



# Islamic Finance and Investment Limited

Bhuiya Center, 68 Dilkusha C/A, Dhaka-1000  
Phone: 7114427(Hunting), Fax: 88-02-9563566, Email: info@ifilbd.com  
Website: www.ifilbd.com

## RIGHTS SHARE OFFER DOCUMENT September 19, 2012

Rights Offer of **25,420,354** Ordinary Shares of **Tk.10.00** each at par totaling **Tk. 254,203,540** offered on the basis of **1(One) [R]: 3 (Three)** ratio i.e. 1(one) rights share for 3 (three) existing shares held on the record date.

### RECORD DATE FOR ENTITLEMENT OF RIGHTS OFFER October 10, 2012

Subscription	Opens on: October 30, 2012
	Closes on: November 22, 2012
Within Banking Hours Both Days Inclusive	

### CREDIT RATING STATUS

Entity Rating	Long Term	Short Term
	BBB1	ST-3
Date of Rating	28 <sup>th</sup> September 2011	
Validity of Rating	30 <sup>th</sup> June 2012	
RATING ASSIGNED BY: CRAB		

### MANAGER TO THE ISSUE



Amin Court (4th Floor), Suit # 403-405  
31, Bir Uttam Shahid Ashfaqus Samad Road  
(Previous 62-63, Motijheel C/A) Dhaka-1000  
Phone: +88029559602, +88029567726, Fax: 880-2-9558330  
Web-site: www.aaawebbd.com, E-mail: info@aaawebbd.com

### FULLY UNDERWRITTEN BY

<b>Banco Finance and Investment Limited</b> Ispahani Building (3 <sup>rd</sup> Floor), 14-15 Motijheel C/A, Dhaka-1000	<b>FAS Capital Management Limited</b> Suvastu Imam Square (4 <sup>th</sup> floor), 65 Gulshan Avenue, Gulshan-1, Dhaka-1212
<b>AAA Consultants &amp; Financial Advisers Ltd.</b> Amin Court (4th Floor), Suit # 403-405, 31, Bir Uttam Shahid Ashfaqus Samad Road (Previous 62-63), Motijheel C/A, Dhaka-1000	

### BANKERS TO THE ISSUE

<b>Investment Corporation of Bangladesh</b> Head Office: BDBL Building (13th floor), 8 Rajuk Avenue, Dhaka-1000	
<b>Social Islami Bank Limited</b> City Center, Level 21 103, Motijheel C/A, Dhaka-1000	<b>Shahjalal Islami Bank Limited</b> Uday Sanz, Plot no.SE(A) 2/B, South Gulshan Avenue, Gulshan-1, Dhaka-1212
<b>BRAC Bank Limited</b> 1, Gulshan Avenue, Gulshan-1, Dhaka-1212	

As per provision of the Depository Act, 1999 and regulation made there under, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) Account number in the application form.

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**DEFINITION AND ELABORATION OF THE ABBREVIATED  
WORDS AND TECHNICAL TERMS USED IN THE RIGHTS SHARE OFFER DOCUMENT**

ACRONYM	ELABORATION
AAA	: AAA Consultants & Financial Advisers Ltd.
Allotment	: Allotment of Share
BB	: Bangladesh Bank
Commission	: Securities and Exchange Commission
Companies Act	: Companies Act, 1994 (Act. No. XVIII of 1994)
CSE	: Chittagong Stock Exchange Limited
DSE	: Dhaka Stock Exchange Limited
EPS	: Earnings Per Share
Issue	: Rights Issue
Issue Manager	: AAA Consultants & Financial Advisers Ltd.
Issuer Company	: Islamic Finance and Investment Limited
IFIL	: Islamic Finance and Investment Limited
NAV	: Net Assets Value
Offering Price	: Price of the Securities of Islamic Finance and Investment Limited
Registered Office	: Head Office of the Company
RI	: Rights Issue
Rights Issue Rule	: Securities and Exchange Commission (Rights Issue) Rules, 2006
RJSC	: Registrar of Joint Stock Companies & Firms
SEC	: Securities and Exchange Commission
Securities	: Shares of Islamic Finance and Investment Limited
Securities Market	: The Share Market of Bangladesh
Sponsor	: The Sponsor Shareholders of Islamic Finance and Investment Limited
Stockholder	: Shareholder
Subscription	: Application Money



# Islamic Finance and Investment Limited

Bhuiya Center, 68 Dilkusha C/A, Dhaka-1000

Phone: 7114427(Hunting), Fax: 88-02-9563566, Email: info@ifilbd.com

Website: www.ifilbd.com

## RIGHTS ISSUE OF SHARES

October 10, 2012

Dear Shareholder(s)

Dear Shareholder(s),

Rights Offer of **25,420,354** Ordinary Shares of **Tk. 10.00** each at par totaling **Tk. 254,203,540** offered on the basis of **1 (one)** rights share for **3 (three)** existing shares held on the record date.

We are pleased to offer you an opportunity to participate in Rights Issue of Shares of Islamic Finance and Investment Limited (IFIL). The honorable shareholders of Islamic Finance and Investment Limited in the 11<sup>th</sup> Annual General Meeting held on April 18, 2012 approved rights issuance of **25,420,354** Ordinary Shares of Tk. 10.00 each at par, totaling **Tk. 254,203,540** at 1 (One) [R]: 3 (Three) ratio i.e. 1(one) rights share for 3 (three) existing shares held on the record date for entitlement. The purpose of issuance of Rights Shares is to fulfill the regulatory requirements of Bangladesh Bank and to comply with the capital adequacy requirements as per BASEL-II, which will enable the Company to reach sustainable growth in business.

Islamic Finance and Investment Limited has been able to continue its growth in term of business activities and services through efficient conducting of investible funds by the management under the direction of the Board of Directors as well as patronization and active participation of all our valued shareholders and customers. Islamic Finance and Investment Limited has earned an Operating Income of Tk. 267,398,984 for the year ended from 01 January 2011 to 31 December 2011. The Board of Directors of your company consider that IFIL's prospects for upcoming years are very good and the funds raised by the Right Issue will enable the company to grow in terms of all round growth and maximize the wealth of shareholders.

The Board believes that the offer terms are attractive and hope that you would come forward with your full support and assistance to make the offer a success.

A self- explanatory Right Offer Document prepared in the light of the Securities and Exchange Commission (Right Issue) Rules, 2006 of the Securities and Exchange Commission is enclosed herewith for your kind information and evaluation.

On behalf of the Board of Directors,

Sd/-

**M. Rabiul Islam**

Managing Director

## THE RIGHTS OFFER

### The Company

Islamic Finance and Investment Limited (IFIL) is a Non Banking Financial Institution based on Islamic Shariah incorporated in Bangladesh on February 27, 2001 as a Public Limited Company under the Companies Act, 1994. In the same year the Company obtained its certificate of commencement of business and license from Bangladesh Bank on April 12, 2001 as required under Section 4(1) of the Financial Institutions Act, 1993. It is the first ISO certified company in the financial arena of Bangladesh. The Company went for public issue in September 25, 2005 and its shares are listed with both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. It launched its first trading of shares in the Stock Exchanges on December 11, 2005. The registered office of the Company is located at Bhuiya Center, 68 Dilkusha C/A, Dhaka-1000.

The Company is broadly engaged in two types of financing activities, one is investment and the other is mobilization of resources through different deposits schemes. IFIL collects these deposits under Mudaraba principle of Shariah through its six (6) Branch Offices in Bangladesh at Dhaka, Chittagong, Bogra and Narayanganj.

### The Rights Issue

The Board of Directors of IFIL in its 133<sup>rd</sup> meeting held on 19<sup>th</sup> March, 2012 recommended for declaration of 10.00% stock dividend for the year ended 31<sup>st</sup> December 2011 and raising of paid up capital by issuing of rights shares on paid up capital after crediting bonus shares at 1 (One) [R]: 3 (Three) ratio i.e. 1(one) rights share for 3 (three) existing shares held on the record date for entitlement.

In the 11<sup>th</sup> Annual General Meeting held on April 18, 2012 the honorable shareholders of the Company approved the stock dividend and issuance of rights shares of **25,420,354** ordinary shares of Tk.10.00 each at par totaling **Tk. 254,203,540** at 1 (One) [R]: 3 (Three) ratio i.e. 1(one) rights share for 3 (three) existing shares held on the record date on the basis of paid up capital **Tk. 762,610,640** after crediting bonus shares.

### Issue Price

The Issue Price per share has been fixed in the in the 11<sup>th</sup> Annual General Meeting held on April 18, 2012 at Tk.10.00 at par, totaling **Tk. 254,203,540**.

## **RISK FACTORS AND MANAGEMENT'S PERCEPTION ABOUT THE RISKS**

Risk is always associated with investments and investing in the company involves inherent risk factors. There are a number of factors, both specific to IFIL and of a general nature, which may affect the future operating and financial performance of the IFIL and the value of an investment in IFIL. Some of these factors can be mitigated by the use of safeguards and appropriate managerial action. However, many are outside the control of IFIL and cannot be mitigated. The objective of risk management system of IFIL is to identify measure and manage risks in order to ensure the company's asset quality and protect our stakeholders.

The information given below does not assert to be exhaustive. Additional risks or uncertainties are presently not known to the company or that are currently deemed immaterial may also have a material adverse effect on IFIL's business, financial condition and operating results. The order in which the risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance.

Prior to accepting their Entitlements, Applicants should carefully consider the following risk factors, as well as the other information contained in this right offer documents.

### **Interest Rate Risk**

Interest rate risk is the risk to which a financial institution is exposed because of future uncertainty of interest rate. Change in the interest rate may adversely affect the profitability of the company by narrowing the interest spread. Interest rates are typically determined by the supply of and demand for money in the economy. If at any given interest rate, the demand for funds is higher than supply of funds, interest rates tend to rise and vice versa.

Though IFIL cannot avoid all adverse impacts of change in interest rate arises due to change in economic conditions or government regulation, it takes all available measures to insulate its profitability. Asset Liability Committee (ALCO) of IFIL regularly analyzes interest rate sensitivity and maintains interest rate risk at a minimum level with minimum fluctuation by carrying out asset liability gap analysis. ALCO sits periodically to assess the changes in the market and along with other strategies, recommends re-pricing of interest rate of existing products to minimize and control the interest rate risk.

### **Foreign Exchange Rate Risk**

Foreign Exchange Rate Risk is a form of financial risk that arises from the potential change in the exchange rate of one currency in relation to another. Foreign Exchange Rate Risk may occur at the time of translation as well as transaction. The market directly affects each country's bond, equities, private property, manufacturing and all assets that are available to foreign investors. Foreign exchange rates also play a major role in determining who finances government deficits, who buys equities in companies and literally affects and influences the economic scenario.

Foreign Exchange of IFIL is minimal as most of the transactions are carried on local currency. IFIL is confident to significantly cushion the foreign currency risk through hedging by forward booking.

### **Industry Risk**

Industry risk refers to the risk of increased competition from foreign and domestic sources leading to prices, revenues, profit margins, market share etc. which could have an adverse impact on the business, financial condition and results of operation. Financial industry of our country is facing tremendous competition and challenges. 29 NBFIs are operating business in our country and a number of organizations have applied for licenses to Bangladesh Bank.

To cope up industry risk, Management of IFIL is paying attention to increase its market shares. By the identification of customers' need and developing new products and services, IFIL is emphasizing on penetrating new market shares. Furthermore IFIL always believe that diversification of products & services and revenue streams are the best way to march forward. IFIL also concentrating on capacity building by enhancing

professional capabilities of the employees, upholding professional ethics and modern infrastructural facility to compete with peer companies.

## **Market and Technology- Related Risk**

### **Market Risk**

Market risk is the risk of loss arising from changes or adverse movements in the level of market prices of rates of financial instruments. Market risk comprises of interest rate risk, exchanges rate risk and equity risk.

IFIL's key objective of market risk management is managing the effects of adverse market movements on the company's earnings and capital effectively. IFIL's trading market risk rises mainly from the market making, arbitraging and proprietary trading activities to earn benefits from market opportunities.

### **Technology Risk**

In the global market of 21<sup>st</sup> century developed technology obsoletes the old services/product strategy. So the existing technology is not sufficient enough to cope up with future trends and needs.

The management of IFIL puts strong importance on upgrading ICT continuously. Integrated leasing and accounting software for the operation of leasing and term finance, credit card software are also in place in IFIL. The company is planning to establish Digester Recovery System to recover database of the company if any natural digester happened.

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

The business activities of IFIL is fully controlled by policies, rules and regulation framed by government, that is policies related to electricity price fixation, demand & supply and distribution is fully under the control of Government. So, government policies in this regard may impact business operation of IFIL.

The Company operates under Company's Act-1994, Financial Institution Act, 1993, Taxation Policy adopted by NBR, Security and Exchange Commission (SEC)'s Rule and Rules adopted by other regulatory organizations. Any abrupt changes of the policies formed by those bodies will impact the business of the Company adversely. Unless adverse policies are taken, which may materially affect the industry as a whole; the business of the Company will not be affected.

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

The performance of the company may be affected due to unavoidable circumstances in Bangladesh, as such political turmoil, war, terrorism, political unrest in the country may adversely affect the economy in general. Moreover, Natural disasters like Cyclone, Tide, and Earthquake may hamper normal performance of power generation.

The risk due to changes in global or national policies is beyond control for any company. Yet the company is well prepared for adoption of policies and preventive measures as and when required to reduce the risk. But severe natural calamities, which sometimes are unpredictable and unforeseen, have the potential to disrupt normal operations of IFIL. Political unrest leading to strikes, hortalts etc. certainly plays negative impact in any business. But electricity service being considered a daily necessity & in consideration of its use by all irrespective of their political thoughts is always kept out of obstructions

### **History of Non-Operation, if any**

Is there any history for the Bank to become non-operative from its commercial operation?

IFIL commenced its business in 1997 and it has no history of non-operation till now. The Company has an independent body that is operated by its Memorandum & Articles of Association and other applicable laws Implemented by the Government. Besides, the company's financial strength is satisfactory. It has very

experienced Board of Directors and Management team to make the company more efficient and stronger for commercial operations. So, the chance of becoming non-operative for IFIL is minimum.

### **Operational Risk**

Operational risk is the potential of loss resulting from failed or inadequate internal processes, people, systems and management, or from external events.

IFIL's operational risk management aims to minimize unexpected and catastrophic losses and to manage expected losses. This enables new business opportunities to be pursued in a risk-conscious and controlled manner. IFIL manages operational risks through a framework that ensures that operational risks are properly identified, managed, monitored and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces the control culture by establishing clear roles and responsibilities for staff and preserving their rights in executing their control functions without fear of intimidation. IFIL recognizes the importance of establishing a risk-awareness culture in managing operational risk through embedding risk management in the core processes.

### **Credit Risk**

Credit risk is the risk arising from the uncertainty of an obligor's ability to perform its contractual obligations. Credit risk could stem from both on- and off-balance sheet transactions. An institution is also exposed to credit risk from diverse financial instruments such as trade finance products and acceptances, foreign exchange, financial futures, swaps, bonds, options, commitments and guarantees.

IFIL as a financial institution cannot fully eliminate credit risk but risk can be managed to optimize the risk adjusted return. IFIL manages the credit risk both at individual account level as well as at portfolio level. IFIL established multi-tier approval process, independent Credit Risk Management (CRM) Unit. CRM Unit ensure in depth analysis of the borrower in view of managerial capacity, financial strength, industry prospect and macroeconomic scenario. The credit committee regularly meets to review new credit proposal as well as performance of existing portfolio.

### **Liquidity Risk**

Liquidity is the risk that the organization may not be able to meet cash flow obligation within a stipulated time. IFIL may lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution.

IFIL has a liquidity risk management system, dedicated to maintain suitable and sufficient funds to meet present and future liquidity obligations whilst utilizing the funds appropriately to take advantage of market opportunities as they arise. IFIL manages its liquidity mainly through domestic money and capital markets including repurchase markets. IFIL seeks to minimize its liquidity costs in line with the market situation by closely managing the liquidity position on a daily basis and restricting the holding of cash held above an appropriate level at any given time. As part of liquidity management, IFIL adheres to its funding plan, and exercises due care in using medium-term borrowings.



## DATE OF OPENING AND CLOSING OF SUBSCRIPTION LISTS

Subscription opens for the rights shares offer on **October 30, 2012** and subscription closes for the rights shares offer on **November 22, 2012**.

## UTILIZATION OF PREVIOUS RIGHTS ISSUE FUND

Islamic Finance and Investment Limited went to rights issue of 1,992,191 Ordinary Shares of Tk.100.00 each at an issue price of Tk.150.00 each including a premium of Tk.50.00 per share totaling Tk. 298,828,650 at 1 (One) [R]: 2 (Two) ratio i.e. 1(one) rights share for 2 (Two) existing shares held on the record date for entitlement. The Company has fully utilized the entire amount raised through issuance of rights shares for the business augmentation and future growth in the institution's usual course of operation which has already been reflected in the audited account of the Company.

Dated, Dhaka  
11<sup>th</sup> April, 2012

Sd/-  
**(Quazi Aziz Arshad)**  
DMD & Chief Finance Officer

Sd/-  
**(M. Rabiul Islam)**  
Managing Director

## PURPOSE OF THE RIGHTS ISSUE

Islamic Finance and Investment Limited envisage issuing the Rights Shares to fulfill the regulatory requirements of Bangladesh Bank and to comply with the capital adequacy requirements as per BASEL-II, which will enable the Company to reach sustainable growth in business.

Accordingly, Islamic Finance and Investment Limited is going to Rights issue of 25,420,354 ordinary shares of Tk.10.00 each at par totaling Tk. 254,203,540, subject to the approval of regulatory authority.

Dated, Dhaka  
11<sup>th</sup> April, 2012

Sd/-  
**(Quazi Aziz Arshad)**  
DMD & Chief Finance Officer

Sd/-  
**(M. Rabiul Islam)**  
Managing Director

**5 (FIVE) YEARS INFORMATION REGARDING AGM HELD AND DIVIDEND DECLARED BY  
ISLAMIC FINANCE AND INVESTMENT LIMITED**

Accounting year	Date Of AGM Held & Dividend Declared	Declared dividend Rate
2007	16.06.2008	Stock- Nil
		Cash-15%
2008	28.05.2009	Stock-16%
		Cash- Nil
2009	25.04.2010	Stock-25%
		Cash- Nil
2010	19.05.2011	Stock 16%
		Cash- Nil
2011	18.04.2012	Stock 10%
		Cash- Nil

**HIGHLIGHTS OF THE COMPANY**

Incorporation of the Company	February 27, 2001
Commencement of Business	February 27, 2001
Licensed as Financial Institution by Bangladesh Bank	April 12, 2001
Start of Business Operation	April 19, 2001
Authorized capital of the Company	Tk. 250.00 Crore
Paid up capital of the Company (considering 10.00% stock dividend for 2011)	Tk. 76.26 Crore
Going to Initial Public Offering (IPO)	September 25, 2005
Listing with Dhaka Stock Exchange	December 07, 2005
Listing on Chittagong Stock Exchange	November 28, 2005
Trading of share in Stock Exchanges	December 11, 2005
Number of Branches of the Company	06 (Six)

Total equity structure of the Company as on December 31, 2011 is shown below:-

	31 December, 2011 (Tk.)	31 December, 2010 (Tk.)
Paid-up capital	693,282,400	592,375,000
Share Premium Account	92,892,690	92,000,494
Statutory Reserve	107,978,659	102,457,090
Other reserve	29,800,000	29,800,000
Surplus in Profit & Loss Account	37,412,641	110,951,466
<b>Total</b>	<b>961,366,390</b>	<b>927,584,050</b>

### FINANCIAL HIGHLIGHTS OF THE PREVIOUS YEARS

Particulars	Amount in BDT				
	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Paid-up Capital*	762,610,640	592,375,000	318,750,600	274,785,000	274,785,000
Total Equity	961,366,390	927,584,050	517,790,200	376,174,857	360,556,696
Profit after Tax	27,607,844	123,856,556	141,615,343	56,835,911	51,242,537
Number of Shares	69,328,240	59,237,500	31,875,060	27,478,500	27,478,500
Face Value**	10.00	10.00	10.00	10.00	10.00
NAV Per Share	13.87	15.66	16.24	13.69	13.12
EPS	0.40	2.09	4.44	2.07	1.86
Dividend	Cash	-	-	-	15%
	Stock	10%	16%	25%	16%
Cash flow from Operating activities	(76,021,257)	100,824,201	163,369,105	130,016,571	(130,644,061)

\* After considering 10% stock dividend on paid up capital of Tk. 693,282,400 as on December 31, 2011

\*\* Face value of share of the Company has been changed to Tk.10.00 from Tk.100.00 as on 13.12.2011

### MARKET PRICE PER SHARE OF THE COMPANY FOR LAST 6 (SIX) MONTHS:

Sl. No.	Date	Market Performance	
		Face Value(Tk.)	Closing Price(Tk.)
1	Market Price at March 29, 2012	10.00	33.90
2	Market Price at February 29, 2012	10.00	31.40
3	Market Price at January 31, 2012	10.00	28.20
4	Market Price at December 29, 2011	10.00	34.40
5	Market Price at November 30, 2011	100.00	361.50
6	Market Price at October 31, 2011	100.00	331.75

Source: DSE Monthly Review

## EXISTING PRODUCTS AND SERVICES RENDERED BY THE COMPANY

### IFIL Investment Products:

*As the market and client demand may dictate, IFIL's principal activities remain focused on the followings :*

#### Lease Finance

Leasing is the core business of IFIL. IFIL is carrying on business of lease financing transactions of capital goods, plants and equipment, etc. for large to Small and Medium sized industries both corporate and retail in nature. Some of the preferred terms and conditions are as follows:-

- Running projects having business prospect and profitability for at least last 2 years.
- Investment amount - As per credit worthiness of the customer.
- Tenure - 36 to 60 months
- Profit rate: 17% to 20% depending upon the inherent risk of the project.

#### Real Estate Financing (Hire Purchase Shirkatul Melk-HPSM)

HPSM is the another core product of the IFIL. IFIL provides real estate financing under HPSM to its customers which includes House building construction, finishing and renovation, Flat purchase, Factory construction, Commercial space and shops purchase. Some of the preferred terms and conditions are as follows:-

- Projects at development stage; for Flats and Shops, we prefer ready flat/shop financing.
- Investment amount - As per credit worthiness of the customer.
- Tenure - Maximum 96 months.
- Profit rate: 17% to 20% depending upon the cash flow of the customer.

#### Bai Muajjal Financing (BAIM)

IFIL provides Bai Muajjal Financing (Trade Finance) by way of purchasing products for its clients for the ultimate sale by the client to their customers. In nature it is Trading finance which buying of cloths, Raw Materials, Papers, General items for shops etc. Some of the preferred terms and conditions are as follows:-

- Business having good prospects and cash flow as well as profitability.
- Investment amount - As per credit worthiness of the customer.
- Tenure - Maximum 48 months.
- Profit rate: 17% to 20% depending upon the cash flow of the customer.

#### SME Finance

IFIL extends Small and Medium Enterprise (SME) Financing to cater their business needs. SME is an investment scheme for the purpose of raw materials/goods/commodities and/or fixed asset purchase to the small and medium sized trading, manufacturing, service, agriculture, non-farm activities, agro based industries etc. Some of the preferred terms and conditions are as follows:-

- Business having good prospects and cash flow as well as profitability.
- Investment amount - As per credit worthiness of the customer.
- Tenure - Maximum 48 months.
- Profit rate – 10%(against refinance profit)  
16% to 19% depending upon the cash flow of the customer

### **IFIL Deposit Products:**

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- ◆ Mudaraba Term Deposit Scheme
- ◆ Mudaraba Term Deposit Scheme (Monthly Profit)
- ◆ Mudaraba Pension Deposit Scheme
- ◆ Mudaraba Hajj Deposit Scheme
- ◆ Mudaraba House Owning Deposit Scheme
- ◆ Mudaraba Mohor Deposit Scheme
- ◆ Mudaraba Special Deposit Scheme
- ◆ Mudaraba Marriage Saving Scheme
- ◆ Mudaraba Education Saving Scheme
- ◆ Mudaraba Lakhpoti Deposit Scheme
- ◆ Mudaraba Millionaire Deposit Scheme
- ◆ Mudaraba Kotipoti Deposit Scheme
- ◆ Mudaraba Double Money Deposit Scheme
- ◆ Mudaraba Triple Money Deposit Scheme
- ◆ Mudaraba Higher Education & Marriage Deposit Scheme

### **CORPORATE SERVICE**

- ◆ Loan Syndication
- ◆ Corporate Advisory Services
- ◆ Guarantee Issue

**BOARD OF DIRECTORS**

Sl. No.	Name	Occupation	Designation	Address	
				Present (Business)	Permanent
1.	Feroz Alam	Business	Chairman	Youth Group, Youth Tower 822/2, Rokeya Sarani Sewrapara, Mirpur, Dhaka	Youth Group, Youth Tower 822/2, Rokeya Sarani Sewrapara, Mirpur, Dhaka
2.	Mostanser Billa	Business	Vice Chairman	Youth Group, Youth Tower 822/2, Rokeya Sarani Sewrapara, Mirpur, Dhaka	App.-2/B, House-48, Sectore-2/A, Dhanmondi, Dhaka
3.	Mazibur Rahman Khan	Business	Vice Chairman	Olympic Cement Ltd. Sena Kalyan Bhaban (14 <sup>th</sup> Fl.) Room No.1104, 195, Motijheel C/A, Dhaka-1000	51, Katpotti Road, Barisal
4.	Liaquat Hossain Moghul	Business	Director	Colour Stitch Ltd /Colour wear Ltd. 119, Askona Medical Road Uttara, Dhaka-1230	House-13, Road-27, Sector-07, Uttara, Dhaka
5.	Kazi Mahbuba Akhter	Business	Director	A J. Group C/O- Anwar Hossain Chowdhury 2, Monipuripara (4 <sup>th</sup> Floor) Tejgaon, Dhaka-1215	75/1, Indira Road, Flat # B-3, Dhaka.
6.	Afzalur Rahman	Business	Director	Youth Group, Youth Tower 822/2, Rokeya Sarani Sewrapara, Mirpur, Dhaka	Youth Group, Youth Tower 822/2, Rokeya Sarani Sewrapara, Mirpur, Dhaka
7.	Abul Quasem Haider	Business	Director	Youth Group, Youth Tower 822/2, Rokeya Sarani Sewrapara, Mirpur, Dhaka	Youth Group, Youth Tower 822/2, Rokeya Sarani Sewrapara, Mirpur, Dhaka
8.	A.K.M. Sakhawat	Business	Director	House # 10, Road # 55, Flat # 4-N, Gulshan - 02 Dhaka- 1212	House # 10, Road # 55, Flat # 4-N, Gulshan - 02 Dhaka- 1212
9.	Md. Fazlul Hoque	Business	Director	Daika (Chemilend) Ltd. Suit No. 07/06 (6 <sup>th</sup> Fl.) City Hart 67, Nayapaltan, Dhaka	Vill+P.O- Naikhain, P.S- Potiya, Chittagong
10.	M. Azizul Huq	Ex-Banker	Independent Director	House #17, Road #02, Sector 10, Uttara Model Town, Dhaka-1230	House #17, Road #02, Sector 10, Uttara Model Town, Dhaka-1230

## DESCRIPTION OF TOP EXECUTIVES & DEPARTMENTAL HEADS

Sl. No.	Name Of Executives	Address	Educational Qualification	Designation	Occupation	Place of Posting
1	Md. Rabiul Islam	68, Dilkusha C/A, Dhaka-1000	M.A(Economics) M. Ec (Australia)	Managing Director	Service	Head Office
2	Quazi Aziz Arshad	68, Dilkusha C/A, Dhaka-1000	M.A (Economics)	Deputy Managing Director	Service	Head Office
3	Rezauddin Ahmed	68, Dilkusha C/A, Dhaka-1000	MBA (IBA), MSS (Eco), DAIBB	EVP & Com. Secretary	Service	Head Office
4	Maruf Mansur	66, Dilkusha C/A, Dhaka-1000	MBA	SVP & Manager	Service	Principal Branch
5	Md. Mizanur Rahman, FCMA	18, Sonargaon Janapath, Sector # 9, Uttara Model Town, Dhaka - 1230	M.Com & FCMA	SVP & Manager	Service	Uttara Branch
6	Md. Mahabubul Alam	Sultan Bhaban (1st Floor), 163 Sk. Mujib Road, Chittagong	B.A	SVP & Manager	Service	Chittagong Branch
7	Mohammad Showket Akber, ACA	68, Dilkusha C/A, Dhaka-1000	M.com & ACA	VP & Head of CAD	Service	Head Office
8	K.K.M Abidullah	68, Dilkusha C/A, Dhaka-1000	M.A.(Economics) DAIBB, PGDPM	VP & Head of IA	Service	Head Office
9	Neaz Mohsin Shafi	66, Dilkusha C/A, Dhaka-1000	M.Com	Assistant Vice President	Service	Principal Branch
10	Md. Gias Uddin	81/C B.B Road (2nd Floor), Narayanganj	M.Com	Assistant Vice President	Service	Narayanganj Branch
11	Mohammad Sarwar Jahan Tarafder, ACS	68, Dilkusha C/A, Dhaka-1000	ACS	Assistant Vice President	Service	Head Office
12	Md. Shamsuzzaman	Sultan Bhaban (1st Floor), 163 Sk. Mujib Road, Chittagong	M.Com	Assistant Vice President	Service	Chittagong Branch

**CORPORATE INFORMATION**



## Islamic Finance and Investment Limited

Bhuiyan Center, 66 Dilkusha C/A, Dhaka-1000  
Phone-9565604(Hunting), Fax: 88-02-9555454, Email: info@ifilbd.com

Date of Incorporation	:	February 27, 2001
Date of Commencement	:	February 27, 2001
Licensed as Financial Institution by Bangladesh Bank	:	April 12, 2001
Listing with Dhaka Stock Exchange	:	December 07, 2005
Listing on Chittagong Stock Exchange	:	November 28, 2005
Authorized Capital	:	Tk. 250.00 Crore
Paid-up-Capital (After considering 10% stock dividend on paid up capital as on December 31, 2011)	:	Tk. 76.26 Crore
Shareholders' Equity	:	Tk. 96.13 Crore
Total Operating Income	:	Tk. 26.73 Crore
Total Assets	:	Tk. 490.72 Crore
Number of Employees	:	100
Number of Shareholders	:	69,328,240
Number of Branches	:	6

<b>Managing Director</b>	<b>M. Rabiul Islam</b>
<b>Issue Manager:</b>	<b>AAA Consultants &amp; Financial Advisers Ltd.</b> Amin Court (4th Floor), Suit # 403-405, 31, Bir Uttam Shahid Ashfaqus Samad Road (Previous 62-63, Motijheel C/A) Dhaka-1000
<b>Auditors:</b>	<b>M. J. Abedin &amp; Co.</b> Chartered Accountants National Plaza, 109 Bir Uttam C. R. Datta Road, Dhaka-1205
<b>Bankers to the Issue:</b>	<p><b>i) Investment Corporation of Bangladesh</b> Head Office: BDBL Building (13th floor), 8 Rajuk Avenue, Dhaka-1000</p> <p><b>ii) Social Islami Bank Limited</b> City Center, Level 21 103, Motijheel C/A, Dhaka-1000</p> <p><b>iii) Shahjalal Islami Bank Limited</b> Uday Sanz, Plot no.SE(A) 2/B, South Gulshan Avenue, Gulshan-1, Dhaka-1212</p> <p><b>iv) BRAC Bank Limited</b> 1, Gulshan Avenue, Gulshan-1, Dhaka-1212</p>
<b>Legal Advisor</b>	<p><b>i) Advocate Md. Nazmul Alam</b> Paribahan Bhaban (6<sup>th</sup> Floor), 21 Rajuk Avenue, Dhaka</p> <p><b>ii) Advocate Md. Firoz Uddin</b> 16/A, Court House Street(Room No. 310), Kotwali, Dhaka</p>
<b>Tax Advisor</b>	<b>A. zamil &amp; Associates</b> Ibrahim Mansion (1st Floor) 11, Purana Paltan, Room # 207, Dhaka - 1000



**BANKERS TO THE ISSUE OF RIGHTS ISSUE OF  
ISLAMIC FINANCE AND INVESTMENT LIMITED**

<b>SHAHJALAL ISLAMI BANK LIMITED</b>	<b>SOCIAL ISLAMI BANK LIMITED</b>
<ol style="list-style-type: none"> <li>1. Dhaka Main Br., Dhaka</li> <li>2. Agrabad Br., Chittagong</li> <li>3. Dhanmondi Br., Dhaka</li> <li>4. Khatunganj Br., Chittagong</li> <li>5. Gulshan Br., Dhaka</li> <li>6. Mirpur Br., Dhaka</li> <li>7. Foreign Exchange Br., Dhaka</li> <li>8. Sylhet Br., Sylhet</li> <li>9. Kawran Bazar Br., Dhaka</li> <li>10. Satmasjid Road Br., Dhaka</li> <li>11. Motijheel Br., Dhaka</li> <li>12. Uttara Br., Dhaka</li> <li>13. Panthapath Br., Dhaka</li> <li>14. Gulshan South Avenue Br., Dhaka</li> <li>15. Bijoynagar Br., Dhaka</li> <li>16. Narayanganj Br., Narayanganj</li> </ol>	<ol style="list-style-type: none"> <li>1. Principal Br., Dhaka</li> <li>2. Agrabad Br., Chittagong</li> <li>3. Khulna Br., Khulna</li> <li>4. Sylhet Br., Sylhet</li> <li>5. Rajshahi Br., Rajshahi</li> <li>6. Gulshan Br., Dhaka</li> <li>7. Babu Bazar Br., Dhaka</li> <li>8. Begum Rokeya Sarani Br., Dhaka</li> <li>9. Panthapath Br., Dhaka</li> <li>10. Foreign Exchange Br., Dhaka</li> <li>11. Dhanmondi Br., Dhaka</li> <li>12. Uttara Br., Dhaka</li> <li>13. Mirpur Br., Dhaka</li> <li>14. Dania Rasulpur Br., Dhaka</li> <li>15. Comilla Br., Comilla</li> </ol>
<b>BRAC BANK LIMITED</b>	<b>INVESTMENT CORPORATION OF BANGLADESH (ICB)</b>
<ol style="list-style-type: none"> <li>1. Agrabad Br., Chittagong</li> <li>2. Asad Gate Br., Dhaka</li> <li>3. Barishal Br., Barishal</li> <li>4. Bogra Br., Bogra</li> <li>5. CDA Avenue Br., Chittagong</li> <li>6. Eskaton Br., Dhaka</li> <li>7. Graphics Building Br., Dhaka</li> <li>8. Jessore Br., Jessore</li> <li>9. Khulna Br., Khulna</li> <li>10. Mirpur Br., Dhaka</li> <li>11. Narayanganj Br., Narayanganj</li> <li>12. Nawabpur Br., Dhaka</li> <li>13. Rampura Br., Dhaka</li> <li>14. Shymoli Br., Dhaka</li> <li>15. Uttara Br., Dhaka</li> </ol>	<ol style="list-style-type: none"> <li>1. Head Office, Dhaka</li> <li>2. Chittagong Br., Chittagong</li> <li>3. Rajshahi Br., Rajshahi</li> <li>4. Khulna Br., Khulna</li> <li>5. Barishal Br., Barishal</li> <li>6. Sylhet Br., Sylhet</li> <li>7. Bogra Br., Bogra</li> <li>8. Local Office, Dhaka</li> </ol>

## DETERMINATION OF OFFERING PRICE

### Method-1: Net Assets Value per Share

As on December 31, 2011 the Net Assets Value (NAV) per Share of the Islamic Finance and Investment Limited stands at **Tk. 13.87**. The calculation of net assets value per share is given below:

*Amount in BDT*

PARTICULARS	31 DECEMBER, 2011	31 DECEMBER, 2010
<b>PROPERTY AND ASSETS:</b>		
<b>Cash</b>	<b>61,888,298</b>	<b>65,011,054</b>
<i>Cash in hand (including foreign currencies)</i>	<i>3,138,116</i>	<i>2,965,975</i>
<i>Balance with Bangladesh Bank &amp; Sonali Bank (Including foreign currencies)</i>	<i>58,750,182</i>	<i>62,045,079</i>
<b>Balance with other Banks and Financial Institutions</b>	<b>202,788,333</b>	<b>414,816,169</b>
<b>Money at Call on Short Notice</b>	-	-
<b>Investments in Shares and Securities</b>	<b>406,823,329</b>	<b>376,515,850</b>
<b>Investment</b>	<b>3,781,092,287</b>	<b>3,196,875,033</b>
<b>Fixed Assets including Premises, Furniture and Fixtures</b>	<b>109,129,350</b>	<b>25,007,298</b>
<b>Other Assets</b>	<b>345,536,502</b>	<b>354,591,555</b>
<b>Non banking Assets</b>	-	-
<b>Total Assets (A)</b>	<b>4,907,258,099</b>	<b>4,432,816,959</b>
<b>LIABILITIES:</b>		
<b>Borrowings from other Banks, Financial Institutions and Agents</b>	<b>482,741,494</b>	<b>509,049,728</b>
<b>Deposits and Other Accounts</b>	<b>2,928,931,719</b>	<b>2,608,664,749</b>
<i>Mudaraba Term Deposits</i>	<i>2,682,826,182</i>	<i>2,397,007,853</i>
<i>Bills Payable</i>	<i>-</i>	<i>-</i>
<i>Deposit Others</i>	<i>6,567,988</i>	<i>6,477,673</i>
<i>Lease Deposits</i>	<i>41,297,940</i>	<i>49,833,256</i>
<i>Bearer Certificates of Deposits</i>	<i>-</i>	<i>-</i>
<i>Deposits under Schemes</i>	<i>198,239,609</i>	<i>155,345,967</i>
<b>Other Liabilities</b>	<b>534,218,496</b>	<b>387,518,432</b>
<b>Total Liabilities</b>	<b>3,945,891,709</b>	<b>3,505,232,909</b>
<b>Net Asset Value (A-B)</b>	<b>961,366,390</b>	<b>927,584,050</b>
<b>Number of Shares of Tk. 10.00 Each Outstanding</b>	<b>69,328,240</b>	<b>59,237,500</b>
<b>Net Asset Value (NAV) per share</b>	<b>13.87</b>	<b>15.66</b>

Equity based value per share is also equivalent to **Net Assets Value per Share** which is depicted below:

Particulars	Amount in BDT	
	31.12.2011	31.12.2010
Paid-up capital	693,282,400	592,375,000
Share Premium Account	92,892,690	92,000,494
Statutory Reserve	107,978,659	102,457,090
Other reserve	29,800,000	29,800,000
Surplus in Profit & Loss Account	37,412,641	110,951,466
<b>Total Equity</b>	<b>961,366,390</b>	<b>927,584,050</b>
<b>Number of Shares of Tk. 10.00 each outstanding</b>	<b>69,328,240</b>	<b>59,237,500</b>
<b>Equity Based Value Per Share</b>	<b>13.87</b>	<b>15.66</b>

Method-2: Historical Earnings based value per share

Period	Number of Share	Net Profit After Tax	Weight of Number of Share	Weighted Average Net Profit after tax
2007	27,478,500	51,242,537	0.12757	6,537,058.66
2008	27,478,500	56,835,911	0.12757	7,250,610.64
2009	31,875,060	141,615,343	0.14798	20,956,562.95
2010	59,237,500	123,856,556	0.27501	34,062,338.32
2011	69,328,240	27,607,844	0.32186	8,885,899.65
<b>Total</b>	<b>215,397,800</b>	<b>401,158,191</b>	<b>1.00000</b>	<b>77,692,470.21</b>
<b>Total number of shares as on December 31, 2011</b>				<b>69,328,240.00</b>
<b>EPS Based on weighted average Net Profit After Tax</b>				<b>1.12</b>
<b>Present Market PE (As per DSE Monthly Review, March 2012)</b>				<b>18.83</b>
<b>Historical Earning Based Value per share (1.12 x 18.83)</b>				<b>21.10</b>

**LENGTH OF TIME DURING WHICH THE ISSUER HAS CARRIED ON BUSINESS [Rule-8(j)]**

Islamic Finance and Investment Limited is a non-banking financial institution incorporated in Bangladesh on February 27, 2001 as a Public Limited Company under the Companies Act, 1994 together with certificates of commencement of business on even date. The Company obtained its license from Bangladesh Bank on April 12, 2001 as required under Section 4(1) of the Financial Institutions Act, 1993. The Company commenced its business on February 27, 2001 and has successfully completed almost 11 (eleven) years of operation.

**IMPLEMENTATION SCHEDULE [Rule-8(k)]**

The additional paid up capital to be raised through rights issue will be invested in the next 6 months as per the following Implementation Schedule:

Purpose	Amount in Tk.	Implementation Period
<b><u>Repayment of high cost fund of:</u></b>		Within 06 months after receiving the fund
1. Bank Asia Ltd.	3.00 crore	
2. Islami Bank Bangladesh Ltd.	10.00 crore	
Sub Total:	13.00 Crore	
<b><u>Investment through following mode:</u></b>		
1. Lease	7.00 crore	
2. HPSM	5.42 crore	
Sub Total:	12.42 Crore	
<b>Total</b>	<b>25.42 crore</b>	

Dated, Dhaka  
3<sup>rd</sup> July, 2012

Sd/-  
**(Quazi Aziz Arshad)**  
DMD & Chief Finance Officer

Sd/-  
**(M. Rabiul Islam)**  
Managing Director

**QUANTITY OF SHARES HELD BY EACH DIRECTOR ON THE DATE OF THE RIGHTS SHARE OFFER DOCUMENT [Rule-8(I)]  
(As on June 30, 2012)**

Sl. No.	Name	Position	Total No. of Share of Tk.10.00	Percentage (%)
1.	Feroz Alam	Chairman	1,532,000	2.01%
2.	Mostanser Billa	Vice-Chairman	1,617,484	2.12%
3.	Mazibur Rahman Khan	Vice-Chairman	1,735,349	2.28%
4.	Liaquat Hossain Moghul	Director	1,644,764	2.16%
5.	Abul Quasem Haider	Director	1,735,624	2.28%
6.	Md. Fazlul Hoque	Director	1,525,254	2.00%
7.	Abu Khair Mohammed Sakhawat	Director	1,826,539	2.40%
8.	Afzalur Rahman	Director	1,822,942	2.39%
9.	Kazi Mahbuba Akhter	Director	1,754,764	2.30%
10.	M. Azizul Huq	Independent Director	-	0.0%
<b>Total</b>			<b>15,194,720</b>	<b>19.94%</b>

**COMPOSITION OF SHAREHOLDING POSITION OF THE COMPANY**

Particulars	No. of Shares Held	No. of Shareholders	Total Amount of Shares	% of Total Shares
Sponsors & Directors	32,856,003	23	328,560,030	43.09%
General Public	23,245,884	12,879	232,458,840	30.48%
Institutions	20,159,177	296	201,591,770	26.43%
Government	-	-	-	-
<b>Total</b>	<b>76,261,064</b>	<b>13,198</b>	<b>762,610,640</b>	<b>100.00%</b>

**BENEFICIAL OWNERS HOLDING SHARES 5% OR ABOVE**

As per [Rule-8(I)] of the Securities and Exchange Commission (Rights Issue) Rules, 2006; there is no beneficial owners of the Company holding shares 5% or above as on June 30, 2012.

**PUBLIC LISTED COMPANY UNDER COMMON MANAGEMENT**

As per the Securities and Exchange Commission (Rights Issue) Rules, 2006; there is no Public Listed Company under the common Management of Islamic Finance and Investment Limited.

**CLASSIFIED INFORMATION & UNDERWRITERS [Rule-8(o)]**

<b>A.</b>	<b>Issue Manager:</b>	<b>AAA Consultants &amp; Financial Advisers Ltd.</b> Amin Court (4th Floor), Suit # 403-405, 31, Bir Uttam Shahid Ashfaqus Samad Road (Previous 62-63, Motijheel C/A) Dhaka-1000
<b>B.</b>	<b>Auditors:</b>	<b>M. J. Abedin &amp; Co.</b> Chartered Accountants National Plaza, 109 Bir Uttam C. R. Datta Road, Dhaka-1205
<b>C.</b>	<b>Bankers to the Issue:</b>	<p><b>i) Investment Corporation of Bangladesh</b> Head Office: BDBL Building (13th floor), 8 Rajuk Avenue, Dhaka-1000</p> <p><b>ii) Social Islami Bank Limited</b> City Center, Level 21 103, Motijheel C/A Dhaka-1000</p> <p><b>iii) Shahjalal Islami Bank Limited</b> Uday Sanz, Plot no.SE(A) 2/B, South Gulshan Avenue, Gulshan-1, Dhaka-1212</p> <p><b>iv) BRAC Bank Limited</b> 1, Gulshan Avenue Gulshan-1, Dhaka-1212</p>

Islamic Finance and Investment Limited is going to offer rights share of **25,420,354 Ordinary Shares of Tk.10.00 each at par**, totaling **Tk. 254,203,540**. As per Securities and Exchange Commission's guideline, the issuer of a listed security making rights issue shall appoint one or more underwriters licensed under the Securities and Exchange Commission (Rights Issue) Rules, 1996 to fully underwrite the rights issue on a firm commitment basis. Underwriting commission will be @ **0.10%** on the underwritten amount and there will be no additional commission for take-up unsubscribe portion of shares if any.

Name of Underwriters	No. of Shares Underwritten	Offer price (BDT)	Total Amount Underwritten (BDT)
<b>Banco Finance and Investment Limited</b> Ispahani Building (3 <sup>rd</sup> Floor), 14-15 Motijheel C/A, Dhaka-1000	8,000,000	10.00	80,000,000
<b>FAS Capital Management Limited</b> Suvastu Imam Square (4 <sup>th</sup> floor), 65 Gulshan Avenue, Gulshan-1, Dhaka-1212	8,000,000	10.00	80,000,000
<b>AAA Consultants &amp; Financial Advisers Ltd.</b> Amin Court (4th Floor), Suit # 403-405, 31, Bir Uttam Shahid Ashfaqus Samad Road (Previous 62-63), Motijheel C/A, Dhaka-1000	9,420,354	10.00	94,203,540
<b>Total</b>	<b>25,420,354</b>		<b>254,203,540</b>

## UNDERWRITERS' OBLIGATION

If and to the extent that the shares offered to the existing shareholders by the Rights Share Offer Document authorized hereunder shall not have been subscribed and paid for in cash in full by the closing date, the Company shall within **10 (ten)** days of the closure of subscription call upon the underwriters (**for full unsubscribed amount**) in writing with a copy of said writing to the Securities and Exchange Commission, to subscribe for shares not subscribed by the closing date and to pay for in cash in full, inclusive of any premium if applicable, for such unsubscribed shares within **15 (fifteen)** days after being called upon to do so. If payment is made by Cheque/Company Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards his commitment under this Agreement, until such time as the Cheque/Company Draft has been encashed and the Company's account has been credited. In any case, within **7 (seven)** days after the expiry of the aforesaid **15 (fifteen)** days, the Company shall send proof of subscription and payment by the underwriters, to the Commission.

**DIRECTORS' TAKE-UP IN THE RIGHTS OFFER [RULE-8(Q)]**

Directors Take-Up in the Rights Offer [Rule-8(Q)] is as under:

Sl. No.	Name of Directors	Status	No. of Shares Held	No. of Rights Share Offered	No. of Rights Shares to be Renounced
1.	Feroz Alam	Chairman	1,532,000	510,666.67	Nil
2.	Mostanser Billa	Vice-Chairman	1,617,484	539,161.33	Nil
3.	Mazibur Rahman Khan	Vice-Chairman	1,735,349	578,449.67	Nil
4.	Liaquat Hossain Moghul	Director	1,644,764	548,254.67	Nil
5.	Abul Quasem Haider	Director	1,735,624	578,541.33	Nil
6.	Md. Fazlul Hoque	Director	1,525,254	508,418.00	Nil
7.	Abu Khair Mohammed Sakhawat	Director	1,826,539	608,846.33	Nil
8.	Afzalur Rahman	Director	1,822,942	607,647.33	Nil
9.	Kazi Mahbuba Akhter	Director	1,754,764	584,921.33	Nil
10.	M. Azizul Huq	Independent Director	Nil	Nil	N/A



## TERMS AND CONDITIONS OF THE RIGHTS ISSUE

### Basis of the Offer

The Company records its share register of members on **October 10, 2012** for determining the shareholders who are eligible to receive this offer of shares on rights basis. The ordinary shares are now being offered on a rights basis to the shareholders holding shares on the record date at Tk. 10.00 each at par in the ratio of 1 (One) [R]: 3 (Three) ratio i.e. 1(one) rights share for 3 (three) existing shares held on the record date.

### Entitlement

As a shareholder of the Company on the record date on **October 10, 2012** the shareholders are entitled to this Rights Offer. Only the holder(s) of a minimum of one fully paid ordinary share is entitled to receive the Rights Offer.

### Acceptance of the Offer

A shareholder may accept and apply for the shares hereby offered, wholly or in part by filling in Application Form-A and submitting the same along with the application money to the Bankers to the Issue on or before the Closing Date of subscription of **November 22, 2012**.

### Renunciation

A shareholder may renounce all or part of the shares he/she is entitled to in favour of any other person(s) other than an infant or person of unsound mind. He/she can renounce his/her rights/entitlement of shares by signing Renunciation Form-B. Renouncee(s) shall fill in Form-C appropriately.

### General

All applications should be made on the printed form provided by the Company in this Rights Share Offer Documents only and should be completed in all respects. Applications which are not completed in all respects or are made otherwise than as herein provided or are not accompanied by the proper application amount of deposit are liable to be rejected and the application money received in respect thereof shall be refunded.

All communications in connection with the application for the Rights Share should be addressed to the Company quoting the registered folio number/BO ID number in the form.

### Condition of Subscription

Rights Offer of **25,420,354** Ordinary Shares of **Tk. 10.00** each at par, totaling **Tk. 254,203,540** offered on the basis of **1 (One)** rights share for **3 (three)** existing shares held on the record date as on **October 10, 2012**.

### Payment of Share Price

Payments for the full value of Shares applied for shall be made with designated Branches of Bankers to the Issue by Cash/Pay Order/Demand Draft payable to "**Islamic Finance and Investment Limited**" and crossed. The Pay Order/Demand Draft for payment of share price must be drawn on a Company in the same town to which the application form has been submitted.

<b>Subscription</b>	<b>Opens on: October 30, 2012</b>
	<b>Closes on: November 22, 2012</b>
Within Banking Hours	

Any changes or extension regarding subscription period will be notified through national dailies.

## Lock-In on Rights Share

The Rights Shares of Directors and other shareholders holding 5% or more shares shall be subject to lock-in for a period of three years from the date of closure of the rights share subscription. In the event of renunciation of rights shares by aforesaid persons, the renounced shares shall also be subject to lock-in for the same period shall be operative.

## Others

The application not properly filled in shall be treated as cancelled and deposited money will be refunded. For any reason, no profit/compensation will be paid on the refunded amount.

The offer will be deemed to have been declined if completed Application Form-A with necessary payments have not been received by **November 22, 2012** or by such later date as may be notified through national dailies to that effect.

## MATERIAL CONTRACTS

### Bankers to the Issue

**Investment Corporation of Bangladesh, Social Islami Bank Limited, Shahjalal Islami Bank Limited and BRAC Bank Limited** are the Bankers to the issue who will collect the subscriptions money of the rights offer. No commission will be paid to Islamic Finance and Investment Limited and commission @ **0.10%** to Bankers to the issue for the services to be rendered by them. The rights issue subscriptions money collected from the shareholders by the Bankers to the issue will be remitted to the company's **STD Account no. 0701-1418002** with **Bank Alfalah Limited, Main Branch, Dhaka**.

### Underwriters

Full amount of rights offer of Islamic Finance and Investment Limited have been underwritten by **03(three)** underwriters as shown in the classified information part of rod. Each underwriter will be paid underwriting commission @ **0.10%** of the nominal value of shares underwritten by them out of the rights issue. Simultaneously, with the calling upon an underwriter to subscribe and pay for any number of shares, the company will pay no additional commission to that underwriter on the nominal value of shares required to be subscribed by them.

### Manager to the Issue

AAA Consultants & Financial Advisers Ltd. is appointed as manager to the issue of the rights issue of the Company. Accordingly, an agreement was made between the issue manager and the Company. The Company will pay issue management fee lump sum BDT 10.00 lakh only to the Manager to the Issue.

### Vendor's Agreement

Islamic Finance and Investment Limited has not entered into any vendor's agreement.

### Acquisition of Property, Plant and Equipment:

There is no Acquisition of Property by the Company after the Balance Sheet date 31.12.2011.

In the year 2011 IFIL acquired 2 floor spaces totaling 6,614.40 sqft and furnished those floors for their head office purpose which has already been disclosed in the audited accounts of that year.

**FORM - A**  
[rule 5 and rule 8(t)]

**Declaration (due diligence certificate) about responsibility of the Issue Manager  
in respect of the rights share offer document of Islamic Finance and Investment Limited**

This rights share offer document has been reviewed by us and we confirm after due examination that the rights share offer document constitutes full and fair disclosures about the rights issue and the issuer and complies with the requirements of the Securities and Exchange Commission (Rights Issue) Rules, 2006; and that the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006.

For AAA Consultants & Financial Advisers Ltd.

Place: Dhaka  
Dated: April 24, 2012

Sd/-  
**(Khwaja Arif Ahmed)**  
Managing Director & CEO

**FORM - B**  
[rule 6 and rule 8(t)]

**Declaration (due diligence certificate) about responsibility of the Underwriter(s)  
in respect of the rights share offer document of Islamic Finance and Investment Limited**

This rights share offer document has been reviewed by us and we confirm after due examination that the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006, and also that we shall subscribe for the under-subscribed rights shares within fifteen days of calling thereof by the issuer. The issuer shall call upon us for such subscription within ten days of closure of the subscription lists for the rights issue.

Place: Dhaka  
Dated: April 24, 2012

For  
(Name of Underwriters)

Banco Finance and Investment Limited  
FAS Capital Management Limited  
AAA Consultants & Financial Advisers Ltd.

Sd/-  
Managing Director

**FORM- C**  
**AUDITORS' REPORT**  
**TO THE SHAREHOLDERS**

We have audited the acBanking financial statements for the 31 December 2011 of **Islamic Finance & Investment Limited** in accordance with the International Standards of Auditing, as applicable in Bangladesh and we state that we have obtained all the information and explanations which we have required, and after due verification thereof, we report that, in our opinion:

- (a) These financial statements have been drawn up in accordance with the requirements of the Securities and Exchange Rule, 1987 as amended, the Companies Act, 1994 and other relevant laws where applicable and the International Accounting Standards, as applicable in Bangladesh.
- (b) These financial statements which are in agreement with the books of account of the company give a true and fair view of the state of its affairs as at 31 December 2011 and of the result of its operation and cash flows for the year then ended.
- (c) Proper books of account have been kept by the Company as required by the relevant laws.
- (d) The expenditure incurred was for the purposes of the Company's business.

We also certify that the above company has declared the following dividend for each of the following five years immediately preceding the issue of rights share offer document under the Securities and Exchange Commission (Rights issue) Rules, 2006 and that the company has duly paid off the following amounts of the declared dividend mentioned against respective year:

Financial Year	Date of Dividend Declaration	Rate (%)	Declared Dividend	
			Total Amount (Tk.)	Total Paid
2011	18.04.2012	Stock-10%	69,328,240	N/A
2010	19.05.2011	Stock-16%	95,625,100	N/A
2009	25.04.2010	Stock-25%	79,687,650	N/A
2008	28.05.2009	Stock-16%	43,965,600	N/A
2007	16.06.2008	Cash-15%	41,217,750	37,891,915

Sd/-

Dated, Dhaka  
22 April 2012

**M J ABEDIN & CO**  
**Chartered Accountants**

**FORM-D**  
**[rule 8(t)]**

<b>DUE DILIGENCE CERTIFICATE BY THE DIRECTORS ABOUT THEIR PERSONAL RESPONSIBILITY IN RESPECT OF THE RIGHTS SHARE OFFER DOCUMENT OF ISLAMIC FINANCE AND INVESTMENT LIMITED</b>
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This rights share offer document has been prepared, seen, reviewed and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given in the rights share offer document, relevant documents and financial statements submitted to the Commission and others concerned under the Securities and Exchange Commission (Rights Issue) Rules, 2006.

We confirm, after making all reasonable enquiries, that all conditions concerning this rights issue and rights share offer document have been met. We further confirm that we have not concealed any information or statement which might have any bearing on the information already made.

In case of any default or failure on our part, civil, criminal or administrative action may be taken against us.

Sd/- <b>Feroz Alam</b> Chairman		
Sd/- <b>Mostanser Billa</b> Director	Sd/- <b>Mazibur Rahman Khan</b> Director	Sd/- <b>Abul Quasem Haider</b> Director
Sd/- <b>Liaquat Hossain Moghul</b> Director	Sd/- <b>Kazi Mahbuba Akhter</b> Director	Sd/- <b>Afzalur Rahman</b> Director
Sd/- <b>A.K.M. Sakhawat</b> Director	Sd/- <b>Md. Fazlul Hoque</b> Director	Sd/- <b>M. Azizul Huq</b> Director

**AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
ISLAMIC FINANCE AND INVESTMENT LIMITED (IFIL)**

We have audited the accompanying financial statements of **Islamic Finance and Investment Limited (IFIL)** which comprise the Balance sheet as at 31 December 2011 and the Profit and Loss Account, Statement of Changes in Equity and Cash Flow Statement for the year then ended and a summary of significant accounting policies and explanatory notes thereto.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the state of the Company's affairs as on 31 December 2011 and the results of its operations and its Cash Flow for the period then ended and comply with the Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

**We also report that**

- 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 IFIL so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches and not visited by us ;
- c. the IFIL's balance sheet and profit and loss account of the IFIL dealt with by the report are in agreement with the books of account and returns;
- d. the expenditure incurred was for the purpose of the business of the IFIL;
- e. the financial position of the IFIL as at 31 December 2010 and the profit for the year then ended have been properly reflected in the financial statements and prepared in accordance with the generally accepted accounting principles ;
- f. the financial statements have been drawn up in conformity with the Bank Companies Act, 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank ;
- g. adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- h. the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- i. the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements ;
- j. the information and explanations required by us have been received and found satisfactory and
- k. the capital adequacy ratio (CAR), as required by law, has been maintained adequately during the year.

Dated : 19<sup>th</sup> March, 2012  
Place : Dhaka

Sd/-  
**M. J. ABEDIN & CO**  
Chartered Accountants

**ISLAMIC FINANCE AND INVESTMENT LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

	Notes	Amount in Taka	
		31-Dec-2011	31-Dec-2010
<b><u>PROPERTY AND ASSETS</u></b>			
<b>Cash</b>	3.00	<b>61,888,298</b>	<b>65,011,054</b>
Cash in hand (including foreign currencies)		3,138,116	2,965,975
Balance with Bangladesh Bank & Sonali Bank (Including foreign currencies)		58,750,182	62,045,079
<b>Balance with other Banks and Financial Institutions</b>	4.00	<b>202,788,333</b>	<b>414,816,169</b>
In Bangladesh		202,788,333	414,816,169
Outside Bangladesh		-	-
<b>Money at Call on Short Notice</b>	5.00	-	-
<b>Investments in Shares and Securities</b>	6.00	<b>406,823,329</b>	<b>376,515,850</b>
Government		-	-
Others		406,823,329	376,515,850
<b>Investment</b>	7.00	<b>3,781,092,287</b>	<b>3,196,875,033</b>
General Investment	7.1	3,781,092,287	3,196,875,033
Bills Purchased and Discounted	7.2	-	-
<b>Fixed Assets including Premises, Furniture and Fixtures</b>	8.00	109,129,350	25,007,298
<b>Other Assets</b>	9.00	345,536,502	354,591,555
<b>Non banking Assets</b>		-	-
<b>Total Assets</b>		<b>4,907,258,099</b>	<b>4,432,816,959</b>
<b><u>LIABILITIES AND CAPITAL</u></b>			
<b>Liabilities</b>			
<b>Borrowings from other Banks, Financial Institutions and Agents</b>	10.00	482,741,494	509,049,728
<b>Deposits and Other Accounts</b>	11.00	<b>2,928,931,719</b>	<b>2,608,664,749</b>
Mudaraba Term Deposits	11.1	2,682,826,182	2,397,007,853
Bills Payable		-	-
Deposit Others	11.2.1	6,567,988	6,477,673
Lease Deposits	11.2.2	41,297,940	49,833,256
Bearer Certificates of Deposits		-	-
Deposits under Schemes	11.5	198,239,609	155,345,967
<b>Other Liabilities</b>	12.00	534,218,496	387,518,432
<b>Total Liabilities</b>		3,945,891,709	3,505,232,909
<b>Capital/Shareholders' Equity</b>			
Paid-up Capital	13.1	693,282,400	592,375,000
Share Premium Account	13.5	92,892,690	92,000,494
Statutory Reserve	14.00	107,978,659	102,457,090
Other Reserve	15.00	29,800,000	29,800,000
Surplus in Profit & Loss Account	16.00	37,412,641	110,951,466
<b>Total Shareholders' Equity</b>		<b>961,366,390</b>	<b>927,584,050</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>		<b>4,907,258,099</b>	<b>4,432,816,959</b>

Sd/-  
**(Quazi Aziz Arshad)**  
Deputy Managing Director & CFO

Sd/-  
**(M. Rabiul Islam)**  
Managing Director

Sd/-  
**(A. K. M. Sakhawat)**

Sd/-  
**(Liaquat Hossain Moghul)**  
Director

As per our separate report of even date annexed.

Dated: 19th March 2012  
Place: Dhaka

Sd/-  
**M. J. ABEDIN & CO**  
Chartered Accountants



**ISLAMIC FINANCE AND INVESTMENT LIMITED**  
**OFF- BALANCE SHEET ITEMS**  
**AS AT 31 DECEMBER 2011**

	Amount in Taka	
	31-Dec-2011	31-Dec-2010
<b><u>CONTINGENT LIABILITIES</u></b>		
Acceptances and Endorsements	-	-
Letters of Guarantee	-	-
Irrevocable Letters of Credit	25,625,350	-
Bills for Collection	-	-
Other Contingent Liabilities	-	-
<b>A</b>	<b><u>25,625,350</u></b>	<b><u>-</u></b>
<b><u>OTHER COMMITMENTS</u></b>		
Documentary credits and short term trade related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Total Off-Balance Sheet items including contingent liabilities</b>	<b><u>25,625,350</u></b>	<b><u>-</u></b>

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

Sd/-  
**(Quazi Aziz Arshad)**  
Deputy Managing Director & CFO

Sd/-  
**(M. Rabiul Islam)**  
Managing Director

Sd/-  
**(A. K. M. Sakhawat)**  
Director

Sd/-  
**(Liaquat Hossain Moghul)**  
Director

As per our separate report of even date annexed.

**Dated: 19th March 2012**  
Place: Dhaka

Sd/-  
**M. J. ABEDIN & CO**  
Chartered Accountants

**ISLAMIC FINANCE AND INVESTMENT LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	Amount in Taka	
		31 - Dec- 2011	31 - Dec- 2010
Profit on Investment	18.1	528,315,665	444,396,051
Less: Profit Paid on Deposits, Borrowings etc.	19.00	356,665,972	314,563,906
<b>Net Investment Income</b>		<b>171,649,693</b>	<b>129,832,145</b>
Income from Investment in securities	18.2	59,468,081	142,668,531
Commission, Exchange and Brokerage	20.00	8,493,370	7,755,365
Other Operating Income	21.00	27,787,840	22,236,663
		<b>95,749,291</b>	<b>172,660,559</b>
<b>Total Operating Income</b>		<b>267,398,984</b>	<b>302,492,704</b>
Salaries and allowances	22.00	53,070,325	42,100,628
Rent, Taxes, Insurances, Electricity etc.	23.00	5,927,025	5,573,019
Legal Expenses	24.00	518,378	1,223,723
Postage, Stamps, Telecommunication etc.		1,320,680	1,153,456
Stationery, Printings, Advertisements etc.	25.00	3,049,001	3,873,544
Managing Director's Salary and Allowances	22.1	4,132,500	4,132,500
Directors' Fees	26.00	495,000	721,000
Auditors' Fees		85,000	85,000
Depreciation and Repair of Fixed Assets	27.00	5,630,703	5,508,202
Other Expenses	28.00	22,358,283	21,069,437
<b>Total Operating Expenses</b>		<b>96,586,895</b>	<b>85,440,509</b>
<b>Profit before Provision</b>		<b>170,812,089</b>	<b>217,052,195</b>
Provision against Lease, Loans and Investments	29.00	103,001,611	48,809,168
<b>Total Profit before Taxes</b>		<b>67,810,478</b>	<b>168,243,027</b>
<b>Provision for Taxation</b>	12.2	<b>40,202,634</b>	<b>44,386,471</b>
Current Tax		39,383,847	38,359,355
Deferred Tax		818,787	6,027,116
<b>Net Profit after Taxation</b>		<b>27,607,844</b>	<b>123,856,556</b>
Retained Surplus brought forward from previous year	16.1	15,326,366	15,266,221
		<b>42,934,210</b>	<b>139,122,777</b>
<b>Appropriations</b>			
Statutory Reserve		5,521,569	24,771,311
Dividend Equalization Fund		-	1,700,000
Special Reserve Fund		-	1,700,000
Retained Surplus		37,412,641	110,951,466
		<b>42,934,210</b>	<b>139,122,777</b>
<b>Earning Per Share (EPS) (2010 : restated)</b>	30.00	<b>0.40</b>	<b>1.79</b>

Sd/-  
**uazi Aziz Arshad**  
Deputy Managing Director & CFO

Sd/-  
**(M. Rabiul Islam)**  
Managing Director

Sd/-  
**(A. K. M. Sakhawat)**  
Director

Sd/-  
**(Liaquat Hossain Moghul)**  
Director

As per our separate report of even date

**Dated: 19th March 2012**  
Place: Dhaka

Sd/-  
**M. J. ABEDIN & CO**  
Chartered Accountants

**ISLAMIC FINANCE AND INVESTMENT LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Amount in Taka	
	31 - Dec - 2011	31 - Dec - 2010
<b>A. Cash Flow from Operating Activities</b>		
Investment Profit receipts	581,788,727	584,441,857
Profit Paid on Deposits	(347,585,018)	(332,423,380)
Fees & Commission receipt	8,493,370	7,755,365
Cash Payments to Employees	(57,202,825)	(46,233,128)
Cash Payments to Suppliers	(3,049,001)	(3,873,544)
Income Tax Paid	(29,203,207)	(12,072,287)
Receipts from other Operating activities	27,787,840	21,889,448
Payments for other Operating activities	(31,769,003)	(30,706,552)
<b>Operating Profit before changes in Operating Assets &amp; Liabilities</b>	<b>149,260,883</b>	<b>188,777,779</b>
<b>Changes in Operating Assets and Liabilities</b>	<b>(225,282,140)</b>	<b>(87,953,578)</b>
Investment (Loans and Advances) to Customers	(584,217,254)	(419,452,388)
Other Assets	44,253,279	(164,119,234)
Deposits from other Banks	285,000,000	(400,002,550)
Deposits received from Customers	35,266,970	861,049,637
Other Liabilities	(5,585,135)	34,570,957
	<b>(76,021,257)</b>	<b>100,824,201</b>
<b>B. Cash flows from Investing Activities</b>		
Proceeds from Sale of fixed assets	-	1,088,301
Payment for purchases of securities	(30,307,479)	(67,521,453)
Purchases/sales of Property, Plant & Equipments	(88,688,118)	(80,046,793)
	<b>(118,995,597)</b>	<b>(146,479,945)</b>
<b>C. Cash flows from Financing Activities</b>		
Receipts from loan/(borrowing) & debts securities	(26,308,234)	(73,197,689)
Share Capital -	5,282,300	193,936,800
Share premium account less share issue expense	892,196	92,000,494
	<b>(20,133,738)</b>	<b>212,739,605</b>
<b>D. Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(215,150,592)</b>	<b>167,083,861</b>
<b>E. Effect of Exchange rate changes on cash &amp; cash equivalents</b>	-	-
<b>F. Cash and cash equivalents at the beginning of the year</b>	<b>479,827,223</b>	<b>312,743,362</b>
<b>G. Cash and cash equivalents at the end of the year (D+E)</b>	<b>264,676,631</b>	<b>479,827,223</b>

Sd/-	Sd/-	Sd/-	Sd/-
<b>(Quazi Aziz Arshad)</b>	<b>(M. Rabiul Islam)</b>	<b>(A. K. M. Sakhawat)</b>	<b>(Liaquat Hossain Moghul)</b>
Deputy Managing Director & CFO	Managing Director	Director	Director

As per our separate report of even date annexed.

**Dated: 19th March 2012**  
Place: Dhaka

Sd/-  
**M. J. ABEDIN & CO**  
**Chartered Accountants**

ISLAMIC FINANCE AND INVESTMENT LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2011

Particulars	Paid-up Capital	Share Premium	Statutory Reserve	Other Reserve			Surplus	Total
				Dividend Equalization Reserve (A)	Special Reserve Fund (B)	A+B		
<b>Balance as at 01 January 2011</b>	592,375,000	92,000,494	102,457,090	23,100,000	6,700,000	29,800,000	110,951,466	927,584,050
Effects of Changes in Accounting Policy	-	-	-	-	-	-	-	-
Issue of Bonus Shares	95,625,100	-	-	-	-	-	(95,625,100)	-
<b>Restated Balance</b>	<b>688,000,100</b>	<b>92,000,494</b>	<b>102,457,090</b>	<b>23,100,000</b>	<b>6,700,000</b>	<b>29,800,000</b>	<b>15,326,366</b>	<b>927,584,050</b>
Net profit for the year after taxation	-	-	5,521,569	-	-	-	22,086,275	27,607,844
Issuance of Right Share	5,282,300	-	-	-	-	-	-	5,282,300
Right Share Premium	-	892,196	-	-	-	-	-	892,196
<b>Balance as at Dec 31, 2011</b>	<b>693,282,400</b>	<b>92,892,690</b>	<b>107,978,659</b>	<b>23,100,000</b>	<b>6,700,000</b>	<b>29,800,000</b>	<b>37,412,641</b>	<b>961,366,390</b>
<b>Balance as at Dec 31, 2010</b>	<b>592,375,000</b>	<b>92,000,494</b>	<b>102,457,090</b>	<b>23,100,000</b>	<b>6,700,000</b>	<b>29,800,000</b>	<b>110,951,466</b>	<b>927,584,050</b>

ISLAMIC FINANCE AND INVESTMENT LIMITED  
Liquidity Statement  
Assets and Liability Maturity Analysis  
AS AT 31 DECEMBER 2011

Amount in Taka

Particulars	Upto 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
<b>Assets</b>						
Cash in hand	61,888,298	-	-	-	-	61,888,298
Balance with other Banks and Financial Institutions	47,925,327	72,498,232	82,364,774	-	-	202,788,333
Money at Call and Short Notice	-	-	-	-	-	-
Investments	-	194,540,030	107,713,849	100,000,000	4,569,450	406,823,329
Loans and Advances	180,932,576	515,868,524	689,158,472	1,433,050,875	962,081,840	3,781,092,287
Fixed Assets including premises, furniture and fixtures	-	-	451,798	1,125,684	107,551,868	109,129,350
Other Assets	34,145,890	47,812,956	74,252,125	189,325,531	-	345,536,502
Non-banking Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>324,892,091</b>	<b>830,719,742</b>	<b>953,941,018</b>	<b>1,723,502,090</b>	<b>1,074,203,158</b>	<b>4,907,258,099</b>
<b>Liabilities</b>						
Borrowing from Bangladesh Bank, other Banks, Financial Institutions and Agents	69,142,127	149,345,856	131,132,567	133,120,944	-	482,741,494
Deposits Other Accounts	174,585,212	525,485,367	587,684,128	1,062,411,594	578,765,418	2,928,931,719
Provision and other liabilities	30,701,544	85,257,468	45,532,587	372,726,897	-	534,218,496
<b>Total Liabilities</b>	<b>274,428,883</b>	<b>760,088,691</b>	<b>764,349,282</b>	<b>1,568,259,435</b>	<b>578,765,418</b>	<b>3,945,891,709</b>
<b>Net Liquidity Gap</b>	<b>50,463,208</b>	<b>70,631,051</b>	<b>189,591,736</b>	<b>155,242,655</b>	<b>495,437,740</b>	<b>961,366,390</b>

**ISLAMIC FINANCE AND INVESTMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**1.00 Background and Objectives of the Company**

**1.1 Legal Status**

Islamic Finance and Investment Limited is a non-banking financial institution incorporated in Bangladesh on February 27, 2001 as a Public Limited Company under the Companies Act, 1994 together with certificates of commencement of business on even date. The Company obtained its license from Bangladesh Bank on April 12, 2001 as required under Section 4(1) of the Financial Institutions Act, 1993. The Company went for public issue in 2005 and its shares are listed in both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The registered office of the Company is located at 68, Dilkusha C/A, Dhaka-1000. The operation of the company is being carried out through its six branches.

**1.2 Company's Activities**

The Company extends all types of finance, like Lease, Hire Purchase Sherkatul Melk (HPSM), Bai Muazzal, Household Durable Scheme etc. and different types of deposits scheme like Mudaraba Term Deposits (Monthly/Quarterly Profit Paying Scheme), Mudaraba Term Deposits (Double/Triple Money (likely)) Mudaraba Term Deposits (Cumulative), Home Owing Scheme, Mudaraba Marriage Saving Scheme, Mudaraba Education Saving Scheme, Hajj Deposit Scheme, Pension Deposit Scheme, Mudaraba Mohor Deposit Scheme, Mudaraba Lakhopot/Millionaire/Kotipoti Deposit Scheme etc. based on Islamic Shariah.

**2.00 Significant Accounting Policies**

**2.1 Basis of Preparation and Presentation of Financial Statements**

**Framework**

The financial statements have been prepared and the disclosures have been made in accordance with the requirements of the Financial Institutions Act, 1993, The Companies Act, 1994, The Securities and Exchange Rules 1987, Guidelines from Bangladesh Bank, the Listing Regulation of Dhaka and Chittagong Stock Exchanges, Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations.

**Measurement Basis**

The elements of financial statements have been measured on historical cost convention following accrual basis of accounting.

**2.2 Accounting for Lease**

The company has been following the finance lease method, as per BAS 17 "Leases" for accounting of lease. The aggregate lease receivables including un-guaranteed residual value are recorded as gross lease receivables while the excess of gross lease receivables over the total acquisition cost and profit during the acquisition period of lease assets, constitutes the unearned lease income. Initial direct cost (if any) in respect of lease are charged in the year in which such cost are incurred.

Accrued income receivable has been debited to "Accrued Profit Receivable" instead of "Lease Investment Account".

### 2.3 Provision for Leases Investment

Provision for classified and unclassified leases, loans and advances have been made as per guidelines of Bangladesh Bank through FID Circular no. 08 of 2002, FID Circular no. 11 of 2005, FID Circular no. 03 of 2006 and other directives as applicable:

Overdue period Months	Classifications	Provision required %
1-2	Standard	1
3-5	Special Mentioned Account	5
6-11	Sub-standard	20
12-17	Doubtful	50
18 and over	Bad or Loss	100

Provision for investments in securities have been made in accordance with the guidelines issued by Bangladesh Bank from time to time.

### 2.4 Property, Plant and Equipments and Depreciation

#### 2.4.1 Assets Acquired Under Own Finance

These are recognized initially at cost and subsequently at cost less accumulated depreciation in compliance with the BAS -16: Property, Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any direct cost attributable in bringing the assets to its working condition for its intended use. Expenditure incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the assets, the expenditure is capitalized as an additional cost of the assets.

#### 2.4.2 Depreciation on Property, Plant and Equipment

Depreciation is provided using reducing balancing method to amortise the cost of the assets after commissioning, over the period of their expected useful lives, in accordance with the provision of BAS 16: Property, Plant and Equipment. Depreciation has been charged from the date when the related assets are put into use and no depreciation is charged for the year of disposal. Depreciation is calculated on the cost of assets without having consideration to its residual value. Depreciation is provided at the following rates:

Interior Decoration	10%
Mechanical Appliance	20%
Computer & Accessories	25%
Motor Vehicle	20%
Furniture & Fixtures	10%

### 2.5 Borrowing Costs

All borrowing costs are recognised as expense in the profit or loss account in the period in which they incurred in accordance with BAS 23 "Borrowing Costs".

### 2.6 Revenue Recognition

As per BAS 18, revenue is recognized when it was probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the related cost in respect of the transaction can be measured reliably.

Any income which is restricted as per Shariah has not been recognized as revenue, rather transferred to IFIL Foundation. This foundation money is spent for charitable purposes as per foundation board decision.

### **2.6.1 Investments other than Securities**

- a) Investments are stated in the Balance sheet at cost net of unearned income and profit
- b) Income from investments is accounted for on accrual basis . Fees and commission income are recognised when earned.

### **2.6.2 Investments in Securities**

- a) Revenue from investments in securities are recognised as and when realised by the sale of securities.
- b) Dividend income on shares is accounted for when it is received.

### **2.7 Valuation of investment:**

The basis of valuation of investment has been shown as under:

#### **2.7.1 Investment in shares - At average cost price**

### **2.8 Cash and Cash Equivalent and Cash Flow Statement**

Cash and cash equivalents comprise cash in hand and fixed deposits, together with short-term highly liquid investments that are readily convertible to a known amount of cash, and that are not subject to significant risk of change in value.

### **2.9 Corporate Tax**

#### **2.9.1 Current Tax**

The Company has provided current tax expenses at the applicable rate as enacted by the Finance Act 2011 considering the temporary/permanent allowable and disallowable expenses as per Income Tax Ordinance including assessed carry forward loss.

#### **2.9.2 Deferred Tax**

Deferred tax liabilities are the amounts of income taxes payable in the future period in respect of taxable temporary differences. Deferred tax assets are the amount of income taxes recoverable in future periods in respect of taxable temporary difference. Deferred tax assets and liabilities are recognized for the future tax consequences of timing difference arising between the carrying values of assets, liabilities, income and expenditure and their respective tax basis. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date. The impact on the account of changes in the deferred tax assets and liabilities has also been recognized in the profit and loss account.

### **2.10 Litigation**

The company is not a party to any lawsuits except those arising in the normal course of business, which were filed against the default clients for non-performance in investment/installment repayment. The Company, however, provides adequate provisions against the doubtful payments.



### **2.11 Earning Per Share (EPS)**

The company calculates Earnings Per Shares (EPS) in accordance with BAS-33 "Earnings Per Share" which has been shown on the face of Profit & Loss Account and, the computation of EPS is stated in Note- 30.00.

#### **Basic Earnings Per Share**

This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

#### **Diluted Earning Per Share**

No diluted earning per share is required to be calculated for the year, as there was no scope for dilution during the year under review.

### **2.12 Employee Benefits**

#### **2.13 Provident Fund**

The Company maintains a contributory employees provident fund for its permanent employees. The Fund is administered by the Board of Trustees and is funded equally by the employer and the employees.

#### **2.14 Gratuity**

The Company operates an funded gratuity scheme. Employees who completed 05 years, 08 years, 10 years and above of services are entitled @ 01 month,1.5 months and 02 months of last basic pay for each completed year respectively.

#### **2.15 Incentive Bonus**

The Company Maintains an incentive bonus scheme for its employees. The bonus is equivalent to three times basic salary based on the performance of the company.

#### **2.16 Risk and Uncertainty for Use of Estimates (Provisions)**

The Preparation of financial statements in conformity with Bangladesh Financial Reporting Standards (BFRS's) requires management to make estimates and assumptions that effect the reported amounts of revenue and expenses, assets and liabilities and disclosure requirements for contingent assets and liabilities during the year and the date of the financial statements. Due to inherent uncertainty involved in making estimates, actual result reported could differ from those estimates.

In accordance with BAS-37, Provisions, Contingent Liabilities and Contingent Assets, provisions are recognized when all of the following condition are met: -

- >> The company has present obligation as result of past events;
- >> It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- >> Reliable estimate can be made of the amount of the operation.

#### **2.17 Corporate Governance**

The company recognizes the importance of high standards of corporate governance and corporate social responsibility. Through regular Board Meeting and documented procedures of independence, the company endeavors to meet the standards expected.

The company has taken note of the prescribed measures by the Securities and Exchange Commission in this regard and introduced the concept of Independent Director. An Audit Committee is already in place. The Audit Committee keeps under review the independence and objectivity of the external auditors.

The Board is also committed to effective communication between the company and its subsidiaries, investors, regulators and third party interests.

## **2.18 Risk Management**

As per Bangladesh Bank definition "The Risk Management" of the financial institute includes five core risk areas i.e. Credit Risk Management, Foreign Exchange Risk Management, Asset Liability Management, Prevention of Money Laundering and Establishment of Internal Control and Compliance. The Prime objective of the risk management is that the financial institute takes better calculative business risks at the same time keeping safe the institute's capital, its financial resources and profitability from various risks. A well structured and proactive risk management system is in place in the company to address risk relating to credit, market, liquidity and operations.

### **2.18.1 Credit Risk Management**

Risk is inherent in all commercial operation. Credit risk is an obvious factor that needs to be managed. Credit risk is the possibility that a borrower or counter party may fail to meet its obligation pursuant to agreed terms. Credit risk, therefore, arises from the institutes' dealings with or lending to corporate, individuals and other institutes or financial institutions. Credit risk management enables Institutes to proactively manage loan portfolios in order to minimize losses and earn an acceptable rate of return for stakeholders.

As a Financial Institute IFIL's prime objective is to maximize stakeholders' value. Thus the Institute endeavors to maintain a manageable investment portfolio, which is rewarding by taking calculated risk and ensuring quality of loans.

### **2.18.2 Prevention of Money Laundering**

For prevention of Money Laundering, Money Laundering Act 2002 (Act no. 7 of 2002) has been enacted in Bangladesh. The act gives Bangladesh Bank broad responsibilities for prevention of money laundering and wide-ranging powers to take adequate measures to prevent money laundering, facilitate its detection, monitor its incidence, enforce rules and to act as the prosecuting agency for the breaches of the Act.

Pursuance to Bangladesh Bank instructions/guidelines, the Company instituted an effective Committee and has issued circulars/circular instructions to all the branches of the Company for their guidance and awareness of prevention of Money Laundering, which remain binding upon meticulous compliance.

### **2.18.3 Internal Control and Compliance**

A financial institute is engaged in diversified and complex financial activities. Since financing involves high risk, the presence of effective internal control system, corporate governance, transparency and accountability is vital to ensure smooth operation of the Institute. The primary objective of internal control system is to help the Institute perform through use of its resources. Through internal control system, the Institute identifies its weakness and takes appropriate and timely measures to overcome the same. A policy guideline in this regard has been formulated for the Institute with the approval of the Board. Board has constituted the Audit Committee as per internal control and compliance guidelines. The Internal Control Unit of IFIL is properly staffed with a Vice President at present and support staffs.

## **2.19 Events After the Balance Sheet Date**

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

**2.20 Date of Authorization for Issue**

These financial statements have been authorized for issue by the Board of Directors (BOD) in the 133rd Meeting dated 19th March 2012.

**2.21 Dividend Equalization Reserve**

The company maintains Dividend Equalization Reserve by appropriating a portion of Retained Earning.

**2.22 Special Reserve Fund**

The company has set up Special Reserve Fund by appropriating a portion of Retained Earning from 2009.

**2.23 Proposed Dividend**

The Board of Directors in its 133rd Meeting held on 19th March 2012 has recommended 10% stock dividend for the year ended 31 December 2011 (2010: 16% Stock) for placement before shareholder at 11th Annual General Meeting of the Company scheduled to be held on 18th April 2012.

**2.24 Reporting Currency and Level of Precision**

The financial statements are expressed in Bangladeshi Taka Currency and rounded off to the nearest integer.

**2.25 Comparatives**

Where necessary comparative figures and account title in the financial statements have been adjusted to conform to changes in presentation in the current year.

**2.26 Reporting Period**

The reporting period covers one calendar year from 01 January to 31 December on consistent basis.

		Amount in Taka	
		31-Dec-2011	31-Dec-2010
<b>3.00</b>	<b>Cash</b>		
<b>3.1</b>	<b>Cash in hand</b>	<b>3,138,116</b>	<b>2,965,975</b>
	In local currency	3,138,116	2,965,975
	In foreign currency	-	-
<b>3.2</b>	<b>Balance with Bangladesh Bank and Sonali Bank Ltd. (Including foreign currencies)</b>		
	<b>Bangladesh Bank</b>	<b>58,750,182</b>	<b>62,045,079</b>
	In local currency	58,750,182	62,045,079
	In foreign currencies	-	-
	<b>Sonali Bank Ltd.</b>	-	-
	Sonali Bank Ltd., (As an agent of Bangladesh Bank) - Local Currency	-	-
		<b>58,750,182</b>	<b>62,045,079</b>
		<b>61,888,298</b>	<b>65,011,054</b>

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

**Balance with Bangladesh Bank**

Deposits with Bangladesh Bank is non-profit bearing and maintained to meet the Cash Reserve Requirement (CRR). As required by Bangladesh Bank, CRR @ 2.5% is required to maintain with Bangladesh Bank in current account on all deposits taken from depositors other than Banks and Financial Institutions.

**Balance with other commercial banks and FI's:**

Fixed deposits are maintained with other commercial banks and financial institutions for maintaining Statutory Liquidity Reserve (SLR) as required by Bangladesh bank guidelines. Bangladesh Bank regulations require to maintain SLR @ 5% including the CRR of 2.5% on total liabilities, excluding Bangladesh Bank deposit. Islamic Finance and Investment Limited maintains this reserve mostly in the form of fixed deposits. These fixed deposits are not an investment in nature. As a regulatory requirement to maintain SLR, Islamic Finance and Investment Limited maintains Fixed Deposits and have shown as cash and cash equivalents.

**3.2.2 Cash Reserve Requirement (CRR): 2.5% of Average Demand and Time Liabilities**

Required Reserve	54,540,000	59,426,000
Actual Reserve held with Bangladesh Bank	61,178,000	65,571,000
<b>Surplus</b>	<b>6,638,000</b>	<b>6,145,000</b>

**3.2.3 Statutory Liquidity Requirement (SLR): 5% of Average Demand and Time Liabilities:**

Required Reserve	138,607,000	139,952,000
Actual Reserve held	248,159,000	264,163,000
<b>Surplus</b>	<b>109,552,000</b>	<b>124,211,000</b>

		Amount in Taka	
		31-Dec-2011	31-Dec-2010
<b>4.00</b>	<b>Balance with Other Banks and Financial Institutions</b>		
	Inside Bangladesh ( <i>Note - 4.01</i> )	202,788,333	414,816,169
	Outside Bangladesh ( <i>Note- 4.02</i> )	-	-
		<b>202,788,333</b>	<b>414,816,169</b>
<b>4.1</b>	<b>Inside Bangladesh</b>		
	<b>Current Account</b>	<b>11,880,750</b>	<b>11,064,087</b>
	Pubali Bank Limited	5,803,382	4,120,218
	Brac Bank Limited	306,530	-
	Islami Bank Bangladesh Limited	5,770,838	6,943,869
	<b>Mudaraba Short Notice Deposits/STD</b>	<b>85,157,249</b>	<b>253,002,747</b>
	Exim Bank Limited.		
	- Mudaraba Term Deposit	11,594,129	11,747,579
	- Mudaraba Term Deposit	327,756	3,944,099
	Al-Arafa Islami Bank Limited.		
	- Mudaraba Short Notice Deposit	11,596,177	22,247,606
	- Mudaraba Savings Deposit	396,428	615,845
	Bank Al Falah Limited.		
	- Mudaraba Savings Deposit	5,587,881	54,547,402
	Islami Bank Bangladesh Limited.		
	- Mudaraba Short Notice Deposit	55,667	4,893,885
	Social Islami Bank Limited.		
	- Mudaraba Savings Deposit	19,778,709	64,159,044
	- Mudaraba Short Notice Deposit	16,047,602	13,086,623
	Shahjalal Islami Bank Limited.		
	- Mudaraba Short Notice Deposit	28,039	10,026,846
	- Mudaraba Short Notice Deposit	77,595	76,850
	- Mudaraba Short Notice Deposit	8,340,596	18,220,900
	South East Bank Limited.		
	- Mudaraba Short term Deposit	193,446	3,713,389
	- Mudaraba Short term Deposit	841,026	828,676
	- Mudaraba Short term Deposit - Dividend	3,214,320	2,010,604
	Bank Asia Ltd.		
	- Mudaraba Special Notice Deposit - Rights Share	6,761,656	42,720,025
	Arab Bangladesh Bank Limited.		
	- Mudaraba Short Notice Deposit	316,222	163,374
	<b>Mudaraba Term Deposits</b>	<b>105,750,334</b>	<b>150,749,335</b>
	Social Islami Bank Limited.	80,750,334	40,749,335
	South East Bank Limited.	-	10,000,000
	Exim Bank Limited.	25,000,000	100,000,000
		<b>202,788,333</b>	<b>414,816,169</b>

			<b>Amount in Taka</b>	
			<b>31-Dec-2011</b>	<b>31-Dec-2010</b>
<b>4.2</b>	<b>Outside Bangladesh (Nostro Accounts)</b>			
		<b>Currency Amount Rate</b>		
			-	-
			-	-
			-	-
<b>4.3</b>	<b>Maturity-wise Groupings (Inside and Outside Bangladesh)</b>			
	Payable on Demand		-	-
	Up to 1(one) Month		47,925,327	57,358,304
	Over 1(one) Month but not more than 3 (three) Months		72,498,232	177,987,824
	Over 3 (three) Months but not more than 1 (one) Year		82,364,774	179,470,041
	Over 1 (one) Year but not more than 5 (five) Years		-	-
	Over 5 (five) Years		-	-
			<b>202,788,333</b>	<b>414,816,169</b>
<b>5.00</b>	<b>Money at call on Short Notice</b>			
	<b>Financial Institutions</b>		-	-
	<b>Banks</b>		-	-
			-	-
<b>6.00</b>	<b>Investments in Shares and Government Securities</b>			
	<b>Government Security (Note-6.1)</b>		-	-
	Treasury Bills		-	-
	3 Years T & T Bond		-	-
	5 Years Treasury Bond		-	-
	10 Years Treasury Bond		-	-
	15 Years Treasury Bond		-	-
	20 Years Treasury Bond		-	-
	Prize Bonds		-	-
	<b>Other Investments (Note- 6.2)</b>		406,823,329	376,515,850
			<b>406,823,329</b>	<b>376,515,850</b>
	<b>Maturity Grouping of Investments</b>		<b>406,823,329</b>	<b>376,515,850</b>
	Payable on Demand		-	-
	Up to 1(one) Month		-	-
	Over 1(one) Month but not more than 3 (three) Months		194,540,030	231,440,030
	Over 3 (three) Months but not more than 1 (one) Year		107,713,849	44,075,820
	Over 1 (one) Year but not more than 5 (five) Years		100,000,000	100,000,000
	Over 5 (five) Years		4,569,450	1,000,000
			<b>406,823,329</b>	<b>376,515,850</b>

		Amount in Taka	
		31-Dec-2011	31-Dec-2010
<b>6.1</b>	<b>Types of Government Securities</b>		
	Held to Maturity (HTM) Securities	-	-
	Held for Trading (HFM) Securities	-	-
	Encumbered Treasury Bond(lien with Bangladesh Bank)	-	-
		-	-
<b>6.1.1</b>	<b>Investment - Government Securities</b>		
	<b>Treasury Bill</b>	-	-
	2 years Treasury Bills	-	-
	5 years Treasury Bills	-	-
	<b>Treasury Bond</b>	-	-
	5 years Treasury Bond	-	-
	10 years Treasury Bond	-	-
	15 years Treasury Bond	-	-
	20 years Treasury Bond	-	-
	3 Years T & T Bond	-	-
	Prize Bond	-	-
		-	-
<b>6.2</b>	<b>Other Investments</b>		
<b>6.2.1</b>	<b>Treasury Line</b>	-	-
		-	-
		-	-
<b>6.2.2</b>	<b>Shares</b>		
	<b>Central Depository Bangladesh Ltd.</b>	<b>1,569,450</b>	<b>1,000,000</b>
	2011- 400,000 including 300,000 Bonus Shares (2010-2,00,000 including 1,00,000 bonus shares)	1,000,000	1,000,000
	2011- 56,945 newly allotted shares	569,450	-
		<b>1,569,450</b>	<b>1,000,000</b>
	<b>Shares held for trading (Annxure-B)</b>		
	Social Islami Bank Limited	5,682	-
	Shahjalal Islami Bank Limited	17,743,645	98,576
	Exim Bank Limited	1,232,255	18,034,217
	Al-Arafah Islami Bank Limited	18,626,091	4,199,047
	MI Cement Factory Ltd.	216,374	-
	Square Pharmaceuticals Limited	-	1,574,681
	Summit Power Limited	1,053,939	5,070,623
	MJL Bangladesh Ltd.	1,604,533	-
	ACI Limited	51,932,479	50,065,744
	Grameen Phone Limited	54634203	54,139,136
	Ocean Containers Limited	57,789,658	54,171,259
	National Tubes Limited	5,202,874	1,519,631
	Khulna Power Company Limited	50,594,493	48,670,763
	Beximco Limited	43,849,837	30,525,099
	RAK Ceramics (Bangladesh ) Limited	767,816	264,864
	ACI Formulations Limited	-	7,182,210
	IFIL Islamic Mutual Fund-1	100,000,000	100,000,000
		<b>405,253,879</b>	<b>375,515,850</b>
		<b>406,823,329</b>	<b>376,515,850</b>

		<b>Amount in Taka</b>	
		<b>31-Dec-2011</b>	<b>31-Dec-2010</b>
<b>6.2.3</b>	<b>Bonds</b>	-	-
<b>6.2.4</b>	<b>Treasury Term Finance</b>	-	-
<b>7.00</b>	<b>Investments</b>		
	General Investments ( <b>Note 7.1</b> )	3,781,092,287	3,196,875,033
	Bills Purchased and Discounted (Note 7.2)	-	-
		<b>3,781,092,287</b>	<b>3,196,875,033</b>
<b>7.01</b>	<b>General Investments</b>		
	Investments in Leases	2,021,201,585	1,790,038,271
	HPSM (Hire Purchase Sherkatul Melk)	1,111,727,797	887,241,210
	Bai Muajjal	641,500,812	512,456,159
	Baim HDS (Household Durable Scheme)	6,662,093	7,139,393
		<b>3,781,092,287</b>	<b>3,196,875,033</b>
<b>7.1.1</b>	<b>Maturity Grouping of Investments</b>		
	Up to 1(one) Month	180,932,576	141,189,612
	Over 1(one) Month but not more than 3 (three) Months	515,868,524	87,183,147
	Over 3 (three) Months but not more than 1 (one) Year	689,158,472	892,757,554
	Over 1 (one) Year but not more than 5 (five) Years	1,433,050,875	1,464,717,254
	Over 5 (five) Years	962,081,840	611,027,466
		<b>3,781,092,287</b>	<b>3,196,875,033</b>
<b>7.2</b>	<b>Bills Purchased and Discounted</b>		
	Payable in Bangladesh	-	-
	Payable outside Bangladesh	-	-
		-	-
<b>7.2.1</b>	<b>Maturity Grouping</b>		
	Up to 1(one) Month	-	-
	Over 1(one) Month but not more than 3 (three) Months	-	-
	Over 3 (three) Months but not more than 1 (one) Year	-	-
	Over 1 (one) Year but not more than 5 (five) Years	-	-
	Over 5 (five) Years	-	-
		-	-
<b>7.3</b>	<b>Investments (Broad Categories)</b>		
	<b>In Bangladesh</b>	3,781,092,287	3,196,875,033
	General Investments	<b>3,781,092,287</b>	<b>3,196,875,033</b>
		-	-
	<b>Outside Bangladesh</b>	-	-
		<b>3,781,092,287</b>	<b>3,196,875,033</b>



		<b>Amount in Taka</b>	
		<b>31-Dec-2011</b>	<b>31-Dec-2010</b>
<b>7.4</b>	<b>Significant Concentration</b>		
	Investments to allied concern of Directors	161,166,263	191,793,142
	Investments to Executives/Officers	10,046,097	12,581,250
	Investments to Customer Groups	1,559,870,767	1,358,965,191
	Industrial Investment	973,978,714	836,603,503
	Others	1,076,030,446	796,931,947
		<b><u>3,781,092,287</u></b>	<b><u>3,196,875,033</u></b>

**7.5 Geographical Location-wise break-up**

**Urban**

Dhaka Division	2,859,885,584	2,416,566,057
Chittagong Division	614,456,516	524,524,638
Rajshahi Division	306,750,187	255,784,338
	<b><u>3,781,092,287</u></b>	<b><u>3,196,875,033</u></b>

**7.6 Sector wise break-up of General Investments:**

Trade and Commerce Industry	509,635,747	366,816,040
Garments and Knitwear	117,422,545	132,931,472
Textile	190,366,547	227,663,925
Jute and Jute Products	-	-
Food Production and Processing Industry	147,541,624	99,334,987
Plastic Industry	68,922,841	10,383,451
Leather and leather Goods	26,001,436	-
Iron, Steel and Engineering	155,847,289	156,667,365
Pharmaceuticals & Chemical	163,439,782	185,536,260
Cement and Allied Industry	-	-
Telecommunication and Information Technologies	91,685	592,215
Paper, Printing and Packaging	141,264,367	153,083,386
Glass, Glassware and Ceramic Industry	-	-
Ship Manufacturing Industry	172,943,812	91,735,047
Electronics and electrical products	2,156,784	4,348,246
Power, Gas, Water and Sanitary Service	169,852,347	101,478,795
Transport and Aviation	493,890,587	345,346,327
Agriculture	1,301,122	2,531,443
Housing	1,117,901,235	891,170,307
Others	302,512,537	427,255,767
	<b><u>3,781,092,287</u></b>	<b><u>3,196,875,033</u></b>

**7.7 Investments allowed to each customer exceeding 10% of FI's total capital**

Total Loans, Advances and Leases	1,223,734,905	1,125,385,450
No. of Customers	13	14
Classified amount thereon	Nil	Nil
Measures taken for recovery	N/A	N/A

		<b>Amount in Taka</b>	
		<b>31-Dec-2011</b>	<b>31-Dec-2010</b>
<b>7.8</b>	<b>General Investments Classified as per Bangladesh Bank Circular</b>		
	Standard	3,558,452,330	2,903,677,008
	Special Mentioned Account (SMA)	15,246,480	14,216,422
	Sub-standard	27,060,420	39,567,430
	Doubtful	25,472,930	28,029,278
	Bad & Loss	154,860,127	211,384,895
		<b>3,781,092,287</b>	<b>3,196,875,033</b>
<b>7.9</b>	<b>Nature wise Investments</b>		
	Lease Finance (FICL-2A) Less than 5 Years	1,299,007,338	1,045,227,548
	Lease Finance (FICL-2B) More than 5 Years	722,194,248	744,811,120
	Term Loans (FICL-3A) Less than 5 Years	708,914,884	575,645,083
	Term Loans (FICL-3B) More than 5 Years	3,099,540	5,280,437
	Housing Finance (FICL-4A) Less than 5 Years	465,431,799	348,009,751
	Housing Finance (FICL-4B) More than 5 Years	582,444,479	477,901,094
	Other Assets (FICL-5)	-	-
		<b>3,781,092,287</b>	<b>3,196,875,033</b>
<b>7.9.1</b>	<b>Provision for Investments</b>		
	Standard	35,584,599	29,038,210
	Special Mentioned Account (SMA)	748,295	614,821
	Sub-standard	2,239,075	3,371,276
	Doubtful	2,522,111	4,878,215
	Bad & Loss	24,342,338	48,109,283
		<b>65,436,418</b>	<b>86,011,805</b>
	<b>Required Provision for Loans, Advances and Leases</b>	<b>65,436,418</b>	<b>86,011,805</b>
	Total Provision Maintained ( <b>Note-12.3</b> )	65,462,215	86,270,344
	Excess/(Short) Provision	<b>25,797</b>	<b>258,539</b>
<b>7.10</b>	<b>Particulars of Investments</b>		
	<b>i)</b> Investments considered good in respect of which the FI is fully secured	2,591,303,998	2,165,003,400
	<b>ii)</b> Investment considered good for which the FI holds no other Security than the debtors personal security	451,913,770	438,654,670
	<b>iii)</b> Investments considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors	737,874,519	593,216,963
	<b>iv)</b> Investments adversely classified; provision not maintained there against	-	-
		<b>3,781,092,287</b>	<b>3,196,875,033</b>
	<b>v)</b> Investments due by directors or executives of the FI or any of them taken either severally or jointly with any other person	151,649,671	184,876,169

		<b>Amount in Taka</b>	
		<b>31-Dec-2011</b>	<b>31-Dec-2010</b>
<b>vi)</b>	Investments due by companies or firms in which the directors of the FI are interested as directors, partners or managing agents or in case of private companies, as members.	268,745,425	91,132,311
<b>vii)</b>	Maximum total amount of Investments, including temporary investments made at any time during the year to directors or managers or officers of the FI or any of them either separately or jointly with any other person	-	4,321,250
<b>viii)</b>	Maximum total amount of Investments, including temporary investments granted during the year to the companies or firms in which the directors of the FI are interested as directors, partners or managing agents or in the case of private companies, as members	-	-
<b>ix)</b>	Due from other Banking Companies	5,727,690	7,169,408
<b>x)</b>	Total amount of Classified Advances on which interest is not credited to income	207,393,477	278,981,603
<b>a.</b>	Movement of classified Investments		
	Opening balance	278,981,603	82,434,658
	Increase/ (Decrease) during the year	(71,588,126)	196,546,945
		<u>207,393,477</u>	<u>278,981,603</u>
<b>b.</b>	Amount of provision kept against Investment Classified as 'Bad/Loss' on the reporting date of Balance Sheet	24,342,338	48,109,283
<b>c.</b>	Profit creditable to the Profit Suspense Account	8,851,927	15,528,844
<b>xi)</b>	Amount of written off Investments:		
	Opening Balance	22,517,151	16,794,031
	Amount written off during the year	2,445,700	5,723,120
	Cumulative Balance	<u>24,962,851</u>	<u>22,517,151</u>

**8.00 Fixed Assets Including Premises, Furniture And Fixtures  
At cost less accumulated depreciation (Annexure-A)**

<b>Cost</b>			
Opening balance	44,898,461	40,586,790	
Addition during the year	88,688,118	6,159,000	
Disposal during the year	-	(1,847,329)	
<b>Closing balance at cost</b>	<u>133,586,579</u>	<u>44,898,461</u>	
<b>Depreciation</b>			
Opening balance	19,891,163	16,370,121	
Addition during the year	4,566,066	4,627,285	
Adjustment on disposal during the year	-	(1,106,243)	
<b>Accumulated Depreciation</b>	<u>24,457,229</u>	<u>19,891,163</u>	
<b>Carrying value</b>	<u>109,129,350</u>	<u>25,007,298</u>	

		<b>Amount in Taka</b>	
		<b>31-Dec-2011</b>	<b>31-Dec-2010</b>
<b>9.00</b>	<b>Other Assets</b>		
	Advance, Deposits & Prepayments ( <b>Note-9.1</b> )	17,845,127	92,525,244
	Net Lease Income Receivable	17,498,539	13,592,915
	Quard	1,855,398	1,308,481
	Receivable from Stock Dealer / Pre IPO Investment	27,000,000	36,734,180
	Accrued Profit Receivable	14,751,452	12,662,057
	Stamp on Hand	27,416	16,265
	Advance Income Tax IFIL & Others AIT	45,506,660	16,303,453
	Quard against Mudaraba Term Deposits	221,051,910	181,448,960
		<b>345,536,502</b>	<b>354,591,555</b>
<b>9.1</b>	<b>Advance, Deposits &amp; Prepayments</b>		
	Security Deposits	138,800	112,800
	Advance against Software Development	1,800,000	600,000
	Advance Rent	3,423,502	4,782,502
	Advance - Bhuyian Mansion floor Purchasing	-	73,887,793
	Advance against Suppliers	380,404	989,953
	Advance Mudaraba Investment	11,880,000	11,880,000
	Others	222,421	272,196
		<b>17,845,127</b>	<b>92,525,244</b>
<b>10.00</b>	<b>Borrowings from Other Banks, Financial Institutions and Agents</b>		
	<b>Inside Bangladesh - Profit bearing</b>	<b>348,448,994</b>	<b>347,120,946</b>
	South East Bank Ltd.	16,751,885	34,915,202
	Islami Bank Bangladesh Ltd.	189,232,132	57,145,663
	Shahjalal Islami Bank Ltd.	39,609,762	74,071,664
	Exim Bank Ltd.	44,942,274	98,771,116
	Social Islami Bank Ltd.	57,912,941	82,217,301
	<b>Other Borrowings</b>	<b>134,292,500</b>	<b>161,928,782</b>
	Bangladesh Bank	134,292,500	161,928,782
	<b>Outside Bangladesh</b>	<b>-</b>	<b>-</b>
		<b>482,741,494</b>	<b>509,049,728</b>
<b>10.1</b>	<b>Security wise grouping</b>		
	Secured Borrowing	482,741,494	509,049,728
	Unsecured Borrowing	-	-
		<b>482,741,494</b>	<b>509,049,728</b>
<b>10.2</b>	<b>Nature of repayment</b>		
	Repayable on Demand	-	-
	Repayable within 01 Month	69,142,127	24,755,067
	Repayable over 01 (one) Month but within 03 (three) Months	149,345,856	74,264,988
	Repayable over 03 (three) Months but within 01 (one) Year	131,132,567	237,894,487
	Repayable over 01 (one) Year but within 05 (five) Years	133,120,944	172,135,186
	Repayable over 05 (five) Years	-	-
		<b>482,741,494</b>	<b>509,049,728</b>
<b>11.00</b>	<b>Deposits and Other Accounts</b>		
<b>11.1</b>	<b>Mudaraba Term Deposits</b>	<b>2,682,826,182</b>	<b>2,397,007,853</b>
	Deposits Received from Banks & FI's (note-11.3)	440,000,000	155,000,000
	Deposits Received from Individuals	2,242,826,182	2,242,007,853

		<b>Amount in Taka</b>	
		<b>31-Dec-2011</b>	<b>31-Dec-2010</b>
<b>11.2</b>	<b>Other than Bank Deposits</b>	<b>246,105,537</b>	<b>211,656,896</b>
	Deposits Other (Note-11.2.1)	6,567,988	6,477,673
	Time Deposits (Note-11.2.2)	239,537,549	205,179,223
		<b>2,928,931,719</b>	<b>2,608,664,749</b>
<b>11.2.1</b>	<b>Deposits Other</b>		
	Security Deposits Receipt	2,374,183	3,557,699
	Sundry Deposits	4,193,805	2,919,974
		<b>6,567,988</b>	<b>6,477,673</b>
<b>11.2.2</b>	<b>Time Deposits</b>		
	Lease Deposits	41,297,940	49,833,256
	Deposits Under Schemes (Note-11.5)	198,239,609	155,345,967
		<b>239,537,549</b>	<b>205,179,223</b>
<b>11.2.a</b>	<b>Maturity Analysis (Deposits received from other than Banks)</b>		
	Repayable on Demand	7,191,561	6,477,673
	Repayable within 01 Month	167,393,651	75,378,581
	Repayable over 01 (one) Month but within 03 (three) Months	525,485,367	385,039,535
	Repayable over 03 (three) Months but within 01 (one) Year	587,684,128	693,111,284
	Repayable over 01 (one) Year but within 05 (five) Years	1,062,411,594	1,263,250,876
	Repayable over 05 (five) Years	578,765,418	185,406,800
		<b>2,928,931,719</b>	<b>2,608,664,749</b>
<b>11.3</b>	<b>Deposits received from Banks &amp; FI's</b>		
	Rupali Bank Ltd.	20,000,000	-
	Islami Bank Bangladesh Ltd.	270,000,000	80,000,000
	Social Islami Bank Ltd.	30,000,000	40,000,000
	Bank Asia Ltd.	120,000,000	-
	ICB AMCL Second NRB Mutual Fund	-	15,000,000
	Investment Corporation of Bangladesh	-	20,000,000
		<b>440,000,000</b>	<b>155,000,000</b>
<b>11.4</b>	<b>Maturity wise Grouping</b>		
	Repayable within 01 Month	40,000,000	-
	Repayable over 01 (one) Month but within 03 (three) Months	180,000,000	10,000,000
	Repayable over 03 (three) Months but within 01 (one) Year	220,000,000	65,000,000
	Repayable over 01 (one) Year but within 05 (five) Years	-	80,000,000
	Repayable over 05 (five) Years but within 10 (ten) Years	-	-
	Unclaimed Deposits 10 (ten) Years and above	-	-
		<b>440,000,000</b>	<b>155,000,000</b>

		<b>Amount in Taka</b>	
		<b>31-Dec-2011</b>	<b>31-Dec-2010</b>
<b>11.5</b>	<b>Deposits Under Schemes</b>		
	Home Owning Scheme (monthly)	6,140,933	4,948,636
	Home Owning Scheme (quarterly)	212,554	161,332
	Higher Education & Marriage Deposit Scheme	695,846	685,347
	Pension Deposit Scheme	176,331,735	140,480,427
	Hajj Deposit Scheme	4,361,572	2,500,689
	Mudaraba Mohor Deposit Scheme	239,206	67,193
	Mudaraba Special Deposit Scheme	1,477,910	986,527
	Mudaraba Lakhpoti Deposit Scheme	1,760,703	1,224,583
	Mudaraba Millionaire Deposit Scheme	5,726,247	4,254,894
	Mudaraba Kotipoti Deposit Scheme	1,292,903	36,339
		<b>198,239,609</b>	<b>155,345,967</b>
<b>12.00</b>	<b>Other Liabilities</b>		
	Provision for Gratuity (Note-12.1)	5,649,275	6,333,050
	Provision for Profit on Deposits	65,820,880	56,739,926
	Provision for Income Tax (Note-12.2)	87,804,218	47,601,584
	Provision for Expenses	12,470,883	10,231,985
	IFIL Foundation	3,300,457	2,454,790
	Provision for General Investments (note-12.3)	65,462,215	86,270,343
	Provision against Investment in Shares (Note-12.4)	170,601,166	49,237,126
	Unearned Profit on BAIM	106,641,604	82,017,503
	Payable to Stock Dealer	1,677,187	25,741,591
	Unclaimed Dividend	3,325,835	3,331,614
	Share money deposits	96,050	224,968
	Contribution to P.F.	310,438	242,074
	Unrealised Compensation A/C	2,206,361	1,563,034
	Profit Suspense Account (Note-12.5)	8,851,927	15,528,844
		<b>534,218,496</b>	<b>387,518,432</b>
<b>12.1</b>	<b>Provision for Gratuity</b>		
	Balance as on 01 January 2011	6,333,050	3,894,704
	Provision made during the year	5,817,225	2,438,346
	Transfer to gratuity fund	(6,501,000)	-
	<b>Balance as on 31 December 2011</b>	<b>5,649,275</b>	<b>6,333,050</b>
<b>12.2</b>	<b>Provision for Taxation</b>		
	Balance as on 01 January 2011	47,601,584	3,215,113
	Provision made during the year	40,202,634	44,386,471
	<b>Balance as on 31 December 2011</b>	<b>87,804,218</b>	<b>47,601,584</b>
<b>12.2.1(a)</b>	<b>Current Tax liabilities</b>		
	Provision held at the beginning of the year	47,449,525	9,090,170
	Add: Provision made during the year	39,383,847	38,359,355
		<b>86,833,372</b>	<b>47,449,525</b>
<b>(b)</b>	<b>Deferred Tax Liabilities/(Assets)</b>		
	Provision held at the beginning of the year	152,059	(5,875,057)
	Add: Provision/(Adjustment) made during the year	818,787	6,027,116
	Deferred Tax expense for the year	818,787	6,027,116
	<b>Closing Deferred Tax Liabilities/(Assets)</b>	<b>970,846</b>	<b>152,059</b>
	<b>Total provision</b>	<b>87,804,218</b>	<b>47,601,584</b>

		Amount in Taka	
		31-Dec-2011	31-Dec-2010
<b>12.3</b>	<b>Provision for General Investments</b>		
	<b>Movement of Provision:</b>		
	<b>Against Classified Investments</b>		
	Balance as on 01 January 2011	50,939,439	53,764,161
	Bad and Doubtful Debts written off	(2,445,700)	(5,723,120)
	Provision made during the year	(25,042,292)	2,898,398
		<b>23,451,447</b>	<b>50,939,439</b>
	<b>Against Unclassified Investments</b>		
	Provision held at the beginning of the year	35,330,905	31,610,589
	Provision made during the year	6,679,863	3,720,316
		<b>42,010,768</b>	<b>35,330,905</b>
	<b>Balance as on 31 December 2011</b>	<b>65,462,215</b>	<b>86,270,344</b>
<b>12.4</b>	<b>Provision Against Investments in Shares</b>		
	Balance as on 01 January 2011	49,237,126	7,046,672
	Provision made during the year	121,364,040	42,190,454
	Adjustment during the year	-	-
	<b>Balance as on 31 December 2011</b>	<b>170,601,166</b>	<b>49,237,126</b>
<b>12.5</b>	<b>Profit Suspense Account</b>		
	Opening Balance	15,528,844	22,532,140
	<b>Add:</b> Amount transferred during the year	14,368,166	7,008,569
		29,897,010	29,540,709
	<b>Less:</b> Amount recovered during the year	20,608,149	14,011,865
	<b>Less:</b> Amount written off during the year	436,934	-
	<b>Balance at the end of the year</b>	<b>8,851,927</b>	<b>15,528,844</b>
<b>13.00</b>	<b>Capital</b>		
	<b>Authorised Capital</b>		
	250,000,000 ordinary shares of Taka 10 each.	<b>2,500,000,000</b>	<b>1,000,000,000</b>
<b>13.1</b>	<b>Issued, Subscribed and Fully Paid-up Capital</b>		
	17,000,000 Ordinary shares of Tk. 10 each issued for cash	170,000,000	170,000,000
	7,000,000 Right shares of Tk. 10 each issued in cash 2004	70,000,000	70,000,000
	19,921,910 Right shares of Tk. 10 each issued in cash 2010	199,219,100	193,936,800
	7,875,060 Bonus shares of Tk. 10 each issued upto 2008	78,750,600	78,750,600
	7,968,760 Bonus shares of Tk. 10 each issued in 2009	79,687,600	79,687,600
	9,562,510 Bonus shares of Tk. 10 each issued in 2010	95,625,100	-
	<b>69,328,240</b>	<b>693,282,400</b>	<b>592,375,000</b>
<b>13.2</b>	<b>Particulars of Fully Paid-up Share Capital</b>		
		<b>2011</b>	<b>2010</b>
		<b>No. of Shares</b>	<b>No. of Shares</b>
		<b>(%)</b>	<b>(%)</b>
	Sponsor	29,202,890	2,561,323
	Institutions	16,367,480	1,246,901
	General Public	23,757,870	2,115,526
		<b>69,328,240</b>	<b>5,923,750</b>
		<b>100.00%</b>	<b>100.00%</b>

Amount in Taka	
31-Dec-2011	31-Dec-2010

### 13.3 Classification of Shareholders by Holding as on 31 December 2011

	No. of Share Holders	No. of Shares	(%) of Holdings
1 to 500 Shares	4,902	437,220	0.63%
501 to 5,000 Shares	6,966	10,460,550	15.09%
5,001 to 10,000 Shares	583	4,133,870	5.96%
10,001 to 20,000 Shares	257	3,551,300	5.12%
20,001 to 30,000 Shares	82	2,024,780	2.92%
30,001 to 40,000 Shares	31	1,082,140	1.56%
40,001 to 50,000 Shares	10	440,540	0.64%
50,001 to 100,000 Shares	43	3,089,920	4.46%
100,001 to 1,000,000 Shares	52	15,516,440	22.38%
1,000,001 to 9999999 Shares	19	28,591,480	41.24%
	<b>12,945</b>	<b>69,328,240</b>	<b>100.00%</b>

### 13.4 Capital Adequacy

#### *Tier – I (Core Capital)*

Paid up Capital	693,282,400	592,375,000
Share Premium account	92,892,690	92,000,494
Statutory Reserve	107,978,659	102,457,090
Retained Earnings	37,412,641	110,951,466
Other reserve	29,800,000	29,800,000
	<b>961,366,390</b>	<b>927,584,050</b>

#### *Tier –II (Supplementary Capital)*

General Provision	<b>35,584,599</b>	<b>29,038,210</b>
	35,584,599	29,038,210

#### **A.Total Capital**

	<b>996,950,989</b>	<b>956,622,260</b>
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#### B. Required Capital

	500,000,000	500,000,000
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#### C. Surplus/ (Defficiency) (A - B)

	<b>496,950,989</b>	<b>456,622,260</b>
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### 13.05 Share Premium Account

Opening Balance	96,968,400	96,968,400
Premium received	2,641,150	-
Share Issue expenses	(6,716,861)	(4,967,906)
	<b>92,892,690</b>	<b>92,000,494</b>

The share premium shall be utilised for the purposes as provided in the Securities and Exchange Ordinance 1969 as amended and the Companies Act, 1994.

### 14.00 Statutory Reserve

Opening Balance, as at 01 January	102,457,090	77,685,779
Addition During the Year	5,521,569	24,771,311
<b>Closing Balance</b>	<b>107,978,659</b>	<b>102,457,090</b>



		<b>Amount in Taka</b>	
		<b>31-Dec-2011</b>	<b>31-Dec-2010</b>
<b>15.00</b>	<b>Other Reserves</b>		
	<b>Dividend Equalization Reserve</b>		
	Balance on 01 January 2011	23,100,000	21,400,000
	Addition During the Year	-	1,700,000
	<b>Closing Balance</b>	<b>23,100,000</b>	<b>23,100,000</b>
	<b>Special Reserve Fund</b>		
	Balance on 01 January 2011	6,700,000	5,000,000.00
	Addition During the Year	-	1,700,000
	<b>Closing Balance</b>	<b>6,700,000</b>	<b>6,700,000</b>
		<b>29,800,000</b>	<b>29,800,000</b>
<b>16.00</b>	<b>Surplus in Profit &amp; Loss Account</b>		
	<b>Total Profit before Income Tax</b>	67,810,478	168,243,027
	Provision for Income Tax	40,202,634	44,386,471
	<b>Net Profit after Income Tax for the year</b>	<b>27,607,844</b>	<b>123,856,556</b>
	Statutory Reserve	5,521,569	24,771,311
	Dividend Equalization Reserve	-	1,700,000
	Special Reserve Fund	-	1,700,000
	Retained Earnings Brought forward (Note-16.1)	15,326,366	15,266,221
		<b>37,412,641</b>	<b>110,951,466</b>
<b>16.1</b>	<b>Retained Earnings Brought Forward</b>		
	Opening balance 01 January 2011	110,951,466	94,953,821
	Bonus Shares issue - 2010	(95,625,100)	(79,687,600)
		<b>15,326,366</b>	<b>15,266,221</b>
<b>17.00</b>	<b>Acceptances and Endorsements</b>		
	Back to Back Bills	-	-
	Back to Back Bills (EDF)	-	-
	FI's Liabilities PAD (DEF)	-	-
		<b>-</b>	<b>-</b>
<b>17.1</b>	<b>Letter of Guarantees</b>		
	Money for which the FI is contingently liable in respect of guarantees are given favoring:		
	Directors	-	-
	Government	-	-
	Bank and other Financial Institutions	-	-
	Others ( <b>Note-17.1.1</b> )	-	-
		<b>-</b>	<b>-</b>
<b>17.1.1</b>	<b>Letter of Guarantees Others</b>		
	Local	-	-
	Foreign	-	-
		<b>-</b>	<b>-</b>
<b>17.2</b>	<b>Letter of Credit</b>		
	Inland	-	-
	General	-	-
		<b>-</b>	<b>-</b>

		<b>Amount in Taka</b>	
		<b>31-Dec-2011</b>	<b>31-Dec-2010</b>
<b>17.3</b>	<b>Bills for Collection</b>		
	Outward Bills for Collection	-	-
	Outward Foreign Bills for Collection	-	-
	Inward Bills for Collection	-	-
	Inward Foreign Bills for Collection	-	-
		<u>-</u>	<u>-</u>
<b>17.4</b>	<b>Other Contingent Liabilities</b>		
	FI's Liabilities (BLW)	-	-
		<u>-</u>	<u>-</u>
<b>18.00</b>	<b>Income Statement</b>		
	<b>Income</b>		
	Profit, Discount and Similar Income (Note-18.1)	528,315,665	444,396,051
	Dividend Income	5,971,998	2,893,659
	Fees, Commission and Brokerage	8,493,370	7,755,365
	Income from Investment in securities	53,496,083	139,774,872
	Other Operating Income	27,787,840	22,236,663
		<u><b>624,064,956</b></u>	<u><b>617,056,610</b></u>
	<b>Expenses</b>		
	Profit Paid on Deposits, Borrowings etc.	356,665,972	314,563,906
	Administrative expenses	92,020,829	80,813,224
	Depreciation on banking assets	4,566,066	4,627,285
		<u><b>453,252,867</b></u>	<u><b>400,004,415</b></u>
	<b>Operating Profit before Provision</b>	<u><b>170,812,089</b></u>	<u><b>217,052,195</b></u>
<b>18.1</b>	<b>Profit, Discount and Similar Income</b>		
	Income from Lease Finance	288,993,091	239,302,738
	Income from HPSM	165,721,919	143,742,479
	Income from BAIM & HDS	73,600,655	61,350,834
		<u><b>528,315,665</b></u>	<u><b>444,396,051</b></u>
<b>18.2</b>	<b>Income from Investment in Securities</b>		
	Income from Investment in securities	53,496,083	139,774,872
	Dividend Income	5,971,998	2,893,659
		<u><b>59,468,081</b></u>	<u><b>142,668,531</b></u>
<b>19.00</b>	<b>Profit paid on Deposits &amp; Borrowings etc.</b>		
	Profit on Deposits	303,600,431	253,883,050
	Profit on Refinance Bangladesh Bank	8,522,445	5,399,520
	Profit on Borrowings	44,543,096	55,281,336
		<u><b>356,665,972</b></u>	<u><b>314,563,906</b></u>
<b>20.00</b>	<b>Commission, Exchange &amp; Brokerage</b>		
	Fees, Commission etc.	8,493,370	7,755,365
		<u><b>8,493,370</b></u>	<u><b>7,755,365</b></u>
<b>21.00</b>	<b>Other Operating Income</b>		
	Profit on Bank Deposit	23,278,442	13,704,229
	Profit/(Loss) on Sales of Fixed Assets	-	347,215
	Other Income	4,509,398	8,185,219
		<u><b>27,787,840</b></u>	<u><b>22,236,663</b></u>

		Amount in Taka	
		31-Dec-2011	31-Dec-2010
<b>22.00</b>	<b>Salaries &amp; Allowances</b>		
	Basic Salary	18,766,904	15,015,945
	Bonus (Festival and Incentive)	5,949,645	5,074,527
	FI's Contribution to Employees Provident Fund	1,556,455	1,209,217
	House Rent	15,633,318	11,669,746
	Conveyance Allowance	795,276	575,809
	Medical Allowance	1,055,123	792,430
	Other Allowances	9,313,604	7,762,954
		<b>53,070,325</b>	<b>42,100,628</b>
<b>22.1</b>	<b>Managing Director's Salary And Fees</b>		
	Salary	2,479,500	2,479,500
	Other allowances	1,653,000	1,653,000
		<b>4,132,500</b>	<b>4,132,500</b>
<b>23.00</b>	<b>Rent, Taxes, Insurance, Lighting etc.</b>		
	Rent	4,214,328	4,024,269
	Insurance	239,123	286,989
	Lighting, Gas & Water	1,473,574	1,261,761
		<b>5,927,025</b>	<b>5,573,019</b>
<b>24.00</b>	<b>Legal Expenses</b>		
	Legal Fees & Charges	518,378	1,223,723
		<b>518,378</b>	<b>1,223,723</b>
<b>25.00</b>	<b>Stationery, Printing And Advertisement</b>		
	Printing & Stationery	769,362	524,487
	Advertisement	1,690,384	2,783,214
	Computer Expenses	589,255	565,843
		<b>3,049,001</b>	<b>3,873,544</b>
<b>26.00</b>	<b>Directors' Fees</b>		
	Director Fees	495,000	721,000
		<b>495,000</b>	<b>721,000</b>
<b>27.00</b>	<b>Depreciation And Repair Of Fixed Assets</b>		
	Depreciation on Fixed Assets ( <i>Note- 27.1</i> )	4,566,066	4,627,285
	Repairs & Maintenance	1,064,637	880,917
		<b>5,630,703</b>	<b>5,508,202</b>
<b>27.01</b>	<b>Depreciation on Fixed Assets (Annexure - A)</b>		
	Interior Decoration	669,984	720,474
	Mechanical Appliance	929,668	809,884
	Computer & Accessories	544,827	437,708
	Motor Vehicle	2,151,146	2,432,495
	Furniture & Fixture	270,441	226,724
		<b>4,566,066</b>	<b>4,627,285</b>

		Amount in Taka	
		31-Dec-2011	31-Dec-2010
<b>28.00</b>	<b>Other Expenses</b>		
	Bank Charges	613,919	347,666
	Car & Generator Expenses	1,162,243	998,156
	Website Expenses	151,500	125,000
	Training Expenses	216,731	166,528
	AGM Expenses	2,463,121	1,931,854
	ISO Expenses	51,750	-
	Fees & Subscription	4,001,085	5,564,473
	Entertainment Expenses	1,727,561	443,966
	Travelling Expenses	233,957	180,555
	Conveyance, Carriage & Freight	405,952	310,542
	Business Development	3,310,328	5,298,244
	Meeting Expenses	787,417	1,119,753
	Newspapers and Magazines	63,129	59,790
	Crockeries & Accessories	36,800	3,050
	Office Maintenance	875,481	811,295
	Gratuity	5,817,225	2,438,346
	Miscellaneous Expenses	440,084	1,270,219
		<b>22,358,283</b>	<b>21,069,437</b>
<b>29.00</b>	<b>Provision against Lease, Loans and Investments</b>		
	Provision against Un Classified Loans (note-12.3)	6,679,863	3,720,316
	Provision against Classified Loans (note-12.3)	(25,042,292)	2,898,398
	Provision against Investment (note-12.4)	121,364,040	42,190,454
		<b>103,001,611</b>	<b>48,809,168</b>
<b>30.00</b>	<b>Earning Per Share(EPS)</b>		
	Net Profit after Tax	27,607,844	123,856,556
	Number of Ordinary Shares outstanding (2010 : Adjusted for bonus share)	69,328,240	69,328,240
	<b>Earning Per Share (EPS)</b>	<b>0.40</b>	<b>1.79</b>
	EPS has been calculated in accordance with BAS-33. Previous year's EPS (Tk 2.09) have been adjusted for the issue of 9,562,510 Bonus Share for 2010.		
<b>31.00</b>	<b>Net Asset Value (NAV) per Share</b>		
	Total Assets	4,907,258,099	4,432,816,959
	Total Liabilities	(3,945,891,709)	(3,505,232,909)
	<b>Net Asset Value (NAV)</b>	<b>961,366,390</b>	<b>927,584,050</b>
	Number of share outstanding (2010 : Adjusted for bonus share)	69,328,240	69,328,240
	<b>Net Asset Value (NAV) per Share</b>	<b>13.87</b>	<b>13.38</b>
<b>32.00</b>	<b>Number of Employees</b>		
	The number of employees engaged for the whole year or part thereof who received a total remuneration of BDT 36,000 or above were 100.		

**33.00 Board Meeting and Directors' remuneration**

Each Director is paid Tk 5,000 for attending each Board meeting. No remuneration or special payment was paid to the directors for attending Board meetings or otherwise during the year 2011. During the year under audit thirteen Board of Director's meetings were held.

**34.00** The company had no receivable from the directors on 31.12.2011

**35.00 Appropriation during the year**

In accordance with BAS 1 "Presentation of Financial Statement", the appropriations for the year is reflected in the statement of changes in equity.

**36.00 Claims against the company not acknowledged as debt**

There was no claim at the balance sheet date.

**37.00 Contingent Liabilities**

There was a Contingent Liabilities at the balance sheet date.

**38.00 Related Party Disclosure**

**38.01** Name of Directors and their interest in the FI and different entities-shown in **Annexure-C**.

**38.02** Particulars about the members of the Audit Committee: Shown in **Annexure-D**.

**38.03** Related Party Transaction : **Nil**

Sd/-  
**(Quazi Aziz Arshad)**  
Deputy Managing Director & CFO

Sd/-  
**(M. Rabiul Islam)**  
Managing Director

Sd/-  
**(A. K. M. Sakhawat)**  
Director

Sd/-  
**(Liaquat Hossain Moghul)**  
Director

**Dated: 19th March 2012**

Place: Dhaka

## STATEMENT OF PROPERTY, PLANT &amp; EQUIPMENT

Asset Category	Cost						Depreciation			Net Book value as on 31-Dec-11
	Balance as at 01-Jan-11	Addition/ Adjust during the year	Disposal during the year	Balance as at 31-Dec-11	Rate %	Charged during the year	Disposal/ Adjust during the year	Balance as at 31-Dec-11		
									Amount in Taka	
Interior Decoration	11,596,578	-	-	11,596,578	10%	669,984		5,566,722	6,029,856	
Mechanical Appliance	7,621,747	3,292,594		10,914,341	20%	929,668		5,114,282	5,800,059	
Computer & Accessories	4,376,912	510,832		4,887,744	25%	544,827		2,984,761	1,902,983	
Motor Vehicle	17,896,965	109,200		18,006,165	20%	2,151,146		9,152,918	8,853,247	
Furniture & Fixture	3,406,259	1,454,003		4,860,262	10%	270,441		1,638,546	3,221,716	
Land & Building	-	83,321,489		83,321,489				-	83,321,489	
<b>Total as on 2011</b>	<b>44,898,461</b>	<b>88,688,118</b>	<b>-</b>	<b>133,586,579</b>		<b>4,566,066</b>	<b>-</b>	<b>24,457,229</b>	<b>109,129,350</b>	
<b>Total as on 2010</b>	<b>40,586,790</b>	<b>6,159,000</b>	<b>1,847,329</b>	<b>44,898,461</b>		<b>4,627,285</b>	<b>1,106,243</b>	<b>19,891,163</b>	<b>25,007,298</b>	

## SHARES HELD FOR TRADING

Sl. No.	Name Of Company	Amount in Taka			
		Shares in Hand	Book Value of Investment	Market Value of Investment	Provision Required
1	Shahjalal Islami Bank Limited	415,256	17,743,645	13,495,820	4,247,825
2	Exim Bank Limited	50,000	1,232,255	1,390,000	-
3	Al- Arafah Islami Bank Ltd.	450,000	18,626,091	17,010,000	1,616,091
4	Social Islami Bank Ltd.	216	5,682	5,659	23
5	MI Cement Factory Ltd.	2,096	216,374	231,608	-
6	Summit Power Limited	13,600	1,053,939	1,011,840	42,099
7	ACI Limited	125,000	51,932,479	25,825,000	26,107,479
8	MJL Bangladesh Ltd.	16,045	1,604,533	1,602,895	1,638
9	National Tubes	60,000	5,202,874	3,924,000	1,278,874
10	Ocean Containers Ltd.	375,000	57,789,658	24,712,500	33,077,158
11	Khulna Power Company Ltd.	391,012	50,594,493	24,555,554	26,038,939
12	Grameen Phone	188,000	54,634,203	30,738,000	23,896,203
13	Rak Ceramics(Bangladesh) Ltd.	10,009	767,816	784,706	-
14	Beximco Ltd.	235,000	43,849,837	26,555,000	17,294,837
15	IFIL Islamic Mutual Fund-1	10,000,000	100,000,000	63,000,000	37,000,000
		<b>12,331,234</b>	<b>405,253,879</b>	<b>234,842,582</b>	<b>170,601,166</b>

## NAME OF THE DIRECTORS OF IFIL AND THEIR INTEREST IN OTHER DIFFERENT ENTITIES

Name	Status in the FI's	Name of firms/ Companies in which interested
Janab Feroz Alam	Chairman	Comfit Composite Knit Ltd. Youth Fashion Ltd. Chowdhury Apparels (Pvt.) Ltd Shahjibazar Power Co. Ltd. Youth Garments Ltd Petromax Refinery Ltd.
Janab Mostanser Billa	Vice-Chairman	Youth Spinning Mills Ltd. Youth Hatchery & Agro Ltd. International Holdings Ltd.
Janab Mazibur Rahman Khan	Vice-Chairman	Olympic Cement Ltd. Rahman Traders Khan Enterprise
Janab Liaquat Hossain Moghul	Director	Colour Stitch Ltd. Colour Accessories Colour Wear Ltd. Eastern University International Holdings Ltd.
Janab Md. Fazlul Hoque	Director	Trade Com. Trade Consortium Daika (Chemiland) Ltd.
Janab Afzalur Rahman	Director	Youth Spinning Mills Ltd. Youth Hatchery & Agro Ltd. International Holdings Ltd.
Mrs. Kazi Mahbuba Akhter	Director	Lucky Star Apparels Ltd. A. J. MediaLtd. A .J. Fashion Ltd. Sears Accessories Ltd.
Janab Abu Khair Mohammed Sakhawat	Director	Comptex(BD) Ltd. Robin Knitwear Ltd. Eastern University Robintex(BD) Ltd. International Holdings Ltd. Robin Apparels Ltd. Jamuna Bank Ltd.
Janab Abul Quasem Haider	Director	Youth Spinning Mills Ltd. Youth Hatchery & Agro Ltd. International Holdings Ltd.
M. Azizul Huq	Independent Director	N/A



## ISLAMIC FINANCE &amp; INVESTMENT LTD

## AUDIT COMMITTEE

Sl. No.	Name	Status held in the FI	Status held in the Audit Committee	Date of Appointment	Educational Qualification
1.	Janab M.Azizul Haq	Independent Director	Chairman	from 31.05.11 to till date	M.A
2.	Janab Liaquat Hossain Moghul	Director	Member	Joined on 31.10.2011	B.Sc.
3.	Janab Mostanser Billa	Vice-Chairman	Member	up to 31.05.2011	B.Com.
4.	Janab Md. Fazlul Hoque	Director	Member	from 31.05.11 to till date	B.Sc.
5.	Janab Afzalur Rahman	Director	Member	from 31.05.11 to till date	Diploma in Apparel Manufacture & Technology.(AMT) England
6.	Janab A.K.M Sakhawat	Director	Member	Joined on 31.10.2011	M.Sc., Textile Engineer.

No. of meeting held by the committee during the year 2011

Sl. No.	Meeting Particulars	Meeting held on
1.	23th Audit committee meeting	30.03.11
2.	24th Audit committee meeting	23.06.11
3.	25th Audit committee meeting	17.10.11
4.	26th Audit committee meeting	26.12.11

The Audit Committee, in the above 04 (four) meetings, held during the year 2011, discussed many issue, some of which are :-

1. Annual financial statement.
2. To review /discuss on audit finding of Internal Auditor.
3. Compliance report on observation, recommendation and decisions of the Audit Committee Meetings.
4. Position of pending court cases filed against the defaulting borrowers of IFIL.
5. Audit and Inspection report on branches as well as various division of Head Office conducted by Internal Control & compliance division, Head office during the year 2011.
6. Highlights from the Bangladesh Bank Comprehensive Inspection report on branches as well as various Divisions of Head Office of IFIL.
7. Observation of Bangladesh Bank on Anti-Money Laundering Department of IFIL and reporting of branch wise number of STR to Bangladesh Bank against number of Clients in each branch.
8. Risk-based Internal Audit & Inspection Plan for the year 2011.
9. Monthly Progress report of Principal Branch for the delinquent clients.
10. Management report on the financial statements of IFIL for the year 2010.

**AUDITORS' REPORT  
OF  
ISLAMIC FINANCE & INVESTMENT LIMITED**

Under section 135(1) and paragraph 24(1) and 25 of Part -II of Third Schedule of the Companies Act 1994  
AND  
Under Rule 8 (i) of Securities and Exchange Commission (Rights Issue) Rules, 2006

We have examined the Financial Statements of **Islamic Finance and Investment Limited** for the year ended 31 December 2010 and 2011 and those for the year ended 31 December 2007, 2008 and 2009 audited by **Howladar Yunus & Co.**, Chartered Accountants.

The preparation of these financial statements is the responsibility of the company's management.

Our responsibility is to review the relevant audited financial statements and confirm that the related information have been correctly extracted from those audited financial statements.

**We report that :**

- i) The company was incorporated on 27 February 2001 ;
- ii) The statement of operating results of the company ;

**ISLAMIC FINANCE AND INVESTMENT LIMITED  
PROFIT AND LOSS ACCOUNT**

	Amount in Taka				
	2011	2010	2009	2008	2007
Profit on Investment	528,315,665	444,396,051	412,875,922	345,037,497	291,891,575
Less: Profit Paid on Deposits, Borrowings etc.	356,665,972	314,563,906	295,915,430	252,802,642	198,576,333
<b>Net Investment Income</b>	<b>171,649,693</b>	<b>129,832,145</b>	<b>116,960,492</b>	<b>92,234,855</b>	<b>93,315,242</b>
Income from Investment in securities	59,468,081	142,668,531	70,599,442	31,805,743	23,215,722
Commission, Exchange and Brokerage	8,493,370	7,755,365	6,820,121	4,638,678	4,045,941
Other Operating Income	27,787,840	22,236,663	3,118,315	4,362,971	5,674,369
<b>Total Operating Income</b>	<b>95,749,291</b>	<b>172,660,559</b>	<b>80,537,878</b>	<b>40,807,392</b>	<b>32,936,032</b>
<b>Total Operating Expenses</b>	<b>267,398,984</b>	<b>302,492,704</b>	<b>197,498,370</b>	<b>133,042,247</b>	<b>126,251,274</b>
Salaries and allowances	53,070,325	42,100,628	31,733,260	20,826,476	14,221,467
Rent, Taxes, Insurances, Electricity etc.	5,927,025	5,573,019	5,219,007	4,248,985	3,030,712
Legal Expenses	518,378	1,223,723	402,365	129,278	256,206
Postage, Stamps, Telecommunication etc.	1,320,680	1,153,456	1,075,229	844,626	843,929
Stationery, Printings, Advertisements etc.	3,049,001	3,873,544	1,748,832	1,152,976	760,165
Managing Director's Salary and Allowances	4,132,500	4,132,500	4,132,500	3,070,000	2,324,877
Directors' Fees	495,000	721,000	533,600	515,200	444,000
Auditors' Fees	85,000	85,000	83,600	75,000	70,000
Depreciation and Repair of Fixed Assets	5,630,703	5,508,202	5,429,902	4,435,841	5,003,207
Other Expenses	22,358,283	21,069,437	12,656,086	11,875,731	11,779,164
<b>Total Operating Expenses</b>	<b>96,586,895</b>	<b>85,440,509</b>	<b>63,014,381</b>	<b>47,174,113</b>	<b>38,733,727</b>
<b>Profit before Provision</b>	<b>170,812,089</b>	<b>217,052,195</b>	<b>134,483,989</b>	<b>85,868,134</b>	<b>87,517,547</b>
Provision against Lease, Loans and Investments	103,001,611	48,809,168	17,904,101	23,354,348	25,545,281
<b>Total Profit before Taxes</b>	<b>67,810,478</b>	<b>168,243,027</b>	<b>116,579,888</b>	<b>62,513,786</b>	<b>61,972,266</b>
<b>Provision for Taxation</b>	<b>40,202,634</b>	<b>44,386,471</b>	<b>(25,035,455)</b>	<b>5,677,875</b>	<b>10,729,729</b>
Current Tax	39,383,847	38,359,355	6,291,504	5,225,973	729,729
Deferred Tax	818,787	6,027,116	(31,326,959)	451,902	10,000,000
<b>Net Profit after Taxation</b>	<b>27,607,844</b>	<b>123,856,556</b>	<b>141,615,343</b>	<b>56,835,911</b>	<b>51,242,537</b>
Retained Surplus brought forward from previous year	15,326,366	15,266,221	6,661,547	6,558,418	6,782,138
	<b>42,934,210</b>	<b>139,122,777</b>	<b>148,276,890</b>	<b>63,394,329</b>	<b>58,024,675</b>
<b>Appropriations</b>					
Statutory Reserve	5,521,569	24,771,311	28,323,069	11,367,182	10,248,507
Dividend Equalization Fund	-	1,700,000	20,000,000	1,400,000	-
Special Reserve Fund	-	1,700,000	5,000,000	-	-
Retained Surplus	37,412,641	110,951,466	94,953,821	50,627,147	47,776,168
	<b>42,934,210</b>	<b>139,122,777</b>	<b>148,276,890</b>	<b>63,394,329</b>	<b>58,024,675</b>
Earning Per Share (EPS) (2010, 2009, 2008 & 2007 : restated)	<b>0.40</b>	<b>1.79</b>	<b>2.04</b>	<b>0.82</b>	<b>0.74</b>

Dated, Dhaka  
22 April 2012

Sd/-  
**(M. Rabiul Islam)**  
Managing Director  
Islamic Finance & Investment Ltd.  
Head Office, Dhaka

Sd/-  
**M. J. ABEDIN & CO.**  
Chartered Accountants

iii) The statement of Assets and Liabilities

ISLAMIC FINANCE AND INVESTMENT LIMITED  
BALANCE SHEET

	Amount in Taka				
	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
<b>PROPERTY AND ASSETS</b>					
<b>Cash</b>	<b>61,888,298</b>	<b>65,011,054</b>	<b>41,942,526</b>	<b>21,543,794</b>	<b>24,190,178</b>
Cash in hand (including foreign currencies)	3,138,116	2,965,975	3,099,165	994,909	6,537,147
Balance with Bangladesh Bank & Sonali Bank (Including foreign currencies)	58,750,182	62,045,079	38,843,361	20,548,885	17,653,031
<b>Balance with other Banks and Financial Institutions</b>	<b>202,788,333</b>	<b>414,816,169</b>	<b>270,800,836</b>	<b>84,432,471</b>	<b>71,089,595</b>
In Bangladesh	202,788,333	414,816,169	270,800,836	84,432,471	71,089,595
Outside Bangladesh	-	-	-	-	-
<b>Money at Call on Short Notice</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Investments in Shares and Securities</b>	<b>406,823,329</b>	<b>376,515,850</b>	<b>308,994,397</b>	<b>204,866,073</b>	<b>99,978,082</b>
Government	-	-	-	-	-
Others	406,823,329	376,515,850	308,994,397	204,866,073	99,978,082
<b>Investment</b>	<b>3,781,092,287</b>	<b>3,196,875,033</b>	<b>2,777,422,645</b>	<b>2,410,008,036</b>	<b>2,051,821,448</b>
General Investment	3,781,092,287	3,196,875,033	2,777,422,645	2,410,008,036	2,051,821,448
Bills Purchased and Discounted	-	-	-	-	-
Fixed Assets including Premises, Furniture and Fixtures	109,129,350	25,007,298	24,216,669	24,954,446	19,825,942
Other Assets	345,536,502	354,591,555	101,889,516	100,791,632	71,930,922
Non banking Assets	-	-	-	-	-
<b>Total Assets</b>	<b>4,907,258,099</b>	<b>4,432,816,959</b>	<b>3,525,266,589</b>	<b>2,846,596,452</b>	<b>2,338,836,167</b>
<b>LIABILITIES AND CAPITAL</b>					
<b>Liabilities</b>					
<b>Borrowings from other Banks, Financial Institutions and Agents</b>	<b>482,741,494</b>	<b>509,049,728</b>	<b>582,247,417</b>	<b>530,935,025</b>	<b>495,361,455</b>
<b>Deposits and Other Accounts</b>	<b>2,928,931,719</b>	<b>2,608,664,749</b>	<b>2,147,617,662</b>	<b>1,688,752,551</b>	<b>1,305,327,786</b>
Mudaraba Term Deposits	2,682,826,182	2,397,007,853	1,998,340,928	1,566,070,971	1,219,180,181
Bills Payable	-	-	-	-	-
Deposit Others	6,567,988	6,477,673	3,856,754	5,529,128	4,871,816
Lease Deposits	41,297,940	49,833,256	43,409,688	48,671,164	41,627,611
Bearer Certificates of Deposits	-	-	-	-	-
Deposits under Schemes	198,239,609	155,345,967	102,010,292	68,481,288	39,648,178
<b>Other Liabilities</b>	<b>534,218,496</b>	<b>387,518,432</b>	<b>277,611,310</b>	<b>250,734,019</b>	<b>177,590,230</b>
<b>Total Liabilities</b>	<b>3,945,891,709</b>	<b>3,505,232,909</b>	<b>3,007,476,389</b>	<b>2,470,421,595</b>	<b>1,978,279,471</b>
<b>Capital/Shareholders' Equity</b>					
Paid-up Capital	693,282,400	592,375,000	318,750,600	274,785,000	274,785,000
Share Premium Account	92,892,690	92,000,494	-	-	-
Statutory Reserve	107,978,659	102,457,090	77,685,779	49,362,710	37,995,528
Other Reserve	29,800,000	29,800,000	26,400,000	1,400,000	-
Surplus in Profit & Loss Account	37,412,641	110,951,466	94,953,821	50,627,147	47,776,168
<b>Total Shareholders' Equity</b>	<b>961,366,390</b>	<b>927,584,050</b>	<b>517,790,200</b>	<b>376,174,857</b>	<b>360,556,696</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>4,907,258,099</b>	<b>4,432,816,959</b>	<b>3,525,266,589</b>	<b>2,846,596,452</b>	<b>2,338,836,167</b>

Dated, Dhaka  
22 April 2012

Sd/-  
**(M. Rabiul Islam)**  
Managing Director  
Islamic Finance & Investment Ltd.  
Head Office, Dhaka

Sd/-  
**M. J. ABEDIN & CO.**  
Chartered Accountants

**ISLAMIC FINANCE AND INVESTMENT LIMITED**  
**OFF-BALANCE SHEET ITEMS**

	Amount in Taka				
	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
<b><u>CONTINGENT LIABILITIES</u></b>					
Acceptances and Endorsements	-	-	-	-	-
Letters of Guarantee	-	-	110,000,000	101,528,000	-
Irrevocable Letters of Credit	25,625,350	-	-	-	-
Bills for Collection	-	-	-	-	-
Other Contingent Liabilities	-	-	-	-	-
	<b>25,625,350</b>	<b>-</b>	<b>110,000,000</b>	<b>101,528,000</b>	<b>-</b>
<b><u>OTHER COMMITMENTS</u></b>					
Documentary credits and short term trade related transaction	-	-	-	-	-
Forward assets purchased and forward deposits placed	-	-	-	-	-
Undrawn note issuance and revolving underwriting facilities	-	-	-	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Off-Balance Sheet items including contingent liabilities</b>	<b>25,625,350</b>	<b>-</b>	<b>110,000,000</b>	<b>101,528,000</b>	<b>-</b>

Dated, Dhaka  
22 April 2012

Sd/-  
**M. J. ABEDIN & CO.**  
Chartered Accountants

Sd/-  
**(M. Rabiul Islam)**  
Managing Director  
Islamic Finance & Investment Ltd.  
Head Office, Dhaka

iv) The Statement of Cash Flow

ISLAMIC FINANCE AND INVESTMENT LIMITED  
CASH FLOW STATEMENT

	Amount in Taka				
	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
<b>A. Cash Flow from Operating Activities</b>					
Investment Profit receipts	581,788,727	584,441,857	523,172,157	369,832,738	284,072,172
Profit Paid on Deposits	(347,585,018)	(332,423,380)	(281,962,997)	(231,304,974)	(179,387,787)
Fees & Commission receipt	8,493,370	7,755,365	6,820,121	4,638,678	4,045,941
Cash Payments to Employees	(57,202,825)	(46,233,128)	(35,865,760)	(23,896,476)	(14,147,834)
Cash Payments to Suppliers	(3,049,001)	(3,873,544)	(1,748,832)	(1,152,976)	(760,165)
Income Tax Paid	(29,203,207)	(12,072,287)	(2,253,147)	2,589,599	(347,333)
Receipts from other Operating activities	27,787,840	21,889,448	3,153,359	4,411,480	4,070,779
Payments for other Operating activities	(31,769,003)	(30,706,552)	(13,779,626)	(47,545,989)	(68,155,347)
<b>Operating Profit before changes in Operating Assets &amp; Liabi</b>	<b>149,260,883</b>	<b>188,777,779</b>	<b>197,535,275</b>	<b>77,572,080</b>	<b>29,390,426</b>
<b>Changes in Operating Assets and Liabilities</b>					
Investment (Loans and Advances) to Customers	(584,217,254)	(419,452,388)	(367,414,609)	(378,459,013)	(157,118,623)
Other Assets	44,253,279	(164,119,234)	(38,541,530)	(4,167,382)	(2,918,459)
Deposits from other Banks	285,000,000	(400,002,550)	(320,071,350)	205,073,900	79,076,600
Deposits received from Customers	35,266,970	861,049,637	778,936,461	170,409,287	65,410,000
Other Liabilities	(5,585,135)	34,570,957	12,924,858	59,587,699	14,033,980
	<b>(225,282,140)</b>	<b>(87,953,578)</b>	<b>65,833,830</b>	<b>52,444,491</b>	<b>(1,516,502)</b>
<b>Net Cash from Operating Activities</b>	<b>(76,021,257)</b>	<b>100,824,201</b>	<b>263,369,105</b>	<b>130,016,571</b>	<b>27,873,924</b>
<b>B. Cash flows from Investing Activities</b>					
Proceeds from Sale of fixed assets	-	1,088,301	1,663,200	1,147,603	1,245,000
Payment for purchases of securities	(30,307,479)	(67,521,453)	(104,128,324)	(104,887,991)	(96,640,843)
Purchases/sales of Property, Plant & Equipments	(88,688,118)	(80,046,793)	(5,449,276)	(9,935,511)	(5,732,916)
<b>Net Cash from Investing Activities</b>	<b>(118,995,597)</b>	<b>(146,479,945)</b>	<b>(107,914,400)</b>	<b>(113,675,899)</b>	<b>(101,128,759)</b>
<b>C. Cash flows from Financing Activities</b>					
Receipts from loan/(borrowing) & debts securities	(26,308,234)	(73,197,689)	51,312,392	35,573,570	115,748,212
Share Capital	5,282,300	193,936,800	-	-	-
Share premium account less share issue expense	892,196	92,000,494	-	-	-
Dividend Paid	-	-	-	(41,217,750)	(34,348,125)
<b>Net Cash from Financing Activities</b>	<b>(20,133,738)</b>	<b>212,739,605</b>	<b>51,312,392</b>	<b>(5,644,180)</b>	<b>81,400,087</b>
<b>D. Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A+B+</b>	<b>(215,150,592)</b>	<b>167,083,861</b>	<b>206,767,097</b>	<b>10,696,492</b>	<b>8,145,252</b>
E. Effect of Exchange rate changes on cash & cash equivalents	-	-	-	-	-
F. Cash and cash equivalents at the beginning of the year	479,827,223	312,743,362	105,976,265	95,279,773	87,134,521
<b>G. Cash and cash equivalents at the end of the year (D+E)</b>	<b>264,676,631</b>	<b>479,827,223</b>	<b>312,743,362</b>	<b>105,976,265</b>	<b>95,279,773</b>
<b>v) Dividend Declared:</b>					
Cash dividend-%	-	-	-	-	15%
Stock dividend (Bonus shares)-%	10%	16%	25%	16%	-

vi) No proceeds or part of proceeds of the issue of shares shall be applied directly or indirectly by the company in the purchase of any other business;

vii) The Company did not prepare any financial statements for any period subsequent to 31 December 2011 and

viii) Figures related to previous years have been rearranged wherever considered necessary.

Dated, Dhaka  
22 April 2012

Sd/-  
**M. J. ABEDIN & CO.**  
Chartered Accountants

Sd/-  
**(M. Rabiul Islam)**  
Managing Director  
Islamic Finance & Investment Ltd.



## Credit Rating Report (Surveillance) Islamic Finance & Investment Limited

Ratings		
Long Term	BBB <sub>1</sub>	
Short Term	ST-3	

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Previous Ratings		
Date of Rating	Long Term	Short Term
15 April 2010	BBB <sub>2</sub>	ST-3

**Date of Rating:** 28 September 2011

**Validity:** 30 June 2012

**Rating Based on:** Audited financial statement up to 31 December 2010, and other relevant quantitative as well as qualitative information up to the date of rating declaration.

**Methodology:** CRAB's Financial Institutions Rating Methodology ([www.crab.com.bd](http://www.crab.com.bd))

**Analysts:**

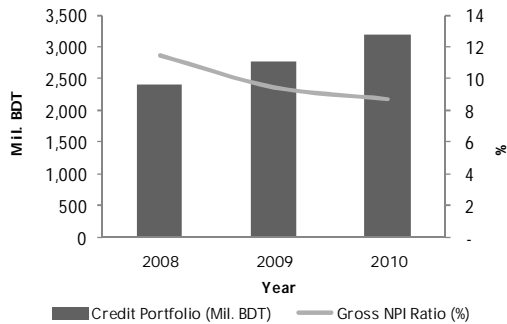
**Fareba Naz Shaule**

fareba.naz@crab.com.bd

**Shahtaj Noor**

shahtaj.noor@crab.com.bd

Financial Highlights	Year ended December 31	
	2010	2009
ROAA (after tax) %	3.1	4.4
Cost to Income Ratio %	28.2	31.9
Gross NPI Ratio %	8.7	9.5
SMA to Total Investment %	3.8	9.4
Investment to Deposit Ratio %	122.5	129.3
Total Investments (Mil. BDT)	3,196.9	2,777.4
Total Deposits (Mil. BDT)	2,608.7	2,147.6



**PROFILE**

Islamic Finance & Investment Limited hereinafter referred to as "IFIL" or "the Company" is a Financial Institution based on Islamic Shariah incorporated in Bangladesh on February 27, 2001. The Company went for public issue in 2005 and its shares are listed in both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

As on 31<sup>st</sup> December 2010 the Company has paid up capital of BDT 592.4 million. As a full-fledged financial institution the Company mobilizes resources through different deposits schemes and extend investments. IFIL has six (6) Branch Offices at Dhaka, Chittagong, Bogra and Narayanganj.

**RATIONALE**

Credit Rating Agency of Bangladesh Limited (CRAB) has upgraded the long term rating of IFIL to "BBB<sub>1</sub>" (pronounced Triple B one) and retained the short term rating to "ST-3". CRAB performed the rating based on audited financial statements up to 31<sup>st</sup> December 2010 and other relevant information.

Financial Institutions rated 'BBB<sub>1</sub>' have adequate capacity to meet their financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the Financial Institutions to meet their financial commitments. BBB<sub>1</sub> rated FIs are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

Financial Institutions rated ST-3 are considered to have average capacity for timely repayment of obligations, although such capacity may be impaired by



adverse changes in business, economic, or financial conditions. Financial Institutions rated in this category are characterized with satisfactory level of liquidity, internal fund generation, and access to alternative sources of funds.

The rating reflects the Company's strength in moderate profitability, improving asset quality and liquidity position. However, the rating is constrained by high exposure in capital market.

During 2010 the composition of operating income changed than that of 2009. In 2010 income from investment in securities dominated the revenue stream having 47.2% of total operating income. IFIL's net investment margin decreased marginally in 2010 resulted from reduced profit margin. Net profit margin also reduced substantially resulted from higher provision and tax expenses. In 2010 provision expenses grew by 172.6% resulted from higher provision expenses for diminution in value of investments. Return on average assets declined by 1.3 percentage points and return on average equity also declined by 14.5 percentage points resulted from decrease in profit after tax as well as increase in capital through issuance of right share.

In 2010 investment in securities of the Company reached BDT 376.5 million registering a growth of 80.2%. Of the total investment 73.2% belonged to shares. But stock market is characterized by high levels of volatility, risk and uncertainty which already affected the securities portfolio as the market value of the portfolio was BDT 344.8 million against cost value of BDT 376.5 million as on 31st December 2010. Moreover, as on 30<sup>th</sup> June 2011 the required provision for diminution in value of investments increased to BDT 79.2 million from BDT 42.2 million.

In 2010 general investments of the Company had a growth of 15.1% and reached BDT 3,196.9 million. General investment portfolio of IFIL was dominated by housing sector (27.9%). Other major exposures belonged to trade and commerce (11.5%), transport and aviation (10.8%) and textile sector (7.1%). Non performing investments in 2010 reached BDT 279 million which was 8.7% (2009:9.5%) of total portfolio. The Company managed to reduce gross NPI ratio to 7.9% in June 2011. In 2010 fresh NPI generation grew substantially by 15.1% and rescheduling decreased by 60.9%. During the period, Company's recovery increased to BDT 39 million and written off decreased to BDT 5.7 million. Moreover, Company's special mention account (SMA) to investments was 3.8% in 2010 which was 9.4% in 2009. At the end of June 2011, SMA to investments subsequently improved to 0.77%

Of the total deposits & borrowings 16.3% was generated from borrowings and 83.7% was from deposits & other accounts. The assets liability maturity buckets of IFIL shows positive liquidity gap in all the buckets.

As per Bangladesh Bank regulation the minimum paid up capital of any financial institution should be raised to BDT 1,000 million within 30 June 2012 against which IFIL had paid up capital of BDT 592.4 million as on 31<sup>st</sup> December 2010. In 2010 total capital (tier1+tier2) of the Company was BDT 956.6 million (2009: BDT 542.7 million). Total equity to total liability of IFIL was 26.5% in 2010 (2009:17.2%).

## ■ OPERATIONAL PERFORMANCE

### Earnings & Volatility

During 2010 the composition of operating income changed than that of 2009. In 2010 income from investment in securities dominated the revenue stream having 47.2% of total operating income followed by net investment income. IFIL's profit on investment grew marginally backed by 15.1% growth in general investments. In 2010, though the borrowings decreased marginally, profit paid on deposits & borrowings increased due to increase in deposit collection. In 2010 net investment income grew by 11%.

**Table 1**  
Segregation of Revenue

(Mil. BDT)	--Year ended December 31--					
	2010			2009		
	Amount	% of Total	Growth	Amount	% of Total	Growth
Net Investment Income	129.8	42.9	11.0	117.0	59.2	26.8
Income from Investment in Securities	142.7	47.2	102.1	70.6	35.7	122.0
Commission, Exchange & Brokerage	7.8	2.6	13.7	6.8	3.5	47.0
Other Operating Income	22.2	7.4	613.1	3.1	1.6	(28.5)
Total Operating Income	302.5	100.0	53.2	197.5	100.0	48.4

Income from investment in securities grew by 102.1% backed by capital gain from stock market investment. Other operating income of IFIL increased by 7.1 times backed by profit on bank deposits.

**Table 2**

Key Performance Indicators				
(Mil. BDT)	--Year ended December 31--			
	2010		2009	
	Amount	Growth	Amount	Growth
Profit on Investment	444.4	7.6	412.9	19.7
Profit Paid on Deposits, Borrowings etc.	314.6	6.3	295.9	17.1
Net Investment Income	129.8	11.0	117.0	26.8
Income from Investment in Securities	142.7	102.1	70.6	122.0
Commission, Exchange & Brokerage	7.8	13.7	6.8	47.0
Other Operating Income	22.2	613.1	3.1	(28.5)
Total Operating Income	302.5	53.2	197.5	48.4
Total Operating Expenses	85.4	35.6	63.0	33.6
Pre Provision Profit	217.1	61.4	134.5	56.6
Total Provision	48.8	172.6	17.9	(23.3)
Profit (before tax)	168.2	44.3	116.6	86.5
Tax Provision	44.4	n.a	(25.0)	(540.9)
Profit (after tax)	123.9	(12.5)	141.6	149.2

Operating expenses of the Company comprises of personnel expenses (about 54.1% of operating expenses), infrastructure cost and other overhead cost, registering a growth of 45.7%. Cost to income ratio reduced by 3.7 percentage points due to high growth in operating income than that of operating expenses. Staff cost to income ratio also decreased due to same reason.

**Table 3**

Operating Cost Ratios			
%	--Year ended December 31--		
	2010	2009	2008
Cost to Income Ratio *	28.2	31.9	35.5
Staff Cost to Income Ratio *	15.3	16.1	15.7

\* Income is net of profit paid on deposits, borrowings etc.

PLFL's pre provision profit increased by 61.4% and total provision expenses grew by 172.6% resulted from higher provision expenses for diminution in value of investments. Therefore, profit after tax declined by 12.5%.

## Profitability

**Table 4**

Profitability Ratios		
	--Year ended December 31--	
	2010	2009
Net Investment Margin (%)	4.0	4.3
Net Profit Margin (after tax) (%)	40.9	71.7
Asset Utilization (%)	7.6	6.2
Return on Avg. Assets (after tax) (%)	3.1	4.4
Leverage Multiplier (times)	5.5	7.1
Return on Avg. Equity (after tax) (%)	17.1	31.7



In 2010 IFIL's net investment margin decreased marginally resulted from reduced profit margin. Net profit margin also reduced substantially resulted from higher provision and tax expenses. As a result return on average assets declined by 1.3 percentage points. In 2010 Company improved its leverage position to 5.5 times from 7.1 times. Return on average equity also declined by 14.5 percentage points resulted from decrease in profit after tax.

### Asset Evaluation

In 2010 total assets of the Company reached BDT 4,432.8 million registering a growth of 25.7%. Assets of the Company was mainly dominated by general investments (72.1% of total assets) and followed by investments in shares & securities (8.5% of total assets). Other assets which include receivables, advance corporate tax etc consists 8% of total assets.

**Table 5**
**Asset Composition**

(Mil. BDT)	--Year ended December 31--					
	2010			2009		
	Amount	% of Total	Growth	Amount	% of Total	Growth
Cash in Hand & with BB	65.0	1.5	55.0	41.9	1.2	94.7
Balance with Other Banks & FIs	414.8	9.4	53.2	270.8	7.7	220.7
Investments in Shares & Securities	376.5	8.5	80.2	209.0	5.9	2.0
General Investments	3,196.9	72.1	15.1	2,777.4	78.8	15.2
Fixed Assets	25.0	0.6	3.3	24.2	0.7	(3.0)
Other Assets	354.6	8.0	75.6	201.9	5.7	100.3
Total Assets	4,432.8	100.0	25.7	3,525.3	100.0	23.8

### Investment in Securities

In 2010 IFIL's investment portfolio in securities reached BDT 376.5 million registering a growth of 80.2%. Of the total investment 73.2% was made in shares of 13 different companies which were held for trading. Other investments were made in IFIL Islamic Mutual Fund and CDBL. The market value of the total investment portfolio was BDT 344.8 million against cost value of BDT 376.5 million as on 31<sup>st</sup> December 2010. The Company made BDT 42.2 million provision due to fall in market value of securities. During the year Company realized BDT 139.8 million profits from sale of securities. The yield on investment was 48.7% in 2010 (2009: 34.1%).

### Credit Quality

Company's non-performing investments (NPI) in 2010 reached BDT 279 million which was 8.7% (2009: 9.5%) of total portfolio. In 2010 fresh NPI generation grew substantially by 15.1% and rescheduling decreased by 60.9%. During the period, Company's recovery also increased to BDT 39 million (1.2% of total investment portfolio). Moreover, the Company had written off BDT 5.7 million which was BDT 16.8 million in 2009. Of the total NPI, 75.8% belonged to bad & loss category followed by 14.2% substandard and 10% doubtful.

**Table 6**
**Key Performance Indicators**

(Mil. BDT)	--Year ended December 31--					
	2010		2009		2008	
	Amount	% of General Investments	Amount	% of General Investments	Amount	% of General Investments
Opening Balance of NPI	262.9	8.2	275.6	9.9	209.5	8.7
Add: Fresh NPI Generation	71.2	2.2	61.9	2.2	118.4	4.9
Less: Cash Recovery	39.3	1.2	32.0	1.2	34.0	1.4
Less: Rescheduling	10.1	0.3	25.8	0.9	18.4	0.8
Less: Write Off	5.7	0.2	16.8	0.6	0.0	0.0
Closing Balance of NPI	279.0	8.7	262.9	9.5	275.6	11.4

In 2010 Company's required provision for investment portfolio was BDT 86.3 million against which BDT 86 million provision was maintained. In 2010 Company's NPI coverage ratio was 32.9% (2009:35.5%) and net NPI ratio was 6.7%.

**Table 7**  
**Investment Loss Provision**

(Mil. BDT)	--Year ended December 31--			
	2010		2009	
	Amount	% of General Investments	Amount	% of General Investments
General Provision Held	35.3	1.1%	31.6	1.1%
Specific Provision Held	50.9	1.6%	53.8	1.9%
Total Provision Held	86.3	2.7%	85.4	3.1%
Total Required Provision	86.0	2.7%	85.4	3.1%
Surplus/ (Shortfall)	0.3	0.0	0.02	0.0

CRAB looks at pre-provision profit (PPP) to net investment for assessing the Bank's ability to survive in future problems. In 2010 the Bank's PPP to net investment was 6.9% (2009: 5%). PPP to net investment indicates that 6.9% of currently performing investments can be written off without charging on Company's reserves and equity. Company's special mention account (SMA) to investments was 3.8% in 2010 which was 9.4% in 2009.

### General Investment Portfolio Analysis

During 2010 total general investment portfolio was BDT 3,196.9 million registering a growth of 15.1% over last year. Sector wise distribution shows that 47.2% of investments were concentrated in different industries followed by housing industry 27.9%. Of the total industrial sector highest concentration was in transport & aviation. Sector wise NPI rate shows that plastic industry experienced highest NPI rate with 50.9% followed by telecommunication & IT 40.7%, textile 30.2%, transport & aviation 24.4%.

**Table 8**  
**Sector Wise Segregation of General Investments with NPI**

(Mil. BDT)	--Year ended December 31, 2010--				
	Amount (a)	Total (%)	Sector Wise NPI (b)	Total (%)	Sector Wise NPI Rate *
Trade & Commerce	366.8	11.5	6.0	2.2	1.6
Industry	1,509.1	47.2	170.1	61.0	11.3
Garments & Knitwear	132.9	4.2	9.5	3.4	7.1
Textile	227.7	7.1	68.7	24.6	30.2
Food Production & Processing Industry	99.3	3.1	0.5	0.2	0.5
Plastic Industry	10.4	0.3	5.3	1.9	50.9
Iron, Steel & Engineering	156.7	4.9	0.3	0.1	0.2
Pharmaceuticals & Chemical	185.5	5.8	0.3	0.1	0.2
Telecommunication & IT	0.6	0.0	0.2	0.1	40.7
Paper, Printing & Packaging	153.1	4.8	-	-	-
Ship Manufacturing Industry	91.7	2.9	-	-	-
Electronics & Electrical Products	4.4	0.1	-	-	-
Power, Gas, Water & Sanitary Service	101.5	3.2	1.1	0.4	1.1
Transport & Aviation	345.3	10.8	84.1	30.1	24.4
Agriculture	2.5	0.1	-	-	-
Housing	891.2	27.9	40.4	14.5	4.5
Others	427.3	13.4	62.5	22.4	14.6
Total	3,196.9	100.0	279.0	100.0	8.7

\*Sector Wise NPI Rate = (b/a) × 100

### Large Investments Exposures

In 2010 the outstanding amount of IFIL's top 20 large loan exposures was BDT 1,015.2 million against sanctioned limit of BDT 1,221.8 million which was 31.8% of total portfolio. Of the total top 20 large loan exposures all the facilities were reported as unclassified as on 31st December 2010.

### Capital Adequacy

As per Bangladesh Bank regulation the minimum paid up capital of any financial institution should be raised to BDT 1,000 million within 30 June 2012 against which IFIL had paid up capital of capital of BDT 592.4 million as on 31<sup>st</sup> December 2010. In 2010 total capital (tier1+tier2) of the Company was BDT 956.6 million (2009: BDT 542.7 million).

**Table 9**

**Capital Adequacy Ratios**

%	--Year ended December 31--	
	2010	2009
Shareholders' Fund to Total Assets	20.9	14.7
Shareholders' Fund to Deposits & Borrowing	29.8	19.0
Shareholders' Fund to General Investments	29.0	18.6
Capital Adequacy Ratio	26.5	17.2
Internal Capital Generation	17.5	32.7

During 2010 shareholder's equity grew by 25.7% backed by issuance of right share and internal capital generation. In 2010, shareholder's equity was 20.9% of total assets and 29% of general investments. Capital adequacy ratio also increased by 9.2 percentage points due to increase in equity. On the other hand, internal capital generation decreased by 15.1 percentage points resulted from lower growth in net profit after tax.

### Funding & Liquidity

Of the total deposits & borrowings 16.3% was generated from borrowings from other Banks & FIs and 83.7% was from deposits & other accounts. In 2010 deposit & other accounts of the Company increased by 21.5% and reached BDT 2,608.7 million. Of the total deposits 91.9% was collected from term deposits, 6% from deposits under schemes. Of the total term deposits 93.5% was received from individuals and 6.5% from banks & FIs. In 2010 shareholder's equity was 29.8% of deposits & borrowings (2009:19%).

**Table 10**

**Deposit Mix**

(Mil. BDT)	--Year ended December 31--					
	2010			2009		
	Amount	Total (%)	Growth (%)	Amount	Total (%)	Growth (%)
Mudaraba Term Deposits	2,397.0	91.9	19.9	1,998.3	93.0	27.6
Lease Deposits	49.8	1.9	14.8	43.4	2.0	(10.8)
Deposits under Schemes	155.3	6.0	52.3	102.0	4.7	49.0
Other Deposit	6.5	0.2	68.0	3.9	0.2	(30.2)
Total Deposits	2,608.7	100.0	21.5	2,147.6	100.0	27.2

The asset liability maturity bucket of IFIL shows positive liquidity gap in all the buckets. Company's liquid assets to total deposit & borrowings were 15.4% in 2010 (2009: 11.5%).

**Table 11**  
**Liquidity Profile**

(Mil. BDT)	--Year ended December 31, 2010--					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	
Total Assets	245.4	618.6	1,201.8	1,746.0	620.9	4,432.8
Total Liabilities	156.1	524.6	1,049.3	1,589.9	185.4	3,505.2
Net Liquidity Gap	89.3	94.0	152.6	156.1	435.5	927.6
Cumulative Liquidity Gap	89.3	183.3	335.9	492.1	927.6	
Gap as % of Liability	57.2	17.9	14.5	9.8	234.9	

### Profit Rate Risk

Company had asset sensitive position in all the buckets. The gap indicates that the Company will be benefited on rising profit rates and will suffer on decreasing profit rate scenario. For 1 percentage point profit rate increase the Company will gain BDT 0.8 million and will lose the same amount for 1 percentage point profit rate decrease.

**Table 12**  
**Profit Rate Risk Exposure**

(Mil. BDT)	--Year ended December 31, 2010--				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Above 12 months
Profit Sensitive Assets	198.5	496.6	636.3	480.0	2,176.7
Profit Sensitive Liabilities	106.6	459.3	530.7	400.3	1,620.8
GAP	91.9	37.3	105.6	79.7	555.9
Cumulative Earning Impact (1% Points Profit Rate Increase)	0.1	0.1	0.4	0.8	
Cumulative Earning Impact (1% Points Profit Rate Decrease)	(0.1)	(0.1)	(0.4)	(0.8)	

### MANAGEMENT

#### Senior Management

The management team of IFIL is headed by Jb. Md. Rabiul Islam, Managing Director who has been in the banking profession for last 36 years. The Managing Director is assisted by a Senior Management Group consisting of Deputy Managing Director and Head of Divisions who supervise operation of various divisions centrally and co-ordinates operation of branches.

#### Management Committees

##### Management Committee (MANCOM)

In 2010 IFIL formed a Management Committee with seven (7) members, which is responsible to review the performance of the organization, to make policy framework, to approve the investment proposals and to evaluate the achievement of the budget. This newly formed Committee has conducted 8 (eight) meetings.

##### Risk Management Committee

An independent Risk Management Committee is in place at IFIL 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. This Committee evaluates the investment proposals on the light of Credit Risk Manual which is prepared as per Bangladesh Bank's guidelines which are for BDT 10 million and above. After evaluation Committee places it to the Board.

#### Human Resource Management

As on 31<sup>st</sup> December 2010 IFIL had total 89 (2009:73) employees in its Head Office (HO) and 6 branches. IFIL have structured service rules and pay scale for its workforce. In 2010, 33 employees participated in 8 different training

courses/workshops organized by different institutions like BIBM, Bangladesh Bank, Leasing & Finance Companies Associations, ISO's affiliated body etc.

### **Management Information System**

From 2010 IFIL started to implement core business software in all its branches and has already entered all the previous data into the software. Company's IT department developed Inventory Management software for store management. IFIL's future plan is to develop server based central storage system where information could be stored centrally and shared by each and every employee of the Company.

### **Credit Policy & Approval Process**

IFIL gives priority to those investment proposals which are technically, economically and commercially sound. In general the exposure of particular sector should not exceed one third of the total portfolio and no sanction to be made to any client when it is known that the client has classified loan/facility with any other bank or financial institution. As a Shariah based Company the facilities for commodities or services which are "Haram" are not entertained.

Any proposal placed to the Branch Manager for consideration is sanctioned if it is viable. If any proposal is within the power of Managing Director (MD), he would give his decision on the noting. If the same is beyond the power of MD and agrees with the branch the MD may instruct to place a memo for the competent authority with requisite information. The proposals which are within BDT 5 million shall be placed to Executive Committee (EC) for decision. Proposals involving more than BDT 5 million are recommended by EC to place to the Board with observations, if any. Disposal of any proposal of a sponsor or director of IFIL needs Board's decision irrespective of investment amount as per policy guideline of IFIL.

## **■ CORPORATE GOVERNANCE**

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### **Board of Directors**

The Board of IFIL is comprised of eleven (11) members, each having sufficient exposure to diversified industrial sectors. Jb. Feroz Alam is the Chairman; Jb. Mostanser Billa and Jb. Mazibur Rahman Khan are the Vice Chairmen of the Board. The Company has an independent director in the Board in accordance with the notification of the Securities and Exchange Commission. Every year IFIL changed the Chairman of the Board by rotation among the Sponsor directors. During 2010, sixteen (16) Board meetings were held.

The Board of Directors has formed 2 sub committees of the Board, which are: (1) Executive Committee and (2) Audit Committee.

#### **■ Executive Committee**

The Executive Committee has the responsibility to approve the investment proposals below BDT 5 million after due reviewing. During 2010 the Executive Committee held eight (8) meetings.

#### **■ Audit Committee**

The Audit Committee of the Board has 3 (three) members including the Independent Director. The Committee is headed by one director. It has the responsibilities to review the audit observation of the Internal Auditor, review the annual accounts and cases against investment. During 2010 the Audit Committee held five (5) meetings.

### **Shariah Board**

The Shariah Board of IFIL has seven (8) members headed by Jb. Dr. Muhammad Mustafizur Rahman. The Shariah Board consists of fakih, lawyer, banker and economist to advice the Company on the operation of its business in order to ensure that they do not involve any element which is not approved by Shariah. The Board of Directors will determine the terms of reference for the Shariah Board. In every meeting of the Shariah Board the quorum was fulfilled. During 2010, three (3) meetings of the Shariah Board were held.

### **Internal Control & Compliance**

The internal control in IFIL is conducted through authorities delegated from the Board of Directors to the Audit Committee and the Management. The Audit Committee discharges its functions through Internal Control Unit (ICU). The ICU usually sets program of internal control on the basis of prevailing business activities. The ICU also monitors the activities of the divisions and branches conduct audit and inspection from time to time and put

recommendations to the management for appropriate and timely remedial. The ICU of IFIL is properly staffed with a Vice President at present and support staff.

■ **2<sup>ND</sup> QUARTER PERFORMANCE**

At the end of 2<sup>nd</sup> quarter of 2011 general investments of the Company reached BDT 3,427 million and deposit BDT 2,844.5 million. On the other hand, non-performing investments amount was BDT 271.6 million as on 30<sup>th</sup> June 2011 which was 7.9% of the total portfolio. SMA to total Investment also decreased in June 2011 to 0.77% from 3.8% in Dec 2010. The operating income was BDT 108.3 million of which BDT 74.1 million was net investment income and BDT 19 million was income from investment in securities. At the end of 2<sup>nd</sup> quarter profit after tax reached BDT 37 million and paid up capital BDT 693.3 million. The market value of total investment in securities portfolio was BDT 258.6 million against cost price of BDT 332.2 million. The required provision for fall in securities price was BDT 79.2 million.

**Table 13**

**2nd Quarter Performance**

Month (Mil. BDT)	--Year ended December 31--	
	(6) 2011	(12) 2010
General Investments	3,427.0	3,196.9
Deposits	2,844.5	2,608.7
Non Performing Investments	271.6	279.0
Net Investment Income	74.1	129.8
Income from Investments in Securities	19.0	142.7
Total Operating Income	108.3	302.5
Profit before Provision	71.6	217.1
Profit after Tax	37.0	123.9
<b>(%)</b>		
Gross NPI Ratio	7.9	8.7
SMA to Total Investment	0.77	3.8

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**ANNEXURE 1: CORPORATE INFORMATION**
**Shareholdings of the Board of Directors**

--Year ended June 30, 2011--

Name	Position	No of Shares	Shareholdings (%)
Jb. Feroz Alam	Chairman	87,000	1.25
Jb. Mostanser Billa	Vice Chairman	156,044	2.25
Jb. Mazibur Rahman Khan	Director	157,760	2.28
Jb. Liaquat Hossain Moghul	Director	159,524	2.30
Jb. Abul Quasem Haider	Director	157,784	2.28
Jb. Md. Fazlul Hoque	Director	122,114	1.76
Jb. Abu Khair Mohammed Sakhawat	Director	166,049	2.40
Jb. Afzalur Rahman	Director	165,722	2.39
Mrs. Kazi Mahbuba Akhter	Director	159,524	2.30
Jb. M. Azizul Huq	Independent Director	-	-
Jb. Md. Rabiul Islam	Managing Director	-	-
Total Directors Shareholding Position		1,331,521	19.21

**Auditors**

M. J. Abedin &amp; Co, Chartered Accountants

**Senior Management Team**

Jb. M. Rabiul Islam	Managing Director
Jb. Quazi Aziz Arshad	Deputy Managing Director
Jb. Rezauddin Ahmed	Executive Vice President & Company Secretary
Jb. K.K.M. Abidullah	Vice President & Head of Internal Audit
Jb. Mohammad Showket Akber, ACA	Vice President & Head of Central Accounts
Jb. Mohammad Sarwar Jahan Tarafder, ACS	Assistant Vice President
Jb. Md. Mizanur Rahman, ACMA	Senior Vice President and Manager, Uttara Branch
Jb. Maruf Mansur	Vice President and Manager, Principal Branch, Dhaka.
Jb. Md. Mahbulul Alam	Vice President & Manager, Chittagong Branch.
Jb. Md. Giasuddin	AVP & Manager, Narayangonj Branch
Jb. Md. Shahdat Hossain	Senior Principal Officer & Manager, Bogra Branch
Jb. Md. Iqbal Hossain Akand	Principal Officer & Manager, Nayabazar Branch

**Table 2.1**

Profit Rate Spread			
	--Year ended December 31--		
%	2010	2009	2008
Yield on Avg. General Investments	16.3	17.8	17.6
Cost of Deposits	11.8	12.5	12.9
Spread	4.4	5.3	4.8

**ANNEXURE 3: DEFINITION & FORMULA**

1. Investments include investment in leases, HPSM, HDS & BAIM unless mentioned otherwise.
2. Deposits include Deposits & other accounts and bills payables unless mentioned otherwise.
3. Average Assets, Average investment assets, Average Earning Assets and Average equity are calculated on the basis of opening and year end balances.
4. Profit Earning Assets include total investments, money at call & short notice, balance with other banks & FIs.
5. Net investment has been calculated by deducting Specific Provision and Profit Suspense Accounts from Gross Investments.
6. Low Value in Cost to Income Ratio indicate Better Performance
7. Net Investment Margin = Net Investment Income / Average Investment Earning Assets.
8. Net Investment Profit Margin = Net Profit Before Tax / Operating Income
9. Asset Utilization = Operating Income / Average Assets
10. Leverage Multiplier = Average assets / Average Equity
11. Yield on Investment in Securities= Income from Investment in Securities / Average Investment in Securities



**CRAB RATING SCALES AND DEFINITIONS**
**LONG-TERM CREDIT RATING: FINANCIAL INSTITUTION**

<b>RATING</b>	<b>DEFINITION</b>
<b>AAA</b> Triple A (Extremely Strong Capacity & Highest Quality)	Financial Institutions rated 'AAA' have extremely strong capacity to meet their financial commitments. 'AAA' is the highest issuer credit rating assigned by CRAB. AAA is judged to be of the highest quality, with minimal credit risk.
<b>AA<sub>1</sub>, AA<sub>2</sub>, AA<sub>3</sub>*</b> Double A (Very Strong Capacity & Very High Quality)	Financial Institutions rated 'AA' have very strong capacity to meet their financial commitments. They differ from the highest-rated Financial Institutions only to a small degree. AA is judged to be of very high quality and is subject to very low credit risk.
<b>A<sub>1</sub>, A<sub>2</sub>, A<sub>3</sub></b> Single A (Strong Capacity & High Quality)	Financial Institutions rated 'A' have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than Financial Institutions in higher-rated categories. A is judged to be of high quality and are subject to low credit risk.
<b>BBB<sub>1</sub>, BBB<sub>2</sub>, BBB<sub>3</sub></b> Triple B (Adequate Capacity & Medium Quality)	Financial Institutions rated 'BBB' have adequate capacity to meet their financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the Financial Institutions to meet their financial commitments. BBB rated FIs are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
<b>BB<sub>1</sub>, BB<sub>2</sub>, BB<sub>3</sub></b> Double B (Inadequate Capacity & Substantial Credit Risk)	Financial Institutions rated 'BB' are less vulnerable in the near term than other lower-rated Financial Institutions. However, they face major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which might lead to inadequate capacity to meet their financial commitments. BB is judged to have speculative elements and is subject to substantial credit risk.
<b>B<sub>1</sub>, B<sub>2</sub>, B<sub>3</sub></b> Single B (Weak Capacity & High Credit Risk)	Financial Institutions rated 'B' are more vulnerable than the Financial Institutions rated 'BB', but the Financial Institutions currently have the capacity to meet their financial commitments. Adverse business, financial, or economic conditions are likely to impair the capacity or willingness to meet their financial commitments. B is considered speculative and weak capacity and is subject to high credit risk.
<b>CCC<sub>1</sub>, CCC<sub>2</sub>, CCC<sub>3</sub></b> Triple C (Very Weak Capacity & Very High Credit Risk)	Financial Institutions rated 'CCC' are currently vulnerable, and are dependent upon favourable business, financial, and economic conditions to meet their financial commitments. CCC is judged to be of very weak standing and is subject to very high credit risk.
<b>CC</b> Double C (Extremely Weak Capacity & Extremely High Credit Risk)	Financial Institutions rated 'CC' are currently highly vulnerable. CC is highly speculative and is likely in, or very near, default, with some prospect of recovery of principal and interest.
<b>C</b> Single C (Near to Default)	A 'C' rating is assigned to Financial Institutions that are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or obligations that are subject of a bankruptcy petition or similar action but have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest.
<b>D</b> (Default)	'D' is in default. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

**\*Note:** CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

**SHORT-TERM CREDIT RATING: FINANCIAL INSTITUTION**

<b>RATING</b>	<b>DEFINITION</b>
<b>ST-1</b> Highest Grade	Financial Institutions rated in this category are considered to have the highest capacity for timely repayment of obligations. Financial Institutions rated in this category are characterised with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
<b>ST-2</b> High Grade	Financial Institutions rated in this category are considered to have strong capacity for timely repayment. Financial Institutions rated in this category are characterised with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
<b>ST-3</b> Average Grade	Financial Institutions rated in this category are considered to average capacity for timely repayment of obligations, although such capacity may impair by adverse changes in business, economic, or financial conditions. Financial Institutions rated in this category are characterised with satisfactory level of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
<b>ST-4</b> Below Average Grade	Financial Institutions rated in this category are considered to have below average capacity for timely repayment of obligations. Such capacity is highly susceptible to adverse changes in business, economic, or financial conditions than for obligations in higher categories. Financial Institutions rated in this category are characterised with average liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
<b>ST-5</b> Inadequate Grade	Financial Institutions rated in this category are considered to have inadequate capacity for timely repayment of obligations susceptible to adverse changes in business, economic, or financial conditions. Financial Institutions rated in this category are characterised with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
<b>ST-6</b> Lowest Grade	Financial Institutions rated in this category are considered to have obligations which have a high risk of default or which are currently in default. Financial Institutions rated in this category are characterised with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.

The rating committee of CRAB is the final authority to award a rating. The rating committee of CRAB is comprised of external independent persons who are not members of the board of the company and they ensure the independence of rating.

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## Islamic Finance and Investment Limited

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Website: www.ifilbd.com

Folio/BO Account No:.....  
Name:.....  
Address:.....  
.....

### LETTER OF OFFER FOR RIGHTS ISSUE

Dear Shareholder (s)

We are pleased to inform you that the Board of Directors in its 133<sup>rd</sup> meeting held on March 19, 2012 recommended to issue Rights Share @ **1 (one)** rights share for **3 (three)** existing shares held, which was approved by the Shareholders in the 11<sup>th</sup> Annual General Meeting held on April 18, 2012. As a registered Shareholder as on **October 10, 2012** (Record date for entitlement), you are entitled to subscribe your rights share.

If you wish to accept the above Rights Share in full or in part, you are required to submit completed Application Form-A annexed hereto with necessary payments. You may, however, renounce your rights in respect of all or part of your entitlement in favor of others in which case the Renunciation Form-B and Form-C annexed here to be submitted duly filled in by you and the renounee(s) along with necessary payments.

The rights cannot be exercised for fraction of a share i.e. below full unit of share.

All the payments for accepted shares are to be made in cash or by P.O/DD/Cheque @ **Tk. 10.00** each at par and to be deposited with any of the Branches of Bankers to the Issue during Banking hours from **October 30, 2012 to November 22, 2012** (both days inclusive). Any extension of time will be notified through national dailies. Payments through P.O/DD/Cheque, must be payable to "**Islamic Finance and Investment Limited**" and must be drawn on a Company in the same town where the Br. of Bankers to the Issue in which the application form has been submitted is situated. It is to be noted that all transactions above **Tk.1.00** lac must be effected through Demand Draft/Crossed Cheque/Pay Orders.

The offer will be deemed to have been declined if completed Application **Form-A** and/or Renunciation **Form-B** and **Form-C** with necessary payments have not been received by **November 22, 2012** or by such later date as may be notified through national dailies to that effect.

A self-explanatory Rights Share Offer Documents is attached for your kind information and evaluation.

By order of the Board

Sd/-  
**M. Rabiul Islam**  
Managing Director





