>167,973,271</u>	<u>71,051,420</u>
Retained surplus for the year	85,017,846	323,258,831
Retained surplus transferred from minority for new issuance of shares by subsidiary	-	-
	<u>252,991,117</u>	<u>394,310,251</u>
15 Non-controlling / minority interest		
a) Share capital		
International Leasing Securities Limited	600	600
IL Capital Limited	20,100	20,100
	<u>20,700</u>	<u>20,700</u>
b) Retained earnings/surplus as at 1st January		
International Leasing Securities Limited	66	23
IL Capital Limited	855	1,549
	<u>921</u>	<u>1,572</u>
c) Retained surplus for the year		
International Leasing Securities Limited	2	43
IL Capital Limited	(2,250)	311
	<u>(2,248)</u>	<u>354</u>
d) Retained surplus transferred to parent Co. for new issuance of shares by subsidiary	-	-
e) Cash dividend paid by ILCL	-	(1,005)
Balance as at Dec 31 (a+b+c)	<u>19,373</u>	<u>21,621</u>
16 Net asset value per share		
Total assets	44,771,237,989	43,590,493,519
Total liabilities	42,048,759,646	41,004,374,934
Net asset	<u>2,722,478,343</u>	<u>2,586,118,585</u>
Number of share outstanding	211,247,854	211,247,854
Net asset value per share	<u>12.89</u>	<u>12.24</u>
16(a) Consolidated net asset value per share		
Total assets	45,583,878,762	44,906,028,574
Total liabilities	42,762,224,280	42,196,663,890
Net asset	<u>2,821,654,482</u>	<u>2,709,364,684</u>
Number of share outstanding	211,247,854	211,247,854
Net asset value per share	<u>13.36</u>	<u>12.83</u>
17 Contingent liabilities		
17.1 Letters of guarantee		
Letters of guarantee (local)	-	149,718,630
Counter guarantees	750,000,000	750,000,000
	<u>750,000,000</u>	<u>899,718,630</u>
Money for which the Company is contingently liable in respect of guarantees given favoring:		
Banks and other financial institutions	-	149,718,630
Others - Dhaka Stock Exchange	750,000,000	750,000,000
	<u>750,000,000</u>	<u>899,718,630</u>

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
18 Statement of comprehensive income		
a) Income:		
Interest, discount and similar income (note-18.1)	4,800,456,636	4,270,687,402
Dividend income (note-21.1)	6,323,378	21,964,867
Fees, commission and brokerage (note- 22)	603,514	5,142,434
Gains <i>less</i> losses arising from dealing in securities	-	-
Gains <i>less</i> losses arising from investment securities	-	-
Gains <i>less</i> losses arising from dealing in foreign currencies	-	-
Income from non-Company assets	-	-
Other operating income (note- 23)	66,092	572,056
Profit <i>less</i> losses on interest rate changes	-	-
	<u>4,807,449,620</u>	<u>4,298,366,759</u>
b) Expenses:		
Interest, fee and commission, etc. (note- 20)	4,114,914,812	3,463,424,582
Losses on loans and advances	-	-
Administrative expenses (note-18.2)	162,935,849	171,270,115
Other operating expenses (note-33)	34,696,681	45,412,458
Depreciation/amortization on assets (note-32)	18,295,927	18,124,757
	<u>4,330,843,269</u>	<u>3,698,231,912</u>
Profit before provisions (a-b)	<u>476,606,351</u>	<u>600,134,847</u>
18.1 Interest, discount and similar income		
Interest income - Lease	92,492,707	138,977,540
Interest income - time loan	3,777,610,299	3,257,986,215
Interest income - work order loan	52,527,796	51,282,331
Interest income - home loan	16,036,414	29,889,528
Interest income- short term loan	370,158,881	356,175,779
Interest income - staff loan	1,219,079	893,298
Interest income - deposit with banks/FIs	538,716,242	318,430,172
Coupon income - government treasury bonds	44,526,250	44,526,250
Gain/(loss) on sale of shares	(92,831,032)	72,526,290
	<u>4,800,456,636</u>	<u>4,270,687,402</u>
18.2 Administrative expenses		
Salary and allowances	111,884,171	112,964,189
Rent, taxes, insurance & electricity	30,792,818	30,157,202
Legal expenses	2,190,357	2,727,529
Postage, stamp & telecommunication	2,386,737	2,499,311
Stationery, printing & advertisement	5,720,837	9,987,696
Managing Director's salary & benefits	6,432,333	8,920,000
Directors' fees	1,143,200	1,674,400
Auditors' fees	345,000	365,020
Repair of the Company's assets	2,040,396	1,974,768
	<u>162,935,849</u>	<u>171,270,115</u>
19 Interest income		
Interest income - lease	92,492,707	138,977,540
Interest income - time loan	3,777,610,299	3,257,986,215
Interest income - work order & Factoring loan	52,527,796	51,282,331
Interest income - home loan	16,036,414	29,889,528
Interest income - short term loan	370,158,881	356,175,779
Interest income - staff loan	1,219,079	893,298
Coupon income - government treasury bonds	44,526,250	44,526,250
Interest income - fixed deposit with banks	538,353,324	317,934,549
Interest income - balance with banks	362,917	495,624
	<u>4,893,287,667</u>	<u>4,198,161,112</u>

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
19(a) Consolidated interest income		
International Leasing and Financial Services Limited	4,703,070,791	4,007,161,132
Interest income	4,893,287,667	4,198,161,112
Adjustment for consolidation	(190,216,876)	(190,999,980)
International Leasing Securities Limited	288,309,021	201,007,207
Interest income	288,309,021	201,007,207
Adjustment for consolidation	-	-
IL Capital Limited	14,208,467	7,021,773
Interest income	14,208,467	7,021,773
Adjustment for consolidation	-	-
	<u>5,005,588,279</u>	<u>4,215,190,112</u>
20 Interest expense on deposits and borrowings etc.		
a) Interest expense on deposits		
Interest on term deposits, bank and financial institutions	1,116,503,110	969,808,058
Interest on term deposits, other than bank and financial institutions	1,710,941,150	1,394,301,102
Direct deposit expenses	13,338,883	5,773,359
Interest expense on security deposits (interest bearing)	92,577,627	108,044,632
	<u>2,933,360,770</u>	<u>2,477,927,152</u>
b) Interest expense on borrowings		
Interest on call borrowing	21,070,628	23,259,361
Interest on short-term borrowing	168,780,768	124,867,958
Interest on long-term borrowing	623,466,449	615,327,565
Interest on borrowing under refinancing scheme	4,523,749	5,107,449
Interest on bank overdraft	328,937,866	188,126,117
Interest expense on REPO liability	34,774,582	28,379,132
Finance charge for obligation under finance lease	-	429,850
	<u>1,181,554,042</u>	<u>985,497,431</u>
Total (a+b)	<u>4,114,914,812</u>	<u>3,463,424,582</u>
20(a) Consolidated Interest expense on deposits and borrowings etc.		
a) Interest expense on deposits		
International Leasing and Financial Services Limited	2,933,360,770	2,477,927,152
Interest expense on deposits	2,933,360,770	2,477,927,152
Adjustment for consolidation	-	-
	<u>2,933,360,770</u>	<u>2,477,927,152</u>
b) Interest expense on borrowings		
International Leasing and Financial Services Limited	1,181,554,042	985,497,431
International Leasing Securities Limited	121,938,009	109,900,744
Interest expense on borrowings	312,154,885	300,900,724
Adjustment for consolidation	(190,216,876)	(190,999,980)
IL Capital Limited	-	-
Interest expense on borrowings	-	-
Adjustment for consolidation	-	-
	<u>1,303,492,051</u>	<u>1,095,398,175</u>
	<u>4,236,852,821</u>	<u>3,573,325,326</u>
21 Investment income		
Dividend income (note- 21.1)	6,323,378	21,964,867
Gain/(loss) on bonds & shares	(92,831,032)	72,526,290
	<u>(86,507,654)</u>	<u>94,491,157</u>
21.1 Dividend income		
Dividend income from investment in subsidiary Co.	-	12,498,995
Dividend income from investment in quoted shares	6,323,378	9,465,872
	<u>6,323,378</u>	<u>21,964,867</u>

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
21(a) Consolidated investment income		
International Leasing and Financial Services Limited	(86,507,654)	81,992,162
<i>Investment income</i>	(86,507,654)	94,491,157
<i>Adjustment for consolidation</i>	-	(12,498,995)
International Leasing Securities Limited	47,590,045	92,929,583
IL Capital Limited	(24,653,905)	14,111,832
	(63,571,514)	189,033,577
22 Commission, fees, exchange and brokerage		
Processing fees - leases	60,000	435,357
Processing fees - time loan	439,264	4,472,103
Processing fees - work order	100,000	130,735
Processing fees - home loan	4,250	104,239
Guarantee commission	-	-
	603,514	5,142,434
22(a) Consolidated commission, fees, exchange and brokerage		
International Leasing and Financial Services Limited	603,514	5,142,434
International Leasing Securities Limited	106,610,433	213,766,226
<i>Commission, fees, exchange and brokerage</i>	106,610,433	213,766,226
<i>Adjustment for consolidation</i>	-	-
IL Capital Limited Limited	933,907	3,876,217
	108,147,854	222,784,877
Consolidated fees, commission and brokerage from International Leasing Securities Limited represents net brokerage income.		
23 Other operating income		
Transfer Price	2,300	530,429
Gain on sale of fixed assets	33,888	11,492
Income from written-off accounts	-	-
Miscellaneous income	29,904	30,135
	66,092	572,056
23(a) Consolidated other operating income		
International Leasing and Financial Services Limited	66,092	572,056
International Leasing Securities Limited	1,125,878	1,175,031
IL Capital Limited	-	-
	1,191,970	1,747,087
24 Salary and allowances		
Basic salary and other allowances	106,646,432	106,371,757
Company's contribution to provident fund	4,240,474	3,732,097
Gratuity	997,265	2,860,336
	111,884,171	112,964,189
24(a) Consolidated salary and allowances		
International Leasing and Financial Services Limited	111,884,171	112,964,189
International Leasing Securities Limited	61,627,573	53,157,109
IL Capital Limited	6,676,423	3,674,182
	180,188,167	169,795,480

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
25 Rent, taxes, insurance & electricity		
Rent, rate and taxes	27,826,857	26,770,734
Insurance	-	-
Electricity, gas and water	2,965,961	3,386,468
	<u>30,792,818</u>	<u>30,157,202</u>
25a) Consolidated rent, taxes, insurance & electricity		
International Leasing and Financial Services Limited	30,792,818	30,157,202
International Leasing Securities Limited	9,849,057	8,967,144
IL Capital Limited	4,580,730	4,519,109
	<u>45,222,605</u>	<u>43,643,455</u>
26 Legal expenses		
Legal expenses	2,190,357	2,727,529
Other professional charges	-	-
	<u>2,190,357</u>	<u>2,727,529</u>
26(a) Consolidated legal expenses		
International Leasing and Financial Services Limited	2,190,357	2,727,529
International Leasing Securities Limited	3,017,855	3,491,695
IL Capital Limited	-	-
	<u>5,208,212</u>	<u>6,219,224</u>
27 Postage, stamp & telecommunication		
Postage, stamp, internet	1,172,709	1,048,137
Telephone	1,214,028	1,451,175
	<u>2,386,737</u>	<u>2,499,311</u>
27(a) Consolidated postage, stamp & telecommunication		
International Leasing and Financial Services Limited	2,386,737	2,499,311
International Leasing Securities Limited	1,111,335	1,038,536
IL Capital Limited	204,752	167,382
	<u>3,702,824</u>	<u>3,705,229</u>
28 Stationery, printing and advertisements		
Printing and stationery	4,292,879	7,661,254
Publicity and advertisement	1,427,958	2,326,442
	<u>5,720,837</u>	<u>9,987,696</u>
28(a) Consolidated stationery, printing and advertisements		
International Leasing and Financial Services Limited	5,720,837	9,987,696
International Leasing Securities Limited	529,234	774,619
IL Capital Limited	77,162	81,245
	<u>6,327,233</u>	<u>10,843,560</u>
29 Managing Director's salary and benefits		
Remuneration	4,512,333	4,620,000
Other benefits	1,920,000	4,300,000
	<u>6,432,333</u>	<u>8,920,000</u>

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
30 Directors' fees & meeting expenses		
Directors' fee for attending board meeting	876,400	1,214,400
Executive Committee members' fee for attending EC meeting	-	184,000
Audit Committee members' fee for attending AC meeting	266,800	276,000
	<u>1,143,200</u>	<u>1,674,400</u>
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	1,143,200	1,674,400
International Leasing Securities Limited	231,500	121,500
IL Capital Limited	161,000	138,000
	<u>1,535,700</u>	<u>1,933,900</u>
31 Auditors' fees		
Statutory audit fee	345,000	365,020
	<u>345,000</u>	<u>365,020</u>
31(a) Consolidated auditors' fees		
International Leasing and Financial Services Limited	345,000	365,020
International Leasing Securities Limited	227,125	100,621
IL Capital Limited	166,750	40,250
	<u>738,875</u>	<u>505,891</u>
32 Depreciation, amortization and repair of assets		
a) Depreciation		
Motor vehicles	7,721,193	7,673,088
Office decoration	1,119,708	1,799,347
Office equipment	1,165,310	877,694
Furniture & fixtures	5,275,658	5,153,994
Computer accessories	1,931,248	1,537,821
	<u>17,213,117</u>	<u>17,041,944</u>
b) Amortization		
Computer Software	1,082,810	1,082,813
	<u>1,082,810</u>	<u>1,082,813</u>
c) Repairs		
Office equipment	144,632	89,902
Vehicles	1,895,764	1,884,866
	<u>2,040,396</u>	<u>1,974,768</u>
Total (a+b+c)	<u>20,336,323</u>	<u>20,099,525</u>
32(a) Consolidated depreciation, amortization and repair of assets		
a) Depreciation		
International Leasing and Financial Services Limited	17,213,117	17,041,944
International Leasing Securities Limited	3,431,323	4,303,168
IL Capital Limited	2,827,316	4,011,937
	<u>23,471,756</u>	<u>25,357,049</u>
b) Amortization		
International Leasing and Financial Services Limited	1,089,883	1,082,813
	<u>1,089,883</u>	<u>1,082,813</u>
b) Repairs		
International Leasing and Financial Services Limited	2,040,396	1,974,768
International Leasing Securities Limited	178,121	650,527
IL Capital Limited	88,477	-
	<u>2,306,994</u>	<u>2,625,295</u>
Total (a+b+c)	<u>26,868,633</u>	<u>29,065,157</u>

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
33 Other expenses		
Fuel expenses for vehicles	1,830,647	1,977,702
Office maintenance	8,487,708	7,428,205
Training expenses	104,996	746,144
Books, magazines and newspapers	10,389	12,135
Fees and subscription	6,071,827	7,504,216
Bank charges	2,222,108	3,539,672
Entertainment	2,331,146	2,697,720
Other charges	-	5,072,706
CIB service charge	20,400	50,260
Business development expenses	3,018,879	5,502,004
Hospitalization expense	436,982	328,173
Traveling and conveyance expenses	10,161,599	10,553,521
	34,696,681	45,412,458
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	34,696,681	45,412,458
<i>Other expenses</i>	34,696,681	45,412,458
<i>Adjustment for consolidation</i>	-	-
International Leasing Securities Limited	11,739,302	10,356,089
IL Capital Limited	1,318,633	2,050,787
	47,754,616	57,819,334
34 Provision against leases, loans and advances		
On classified leases, loans and advances	(55,036,356)	169,275,660
On un-classified leases, loans and advances	205,120,591	46,424,870
	150,084,235	215,700,530
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. 150,084,235 has been made for the year 2018 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	150,084,235	215,700,530
International Leasing Securities Limited	-	-
IL Capital Limited	-	-
	150,084,235	215,700,530
35 Provision for diminution in value of investments		
Shares		
Provision for quoted shares	(22,808,082)	3,007,198
Provision for un-quoted shares	-	-
	(22,808,082)	3,007,198
35(a) Consolidated Provision for diminution in value of investments		
Shares		
International Leasing and Financial Services Limited	(22,808,082)	3,007,198
International Leasing Securities Limited	-	-
IL Capital Limited	(166,166)	5,609,400
	(22,974,248)	8,616,598
36 Provision for tax		
Current tax	215,000,000	60,000,000
Deferred tax	(2,029,561)	(2,867,199)
	212,970,439	57,132,801

Notes to the consolidated financial statements - continued

(Figures in BDT)

	2018	2017
36.1 Average effective tax rate		
The average effective tax rate is calculated below as per International Accounting Standard 12 "Income Tax"		
Accounting profit before provision & tax	476,606,350	600,134,847
Tax expense	212,970,439	57,132,801
Average effective tax rate	44.68%	9.52%

36(a) Consolidated Provision for tax		
International Leasing and Financial Services Limited	212,970,439	57,132,801
International Leasing Securities Limited	35,617,161	52,558,910
IL Capital Limited	2,539,433	852,208

36(a).1 Consolidated average effective tax rate	251,127,033	110,543,919
The average effective tax rate is calculated below as per International Accounting Standard 12 "Income Tax"		
Accounting profit before provision & tax	489,809,598	722,979,097
Tax expense	218,631,346	110,543,919
Average effective tax rate	44.64%	15.29%

37 Earning Per Share (EPS)		
Basic earnings per share have been calculated as under:		
Earning attributable to ordinary shareholders (profit after tax)	136,359,758	324,294,318
Weighted average number of ordinary shares outstanding during the year	211,247,854	211,247,854
Earning per share (EPS)	0.65	1.54

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)	112,287,550	388,117,695
Weighted average number of ordinary shares outstanding during the year	211,247,854	211,247,854
Earning per share (EPS)	0.53	1.84

38 Disclosure relating to Going Concern	
There is no material uncertainty relating to going concern issue but the following matters exist at the time of preparation of the financial statements that may cast doubt to continuity as a going concern.	
<ul style="list-style-type: none"> Operating cash flow of the company is negative as on December 31, 2018. Due to short term Liquidity crisis, the company is in problem to make payment to some of its' depositors and creditors The company had excessive reliance on short term borrowings to finance long term assets/investmenta. Classified invested assets (Loans, leases and advances) has been increased. Adverse trend in key ratios of the financial statements. Borrowings from various Banks and Financial Institutions have constantly been increasing over the years. 	

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. Rahat Mahmud	Company Secretary	Secretary of the Committee	MBM from Bangladesh Institute of Bank Management (BIBM)

During the year 2018 Audit Committee Meeting hold 6 nos. of meeting and transacted the business as stated below:

SL. No.	Meeting		Business transacted
	No.	Date	
1	56 th	16/Jan/18	Review and Approval of Internal Audit Plan 2018
2	57 th	25/Apr/18/	Review of Audited Financial Statements of the company and recommendation for appointment of the statutory auditor.
3	58 th	14/May/18	Review and recommendation on company's First Quarter (Q1) un-audited financial statement.
4	59 th	25/Jul/18	Review of internal audit report for the 1st Quarter of 2018
5	60 th	30/Jul/18	Review and recommendation on company's Second Quarter (Q2) un-audited financial statement.
6	61 st	16/Sep/18	Review of the comprehensive inspection report of the Bangladesh Bank for the year ended December 31, 2017 and reply of the management thereon.
7	62 nd	30/Oct/18	Review and recommendation on company's Third Quarter (Q3) un-audited financial statement.

40 Related party disclosures

40.1 Particulars of directors of the Company as of December 31, 2018

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

40.2 Name of Directors and their interest in different entities as on December 31, 2018

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 Nominated Director: Banco Energy Generation Ltd. Partner: Hussain Farhad & 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
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

Sl. No.	Name of Directors	Status with the Company	Entities where they are Interested
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

40.3 Transactions with directors and their related entities

Name of the party	Name of the director	Relationship	Nature of transaction	2018	2017
Mr. Nasim Anwar, FCA	Mr. Nasim Anwar, FCA	Self	Term Deposit	(2,947,451)	(6,156,215)
Mr. Muhammed Abul Hashem	Mr. Muhammed Abul Hashem	Self	Term Deposit	(12,743,943)	(12,696,528)
S.W. Shipping Ltd.	Mr. M. Nurul Alam	Director	Term Deposit	(183,202,017)	(184,260,000)
S W Multimedia Limited	Mr. M. Nurul Alam	Director	Term Deposit	(5,312,766)	(4,896,606)
Shaw Wallace Bangladesh Limited	Mr. M. Nurul Alam Mr. Muhammed Abul Hashem	Director	Term Deposit	-	(5,095,473)
Shaw Wallace Bangladesh & Associated Cos' Trust	Mr. M. Nurul Alam	Trustee	Term Deposit	(6,804,111)	(6,159,292)
A F Mujibur Rahman Foundation	Mr. M. Nurul Alam	Trustee	Term Deposit	(2,274,423,843)	(191,451,222)
Shaw Wallace Bangladesh Limited	Mr. M. Nurul Alam Mr. Muhammed Abul Hashem	Director	Term Deposit	397,945	1,245,134

(Figures in BDT)

41 Events after the reporting period

41.1 Dividend for the year - 2018

The Board of Directors at their 229th meeting held on June 29, 2019 recommended to the shareholders stock dividend (bonus share) @ 5% amounting to Tk. 105,623,920 (i.e. 5 bonus shares for every 100 fully paid shares held at the record date) subject to the approval of the shareholders at the 23rd Annual General Meeting (AGM) scheduled to be held on August 22, 2019.

Proposed dividend consists of:

Cash	-	-
Bonus share	105,623,920	226,336,980
	<u>105,623,920</u>	<u>226,336,980</u>

Proposed dividend will be distributed from:

Retained surplus for the year	109,087,806	259,435,454
Past accumulated retained earnings/surplus	44,727,172	11,628,698
	<u>153,814,978</u>	<u>271,064,152</u>

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

42 Capital expenditure commitments

There was no capital expenditure commitment contracted as at December 31, 2018

43 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, 2018

44 Number of employees engaged for the whole year and drawing remuneration of Tk. 35,000 and above per annum was 56.

45 Interim financial statements

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

46 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.

47 Approval of the financial statements

These financial statements were authorized for issue by the Board of Directors of the Company on May 30, 2019


Chairman


Director


Managing Director


Rahat Mahmud
Company Secretary

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Annexure - B

Schedule of fixed assets

(Figures in BDT)

Particulars	COST				DEPRECIATION				Written down value as at December 31, 2018	
	Balance as at January 01, 2018	Addition during the Year	Disposal during the Year	Balance as at December 31, 2018	Rate (%)	Balance as at January 01, 2018	Charged during the Year	Adjustment during the Year		Balance as at December 31, 2018
Motor vehicles	40,367,177	-	-	40,367,177	20%	16,264,054	7,721,193	-	23,985,247	16,381,930
Office decoration	24,447,313	-	-	24,447,313	15%	20,993,570	1,119,708	-	22,113,278	2,334,035
Office equipment	15,638,080	14,474	290,559	15,361,995	20%	10,952,061	1,165,310	290,548	11,826,823	3,535,172
Furniture & fixtures	31,140,088	-	-	31,140,088	20%	10,882,461	5,275,658	-	16,158,119	14,981,969
Computer Accessories	9,078,869	3,540,721	-	12,619,590	33%	6,375,139	1,931,248	-	8,306,387	4,313,203
Total as at December 31, 2018	120,671,527	3,555,195	290,559	123,936,163		65,467,285	17,213,117	290,548	82,389,854	41,546,309
Total as at December 31, 2017	102,988,969	17,922,799	240,241	120,671,527		48,665,575	17,041,943	240,233	65,467,285	55,204,242

Schedule of intangible assets

Particulars	COST				AMORTIZATION				Written down value as at December 31, 2018	
	Balance as at January 01, 2018	Addition during the Year	Disposal during the Year	Balance as at December 31, 2018	Rate (%)	Balance as at January 01, 2018	Charged during the Year	Adjustment during the Year		Balance as at December 31, 2018
Computer Software	3,281,250	-	-	3,281,250	33%	1,287,511	1,082,810	-	2,370,321	910,929
Total as at December 31, 2018	3,281,250	-	-	3,281,250		1,287,511	1,082,810	-	2,370,321	910,929
Total as at December 31, 2017	3,281,250	-	-	3,281,250		204,696	1,082,813	-	1,287,509	1,993,741

INTERNATIONAL LEASING AND FINANCIAL SERVICES LIMITED

Schedule of consolidated fixed assets

Annexure - B(a)

(Figures in BDT)

Particulars	COST			Rate (%)	DEPRECIATION			Written down value as at December 31, 2017	
	Balance as at January 01, 2017	Addition during the Year	Disposal during the Year		Balance as at December 31, 2017	Charged during the Year	Adjustment during the Year		Balance as at December 31, 2017
Motor vehicles	48,551,177	2,822,500	-	20%	22,052,653	9,372,490	-	31,425,143	19,948,534
Office decoration	60,172,514	-	3,601,273	15%	47,096,745	4,195,450	3,535,204	47,756,991	8,814,250
Office equipment	24,753,083	216,801	1,206,582	20%	17,323,828	1,876,878	1,206,466	17,994,240	5,769,062
Furniture & fixtures	33,898,604	-	666,874	20%	13,146,432	5,441,684	666,742	17,921,374	15,310,356
Computers & accessories	30,167,709	4,072,887	7,836,435	33%	26,597,790	2,585,255	7,802,636	21,380,409	5,023,752
Total as at December 31, 2017	197,543,087	7,112,188	13,311,164		126,217,448	23,471,757	13,211,048	136,478,157	54,865,954
Total as at December 31, 2016	156,899,568	49,046,313	39,040,949		110,812,088	18,009,319	27,246,315	101,575,092	65,329,840

Schedule of consolidated intangible assets

Particulars	COST			Rate (%)	AMORTIZATION			Written down value as at December 31, 2017	
	Balance as at January 01, 2017	Addition during the Year	Disposal during the Year		Balance as at December 31, 2017	Charged during the Year	Adjustment during the Year		Balance as at December 31, 2017
Computer Software	3,281,250	-	-	33%	1,287,511	1,082,810	-	2,370,321	910,929
Total as at December 31, 2017	3,281,250	-	-		1,287,511	1,082,810	-	2,370,321	910,929
Total as at December 31, 2016	-	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	2018	2017	2016	2015	2014	2013	2012
1	Paid-up capital	2,112,478,540	1,886,141,560	1,796,325,300	1,710,786,000	1,710,786,000	1,710,786,000	1,710,786,000
2	Paid-up Capital surplus/(deficit)	1,112,478,540	886,141,560	796,325,300	710,786,000	710,786,000	710,786,000	710,786,000
3	Total capital	2,722,478,343	2,586,118,585	2,261,824,267	2,373,642,248	2,125,214,635	2,084,262,214	2,215,625,126
4	Total assets	44,771,237,989	43,590,493,519	35,493,852,813	23,231,183,679	17,516,706,624	17,542,215,470	16,590,839,058
5	Total Deposits	28,783,911,435	28,978,022,624	21,910,615,384	13,166,933,885	10,392,660,500	9,982,201,215	9,128,539,313
6	Total leases, loans and advances	36,901,104,462	34,962,806,891	29,730,237,726	20,283,566,651	14,478,187,971	15,483,925,851	14,041,637,394
7	Total contingent liabilities and commitments	750,000,000	899,718,630	572,720,063	586,484,773	774,675,664	813,577,041	611,577,041
8	Leases, loans and advances to deposits ratio	0.95	0.90	0.91	1.03	0.97	1.11	1.06
9	% of classified leases, loans and advances to total leases, loans and advances	4.56%	4.71%	4.69%	6.89%	9.97%	7.74%	8.16%
10	Profit after tax and provisions	136,359,758	324,294,318	114,255,046	122,548,259	110,722,314	(54,779,944)	59,282,935
11	Classified leases, loans and advances	1,681,645,548	1,646,933,504	1,394,190,022	1,397,052,918	1,443,988,891	1,199,116,376	1,145,254,455
12	Provision kept against classified leases, loans and advances	540,000,000	427,208,511	545,347,993	321,010,662	442,316,700	307,388,000	274,337,789
13	Provision surplus/(deficit)	49,192,688	718,797	12,255,318	(41,976,000)	(55,234,300)	362,120	35,101
14	Cost of fund	12.03%	9.58%	9.73%	10.80%	12.85%	13.43%	15.88%
15	Interest earning assets	43,991,806,514	43,887,804,055	35,522,584,973	22,354,996,847	17,904,530,986	16,964,031,504	16,000,171,472
16	Non-interest earning assets	779,431,475	1,018,224,518	1,315,060,699	878,077,910	856,877,249	578,183,966	590,667,586
17	Return on investment	0.33%	1.46%	1.26%	1.89%	2.15%	1.82%	0.47%
18	Return on assets	0.31%	1.65%	1.31%	1.31%	1.61%	-0.23%	0.70%
19	income from investment	(63,571,514)	189,033,577	133,356,621	(28,733,330)	45,927,733	2,030,042	(34,987,841)
20	Operating profit per share*	2.26	3.18	2.32	2.24	1.97	1.60	0.39
21	Earning per share*	0.65	2.06	0.70	0.69	0.74	0.68	0.35
22	Price earning ratio*	21.22	10.74	18.13	12.70	18.33	(49.34)	58.29

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



International Leasing Securities Limited

- Overview of the company
- Directors of the company
- Management Team
- Auditors' Report to the Shareholders
- Statement of Financial Position
- Statement of Comprehensive Income
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- Statement of Changes in Shareholder's Equity
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Overview of the company

International Leasing Securities Limited (ILSL) is a fully fledged stock brokerage company in Bangladesh which started its operation in August 2008 as a fully owned subsidiary of International Leasing and Financial Services Ltd. It is a full serviced Depository participant (DP) of CDBL and offer margin loan for share trading. It is providing the brokerage services under the membership of two bourses of Bangladesh namely Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE).

ILSL has been established to contribute to the development of a sound capital market for achieving accelerated economic growth of the country. With a view to ensure greater participation of the investors, this company is offering Brokerage, Custodial & Depository Participants services along with specialized value added services to meet the requirements of retail and institutional investors both local and foreign.

Brokerage Services

With an efficient trade management process and smart pool of traders, ILSL helps to minimize hidden transaction costs which range from market impact to delay costs to missed trade opportunity cost. ILSL provides "Trade Execution Service" for its clients in Dhaka and Chittagong Stock Exchange. ILSL is not merely an agent of a client's order. Apart from representing order to the market, the company always takes care of every valuable transaction. This is reflected in the belief "Brokerage is more than Commission." ILSL actively assists in block trade whereby the opposite side of the trade is actively sought.

CDBL Services

ILSL operates as a Full Service DP at both DSE and CSE. Apart from their BO Account Opening and Maintenance services, they provide their clientele with De-materialization and Re-materialization services. They offer safe transfers and transmission through CDBL as well as they provide their customers with customized services related to Pledging, Unpledging and Confiscation of Securities.

Research Services

ILSL firmly believes in the knowledge based investment in the capital market to keep pace with the advanced market and sophisticated clients. Apart from efficient and effective brokerage services, ILSL is backed by the strength of a comprehensive Research Unit, which provides a range of services from company, industry and country research to corporate valuation. One of the important functions of ILSL is to carry out capital market research for themselves and their valued customers. Their Research & Analysis Department is one of the most important departments solely dedicated to these functions. The team puts its effort to analyze the capital market along with the fundamental and technical indicators of listed securities of DSE and CSE. The approach is to understand the psychology and trend history of the market, and most importantly the actions of investors.

ILSL has aimed to provide higher, better and diversified services to a wide range of investors. ILSL is dedicated to provide high level of professional and personalized services to its domestic and international investors.

Directors of the company

Name	Designation
Mr. M. Nurul Alam	Chairman
Mr. Md. Zahirul Alam,FCA	Director
Mr. Rashedul Haque	Director
Mr. Syed Abed Hassan	Director
Ms. Nahida Runai	Director
Mr. Mostofa Muidur Rahman	Director

Management Team

Name	Designation
Mr. A.S.M. Ahasan Habib Chowdhury	Chief Executive Officer
Mr. Mohammad Noore Rabbi	Chief Financial Officer
Mr. Nazmus Sakib	Head of Compliance & HR
Mr. Kazi Muhammad Rashedul Huque	Head of Office Administration
Mr. Md. Zakir Hossain	Head of Corporate Sales
Mr. Nuzrul Islam	Head of Trade
Ms. Rezwana Nasreen	Head of Research
Mr. Mahmudul Hasan Shibli	Head of Retail Sales
Mr. Md. Mohin Uddin	Head of IT and Settlement

**Auditors' Report and Audited Financial Statements
Of
International Leasing Securities Limited**

Hossain Tower (1st Floor), 116, Bir Protik Gazi Golam Dostogir Road,
Naya Paltan, Dhaka- 1000

For the year ended December 31, 2018

A U D I T E D

AUDITOR:

AHMED ZAKER & CO.

Chartered Accountants

HOUSE # 15 (GROUND FLOOR), ROAD # 17, SECTOR-4, UTTARA, DHAKA-1230

Tel: 02-58958247, Mob: 01755-603600, Fax: 02-58953233, E-mail:sultan.ahmed.fca@gmail.com

International Leasing Securities Limited

Auditor's Report to the Shareholders on the Audit of the Financial Statements As at December 31, 2018

Opinion

We have audited the financial statements of International Leasing Securities Limited, which comprise the statement of financial position as at December 31, 2018 and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Company give a true and fair view of the financial position of the Company as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as explained in notes and comply with the Securities and Exchange Rules, 1987, the Dhaka Stock Exchange Rules, 1954, the Chittagong Stock Exchange Rules, 1995, the Companies Act, 1994 and other applicable laws and regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of Management

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS-7 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for preparation and assessing the ability of the company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease its operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process of the company.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit, in accordance with ISAs, we exercised professional judgment and maintained professional skepticism throughout the audit. Our responsibilities are also to:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit 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.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the Company or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided to those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we also determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Legal and Regulatory Requirements

We also report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof.
- b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books.
- c) The Statement of Financial Position, the Statement of Comprehensive Income, is in agreement with the books of accounts maintaining by the Company Management.
- d) All the expenditure was incurred for the purposes of the company's business during the year.
- e) The information and explanation required by us have been received and found satisfactory.
- f) All branch offices were visited by us to see the books and other records maintained in support of the financial information provided to us.
- g) The records and statements submitted by the branches properly maintained in the Financial Statements.

The engagement partner for audit of the company is Sultan Ahmed, FCA

Place: Dhaka
Date: February 24, 2019


Ahmed Zaker & Co.
Chartered Accountants

INTERNATIONAL LEASING SECURITIES LIMITED
Statement of Financial Position

as at December 31, 2018

	Notes	(Figures in BDT)	
		2018	2017
ASSETS			
Cash and cash equivalents	3	305,852,746	262,103,743
Investments	4	1,080,619,356	563,000,303
Property, Plant and Equipments	5	8,736,914	11,533,849
Receivable from customers	6	3,199,188,242	3,509,635,181
Receivable from DSE and CSE	7	71,102,027	52,397,729
Other assets	8	98,199,913	30,385,614
Total assets		4,763,699,198	4,429,056,419
LIABILITIES AND CAPITAL			
Liabilities			
Loans	9	2,841,333,549	2,768,319,469
Payable to customers	10	244,197,664	223,684,972
Payable to DSE and CSE	11	4,965,488	6,603,749
Other liabilities	12	558,557,847	319,717,412
Total liabilities		3,649,054,548	3,318,325,602
Capital / Shareholders' equity			
Paid-up capital	13.1	1,000,000,000	1,000,000,000
Retained earnings	14	114,644,649	110,730,817
Total Shareholders' equity		1,114,644,649	1,110,730,817
Total liabilities and Shareholders' equity		4,763,699,198	4,429,056,419
Net asset value (NAV) per share	15	111.46	111.07

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


Chairman


Director


Rahat Mahmud
Company Secretary

Place: Dhaka
Date: February 24, 2019


Ahmed Zaker & Co.
Chartered Accountants

INTERNATIONAL LEASING SECURITIES LIMITED

Statement of Comprehensive Income

For the year ended December 31, 2018

(Figures in BDT)

	Notes	2018	2017
Turnover			
DSE		38,930,603,010	81,993,409,694
CSE		1,386,823,473	3,893,459,089
		40,317,426,483	85,886,868,783
OPERATING INCOME			
Brokerage income	16	117,013,279	236,268,878
Direct charges	17	(10,402,846)	(22,502,652)
Net brokerage income		106,610,433	213,766,226
Interest income	18	288,309,021	201,007,207
Interest expense	19	(312,154,885)	(300,900,724)
Net interest income		(23,845,864)	(99,893,517)
Other operating income	20	1,125,878	1,405,392
Income from investment	21	47,590,045	92,929,583
Total operating income (A)		131,480,492	208,207,684
OPERATING EXPENSES			
Salaries and allowances	22	61,627,574	53,157,109
Rent, taxes, insurance, electricity, etc.	23	9,849,057	8,967,144
Legal expenses	24	3,017,855	3,491,695
Postage, stamp, telecommunication, etc.	25	1,111,335	1,038,536
Stationery, printing, advertisements, etc.	26	529,234	774,619
Directors' fees & meeting expenses	27	231,500	121,500
Auditors' fees	28	227,125	100,621
Depreciation and repair of assets	29	3,616,517	4,953,695
Other expenses	30	11,739,302	10,586,450
Total operating expenses (B)		91,949,499	83,191,368
Profit before provision C=(A-B)		39,530,994	125,016,316
Tax expenses	31	35,617,161	52,558,910
Profit after tax		3,913,833	72,457,405
Earnings per share (EPS)	32	0.32	7.25

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


Chairman


Director


Rahat Mahmud
Company Secretary

Signed as per our separate report of same date.

Place: Dhaka
Date: February 24, 2019


Ahmed Zaker & Co.
Chartered Accountants

INTERNATIONAL LEASING SECURITIES LIMITED

Statement of Cash Flows

For the year ended December 31, 2018


(Figures in BDT)

	2018	2017
A) Cash flows from operating activities		
Brokerage income received	106,610,433	213,766,226
Interest receipts	288,309,021	201,007,207
Interest payments	(312,154,885)	(300,900,724)
Payments to employees	(61,627,574)	(53,157,109)
Income taxes paid	(29,935,319)	(58,267,292)
Income received from investment	47,590,045	37,808,794
Receipts from other operating activities	1,125,878	1,175,031
Payments for other operating activities	(30,321,925)	(11,191,676)
Cash generated from operating activities before changes in operating assets and liabilities	9,595,674	30,240,458
Increase/ decrease in operating assets and liabilities		
Net changes in receivable from customers	310,446,939	(389,593,578)
Net changes in receivable from DSE and CSE	(18,704,298)	108,378,622
Other assets	(51,891,460)	-
Net changes in payable to customers	20,512,692	41,761,577
Net changes in payable to DSE and CSE	(1,638,261)	(571,097)
Net changes in other liabilities	234,842,182	(200,358,075)
Net cash from operating activities	503,163,468	(410,142,092)
B) Cash flows from investing activities		
Proceeds from sale of securities	(45,343,778)	13,960,234
Net change of investment	(486,350,275)	146,460,288
Net change against purchase/sale of property, plant and equipment	(734,493)	(5,792,353)
Net cash used in investing activities	(532,428,545)	154,628,169
C) Cash flows from financing activities		
Receipts of long term loan	229,142,783	154,000,000
Repayment of long term loan	(156,128,702)	-
Net Cash from financing activities	73,014,081	154,000,000
D) Net increase/(decrease) in cash and cash equivalents (A+B+C)	43,749,003	(101,513,923)
E) Cash and cash equivalents at beginning of the year	262,103,743	363,617,666
F) Cash and cash equivalents at end of the year (D+E)	305,852,746	262,103,743
Cash and cash equivalents at end of the year		
Cash in hand	39,002	49,163
Balance with banks and other financial institutions	305,813,744	262,054,580
	305,852,746	262,103,743

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


Chairman


Director


Company Secretary

Signed as per our separate report of same date.

Place: Dhaka
Date: February 24, 2019


Ahmed Zaker & Co.
Chartered Accountants

INTERNATIONAL LEASING SECURITIES LIMITED
Statement of Changes in Shareholder's Equity
For the year ended December 31, 2018

(Figures in BDT)

Particulars	Share Capital	Retained Earnings	Total
Balance as at January 01, 2017	1,000,000,000	38,273,412	1,038,273,412
Changes during the year			
Profit after tax and provision for the year	-	72,457,405	72,457,405
Net Changes in 2017	-	72,457,405	72,457,405
Balance as at December 31, 2017	1,000,000,000	110,730,817	1,110,730,817
Changes during the year			
Profit after tax and provision for the year	-	3,913,833	3,913,833
Net Changes in 2018	-	3,913,833	3,913,833
Balance as at December 31, 2018	1,000,000,000	114,644,649	1,114,644,649

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


Chairman


Director


Rahat Mahmud
Company Secretary

Signed as per our separate report of same date.

Place: Dhaka
Date: February 24, 2019


Ahmed Zaker & Co.
Chartered Accountants

INTERNATIONAL LEASING SECURITIES LIMITED

Notes to the financial statements For the year ended December 31, 2018

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 International Accounting Standards (IASs) and/or International Financial Reporting Standards (IFRSs).

2.3 Use of estimates and judgement

Preparation of the financial statements in conformity with IFRS 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 flows is prepared using the direct method as stipulated in International Accounting Standard (IAS) 7 – "Statement of Cash Flows". Cash and cash equivalents for statement of cash flows comprise mainly of cash in hand and balance at banks.

2.6 Revenue recognition (IAS 18, "Revenue")

IAS 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 (IAS 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. Depreciation is charged on additions when the related assets are put into use, i.e. from the month of purchase. 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 (IAS- 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 International Accounting Statnderd-23.

2.10 Accrued expenses, provisions and other payables

As per IAS 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 International Accounting Standards-33, which is shown in the face of the Profit and Loss Account, and the computation is stated in Note- 32.0. 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, 2018 to December 31, 2018.

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)

	2018	2017
3.0 Cash and cash equivalents		
Cash in hand	39,002	49,163
Cash at bank (note- 3.1)	305,813,744	262,054,580
	<u>305,852,746</u>	<u>262,103,743</u>
3.1 Cash at bank		
Bank Alfalah Ltd.	145,136	1,953,401
Eastern Bank Limited	-	3,207
One Bank Ltd	60,872	6,384,981
One Bank Ltd. (PIAP)	946	230,163
The City bank Limited	267,303,039	253,477,751
The City bank Limited (Strategic)	37,017,150	-
The City bank Limited (PIAP)	1,286,601	4,352
Jamuna Bank Ltd.	-	725
	<u>305,813,744</u>	<u>262,054,580</u>
4.0 Investments		
Investment in shares of DSE (note-4.1)	42,225,000	56,300,000
Investment in shares of CSE (note 4.2)	103,944,686	103,944,686
Investment in FDR (note-4.3)	486,350,275	-
Investment in dealer account (note-4.4)	448,099,395	402,755,617
	<u>1,080,619,356</u>	<u>563,000,303</u>
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.	486,350,275	-
	<u>486,350,275</u>	<u>-</u>

4.4 Detail of Investment in shares through Dealer Account as of December 31, 2018 are given below:

Name of Securities	Number of shares	Cost Value	Market Value	Unrealized Gain/(Loss)
ACFL	7,846	394,340	330,317	(64,023)
Active Fine	144,000	5,040,000	4,060,800	(979,200)
AftabAuto	22,288	1,335,969	1,023,019	(312,950)
AIL	10,000	673,585	637,000	(36,585)
ALIF	2,310,000	35,181,300	21,021,000	(14,160,300)
APEX TANRY	120,000	22,143,855	16,524,000	(5,619,855)
Aramit	39,000	1,036,600	861,900	(174,700)
Bangas	2,875	792,494	901,313	108,819
Baraka Power	269,500	8,208,970	7,546,000	(662,970)
BD Lamps	6,000	1,617,951	1,182,000	(435,951)
BD welding	17,881	291,313	286,096	(5,217)
BPML	10,807	864,560	905,627	41,067
GHCL	60,000	2,940,263	2,316,000	(624,263)
IBP	294	2,916	9,143	6,228
IDLC	100,000	8,409,658	6,970,000	(1,439,658)
IFAD AUTOS	1,830	206,442	198,372	(8,070)
Intraco	266	2,535	7,129	4,594
KDS	205,300	14,518,684	10,819,310	(3,699,374)
KTL	11,070	100,626	280,071	179,445
LankaBangla	1,182,500	53,449,000	27,079,250	(26,369,750)
Meghna Life	10,000	778,335	779,000	665
Mercantile Bank	2,415,582	63,022,534	43,480,476	(19,542,058)
Mithunknit	44,250	1,239,000	858,450	(380,550)
ML Dying	4,228	35,219	125,572	90,352
Northern	15,191	8,971,720	18,823,168	9,851,448
One Bank	1,449,259	35,448,875	21,738,885	(13,709,990)
Phama Aid	20,522	12,613,200	12,202,381	(410,819)
Prime Bank	1,484,431	38,906,937	26,868,201	(12,038,735)
Primetex	97,718	3,808,370	3,527,620	(280,751)
Quasem Industry	161,225	11,614,649	7,367,983	(4,246,667)
Rupalilife	55,000	4,592,500	4,928,000	335,500
Silvaphl	9,194	256,972	276,739	19,767
Simtex	1,592,255	57,004,560	52,544,415	(4,460,145)
SK Trim	5,545	150,325	256,734	106,409
Sonargaon	20,000	588,000	638,000	50,000
SPCL	245,992	27,573,243	23,320,042	(4,253,202)
SS Steel	13,492	134,920	134,920	-
Unioncap	740,303	14,139,787	9,179,757	(4,960,030)
Uttara Bank	140,000	4,441,537	3,990,000	(451,537)
VFSTD	4,222	38,378	244,032	205,654
Transit IPO- Esquire Knit	41,780	1,880,100	1,880,100	-
Transit IPO- Runner Auto	14,411	1,080,825	1,080,825	-
Transit IPO- Genex Infoye	10,467	104,670	104,670	-
Transit IPO- ADN telecom	18,968	569,040	569,040	-
Cash at Bank		1,894,636	1,894,636	-
		448,099,395	339,771,991	(108,327,404)

(Figures in BDT)

5.0 Property, plant and equipment	2018	2017
Motor vehicles	8,184,000	8,184,000
Office decoration	12,975,459	16,576,732
Office equipment	7,926,928	8,640,624
Furniture & fixtures	1,276,621	1,943,495
Computers & accessories	9,275,384	16,579,653
	39,638,392	51,924,504
Less: accumulated depreciation	30,901,478	40,390,655
Net book value at the end of the year	8,736,914	11,533,849
Details of property, plant and equipment in Annexure-1		
5.1 Intangible Assets - Computer software		
Cost	4,635,423	-
Less: Accumulated amortization	(4,635,423)	-
	-	-
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	2,724,319,759	486,366,274
Non-interest earning receivable	474,868,483	3,023,268,907
	3,199,188,242	3,509,635,181
7 Receivable from DSE and CSE		
Receivable from DSE (note-7.1)	70,613,884	52,148,581
Receivable from CSE (note-7.2)	488,143	249,148
	71,102,027	52,397,729

The above amounts represent receivable from Dhaka Stock Exchange and Chittagong Stock Exchange 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	13-Dec-18	333,014	-
Z	17-Dec-18	237,640	-
Z	18-Dec-18	183,060	-
Z	19-Dec-18	63,894	-
Z	20-Dec-18	906,585	-
Z	23-Dec-18	163,314	-
Z	24-Dec-18	3,612	-
ABGN	26-Dec-18	12,933,937	-
Z	26-Dec-18	79,210	-
S	27-Dec-18	2,979,899	-
ABGN	27-Dec-18	52,668,929	-
Z	27-Dec-18	60,789	-
Z	17-Dec-17	-	6,753,425
Z	18-Dec-17	-	3,760,021
Z	19-Dec-17	-	880,007
Z	20-Dec-17	-	183,654
Z	21-Dec-17	-	337,267
Z	24-Dec-17	-	330,866
Z	26-Dec-17	-	303,446
ABGN	27-Dec-17	-	16,413,267
Z	27-Dec-17	-	1,537,764
ABGN	28-Dec-17	-	20,982,070
Z	28-Dec-17	-	666,795
Total		70,613,884	52,148,581

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	27-Dec-18	2,299,354	-
ABGN	28-Dec-17	-	139,013
Z	28-Dec-17	-	934,480
Total		2,299,354	1,073,493

11.2 Payable to CSE

Grouping of Shares	Date of Transaction	Amount	Amount
Z	26-Dec-18	217,023	-
ABGN	27-Dec-18	2,433,460	-
Z	27-Dec-18	15,651	-
Z	26-Dec-17	-	193,620
ABGN	28-Dec-17	-	5,256,564
Z	28-Dec-17	-	80,072
Total		2,666,134	5,530,256

12 Other liabilities

Payable and accrued expenses (note- 12.1)	529,035,373	287,085,668
Provision for unrealized loss in dealer account (note - 12.2)	6,842,649	6,842,649
Provision for income tax (note- 12.3)	9,079,825	12,189,095
Provision for contingency (note- 12.4)	13,600,000	13,600,000
	558,557,847	319,717,412

12.1 Payable and accrued expenses

a) Interest payables

Interest payable - ILFSL	373,999,779	234,716,632
Interest payable - Midas Finance	3,177,083	2,795,833
Interest payable - Premier Leasing	-	397,222
Interest payable - FAS Finance	56,943,508	10,075,000
Interest payable - PLFSL	11,814,557	-
Interest payable - ICB	2,539,353	-
	448,474,280	247,984,687

b) Other payables

CDBL & BO account maintenance fee payable to CDBL	1,487,118	1,005,186
Office maintenance	115,685	130,660
Audit fee	100,625	89,125
Accrued repair & maintenance	-	1,550
Utilities	4,200	4,200
Telephone	81,841	78,941
Payable for others	6,580,185	5,370,892
Printing and stationery	22,268	29,278
Entertainment	19,840	16,804
Accrued-electricity bill	92,688	91,425
Provision for gratuity	8,872,997	5,774,274
Fund Block A/c- IPO	49,175,000	-
Interest suspense account	14,008,647	26,508,647
	80,561,094	39,100,981
Total (a + b)	529,035,373	287,085,668

12.2 Provision for Unrealized loss in dealer account

Balance as at 1st January	6,842,649	6,842,649
Add: provision/adjustment made during the year	-	-
	<u>6,842,649</u>	<u>6,842,649</u>

12.3 Provision for income tax

Balance as at 1st January	12,189,095	11,259,970
Add: Provision made during the year	14,737,311	7,000,000
Less: settlement of previous year tax liability	(17,846,582)	(6,070,875)
	<u>9,079,825</u>	<u>12,189,095</u>

12.4 Provision for contingency

Balance as at 1st January	13,600,000	13,600,000
Add: provision/adjustment made during the year	-	-
	<u>13,600,000</u>	<u>13,600,000</u>

This provision has been making as per decision of the Board of Directors against two fraud cases; (i) for Tk. 8.0 million, client code # D0004, Name: Golam Kibria and (ii) for Tk. 5.6 million, client code # D5321, Name: Kawsar Ahmed. The Company has taken legal action and filed two separate cases against these customers.

13.0 Share capital**Authorized**

10,000,000 nos. of ordinary shares of Tk. 100 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
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13.1 Issued, subscribed & paid up

10,000,000 nos. of ordinary shares of Tk. 100 each.	<u>1,000,000,000</u>	<u>1,000,000,000</u>
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Composition of shareholdings

Particulars	No of shares	% of holdings	Amount
a) Corporate	9,999,994	1.00	999,999,400
International Leasing & Financial Services Ltd.	9,999,994	1.00	999,999,400
b) Individual	6	0.00	600
Mr. Jamal Uddin Ahmad	1	0.00	100
Mr. Mizanur Rahman	1	0.00	100
Mr. Bashudeb Banerjee	1	0.00	100
Mr. Rashedul Haque	1	0.00	100
Ms. Nahida Runai	1	0.00	100
Mr. Md. Saiful Islam Akhand	1	0.00	100
Total (a+b)	10,000,000	1.00	1,000,000,000

14.0 Retained earnings

Retained earnings as at 1st January	110,730,817	38,273,412
Add: profit/loss after tax for the year	3,913,833	72,457,405
Closing Balance	<u>114,644,649</u>	<u>110,730,817</u>

15.0 Net asset value (NAV) per share

	<u>111.39</u>	<u>111.07</u>
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16.0 Brokerage income

DSE	112,056,231	222,677,456
CSE	4,957,048	13,591,422
	<u>117,013,279</u>	<u>236,268,878</u>

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

17.0 Direct charges

Hawla charges	39,706	216,460
Laga charges	10,363,140	22,286,192
	<u>10,402,846</u>	<u>22,502,652</u>

18.0 Interest income

Interest on margin loan	229,219,003	185,238,844
Interest on FDR	43,821,540	-
Interest on bank account	15,216,940	15,768,363
Other interest income	51,538	-
	288,309,021	201,007,207

19.0 Interest expense

Interest expenses- ILFSL	194,703,764	190,792,636
Interest expense-other Financiers-Midas Financing	19,385,416	17,410,783
Interest expenses - ICB Small Investors	7,925,259	-
Interest expenses-LankaBangla	-	1,552,023
Interest expenses-Premier Leasing	5,271,798	13,036,113
Interest expenses-People Leasing	23,050,141	18,909,169
Interest expenses-FAS Finance	61,818,508	59,200,000
	312,154,885	300,900,724

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

20.0 Other operating income

CDBL charges & BO maintenance fee recovered	306,790	603,360
Service charge from PIAP	633,000	316,310
Other Income	186,089	485,722
	1,125,878	1,405,392

21.0 Income from Investment

Realized gain/(loss) from investment in dealer A/C	1,666,486	80,217,581
Dividend income	12,331,738	5,496,896
Dividend income from DSE and CSE	9,787,504	7,215,106
Profit from DSE Share sale	23,804,317	-
	47,590,045	92,929,583

The shareholders of Dhaka Stock Exchange Limited (DSE) in their 56th AGM held on March 22, 2018 approved 10% Cash Dividend (i.e. Tk. 1.00 per share of Tk. 10.00 each) for the year ended June 2017 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 22nd AGM held on October 25, 2017 approved 6% Cash Dividend (i.e. Tk. 0.60 per share of Tk. 10.00 each) for the year ended June 2017 where ILSL's Gross Dividend amount of Tk. 2,572,398/- was as income against 4,287,330 shares.

As per the Share Purchase Agreement (SPA) executed between Dhaka Stock Exchange Ltd. (DSE) and its strategic investors namely Shenzhen Stock Exchange (SZSE) and Shanghai Stock Exchange (SSE), DSE completed the sale of 25% (Twenty-five percent) DSE shares to SZSE and SSE. Subsequently, the Board of Directors of DSE in its 907th meeting held on September 4, 2018 approved the transfer of said 25% DSE shares to SZSE and SSE upon receipt of the sale proceeds.

In this connection, on application by DSE, Internal Resource Division, (Income Tax), Ministry of Finance issued an SRO No. 319 dated October 30, 2018 reduced the prevailing tax rate and capital gain tax rate from 15% to 5% under section 53N of the Income Tax Ordinance, 1984. The SRO stipulated some conditions including the net sale amount has been invested in listed securities of any stock exchange in Bangladesh for a period of 3 (Three) years.

22.0 Salary and allowances

Salary & allowances	52,997,786	46,280,668
Other benefits	8,629,788	6,876,441
	61,627,574	53,157,109

23.0	Rent, taxes, insurance, electricity, etc.		
	Rent, rate and taxes	8,353,296	7,544,338
	Electricity, gas and water	1,495,761	1,422,806
		9,849,057	8,967,144
24.0	Legal expenses		
	Legal expenses	3,017,855	3,491,695
		3,017,855	3,491,695
25.0	Postage, stamp , telephone etc.		
	Postage, stamp	41,914	60,542
	Telephone	1,069,421	977,994
		1,111,335	1,038,536
26.0	Stationery, printing and advertisements, etc.		
	Printing and stationery	461,338	742,489
	Publicity and advertisement	67,896	32,130
		529,234	774,619
27.0	Directors' fees and meeting expenses		
	Directors' fees and meeting expenses	231,500	121,500
	No director has been paid any remuneration for any special service rendered.		
28.0	Auditors' fees		
	Statutory audit fee	227,125	100,621
29.0	Depreciation, amortization and repair of assets		
	a) Depreciation		
	Motor Vehicles	1,086,796	1,635,057
	Office Decoration	995,472	1,045,545
	Office Equipment	711,552	767,304
	Furniture & Fixtures	81,025	84,861
	Computers & Accessories	556,477	770,401
		3,431,323	4,303,168
	b) Amortization		
	Computer Software	7,073	-
		7,073	-
	c) Repairs		
	Repair & Maintenance	178,121	650,527
		178,121	650,527
	Total (a + b + c)	3,616,517	4,953,695

30.0 Other expenses

Fuel & Repair expenses for vehicles	583,331	647,190
Fuel and Power for generator	139,500	205,183
Office Maintenance	2,060,901	2,172,374
Fees and subscription	157,250	162,061
License and renewal	1,091,670	865,178
Loan processing fee	35,750	41,150
Bank charges	245,909	296,210
Entertainment	1,047,771	1,050,807
Business development expenses	3,488,423	2,768,061
Hospitalization Expenses	125,739	288,976
Training expenses	-	58,210
Loss on disposal of fixed assets	70,582	230,361
Fined Amount of DSE & CSE	897,122	-
Travelling and conveyance	225,296	186,566
Internet and connectivity	1,570,059	1,614,123
	11,739,302	10,586,450

31.0 Tax expenses

Current tax (note-31.1)	14,737,311	7,000,000
Tax paid on brokerage income (note- 31.2)	20,879,850	45,558,910
	35,617,161	52,558,910

31.1 Current tax provision represents provision made for other operating income @ 35% rounded off to nearest Taka.

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

32.0 Earnings per share (EPS)

Basic earnings per share have been calculated as under:

Earning attributable to ordinary shareholders (profit after tax)	3,198,860	72,457,405
Number of ordinary shares outstanding during the year	10,000,000	10,000,000
Earnings per share (EPS)	0.32	7.25

33.0 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 transactions with ILFSL as of December 31, 2018 stands at Tk. 2,287.36 million (including accrued interest) as Payable against Loan and Tk. 511.50 million (including accrued interest) as receivable against Fixed Deposit Receipt (FDR). As of December 31, 2017 the amounts were Tk. 2,149.04 million and Tk. nil respectively.

34.0 Number of employees

Company has 69 numbers of employees as on December 31, 2018.

35.0 Events after balance sheet date

There is no significant event after the balance sheet date.

36.0 Approval of financial statements

These financial statements were approved by the Board of Directors in their meeting to be held on 21/08/2019 for placement in the AGM of the Company.


Chairman


Director


Company Secretary

INTERNATIONAL LEASING SECURITIES LIMITED

Schedule of fixed assets as at December 31, 2018

Annexure - 1

(Figures in BDT)

Particulars	C O S T			D E P R E C I A T I O N			Written down value as at December 31, 2018			
	Balance as at January 01, 2018	Addition during the period	Adjustment/ Disposal during the period	Balance as at December 31, 2018	Rate (%)	Balance as at January 01, 2018		Charged during the period	Adjustment/ Disposal during the period	Balance as at December 31, 2018
Motor vehicles	8,184,000	-	-	8,184,000	20%	5,788,599	1,086,796	-	6,875,395	1,308,605
Office decoration	16,576,732	-	(3,601,273)	12,975,459	15%	11,332,361	995,472	(3,535,204)	8,792,629	4,182,830
Office equipment	8,640,624	202,327	(916,023)	7,926,928	20%	5,897,406	711,552	(915,918)	5,693,041	2,233,887
Furniture & fixtures	1,943,495	-	(666,874)	1,276,621	15%	1,540,992.56	81,025	(666,742)	955,276	321,345
Computers & accessories	16,579,653	532,166	(7,836,435)	9,275,384	33%	15,831,296	556,477	(7,802,636)	8,585,137	690,247
Total as at December 31, 2018	51,924,504	734,493	(13,020,605)	39,638,392		40,390,655	3,431,323	(12,920,500)	30,901,478	8,736,914
Total as at December 31, 2017	42,303,442	10,474,100	(853,038)	51,924,504		36,561,946	4,303,168	(474,459)	40,390,655	11,533,849



IL Capital Limited

- Overview of the company
- Directors of the company
- Management Team
- Auditors' Report to the Shareholders
- Statement of Financial Position
- Statement of Profit or Loss and Other
- Comprehensive Income
- Statement of Cash Flows
- Statement of Changes in Equity
- Notes to the Financial Statements

Overview of the company

IL Capital Limited (ILCL) is a private limited company incorporated in Bangladesh under the Companies Act, 1994 on 24th November, 2010 bearing registration no. C-88312. It was awarded with a full-fledged merchant banker license on 4th April, 2012 by Bangladesh Securities And Exchange Commission (BSEC). The company is wholly owned by International Leasing and Financial Services Limited (ILFSL). The registered office address of the company is at Hossain Tower (2nd Floor), 116, Bir Protik Gazi Golam Dostogir Road, Naya Paltan, Dhaka 1000.

IL Capital Limited offers all kinds of investment banking services such as issue management, corporate advisory, IPO advisory and underwriting of securities; and wealth management services like portfolio advisory, portfolio management and providing of margin loan to the clients and investors with attractive features and at low cost.

It offers some very attractive discretionary portfolio management products like Secured Plan, Extra Income Plan, Income Sharing Plan, Shariah Plan, and Portfolio Advisory Services through which investors can build their wealth. The short descriptions of the products are mentioned below:

Secured Plan:

With this plan, our experienced portfolio managers help investors to make investment decision on behalf of the clients. They try to maximize investors' wealth by building a good portfolio which is expected to provide consistent return.

Extra Income Plan:

With this plan, the portfolio manager will construct your portfolio in a much disciplined way and with very small deposit of money at monthly basis or on a regular basis. It is a capital market DPS plan with specific maturity period. Anybody with very small amount of money can start this plan.

Income Sharing Plan:

"Income Sharing Plan" refers to 70:30 incentive plan with a hurdle rate of 10 percent p.a. We will try to maximize your wealth by trying to provide double digit return over the hurdle rate. The main theme of this plan is - "Clients earn first, then us. We will earn if our customer earns."

Shariah Plan:

With this plan, your portfolio will be governed under Shariah Principles approved by renowned Islamic Scholars of the world. We will invest your money in the companies of CSE (Chittagong Stock Exchange) All Shariah Index which is based on Shariah Guidelines of TISIS (Taqwaa Advisory & Shariah Investment Solutions Pvt Limited).

Portfolio Advisory Services:

This is a discretionary portfolio management service which is focused on reconstruction of existing portfolio by the portfolio managers of IL Capital Limited.

Directors of the company

Name	Designation
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

Management Team

Name	Designation
Mr. Imam Rasul Mohammed Imtiaz	In-Charge
Mr. Md. Maruf Sikder	Head of Accounts & Finance and Chief Anti-Money Laundering Compliance Officer (CAMLCO)
Mr. Md. Mominul Hoque	Assistant Manager - Information Technology
Ms. Sharmin Akter	Jr. Officer- Accounts & Finance

**Auditors' Report and Audited Financial Statements
Of
IL Capital Limited**

Hossain Tower (1st Floor), 116, Bir Protik Gazi Golam Dostogir Road,
Naya Paltan, Dhaka- 1000

For the year ended December 31, 2018

A U D I T E D

AUDITOR:

AHMED ZAKER & CO.

Chartered Accountants

HOUSE # 15 (GROUND FLOOR), ROAD # 17, SECTOR-4, UTTARA, DHAKA-1230

Tel: 02-58958247, Mob: 01755-603600, Fax: 02-58953233, E-mail:sultan.ahmed.fca@gmail.com

Opinion

We have audited the financial statements of IL Capital Limited, which comprise the statement of financial position as at December 31, 2018 and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Company give a true and fair view of the financial position of the Company as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as explained in notes and comply with the Securities and Exchange Rules, 1987, the Companies Act, 1994 and other applicable laws and regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of Management

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS-7 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for preparation and assessing the ability of the company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease its operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process of the company.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit, in accordance with ISAs, we exercised professional judgment and maintained professional skepticism throughout the audit. Our responsibilities are also to:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit 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.

- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the Company or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided to those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we also determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Legal and Regulatory Requirements

We also report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof.
- b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books.
- c) The Statement of Financial Position, the Statement of Comprehensive Income, is in agreement with the books of accounts maintaining by the Company Management.
- d) All the expenditure was incurred for the purposes of the company's business during the year.

The engagement partner for audit of the company is Sultan Ahmed, FCA

IL CAPITAL LIMITED
Statement of Financial Position
as at December 31, 2018

(Figures in BDT)

	Notes	2018	2017
PROPERTY AND ASSETS			
Cash and cash equivalents	3.0	3,911,394	36,902,361
Investment	4.0	222,330,474	196,703,961
Fixed assets including premises, furniture and	5.0	4,582,731	4,587,545
Receivable from customers	6.0	6,432,710	39,808,061
Other assets	7.0	20,076,024	12,270,537
Total assets		257,333,333	290,272,465
EQUITY AND LIABILITIES			
Liabilities			
Payable to customers	8.0	3,121,878	8,815,873
Other liabilities	9.0	19,681,295	18,940,390
Total liabilities		22,803,174	27,756,263
Capital / Shareholders' equity			
Paid- up capital	10.0	250,000,000	250,000,000
Retained Earnings	11.0	(15,469,840)	12,516,202
Total Shareholders' equity		234,530,160	262,516,202
Total liabilities and Shareholders' equity		257,333,333	290,272,465
Net asset value per share	12.0	93.81	105.01

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



Chairman



Director

Rahat Mahmud
Company Secretary

Signed in terms of our separate report of even date.

Place: Dhaka
Date: February 24, 2019

Ahmed Zaker & Co.
Ahmed Zaker & Co.
Chartered Accountants

IL CAPITAL LIMITED
Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2018

(Figures in BDT)

	Notes	2018	2017
OPERATING INCOME			
Interest income	13.0	14,208,467	7,021,773
Net interest income		14,208,467	7,021,773
Commission, fees and charges	14.0	933,907	3,876,217
Income/(Loss) from own investment	15.0	(24,653,905)	14,111,832
		(23,719,998)	17,988,049
Total operating income (A)		(9,511,532)	25,009,822
OPERATING EXPENSES			
Salary and allowances	16.0	6,676,423	3,674,182
Rent, taxes, insurance, electricity etc.	17.0	4,580,730	4,519,109
Postage, stamp & telecommunication	19.0	204,752	167,382
Stationery, printing & advertisements	20.0	77,162	81,245
Directors' fees & meeting expenses	21.0	161,000	138,000
Auditors' fees	22.0	166,750	40,250
Depreciation, amortization and repair of assets	23.0	2,915,794	4,011,937
Other expenses	24.0	1,318,632	2,050,787
Total operating expenses (B)		16,101,243	14,682,892
Profit before provision and tax (C=A-B)		(25,612,776)	10,326,930
Provision for unrealized loss in own portfolio (D)	25.0	(166,167)	5,609,400
Profit/(loss) before tax (C-D)		(25,446,609)	4,717,530
Tax expense	18.0	2,539,433	852,208
Profit after tax		(27,986,042)	3,865,322
Earnings/(Loss) Per Share	26.0	(11.19)	1.55

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



Chairman



Director

Rahat Mahmud
 Rahat Mahmud
 Company Secretary

Place: Dhaka
 Date: February 24, 2019

Ahmed Zaker & Co
 Ahmed Zaker & Co.
 Chartered Accountants

IL CAPITAL LIMITED
Statement of Cash Flows
For the year ended December 31, 2018

(Figures in BDT)

	Notes	2018	2017
Cash flow from operating activities			
Interest receipts in cash		9,685,451	6,883,630
Dividend receipts in cash		5,716,942	6,171,434
Commission, fees and charges		933,907	3,876,217
Cash payments to employees		(6,676,423)	(3,674,182)
Advance income tax		(1,823,954)	(5,295,582)
Income receipt from investment		(30,370,847)	7,940,398
Payments for other operating expenses		(8,235,145)	(6,996,773)
Other assets		31,305,376	(16,358,628)
Other liabilities		(5,077,260)	5,480,919
Net cash inflow/(outflow) from operating activities		(4,541,954)	(1,972,566)
Cash flow from investing activities			
Investment in TDR		(146,103,594)	1,979,219
Investment in Share		120,477,080	31,655,488
Net change against purchase/sale of property, plant and equipment		(2,822,500)	(3,334,534)
Net cash inflow/ (outflow) from investing activities		(28,449,014)	30,300,173
Cash flow from financing activities			
Interim Dividend paid		-	(12,500,000)
Net cash inflow/(outflow) from financing activities		-	(12,500,000)
Net cash inflow/(outflow) for the year		(32,990,968)	15,827,607
Opening balance of cash and cash equivalents		36,902,362	21,074,754
Closing balance of cash and cash equivalents		3,911,394	36,902,362

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


Chairman


Director


Rahat Mahmud
Company Secretary

Place: Dhaka
Date: February 24, 2019


Ahmed Zaker & Co.
Chartered Accountants

IL CAPITAL LIMITED
Statement of Changes in Equity
For the year ended December 31, 2018

Particulars	Amount in Taka		
	Share Capital	Retained Earnings	Total
Balance as at December 31, 2016	250,000,000	21,150,880	271,150,880
Issuance of Ordinary Share	-	-	-
Profit after tax during the year 2017	-	3,865,322	3,865,322
Interim Dividend	-	(12,500,000)	(12,500,000)
Balance as at December 31, 2017	250,000,000	12,516,202	262,516,202
Issuance of Ordinary Share	-	-	-
Profit after tax during the year 2018	-	(27,986,042)	(27,986,042)
Interim Dividend	-	-	-
Balance as at December 31, 2018	250,000,000	(15,469,840)	234,530,160



Chairman



Director



Company Secretary

Place: Dhaka
Date: February 24, 2019



Ahmed Zaker & Co.
Chartered Accountants

IL CAPITAL LIMITED

Notes to the financial statements For the year ended December 31, 2018

1.0 Company and its' activities

1.1 Corporate information

IL Capital Limited (ILCL) is a private limited company incorporated in Bangladesh under the Companies Act, 1994 on 24th November, 2010 bearing registration no. C-88312. It was awarded with a full-fledged merchant banking license on 4th April, 2012 by Bangladesh Securities And Exchange Commission (BSEC). The Company is wholly owned by the International Leasing and Financial Services Limited (ILFSL). The registered office address of the company is at 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 out all kinds of investment banking and wealth management services; such as issue management, corporate advisory, IPO advisory, underwriting of securities, portfolio advisory, portfolio management and providing of margin loan to the clients and investors.

2.0 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 International Accounting Standards (IASs) and/or International Financial Reporting Standards (IFRSs) 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 International Financial Reporting Standards (IFRSs) as practiced in Bangladesh. No adjustment has been made for inflationary factor affecting the financial statements. As per the directive of the Bangladesh Securities And Exchange Commission, any merchant banker can maintain provision for unrealized loss on investment 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 IASs 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 *IAS 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 (*IAS 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%
▶ Computers & Accessories	33%

Disposal or retirement

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

2.7 Revenue Recognition

IAS 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 *IAS 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 *IAS 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 *IAS 33 Earnings 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

IAS 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 materials events have occurred after the reporting period which could affect the values stated in the financial statements.

2.12 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.

2.13 Re-arrangements of figure

Previous figures have been re-arranged whenever necessary to confirm current period presentation.

2.14 Reporting currency

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

2.15 Uniform accounting policies

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

(Figures in BDT)

	2018	2017
3.0 Cash and cash equivalents		
Cash in hand	4,059	12,446
Cash at bank (note- 3.1)	3,907,334	36,889,915
	3,911,394	36,902,361
3.1 Cash at bank		
One Bank Limited	3,465,666	36,261,685
Bank Al Falah	-	2,520
Bank Asia Limited	441,668	625,710
	3,907,334	36,889,915
4.0 Investment		
Investment in share	61,612,860	182,089,941
Investment in pre IPO share	2,500,000	2,500,000
Investment in TDR with ILFSL (note- 4.1)	158,217,614	12,114,020
	222,330,474	196,703,961
4.1 Investment in TDR with ILFSL		
Opening balance	12,114,020	14,093,239
Add: Investment made during the year	277,579,094	10,520,781
Less: Encashment during the year	(131,475,500)	(12,500,000)
	158,217,614	12,114,020
5.0 Fixed assets including premises, furniture & fixtures		
Motor Vehicles	2,822,500	-
Office Decoration	19,148,469	19,148,469
Office equipment	474,379	474,379
Furniture & Fixtures	815,021	815,021
Computer & accessories	4,509,187	4,509,187
	27,769,556	24,947,056
Less: Accumulated depreciation	(23,186,825)	(20,359,511)
Net book value at the end of the year (Annexure-1)	4,582,731	4,587,545
6.0 Receivable from customers	6,432,710	39,808,061
(This represents amount receivable from customer against share purchased.)		
7.0 Other assets		
A. Income generating:		
Interest receivable on TDR	4,690,346	167,331
Receivable from EPF of ILCL	2,201,000	-
	6,891,346	167,331
B. Non-income generating:		
Advance, deposit and prepaid expenses (note- 7.1)	200,000	200,000
Advance corporate tax	1,401,604	1,401,604
Tax deducted at source	3,321,877	1,497,923
Deferred tax asset/(liability)(note-7.2)	4,809,095	5,420,553
Advance office rent-Hossain Tower	2,285,879	3,170,747
Receivable from broker	1,166,185	412,341
Management fee receivable from client	37	38
	13,184,678	12,103,206
Total other Assets (A+B)	20,076,024	12,270,537

(Figures in BDT)

	2018	2017
7.1 Advance, deposit and prepaid expenses		
Security deposit CDBL	200,000	200,000
	200,000	200,000
7.2 Deferred tax asset/(liability)		
Tax base of fixed assets	17,406,986	19,042,353
Carrying values of fixed assets as per accounts	4,582,731	4,587,545
(Taxable)/ deductible temporary difference	12,824,255	14,454,808
Applicable tax rate	37.5%	37.5%
Deffered tax during the year	4,809,095	5,420,553
The company adopted deferred tax accounting policy during the year of 2016.		
8.0 Payable to customers	3,121,878	8,815,873
(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)	4,618,127	2,690,150
Provision for unrealized loss on own portfolio	13,048,077	12,495,767
Provision for margin loan	64,327	2,827,994
Unpaid dividend	7	7
Liability for expenses (Note-9.2)	1,945,758	926,472
Fund block account- IPO	5,000	-
	19,681,295	18,940,390
9.1 Provision for income tax		
Opening balance	2,690,150	5,963,179
Add: Tax provision during the year(Note-18)	1,927,976	3,788,600
Less: Adjustment during the year	-	(7,061,629)
	4,618,127	2,690,150
9.2 Liability for expenses & other payables		
Audit fee	46,000	40,250
Software license fee	916,988	509,437
Payable to broker	969,682	80,203
Other payable	1,204	1,204
Withholding Tax and VAT	11,374	295,378
Suspense Account	510	-
	1,945,758	926,472
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
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

(Figures in BDT)

2018 2017

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	12,516,202	21,150,880
	Add. Profit after tax for the year	(27,986,042)	3,865,322
	Less: Interim Dividend paid for the year	-	12,500,000
	Closing balance	(15,469,840)	12,516,202
12.0	Net asset value per share		
	Total assets	257,333,333	290,272,465
	Total liabilities	22,803,174	27,756,263
	Net asset	234,530,159	262,516,202
	Number of share outstanding	2,500,000	2,500,000
	Net asset value per share	93.81	105.01
13.0	Interest income		
	Interest income from TDR	10,499,786	732,871
	Interest income from savings account	878,890	1,357,395
	Interest income margin loan	2,829,791	4,931,507
		14,208,467	7,021,773
14.0	Commission, fees and charges		
	BO account maintenance fee	42,362	48,098
	Management fee	31,372	120,324
	Commission	857,163	3,471,226
	CDBL Charge - income	2,895	185,454
	Cheque dishonour charge	-	500
	Cheque clearing charge	-	60
	Underwriting fees	-	50,000
	PIA processing charge	115	10
	Miscellaneous income	-	545
		933,907	3,876,217
15.0	Income from own investment		
	Realized gain from investment	(30,370,847)	7,940,398
	Dividend income	5,716,942	6,171,434
		(24,653,905)	14,111,832

(Figures in BDT)

	2018	2017
16.0 Salary and allowances		
Basic salary and other allowances	6,372,441	3,518,646
Staff provident fund	303,982	155,536
	6,676,423	3,674,182
17.0 Rent, taxes, insurance, electricity etc.		
Office rent	3,391,971	3,391,971
Electricity and utility	1,102,263	1,127,138
Insurance premium for motor vehicle	86,496	-
	4,580,730	4,519,109
18.0 Tax Expenses		
Total tax provision during the year	1,927,976	3,788,600
Less: Adjustment for deferred tax (income)/expense	611,457	(2,936,392)
Tax Expenses	2,539,433	852,208
19.0 Postage, stamp & telecommunication		
Telephone	102,912	55,247
Internet	99,900	101,400
Web design	-	9,424
Courier	1,940	1,311
	204,752	167,382
20.0 Stationery, printing and advertisements		
Printing and stationery	32,804	28,460
Publicity and advertisement	44,358	52,785
	77,162	81,245
21.0 Directors' fees & meeting expenses		
Directors' fee for attending board meeting	161,000	138,000
	161,000	138,000
22.0 Auditors' fees		
Statutory audit fee	46,000	40,250
Other Audit fees	120,750	-
	166,750	40,250
23.0 Depreciation, amortization and repair of assets		
a) Depreciation - (Annexure-1)		
Motor Vehicles	564,500	-
Office Decoration	2,080,270	2,872,270
Office equipment	16	517
Furniture & Fixtures	85,001	122,253
Computer & accessories	97,529	1,016,897
	2,827,316	4,011,937
b) Repairs		
Vehicles	77,169	-
Computer, office equipments etc.	11,308	-
	88,477	-
Total (a+b)	2,915,794	4,011,937

(Figures in BDT)

	2018	2017
24.0 Other expenses		
Fuel expenses	101,674	34,710
Office maintenance	47,840	16,310
Fees and subscription	684,506	1,842,903
Bank charges	123,212	63,808
Entertainment	23,629	4,031
Traveling and conveyance expenses	246,423	58,025
Training expenses	46,000	-
Hospitalization expenses	10,649	-
CDBL charges	34,700	31,000
	1,318,632	2,050,787
25.0 Provision for loss on investment and loan		
Provision for unrealized loss on own portfolio investment	552,310	2,935,755
Provision for margin loan	(718,476)	2,673,645
	(166,167)	5,609,400
26.0 Earnings Per Share (EPS)		
Basic earnings per share		
Earning attributable to ordinary shareholders (profit after tax)	(27,986,042)	3,865,322
Number of ordinary shares outstanding during the year	2,500,000	2,500,000
Earnings per share	(11.19)	1.55
27.0 Events after statement of financial position date:		
There is no significant event after the statement of financial position date.		

IL CAPITAL LIMITED

Schedule of fixed assets as at December, 2018

Annexure - A

Fixed assets including premises, furniture & fixtures

(Figures in BDT)

Particulars	COST			DEPRECIATION					Written down value as at December 31, 2018	
	As at January 01, 2018	Addition during the Year	Adjustment during the Year	As at December 31, 2018	Rate (%)	As at January 01, 2018	Charged during the Year	Adjustment during the Year		As at December 31, 2018
Motor Vehicles	-	2,822,500	-	2,822,500	20%	-	564,500	-	564,500	2,258,000
Office Decoration	19,148,469	-	-	19,148,469	15%	14,770,814	2,080,270	-	16,851,084	2,297,384
Office equipment	474,379	-	-	474,379	20%	474,361	16	-	474,377	2
Furniture & Fixtures	815,021	-	-	815,021	15%	722,978	85,001	-	807,979	7,042
Computer & accessories	4,509,187	-	-	4,509,187	33%	4,391,355	97,529	-	4,488,884	20,303
Total as at Dec 31, 2018	24,947,056	2,822,500	-	27,769,556		20,359,508	2,827,316	-	23,186,825	4,582,731
Total as at Dec 31, 2017	21,612,522	3,334,534	-	24,947,056		16,347,573	4,011,937	-	20,359,511	4,587,545

IL CAPITAL LIMITED

Schedule of Investment (Own Portfolio)

As at December 31, 2018

Annexure - B

(Figures in BDT)

Instrument Name	Total Quantity	Average Cost	Total Cost	Market Price	Market Value	Unrealized Gain/(Loss)
ACFL	7,846	40	313,840	42	330,317	16,477
ADNTEL	18,968	30	569,040	30	569,040	-
ADVENT	2,500	38	95,682	41	102,250	6,568
AIL	58,500	70	4,121,267	64	3,726,450	(394,817)
BEXIMCO	2,500	23	57,973	24	58,750	777
BPML	10,807	80	864,560	84	905,627	41,067
EKCL	41,780	45	1,880,100	45	1,880,100	-
GENEXIL	10,467	10	104,670	10	104,670	-
GRAMEENS2	143,846	16	2,361,692	12	1,711,767	(649,925)
IBP	294	9	2,653	31	9,159	6,506
IFADAUTOS	500	-	-	108	54,200	54,200
INTRACO	267	-	-	27	7,148	7,148
KTL	11,070	9	100,640	25	280,081	179,441
LHBL	50,000	81	4,047,875	44	2,175,000	(1,872,875)
MERCANBANK	1,200,000	27	32,489,520	18	21,600,000	(10,889,520)
MLDYEING	4,229	8	35,242	30	125,601	90,360
PHARMAID	15,236	608	9,256,580	595	9,059,326	(197,254)
REPUBLIC	18,480	30	555,509	25	465,696	(89,813)
SILVAPHIL	9,194	10	91,940	30	276,739	184,799
SIMTEX	135,972	33	4,440,669	33	4,487,076	46,407
SKTRIMS	5,546	9	50,420	46	256,789	206,369
SSSTEEL	13,492	10	134,920	10	134,920	-
VFSTDL	4,223	9	38,069	58	244,078	206,008
			61,612,860		48,564,783	(13,048,076)



Shareholders' Additional Information

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

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 7, 1997:	First Dividend declared
August 22, 2001:	First Syndication Lease Agreement signed
October 30, 2001:	First Term Loan Agreement signed
March 10, 2002:	First Work Order 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 6, 2007:	Purchased Membership of Dhaka Stock Exchange Ltd. from public auction offered by DSE.
April 07, 2008:	First Real Estate Loan Agreement signed
June 24, 2008:	Inauguration of Chittagong Branch
August 31, 2008:	Inauguration of International Leasing Securities Ltd., 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 7, 2010:	Commencement of Stock Brokerage Operation at Khatunganj Branch
December 12, 2010:	Commencement of Stock Brokerage Operation at Sylhet Branch
April 4, 2012:	License to operate as a Merchant Banker in favor of IL Capital Limited (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
August 03, 2017	Inauguration of Dhanmondi 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, 2018.

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, 2018 and Income Statements, Cash Flow Statements and Changes in Equity Statements for the year ended December 31, 2018 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,

Rahat Mahmud

Rahat Mahmud
Company Secretary

NOTICE OF THE 23rd ANNUAL GENERAL MEETING

Notice is hereby given to all the members of International Leasing And Financial Services Limited that the 23rd Annual General Meeting (AGM) of the Company will be held on Thursday, August 22, 2019 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 2019-23-01	: To receive and adopt the Directors’ Report, Auditors’ Report and Audited Financial Statements for the year ended December 31, 2018.
A 2019-23-02	: To approve dividend for the year ended December 31, 2018.
A 2019-23-03	: To elect Directors in place of those who shall retire by rotation in accordance with the provision of Articles of Associations of the Company.
A 2019-23-04	: To appoint Statutory Auditors of the Company for the year 2019 and to fix their remuneration.
A 2019-23-05	: To appoint Compliance Auditors as per Corporate Governance Code.
A 2019-23-06	: To transact any other business with the permission of the Chairman.

By order of the Board

Rahat Mahmud

Rahat Mahmud
Company Secretary

Notes:

- i) The record date is fixed on July 23, 2019. The Shareholders, whose names will appear in the Share Register of the Company at the close of the business on the record date will be eligible to attend the meeting and get Dividend.
- ii) The Board of Directors has recommended 5% Stock Dividend (i.e. 5 Bonus Share for every 100 shares.)
- iii) Pursuant to the Bangladesh Securities & Exchange Commission Notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June, 2018, the company will send the Annual Report - 2018 in soft format to the e-mail of the shareholders’ available in their Beneficial Owners (BO) accounts maintained with the Depository.
Shareholders may also collect the printed copy of the Annual Report - 2018 from the registered address of the Company or from the AGM Venue. The soft copy of the Annual Report - 2018 will also be available in the company website at www.ilfsl.com
- iv) 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.
- v) Admission into the Meeting room will be allowed on production of the Attendance Slip attached with the Proxy Form.
- vi) As per Listing Regulations, no food or gift will be provided at the AGM.

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 **23rd Annual
General Meeting** of the Company to be held on August 22, 2019 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 August 2019
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 **23rd 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.



**INTERNATIONAL LEASING AND
FINANCIAL SERVICES LIMITED**

A Financial Institution that Cares

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



**INTERNATIONAL LEASING
SECURITIES LIMITED**

YOUR MONEY MANAGER

Hossain Tower (1st Floor)
116, Bir Protik Gazi Golam Dostogir Road
(Culvert Road), Naya Paltan, Dhaka-1000
Tel : +88-02-9344093, 02-58315391-5, Fax : +88-02-934384
www.ilslbd.com



**IL CAPITAL
LIMITED**

YOUR INVESTMENT MANAGER

Hossain Tower (2nd Floor)
116, Bir Protik Gazi Golam Dostogir Road
(Culvert Road), Naya Paltan, Dhaka-1000
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