

ANNUAL REPORT 2012

The logo for IPDC (Industrial Promotion and Development Company of Bangladesh Limited) is displayed in white, bold, sans-serif capital letters on a dark blue rectangular background.

Beside your Dream ...*always*

INDUSTRIAL PROMOTION AND DEVELOPMENT COMPANY
OF BANGLADESH LIMITED



Annual Report 2 0 1 2

Industrial Promotion and Development Company of Bangladesh Limited

www.ipdcbd.com

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Notice of the 31st Annual General Meeting

Notice is hereby given that the 31st Annual General Meeting of the shareholders of **Industrial Promotion and Development Company of Bangladesh Limited** will be held on April 25, 2013 (Thursday) at 11:00 a.m. at the Conference Hall No. 3 of BRAC-CDM, Rajendrapur, Gazipur to transact the following proceedings:

1. To receive and adopt the Directors' Report, Auditors' Report and Audited Financial Statements of the Company for the year ended December 31, 2012;
2. To declare dividend for the year ended December 31, 2012;
3. To elect Directors;
4. To re-appoint Auditors and to fix their remuneration;
5. To approve appointment of Independent Directors;
6. Others

By Order of the Board



Mousumi Yasmin
Company Secretary

Dated: Dhaka
March 27, 2013

Notes:

- March 11, 2013 shall be considered as the Record Date for entitlement of the Dividend for the year ended December 31, 2012
- Admission into the venue of the AGM will be allowed on submission of the attendance slip.
- Only the shareholders or their appointed proxies will be allowed to attend the meeting.
- A shareholder, intending to appoint a Proxy, must deposit the duly stamped Proxy Form at the Company's registered office no later than 48 hours before the day of the AGM.
- Except the shareholders or valid proxies, no one will be authorized to complete registration process.

Corporate Information

REGISTERED NAME OF THE COMPANY

Industrial Promotion and Development Company of Bangladesh Limited.

LEGAL FORM

A public limited company incorporated in Bangladesh under The Companies Act 1913 (now the Companies Act 1994), listed with the Dhaka and Chittagong Stock Exchange Limited on December 3, 2006.

Licensed as Financial Institution under the Financial Institutions Act 1993 on February 7, 1995.

Date of Incorporation:

November 28, 1981

Company Registration No.:

C- $\frac{9566}{392}$ of 1981-1982 dated 28.11.1981

Bangladesh Bank License No.:

BCD(Non Banking)/Dhaka/3/95 dated 7.2.1995

Registered Office:

Hosna Centre (4th floor)
106 Gulshan Avenue, Dhaka 1212
PABX : (88 02) 9885533-8
Fax : (88 02) 9885532, 9885529
E-mail : email@ipdcibd.com
Web site : www.ipdcibd.com

Dhanmondi Branch:

Bikalpa Dental Clinic & Commercial Complex
(3rd floor), House # 74, Road # 5A
Satmasjid Road, Dhanmondi R/A, Dhaka 1207
Tel : (88 02) 9614734-35, Fax : (88 02) 9614736

Chittagong Branch:

Avenue Tower (3rd floor)
115/134, Lalkhan Bazar
Chittagong 4100
Tel: (88 031) 2866892-4, Fax: (88 031) 2866895

Motijheel Branch:

Surma Tower (4th floor)
59/2 Puran Paltan, Dhaka 1000
Tel: (88 02) 9551704, 9570666, Fax: (88 02) 9564044

Sylhet Branch:

Khalil Trade Center (3rd floor)
House No. 01, Block D, Main Road
Shahjalal Uposhahar, Sylhet 3100
Tel: (88 0821) 711112, 711128, Fax: (88 0821) 711177

Auditors:

Hoda Vasi Chowdhury & Co.
Chartered Accountants
BTMC Bhaban (8th floor)
7-9 Karwan Bazar Commercial Area
Dhaka 1215

Corporate Governance Auditors:

Rahman Rahman Huq
Chartered Accountants
9 Mohakhali C/A (11th-12th floors)
Dhaka 1212

Tax Consultants:

Rahman Rahman Huq
Chartered Accountants
9 Mohakhali C/A (11th-12th floors)
Dhaka 1212

Khandaker & Associates
Eastern Commercial Complex
Room No. 4/3 (4th floor)
73 Kakrail, Dhaka

Legal Advisors:

A Hossain & Associates
Dr. M. Zahir
A Rahman & Associates
Law & Remedy
Mamun Chowdhury & Associates

Principal Bankers:

Standard Chartered Bank
Prime Bank Limited
Uttara Bank Limited
AB Bank Limited
Commercial Bank of Ceylon Plc
Dutch Bangla Bank Limited

Board of Directors



Standing (Left to Right) : Mr. Mansoor Ali Halari | Mr. Altaf Ramzi | Ms. Ashraf Ali | Mr. Mominul Islam
Mr. Amin H. Manekia | Ms. Mousumi Yasmin (Company Secretary).

Sitting (Left to Right) : Ms. Afroza Khan | Mr. Md. Nazrul Huda | Mr. Sulaiman Ajancc | Mr. Jalal Ahmcd
Mr. Alauddin A. Majid | Mr. Altaf Hussain.

Management Committee



Standing (Left to Right): Mr. Md. Zakir Hossen - Senior Manager (Operations) | Mr. Md. Parvej Ahmed - Head of Internal Audit & Compliance | Mr. A.S.M. Shahin - Head of MME | Mr. Rizwan Dawood Shams - Head of Channel Financing | Mr. Shaheen Ahmed - Head of Special Asset Management | Mr. Kazi Samiur Rahman - Head of Retail Business.

Sitting (Left to Right) : Mr. Mohammad Ruknuzzaman - Head of Corporate Investment | Mr. Dilip Kumar Mandal - CFO | Mr. A.F.M. Barkatullah - Deputy Managing Director | Mr. Mominul Islam - Managing Director & CEO | Ms. Uzma Tahiya Khan - Human Resources | Mr. Fazle Quayum - Head of Credit Risk Mangement | Ms. Mousumi Yasmin - Head of Legal Affairs & Company Secretary.

Moments of the 30th Annual General Meeting



The Board of Directors
in the 30th Annual
General Meeting



Honorable Chairman of the Company
delivering his speech in
the 30th Annual General Meeting



One of the Honorable Shareholders
addressing in the
30th Annual General Meeting



The Board of Directors along with
the Shareholders in
the 30th Annual General Meeting

Chairman's Message

Bismillahir Rahmanir Rahim

Distinguished Shareholders

Assalaamu A'laikum. It is a great honour and privilege to welcome you all to the 31st Annual General Meeting of your Company. I would like to convey my heartfelt gratitude and appreciation for your continued patronage, trust and confidence in the Board and the management of IPDC.

In the aftermath of the global financial crisis, the year 2012 brought with it multifarious challenges for economies around the world as they struggled to gain traction in the face of headwinds holding back stronger progress. Although the Bangladesh economy demonstrated resilience throughout this turbulent period, it experienced some level of stress particularly in the first half of the year 2012. The financial sector in general passed through a challenging period during the year. Despite this difficult economic and market climate, IPDC's core business operations displayed steady upward trajectory and the Company has delivered positive results on almost all fronts for the year 2012. It has been tremendously satisfying to have been part of a Board that has overseen renewed focus on sustainable business

“IPDC's core business operations displayed steady upward trajectory and the Company has delivered positive results on almost all fronts for the year 2012.”

growth, customer value creation, internal efficiency and risk management and embraced the challenges of the future with perseverance and innovation.

Being the Chairman of this esteemed organization, I feel an immense sense of pride in IPDC's achievements over the last three decades. Our performance indicates that the Company has been on the right track and is well positioned to grasp opportunities for delivering consistent value to our shareholders. We have achieved this through sound business strategies, prudent risk management framework and by continuing to uphold our core values – innovation, performance, dedication and commitment to quality amidst an increasingly challenging market scenario.

I want to take this opportunity to thank our valued customers who drive our progress with their continued support and loyalty, all our regulatory bodies for their kind cooperation, the Board of Directors for their vision and guidance and the entire IPDC Team for their dedication, skill and professionalism. Last but not the least, I want to thank you, our shareholders, for your patronage and the unwavering confidence you have placed in IPDC.

I wish IPDC every success in the current year and beyond.



SULAIMAN AJANEE

Chairman
Board of Directors



Managing Director's Message



"We aim to uniquely position IPDC in the market with innovative products having real economic value proposition to few niche target segments with highest level of customer service quality."

True enjoyment of success lies in the uphill climb.

Against the backdrop of a challenging market and economic environment in 2012, IPDC delivered a solid progress in operational and financial results by generating accelerated credit growth, higher revenue, controlling expenses and improving asset quality. During the year, we successfully launched our new product – Factoring of Receivables – for SME segment which remains our strategic priority. The Factoring business has been quite successful for IPDC already having acquired few major customers in the first year of operation. We also soft launched our housing finance product in 2012 which could not be formally launched due to market situation. But the slow business environment in the real estate sector has also provided us the opportunity to gather required experience without much cost involvement which should ensure we are rightly prepared to tap the business opportunity once the market recovers. During 2012, we have made considerable progress in becoming the number one brand in terms of customer service quality in the financial sector of the country and many exciting initiatives remain underway at this moment. We have also been able to develop a strong team with the right mix of experience and youth with diversified background but united in their passion to create something unique in the market.

We increased our credit portfolio by 29.15 percent during the year while the ratio of gross classified portfolio has come down below 10 percent first time after seven years. Customer deposit increased by around 11 percent during the year despite significant attrition from few large depositors. Importantly, number of customers nearly doubled during the year thus reducing the attrition risk. Net Operating Revenue increased by 27.6 percent during 2012 while Operating Expenses remained below the 2011 level. This is a testament of our solid improvement in operational efficiency which remains a key focus in a challenging business environment. The Operating Profit during the year posted an impressive growth of 57.1 percent over 2011 which remains an evidence to the effectiveness of IPDC's prudent business model that thrives in a difficult market condition. After making

substantial provision against the asset portfolio to better position the company to withstand potential credit and market risks going forward, the Net Profit of the company stood at Tk. 128.6 million with a growth of 15.16 percent on a year-on-year basis.

While the above results will enable us to face the future with confidence, there is little scope of complacency. Our results, in absolute terms, still remains below the expected level and the hard work needs to be continued to reach the desired profitable level going forward. We need to also acknowledge that the future will be more challenging and we have to continuously reinvent our business model to ensure sustainable growth in an ever changing market place. The year 2013 is likely to witness lower level of new investments in manufacturing sector negatively affecting our core business of project financing. Stress on portfolio quality is also being apprehended; requiring us to further strengthen the credit monitoring processes and resources. We will also focus on reducing the cost of fund through diversifying sources of funds and introducing innovative products, sales and marketing strategy for customer deposits. Besides, we plan to implement new core financial software in 2013 to improve on customer service and operational efficiency. Overall we aim to uniquely position IPDC in the market with innovative products having real economic value proposition to few niche target segments with highest level of customer service quality. Internally, continuous pursuit of improving operational efficiency and rigorous risk management framework will ensure profitability enhancement and sustainability to the business strategy.

I thank you all and wish you a meaningful year ahead.

Sincerely,

MOMINUL ISLAM
Managing Director & CEO
Dhaka, February 27, 2013

Directors' Report to the Shareholders

Dear Shareholders

The Board of Directors of IPDC is pleased to present before you the Directors' Report on the operational and financial activities of your Company together with the Audited Financial Statements for the year ended December 31, 2012 for your valued consideration, approval and adoption. The Directors' Report has been prepared in compliance with Section 184 of the Companies Act, 1994 and the requirements mandated by the regulatory bodies.

Economy and Market Review 2012

Global economic recovery experienced a shock in the year 2012 due to the concerns over sovereign debt crisis in Euro zone countries leading to government austerity, soaring unemployment, financial sector fragility and weaker demand. The USA economy also witnessed slower than expected growth due to the looming fiscal cliff, albeit faring better than the Euro zone. Fiscal austerity measures and weaker demand in developed countries contributed to the drop in global trades – a severe cause for concern for the emerging economies. The new global economic power houses namely China and India have also experienced a sharp decline in growth in 2012 which further exacerbated domestic economic issues in respective countries.

Bangladesh economy remained resilient in the aftermath of the global financial crisis which has plagued the world since 2008. However, during the first half of 2012 the country experienced moderate stress on its macro-economic indicators with high inflation, widened deficit in balance of payment and higher level of government debt. Prudent monetary and fiscal management adopted by the policy makers coupled with the strong growth in remittance from workers overseas and improved external support in government budget financing has placed the macro-economic indicators of the country back on track at the end of the year.

The financial sector of the country faced several challenges in 2012 starting with tight liquidity situation in the market in the first half of the year which resulted in an upward trend for interest rate on both deposits and lending. The deteriorating asset quality caused by tightened liquidity, slower growth in external trade, bearish capital market as well as sluggish real estate sector has caused slower balance sheet growth and weaker profitability of the sector in 2012. The year also witnessed unearthing of frauds of significant magnitude in few banks due to lax operational control causing considerable dent on the asset quality of the banking sector.

The non-banking financial institutions (FIs) sector has been particularly hit in the first half of the year by the bearish capital market and the liquidity crisis - due to their dependency on short term bank borrowing and capital market operation. The shrinkage of interest spread, lower credit growth, increased non-performing credit portfolio and declining revenue from capital market has caused a serious dent in the profitability of these FIs in Y2012. However, few of the market players were able to create a safety cushion during the period of accelerated growth experienced in the credit and capital market from Y2008 to Y2010 and consequently have been able to better withstand these challenges.

IPDC Performance Highlights

There was much to be positive about IPDC's performance in Y2012 amidst a challenging market environment. Our prudent fund management policy with zero dependency on short term bank borrowing and well structured credit norms better positioned us to withstand the challenges which arose in the advent of the global and local developments in the last few years. Our core business operations and revenue have showed accelerated growth during Y2012 despite facing numerous challenges in the turbulent economic climate.

In Y2012, IPDC made new credit disbursement of Tk. 3,316.94 million as opposed to Tk. 1,979.82 million of last year. Credit disbursement increased by impressive 67.54 percent vis-à-vis prior year. As a result loan, leases and advances portfolio has increased to Tk. 5,585.64 million reflecting a growth of 29.15 percent. Despite slower non-performing loan recovery in 2012 due to the market factors, the percentage of gross classified loan, leases and advances at the end of the year has decreased to 9.66 percent from 13.04 percent in 2011 with consistent reduction in classified portfolio for last several years which bears evidence to our relentless effort in improving asset quality.

Customer deposits increased to Tk. 4,208.01 million registering a growth of 10.79 percent during the year 2012 despite attrition of significant amount of deposits from few large institutional depositors. Considering the market liquidity situation this achievement remains noteworthy. Importantly, we ended the year with surplus liquidity giving us the cushion to continue our momentum of growing quality credit portfolio. However, with the significant increase in cost of deposits which could not be entirely passed on to the credit portfolio, the interest spread from the core lending business has shrunk in 2012. This is because of our prudent lending policy to lend only to quality customers demanding competitive rates.

Due to the growth in credit portfolio, reduction in investment portfolio of government securities, higher level of treasury income from money market lending and lower level of non-performing portfolio, the net interest income has surged to Tk. 236.5 million in Y2012 with a staggering growth of 92.4 percent year-on-year. Investment income has decreased from Tk. 138.1 million in Y2011 to Tk. 70.2 million in Y2012 due to the sale of some government securities during the year. Commission, exchange and brokerage constituting mainly fee income for IPDC, still remains an insignificant part of the revenue although it showed an upward trend in 2012 with an amount of Tk. 7.1 million posted in Y2012 vis-à-vis Tk. 3.1 million made in Y2011. Other operating income, mainly constituting loan loss recovery, was Tk. 25.2 million in Y2012 while it had been only Tk. 1.5 million in Y2011. Overall net operating revenue increased to Tk. 339.1 million in Y2012 with impressive growth of 27.6 percent against Tk. 265.7 million of Y2011.

The most positive attribute of IPDC's Y2012 financial performance has been the impressive growth in asset and revenue achieved while containing the operational cost through improved operational efficiency. The total operating expenses in Y2012 was Tk. 131.6 million down 1.5 percent from the previous year. As a result, operating profit increased to Tk. 207.5 million as against Tk. 132.1 million achieved in Y2011 resulting in a strong 57.08 percent growth on year to year basis.

Considering the market outlook IPDC remained cautious with respect to its non-performing and high risk credit portfolio. IPDC made total Tk. 73.5 million additional provision during the year vis-à-vis provision release of Tk.7.5 million in the previous year. After providing for the provision for loan, leases, investment and corporate tax, profit after tax reached Tk. 128.60 million in Y2012 vis-à-vis Tk. 111.67 million of year 2011 with the healthy growth of 15.16 percent considering the market situation. Earning per Share (EPS), as a result, has improved to Tk. 1.23 in Y2012 from Tk. 1.07 in Y2011.

Key Operating and Financial Data

Key operating and financial data of preceding five years and significant deviation as per requirement of Bangladesh Securities and Exchange Commission (BSEC) Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 are presented in Annexure I as Key Operating and Financial Data at page no. 15.

Variance between Quarterly vis-à-vis Annual Performance

In 2012, the Company incurred loss of Tk. 46.91 million in Q1 vis-à-vis Profit after Tax (PAT) of Tk. 22.63 million in Q2, Tk. 38.94 million in Q3 and Tk. 113.94 million in Q4. In Q1 the Company incurred loss mainly due to charging higher amount of provision on loans and leases. In Q4 the Company's PAT has had a positive impact due to the rationalization of corporate tax provisioning with writing off of few non-performing loans.

Proposed Dividend and Appropriations of Profit

In the year 2012 the net profit after tax of the Company stood at BDT 128.60 million which is 15.16% higher than the prior year. Taking into account the net profit after tax and the total available profit for distribution after complying with the regulatory requirement, the Board recommended 10 (ten) percent cash dividend for the year ended December 31, 2012 for the approval of Shareholders in 31st Annual General Meeting scheduled to be held on April 25, 2013.

	Taka in million	
	2012	2011
Retained Earnings Brought Forward	477.23	482.74
Net Profit After Tax	128.60	111.67
Profit Available for Appropriation	605.83	594.41
Appropriations		
Transferred to Statutory Reserve (20% of Net Profit After Tax)	25.72	22.33
Proposed Cash Dividend @ 10% (Y2011: 10% Stock Dividend)	104.34	94.85
Retained Earnings	475.77	477.23

Risks and Concerns

Risk is the element of uncertainty which may lead to reduction in the Company's value due to changes in the business environment. Management of different types of financial risks is an integral part of the financing business. As a financial institution, IPDC is committed to managing the risks associated with its business and maintains effective and robust Risk

Management policies in order to control and mitigate these risks. The principal risks associated with IPDC as well as their relevant governing policies and how they support the risk appetite is furnished below.

Type of Risk	Policies	Application to Support Risk Appetite
Credit Risk including Concentration Risk	Board Approved Credit Policy including maximum Credit Exposure and its sectoral concentration industry wise.	Maximum exposure to a single or group related counterparties Industry wise concentration (exposure and risk adjusted concentration limits)
Market Risk	Board Approved Credit and Asset Liability Management (ALM) Policy	Interest Rate Risk (Market value sensitivity and Net Interest Margin Risk Limit)
Liquidity Risk	Board Approved Assets Liability Management Policy	Holding of liquid assets as a contingency plan to use at the time of liquidity crunch.
Operational Risk	Operational Risk covered with Company's Core Risk Management Policies that include Accounting, IT, HR Branch Operational manuals etc.	A number of risk management policies and Comprehensive risk assessment and control assurance process.
Compliance Risk	Company Core Risk Management Policies that include Internal Control, Anti Money Laundering policies etc.	Business unit compliance framework and compliance through establishment of a separate Internal Audit and Compliance unit.
Reputational Risk	Best Practice Corporate Cultures.	Professionalism and leadership

Credit Risk

Credit risk is the potential loss arising from failure of a debtor or counterparty to meet their financial obligations. Credit risk includes concentration risk which can result from high exposure in a specific industry or geographical regions. Credit risk management processes involve identification, measurement, monitoring and control of credit exposures. At IPDC, credit risk may arise in the form of: exposure risk, counterparty risk and default risk.

Market Risk

Market risk is the potential loss arising from adverse changes in interest rates and changes in the value of securities. Being a financial intermediary, the primary risk that arises for a FI is interest rate risk. The immediate impact of changes in interest rates is on the Company's earnings affecting Net Interest Margin (NIM).

Liquidity Risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. This arises mainly due to mismatch in maturity of assets and liabilities. The overall responsibility for measuring and monitoring the liquidity risk rests with the Asset Liability Management Committee (ALCO).

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external factors. In order to control its operational risk, IPDC primarily relies on its internal audit and internal control systems.

Compliance Risk

Compliance risk is the risk which arises due to legal or regulatory breach. The Company may suffer material financial loss or loss of reputation as a result of its failure to comply with the requirements of relevant laws, regulatory bodies etc. IPDC has an effective system of Internal Control and Compliance that includes designing and implementing separate policies, guidelines and manuals for all functions, maintaining strict adherence to those and performing periodic review of those policies and guidelines.

Reputational Risk

Reputational risk arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant parties. This risk may adversely affect the Company's ability to maintain existing business relationships or impede the establishment of new relationships. IPDC always focuses on building strong customer relationship by delivering quality services, offering innovative products and services and treating them as valued development partners. In this regard, IPDC ensures best practiced corporate culture by adopting all pertinent notifications and guidelines issued by the Bangladesh Securities and Exchange Commission and Bangladesh Bank.

Related Party Transaction

In the normal course of business, IPDC has entered into various transactions with related parties during the year 2012. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. These transactions have taken place on an arm's length basis and include rendering or receiving of services. The details of related party transactions are disclosed in note number 51 of the Financial Statements.

Contribution to the National Economy

IPDC is the first private sector Non-banking Financial Institution in Bangladesh established in 1981 with major shareholding of the Government of Bangladesh and a number of distinguished multilateral agencies. IPDC was established with an aim to promote private sector industrial ventures in the country at a time when all the banks in Bangladesh remained nationalized. Since inception IPDC has played pivotal role over the last three decades in shaping the industrial landscape of Bangladesh through various landmark projects in partnership with renowned corporate houses. With a conscious effort to anticipate external market conditions, IPDC has the ability to adapt to the changing needs of time. IPDC envisages continuing and expanding its role as a catalyst in inspiring, strengthening and enhancing the financial sector development of the country. In order to serve the diverse needs of our customers, IPDC offers a range of product and services in the field of Corporate Project Finance, Small and Medium Enterprises (SME), Medium Market Enterprises (MME) and Retail Business. IPDC always prioritizes sectors which help in the sustainable economic growth of the country.

During the year 2012 IPDC has deposited total amount of Tk. 60.42 million to the national exchequer as corporate tax, withholding tax, excise duty and VAT.

Statutory Payments

The Directors are satisfied that to the best of their knowledge and belief all statutory payments to all authorities have been made on a regular basis.

Capital Expenditure

A sum of Tk. 14.10 million has been incurred on acquisition of office furniture, office equipment and vehicles during the year 2012. This amount is reflected in the Fixed Assets Schedule in the Notes to the Financial Statements.

Going Concern

After making appropriate enquiries including review of budgets and available facilities, the Directors have reasonable expectations that the Company has adequate resources to continue its operational existence for the foreseeable future. Hence, the Directors continue to adopt the going concern policy in preparing financial statements. A detail report on the going concern has been furnished in Annexure – II at page no. 16.

Shareholding Pattern as at December 31, 2012

Shareholding pattern of the Company as at December 31, 2012 is shown in Annexure – III at page no. 17.

Corporate and Financial Reporting Framework

The Board of Directors, in accordance with SEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 confirm compliance with the financial reporting framework for the following:

- The financial statements prepared by the management of IPDC presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial

Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS) as applicable in Bangladesh have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.

Director's Meeting, Attendance and Remuneration

During the year ended December 31, 2012 a total 5 (five) Board Meetings were held and attendance by the Directors along with remuneration paid to them are summarized in Annexure - IV in this annual report at page no. 18.

Appointment / Re-appointment of Director(s)

As per Article 100 and 101 of the Articles of Association of the Company, the following three Directors will retire from the office of the Company in the 31st Annual General Meeting and being eligible offered themselves for re-election as per Article 105 of the Articles of Association of the Company. Brief resume of the directors are furnished in Annexure - V of this Annual Report at page no. 19.

- | | | |
|-----------------------|---|--------------------|
| ▪ Ms. Afroza Khan | - | Nominated by GoB |
| ▪ Mr. Sulaimam Ajanee | - | Nominated by AKFED |
| ▪ Mr. Amin H. Manekia | - | Nominated by AKFED |

Status of Compliance on Corporate Governance

Corporate Governance status of compliance with the conditions imposed by the Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 issued under Section 2CC of the Securities and Exchange Commission Ordinance 1969 and DFIM Circular No. 07, dated September 25, 2007, issued by Bangladesh Bank is enclosed in Annexure VI and VII respectively at page no. 22 and 28.

Auditors

Hoda Vasi Chowdhury & Co., Chartered Accountants were appointed as the statutory auditors of the Company in the 30th Annual General Meeting held on May 03, 2012 for the year 2012 until conclusion of 31st Annual General Meeting at a remuneration of Tk. 350,000 plus VAT. The auditors will retire in the 31st Annual General Meeting. Being eligible for re-appointment under section 212 of the Companies Act 1994 and the Financial Institutions Act 1993, the existing auditors Hoda Vasi Chowdhury & Co., Chartered Accountants, offered themselves for re-appointment. As proposed by the Board Audit Committee, the Board recommends Hoda Vasi Chowdhury & Co., Chartered Accountants for re-appointment as the auditors of the Company for the year 2013 until completion of the next Annual General Meeting at a remuneration of Tk. 385,000 plus VAT.

Outlook 2013

Global credit rating agency Standard & Poor has reaffirmed its 'BB' long-term and 'B' short-term foreign and local currency sovereign rating for Bangladesh and also indicated that ratings may further improve following improvement in present economic parameters. In addition, Moody's Investors Service has reaffirmed the country's Ba3 sovereign rating for the third consecutive year which testifies consistent macroeconomic stability and growth prospects.

The strong macro-economic indicators of the country at the end of year 2012 shows the resilience of the Bangladesh economy is expected to continue in 2013 as well, albeit with several downside risks. The consistent devaluation of the Taka against the US Dollar during the second half of Y2012 as well as in the first couple of months of Y2013 has compelled Bangladesh Bank to purchase FX from the market thus adding to the local currency liquidity in the economy. The woes of financial sector arising from weak external trade activities, bearish capital market and sluggish real estate sector are likely to continue in 2013 further putting pressure on the asset quality. Most importantly, the economy will need social and political stability before the national Elections expected to be held at the year end.

Considering the challenges posed by the economy and financial market, IPDC will remain cautious on credit growth in Y2013 while more focus on portfolio monitoring and non-performing loan recovery will be ensured. IPDC will endeavor to develop a sustainable business model for comparatively cheaper source of fund(s). We also plan to implement new financial software in Y2013 which will improve customer service and operational efficiency.

As the first private sector financial institution in the country, IPDC continues to be recognized for its pioneering spirit and contribution to the development of the industrial landscape of the country. Going forward we will remain focused on strengthening our financial position and asset quality by participating in the industrial growth of the country. Our resolve is that our business strategy, strong culture of compliance and the unyielding commitment and dedication of the IPDC team will translate into strong financial results in 2013 and beyond.

Acknowledgements

The Board of Directors would like to express its gratitude and extend thanks to our valued shareholders, clients, bankers and other stakeholders for their continued support and co-operation. The Board offers thanks to Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, the Registrar of Joint Stock Companies and Firms, the National Board of Revenue, the Ministry of Finance and other Government Agencies for their co-operation. Last but not the least, the Board has a special note of thanks for the management and employees for their outstanding commitment and tremendous hard work; our customers and clients for giving us the opportunity to serve their needs; and our shareholders for your continued faith in the bright future of your Company.

For and on behalf of the Board of Directors.



SULAIMAN AJANEE
Chairman

Key Operating and Financial Data of Preceding Five Years

	2008	2009	2010	2011	2012	Taka in million Growth (%)
Operational Result						
Gross Interest Income	692.12	654.28	567.24	692.58	861.41	24.38%
Financial Expenses	457.16	360.22	298.53	431.52	554.66	28.54%
Net Interest Margin	234.96	294.06	268.71	261.06	306.75	17.50%
Operational Expenses	85.48	81.04	117.90	133.58	131.63	-1.46%
Operating Profit	159.43	216.86	230.30	132.10	207.50	57.08%
Profit Before Tax	58.68	142.42	206.21	139.60	134.00	-4.01%
Net Profit After Tax ¹	49.02	136.61	176.20	111.67	128.60	15.16%
Financial Performance						
Disbursement - Loans, Leases, Advances etc.	897.47	1,216.21	1,608.66	1,979.82	3,316.94	67.54%
Outstanding Loans, Leases and Advances	4,903.69	4,548.49	4,150.96	4,325.02	5,585.64	29.15%
Fixed Assets including Office Premises	81.08	73.57	80.69	81.02	76.21	-5.94%
Total Assets	6,251.94	6,042.82	6,241.91	6,761.09	7,114.51	5.23%
Term Deposits	2,534.80	2,329.40	3,180.86	3,798.24	4,208.01	10.79%
Borrowings	897.15	782.65	123.84	104.02	29.70	-71.45%
Total Liabilities and Equity	6,251.94	6,042.82	6,241.91	6,761.09	7,114.51	5.23%
Equity Information						
Shareholders' Equity	1,474.24	1,610.85	1,787.05	1,898.72	2,027.33	6.77%
Paid up Capital	712.65	783.92	862.31	948.54	1,043.39	10.00%
Number of Ordinary Shares ²	7,126,511	7,839,162	8,623,078	94,853,850	104,339,235	10.00%
Net Asset Value Per Share (NAV) ³	206.87	205.49	207.24	20.02	19.43	-2.93%
Earnings per Share (EPS) ⁴	6.88	17.43	18.60	1.07	1.23	14.95%
Rate of Dividend	10.00%	10.00%	10.00%	10.00%	10.00%	0.00%
Year end Market Price per Share ⁵	413.00	451.00	687.75	31.80	18.00	-43.40%
Market Capitalization ⁶	2,943.25	3,535.46	5,930.52	3,016.35	1,878.11	-37.74%
Financial Ratios						
Current Ratio (Times)	1.45	1.07	1.06	1.36	1.39	2.21%
Debt Equity Ratio (Times)	1.05	0.13	0.52	0.26	0.23	-11.54%
Interest Coverage Ratio (Times)	1.55	3.74	11.60	4.70	6.36	35.40%
Return on Asset	6.10%	6.19%	3.00%	1.72%	1.85%	0.13%
Price Earning Ratio (Times)	31.16	31.93	24.28	29.71	14.60	-50.86%
Rate of NPL	33.21%	27.15%	26.98%	13.04%	9.66%	-3.38%
Rate of net NPL	14.50%	6.42%	8.65%	1.87%	3.98%	2.11%

¹ PAT of year 2008 - 2010 has been restated due to adjustment of deferred tax in compliance with Bangladesh Bank Circular Number DFIM 07 dated July 31, 2011.

² Denomination of face value of shares has been converted from Tk. 100 to Tk. 10 w.e.f. December 4, 2011.

³ NAV for the year 2008-2010 has been calculated using the face value of Tk. 100 each per share and NAV for the year 2011-2012 has been calculated using face value of Tk. 10 each per share.

⁴ EPS has been restated due to issuance of bonus shares.

⁵ Year end Market Price per Share for the year of 2008-2010 has been considered having face value of Tk. 100 each.

⁶ Market Capitalization for the year 2008-2010 has been calculated using Market Price per Share with face value of Tk. 100 each.

Assessment Report on the Going Concern of IPDC

Going concern is one of the fundamental assumptions in the preparation of financial statements. As per the requirements of International Accounting Standards, Companies Act, Listing Rules and Securities & Exchange Commission Guidelines, management and directors should satisfy themselves about the appropriateness of using going concern assumption in the preparation of the financial statements. The management of an entity therefore has a responsibility to assess the entity's ability to continue as a going concern in the foreseeable future. Under the going concern assumption, an entity is normally viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations.

The management and directors of the Company has made annual assessment for the year ended December 31, 2012 of whether the Company is a going concern which involves making appropriate inquiries including review of budget and future outcome of inherent risk associated in the business. The management and directors of the Company are satisfied from the following factors that the preparation of financial statement for the year ended December 31, 2012 on the basis of going concern assumption is appropriate.

Financial Indications

Positive Net Current Assets

IPDC has favorable net current assets of Tk. 774.51 million as at December 31, 2012 which indicates Company's ability to meet its short term obligations out of the short term assets.

Less Dependency on Borrowings

As at December 31, 2012 total borrowing of the Company was Tk. 29.70 million which is 0.58 percent of the total liabilities indicating that Company has no dependency on borrowings.

Continuous Support from the Depositors

The Company enjoys good relationship with the depositors of the Company and maintains an excellent track record and reputation in settlement of its obligations towards the depositors. As at December 31, 2012 total customer deposits stood at Tk. 4,208.01 million with the growth of 10.79 percent over previous year. This indicates that the Company has been successful in building up confidence amongst the depositors and is very optimistic to further develop it in coming days.

Favorable Key Financial Ratio

Company's financial ratios (Please see the Key Operating and Financial Data at page no. 15) reveal the sound financial health and future strength of the Company.

Regular Payment of Dividend

IPDC has been paying dividend on a regular basis to the shareholders over the years.

Creditability in settlement of Obligations

The Company has strong credibility in terms of settlement of its obligations to the lenders and has no default history for settlement of its obligations.

Growth in Operating Profit

In the year 2012, IPDC achieved 57.08 percent growth in operating profit compared to previous year which reflects its efficiency and success story of its policies.

Growth in Lending Portfolio

In the year 2012 performing portfolio of loans, leases and advances increased by 34.17 percent over 2011 which represents the positive indication of business growth of the Company.

Other Indications

Expansion of Business

Company introduced new line of business during the year 2012. This year Company successfully has launched two products in the market, one is Mortgage Loan and other one is Channel Financing.

Employee Satisfaction and Working Environment

IPDC is one of the employee friendly organizations in the financial sector. There is a very good corporate environment within the Company. The Company pays a very competitive compensation package with fringe benefit like car facilities, provident fund, performance bonus, gratuity, group insurance, hospitalization insurance, reward and recognition program etc.

Maintenance of Capital Adequacy Ratio (CAR)

As per DFIM circular number 14 dated December 28, 2011 of Bangladesh Bank regarding Capital Adequacy and Market Discipline for Financial Institutions, each Financial Institution is required to maintain Capital Adequacy Ratio (CAR) at least 10 percent of the total risk weighted assets. As at December 31, 2012 CAR of IPDC is 24.31 percent vis-à-vis requirement of 10 percent i.e. Company maintains 14.31 percent excess CAR at the end of year 2012.

Strong Equity Base

IPDC is one of the highest equity based Company among the Financial Institutions. As at December 31, 2012 total equity of the Company is Tk. 2,027.33 million which includes paid up capital of Tk. 1,043.39 million. This reflects long term viability and sustainability of the Company.

Changes in Government Policy

Management and the Directors anticipate no significant change in legislation or government policy which may materially affect the business of the Company.

Based on the review of the major indicators, the management and Directors of the Company is of the view that the preparation of the financial statements of the Company for the year ended December 31, 2012 on the basis of going concern assumption is appropriate.

Annexure – III

Pattern of Shareholdings as at December 31, 2012

Names	Position	No. of shares
Parent/Subsidiary and Directors		
Parent/subsidiary/associates and other related parties	Not Applicable	Nil
Mr. SulaimanAjane, his spouse and minor child	Chairman	11
Mr. Altaf Hussain, his spouse and minor child	Director	11
Ms. Ashraf Ali, her spouse and minor child	Director	11
Mr. Alauddin A Majid, his spouse and minor child	Director	660
Top Executives		
Mr. Mominul Islam	Managing Director & CEO	Nil
Mr. Dilip Kumar Mandal	Chief Financial Officer (CFO)	Nil
Ms. Mousumi Yasmin	Company Secretary (CS)	Nil
Mr. Md. Parvej Ahmed	Head of Internal Audit (HIA)	Nil
Top Five Executives other than CEO, CFO, CS and HIA		
Mr. Mohammad Ruknuzzaman	Deputy General Manager	Nil
Mr. Fazle Quayum	Deputy General Manager	Nil
Mr. Rizwan Dawood Shams	Deputy General Manager	Nil
Mr. A. S. M. Shahin	Deputy General Manager	Nil
Mr. Kazi Samiur Rahman	Assistant General Manager	Nil
Shareholders holding 10% or more voting right		
Name of shareholders	No. of shares	%
Government of the People's Republic of Bangladesh (GoB)	22,828,971	21.88
Aga Khan Fund for Economic Development (AKFED)	53,267,467	51.05

Meeting attended by the Directors during 2012

Name of Director	Board of Directors Meeting			Executive Committee Meeting			Audit Committee Meeting			Remarks
	Total BOD Meeting held during Director's Tenure	Meeting Attended	Remuneration paid for attending the meeting	Total EC Meeting held during Director's tenure	Meeting Attended	Remuneration paid for attending the meeting	Total AC Meeting held during Director's tenure	Meeting Attended	Remuneration paid for attending the meeting	
			Taka			Taka			Taka	
Mr. Sulaiman Ajaanee	5	5	15,000	-	-	-	-	-	-	Nominated by AKFED
Mr. K.H. Masud Siddiqui ¹	3	0	-	-	-	-	-	-	-	Nominated by GoB
Syed Monjurul Islam ²	3	0	-	-	-	-	-	-	-	Nominated by GoB
Mr. Jalal Ahmed ²	2	2	10,000	11	2	10,000	-	-	-	Nominated by GoB
Mohamad Moinuddin Abdullah ¹	0	0	-	-	-	-	-	-	-	Nominated by GoB
Mr. Munsur Ali Sikder, ndc ¹	1	1	5,000	-	-	-	-	-	-	Nominated by GoB
Ms. Afroza Khan ¹	1	1	5,000	-	-	-	-	-	-	Nominated by GoB
Mr. Md. Nazrul Huda ³	0	0	-	-	-	-	-	-	-	Independent Director
Ms. Ashraf Ali	5	4	20,000	-	-	-	-	-	-	Nominated by AKFED
Mr. Altaf Hussain	5	5	25,000	11	11	55,000	-	-	-	Nominated by AKFED
Mr. Mansoor Ali Halari	5	5	25,000	11	9	45,000	-	-	-	Nominated by AKFED
Mr. Alauddin A. Majid	5	5	25,000	11	10	50,000	5	5	25,000	Independent Director
Mr. Amin H. Manekia	5	5	25,000	-	-	-	5	5	25,000	Nominated by AKFED
Mr. Altaf Ramzi	5	5	25,000	-	-	-	5	4	20,000	Nominated by AKFED
Mr. Shahid Mahmood Loan ⁴	5	4	20,000	-	-	-	5	4	20,000	Nominated by AKFED
Total Remuneration paid			200,000			160,000			90,000	450,000

Note:

Leave of absence was granted in all cases of non attendance

¹ Mr. K. H. Masud Siddiqui was a nominee Director by GoB, Mr. Mohammad Moinuddin Abdullah replaced him on September 12, 2012. Then Mr. Abdullah was replaced by Mr. Mansur Ali Sikder, ndc, on October 16, 2012 and Ms. Afroza Khan replaced Mr. Sikder on November 29, 2012.

² Mr. Syed Monjurul Islam was a nominee Director by GoB, he was replaced by Mr. Jalal Ahmed on October 16, 2012.

³ Mr. Md. Nazrul Huda has been appointed as Independent Director on December 20, 2012.

⁴ Mr. Shahid Mahmood Loan resigned on December 20, 2012.

The Brief Profile of the Board of Directors

Sulaiman Ajanee, Chairman – Nominated by AKFED	Director since 21 January 2004
<p>Mr. Ajanee is the member of the Board since January 2004. He is the Director nominated by Aga Khan Fund For Economic Development (AKFED) and has been serving as Chairman of the Board since October 2010. He was also the member of the Board Executive Committee.</p> <p>Mr. Ajanee is a renowned business personality of the country and has extensive experience in chemical and insecticide business.</p>	<p>Other Interests: Chairman: His Highness Prince Aga Khan Shia Imami Ismaili Council, Bangladesh Vice Chairman: Aga Khan Foundation, Bangladesh Managing Director: World Com Limited. Managing Partner: Standard Finis Oil Company.</p> <p>Qualifications: Associate in Industrial Engineering, USA.</p> <p>Age: 49 years</p>
Altaf Hussain, Director – Nominated by AKFED	Director since 23 January 2006
<p>Mr. Hussain is a Director of the Board of IPDC since January 2006 and serving as Chairman of the Board Executive Committee.</p> <p>Mr. Hussain is a veteran banker and served Habib Bank Limited, a leading international bank of Pakistan for about 39 years in various positions. He has extensively worked on overseas assignments which include his posting as Regional General Manager-Gulf, General Manager-Bahrain and Managing Director of a Finance Company in Kuwait. Prior to his retirement, he was the Senior Executive Vice President of Habib Bank Limited.</p>	<p>Other Interests: Nil</p> <p>Qualifications: B.Com (Hons); M. Com from Hailey College of Commerce, Punjab University, Pakistan.</p> <p>Age: 69 years</p>
Ashraf Ali, Director – Nominated by AKFED	Director since 29 October 2006
<p>Ms. Ali is on the Board of IPDC since October 2006 and member of the Board Audit Committee since December 2012.</p> <p>Ms. Ali worked for British Airways as Sales Manager for 22 years and took early retirement in 2000. During her tenure with British Airways she won many awards for outstanding performance. She is involved with community work and served as the President of the Aga Khan National Council for Bangladesh from 1993-1999 and a member of the National Committee of Aga Khan Foundation, Bangladesh.</p>	<p>Other Interests: Nil</p> <p>Qualifications: M.A. in Political Science from the University of Dhaka.</p> <p>Age: 64 years</p>
Altaf Ramzi, Director – Nominated by AKFED	Director since 07 October 2008
<p>Mr. Ramzi is on the Board of IPDC since October 2008 and a member of the Board Audit Committee since April 2009.</p> <p>Mr. Ramzi was a banker in profession. He started his career with the Bank of Credit and Commerce International (SA) Limited (BCCI) in 1981 as an officer in International Cadre. He then served in BCCI in various capacities and was posted in Egypt, Pakistan and London. He was also Consultant in Deloitte Touche Tohmatsu – a London based global Chartered Accountants firm. He also held the position of Marketing Manager of Signet Enterprises Limited, UK. Coming to Bangladesh in 1996, he has been serving as the General Manager of Signet Enterprises Ltd. and Scotia Services Ltd. Currently, he holds the position of Director in both Companies.</p>	<p>Other Interests: Director: Signet Enterprise Ltd Scotia Services Ltd Apparel Connection Ismailia Co-operative Society</p> <p>Qualifications: B.Com, University of Karachi, Pakistan.</p> <p>Age: 55 years</p>

Amin H. Manekia, Director - Nominated by AKFED

Director since 19 April 2009

Mr. Manekia, is on the Board of IPDC since April 2009 and he is a member of the Board Audit Committee since April 2009.

Mr. Manekia has vast and diversified expertise in the field of marketing, finance, co-operation and banking. He pioneered the concept of automatic beverage dispensing machines in India. He also geared the import and marketing of the automatic beverage machines. He was closely involved with distribution, import and marketing of various food products. He also has his expertise in institutional catering. Mr. Manekia was a Member of the Aga Khan Economic Planning Board of India from 1990 to 1996 and had also chaired the organization from 1996 to 2002. He also served as a Member of the National Council for India.

Other Interests:**Director:**

Development Credit Bank Ltd., India
IVP Limited, India

Qualifications:

B. Com. Sydenham College of Commerce & Economic, Mumbai, India
MBA (Major in Finance & Marketing), Babson College, Wellesley, USA.

Age: 51 years

Alauddin A. Majid -Independent Director

Director since 16 June 2009

Mr. Majid, a celebrated banker, has an outstanding track of professional and academic record.

Mr. Majid started his glorious career-journey as Senior Analytical Chemist of Parsons Basil in Saudi Arabia. Then he worked as Staff Agronomist and Chemist in Esso Pakistan Fertilizer Co. Ltd. in Pakistan. He served as Senior Agronomist in Prakaushali Sangsad Ltd. Later on, he worked in various banks, namely, Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank, Agrani Bank Ltd. and BASIC Bank Limited. Mr. Majid was the Managing Director of BASIC Bank Limited for the period 1996 - 2001. He also worked in Fareast Finance & Investment Limited as its Managing Director.

Other Interests:**Chairman:**

Bangladesh Krishi Bank
Data Edge Limited

Director: Enterprise Development Co. Ltd.

Member: Shakti Foundation.

Qualifications:

B.S. & M.S., American University of Beirut, Lebanon.
Masters in Agricultural Economics from University of Sydney, Australia.

Age: 71 years

Mansoor Ali Halari, Director – Nominated by AKFED

Director since 29 September 2009

Mr. Halari is on the Board of IPDC since September 29, 2009 and he is a member of the Board Executive Committee since July 2010.

Mr. Halari is working at Habib Bank Limited as Senior Manager - Special Projects. He is an experienced banker and has worked at The Royal Bank of Scotland, ABN AMRO Bank, NIB Bank and PICIC Commercial Bank. He started his career as Programmer Analyst at Information Systems Department, Aga Khan University Hospital, Pakistan.

Mr. Halari has attended training programs encompassing credit analysis, risk management, corporate risk assessment, microfinance, international trade, etc.

Other Interests: Nil

Qualifications:

Affiliate, Association of Chartered Certified Accountants, UK
FRM (certified), Global Association of Risk Professionals, USA
MBA, Institute of Business Administration (IBA), Pakistan
BCS, Institute of Computer Science (FAST), University of Karachi, Pakistan

Age: 32 years

Jalal Ahmed, Director – Nominated by GoB

Director since 16 October 2012

Mr. Ahmed is the Director of the Board of IPDC since October 2012 and he is also the member of the Board Executive Committee since then. Mr. Ahmed is the Additional Secretary, Finance Division, Ministry of Finance.

Mr. Ahmed has served the Government of Bangladesh for nearly 3 (three) decades in various positions such as Deputy Commissioner (Cabinet Vision) for both Thakurgaon and Faridpur; Joint Secretary, Energy Division during which he

Other Interests:**Director:**

Bangladesh Submarine Cable Ltd.
Bangladesh Telecommunication Co. Ltd.
British American Tobacco Bangladesh Ltd.
Bangladesh Services Ltd.
Armed Forces Medical College

also served as the Project Director (PD) of the Hydrocarbon Unit, a technical wing of the Division and also headed the Geological Survey of Bangladesh for a short period; Chief Metropolitan Magistrate of Dhaka; Chairman of Bangladesh Oil, Gas & Mineral Corporation (Petrobangla); and Vice Chairman of Export Promotion Bureau (EPB), the Trade Promotion Body of the Country. Mr. Ahmed is committed to community service and involved in various social organizations.

Qualifications:
B.A.(Hons); M.A. in Social Science, University of Dhaka.

Age: 52 years

Afroza Khan, Director - Nominated by GoB

Director since 29 November 2012

Ms. Khan has been the Director of the Board of IPDC since November 2012. She is also the member of the Board Audit Committee since her induction on the Board.

Other Interests:
Director:
Training Institutes for Chemical Industries (TICI).

Ms. Khan joined the Bangladesh Civil Service (BCS) Administrative Cadre in 1988. Her career with the Government of Bangladesh spans over 24 years during which she has served in various Ministries in different capacities, particularly the Ministry of Health and Family Welfare, Ministry of Posts and Telecommunications and Ministry of Public Administration. Ms. Khan has also worked as a consultant for the ILO, Dhaka Office, and is a member of different professional bodies concerning Civil Service in Bangladesh. At present Ms. Khan is serving as a Joint Secretary in the Ministry of Industries where she is a senior team member in the International Cooperation Wing.

Qualifications:
Master of Soil, Water and Environment, University of Dhaka
Master of Public Health, University of North Carolina, Chapel Hill, USA

Age: 53 years

Md. Nazrul Huda - Independent Director

Director since 20 December 2012

Mr. Huda has been appointed as an Independent Director of the Board of IPDC since December 2012, he is also the Chairman of the Board Audit Committee since his induction on the Board.

Other Interests:
Advisor: BRAC Bank Limited
Director: Securities and Investment Co. Ltd.

Mr. Huda's impressive career serving the Government of Bangladesh includes 35 years of central banking experience, namely in Banking Policy and Banking Supervision. Most recently Mr. Huda was the Deputy Governor of Bangladesh Bank and was actively involved in policy, institutional and legal reforms relating to the banking sector and has made numerous contributions in this regard.

Qualifications:
M.A. (Economics), University of Dhaka
M.A. (Economics) University of New England, Australia

Age: 59 years

Mominul Islam, Managing Director - Ex Officio

Managing Director since 04 January 2012

Mr. Islam is holding the position of Managing Director & CEO since January 2012. Prior to that he was the Deputy Managing Director of the Company from July 2008 to December 2011. Mr. Islam joined IPDC in the year 2006 as Head of Operations. During his tenure at IPDC, he has played pivotal role in reshaping the organization through strategic planning, organizational restructuring, automation, process reengineering, control and compliance, service quality etc.

Other Interests: Nil

Qualifications:
BBA from IBA, University of Dhaka.

Age: 36 years

Prior to joining IPDC he worked in American Express Bank (AEB) and Standard Chartered Bank (SCB) for more than 7 (seven) years with an enriching career in different areas of the Banks e.g. General Banking, Reengineering, Service Quality, Risk Management, Project Management, Business Contingency Planning etc. During his tenure at AEB he went through the Six Sigma Black Belt training at Brighton, UK and managed several Six Sigma projects for AEB Bangladesh, Singapore, UK, Hong Kong, India and USA.

Corporate Governance Compliance Report on BSEC's Notification

Status of compliance with the conditions imposed by Bangladesh Securities and Exchange Commission's notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 issued under section 2CC of the Securities and Exchange Ordinance 1969. The status report on compliance with those conditions is furnished below:

Condition No.	Title	Compliance Status	Remarks
1.0	Board of Directors		
1.1	The number of board members should not be less than 5 (five) and more than 20 (twenty)	Complied	
1.2	Independent Directors		
1.2 (i)	At least one fifth (1/5) of the total number of directors should be Independent Directors.	Complied	
1.2 (ii)	Meaning of Independent Directors		
1.2 (ii)(a)	Who either does not hold any share in the company or hold less than 1 (one) percent shares of the total paid up shares of the company	Complied	
1.2 (ii)(b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder	Complied	
1.2 (ii)(c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	Complied	
1.2 (ii)(d)	Who is not a member, director or officer of any stock exchange	Complied	
1.2 (ii)(e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	Complied	
1.2 (ii)(f)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm	Complied	
1.2 (ii)(g)	Who shall not be an independent director in more than 3 (three) listed companies	Complied	
1.2 (ii)(h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	Complied	
1.2 (ii)(i)	Who has not been convicted for a criminal offence involving moral turpitude	Complied	
1.2 (iii)	Independent Director shall be appointed by the board and approved by the shareholders in the AGM.	Complied	Approval of newly appointed ID will be obtained in the 31 st AGM
1.2 (iv)	The post of Independent Director(s) cannot remain vacant for more than 90 (ninety) days	Complied	
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	Complied	
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	Complied	
1.3	Qualification of Independent Director		
1.3(i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	Complied	
1.3(ii)	The person should be a Business Leader/Corporate Leader/Bureaucrat/ University Teacher with Economics or Business	Complied	

	Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, and Chartered Secretaries. The Independent Director must have at least 12 (twelve) years of corporate management/professional experiences		
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission		No such deviation occurred
1.4	Chairman of the Board and Chief Executive Officer		
	The Chairman and the Chief Executive Officer should be different persons. The Chairman shall be elected from among the directors and Board shall clearly define the roles and responsibilities of the Chairman and the Chief Executive Officer.	Complied	
1.5	The Directors' Report to Shareholders shall include the following statements:		
1.5(i)	Industry outlook and possible future developments in the industry	Complied	
1.5(ii)	Segment-wise or product-wise performance	Complied	
1.5(iii)	Risks and concerns	Complied	
1.5(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	Complied	
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss.		No such event occurred
1.5(vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report	Complied	
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments		No such item exists
1.5(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.		No such event occurred
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance in their Annual Report.	Complied	
1.5(x)	Remuneration to directors including Independent Directors.	Complied	
1.5(xi)	Fairness of Financial Statements.	Complied	
1.5(xii)	Maintain proper books of accounts.	Complied	
1.5(xiii)	Adoption of appropriate accounting policies and estimates and have been applied consistently	Complied	
1.5(xiv)	International Accounting Standards(IAS)/Bangladesh Accounting Standards(BAS)/International Financial Reporting Standards(IFRS)/ Bangladesh Financial Reporting Standards(BFRS) as applicable in Bangladesh, have been followed in preparation of financial statement and any departure there from has been adequately disclosed	Complied	
1.5(xv)	System of Internal Control is sound in design and has been effectively implemented and monitored.	Complied	
1.5(xvi)	Ability of the Company to continue as a Going Concern	Complied	
1.5(xvii)	Highlighted the significant deviation of operating results from prior year.	Complied	
1.5(xviii)	Summarized the key operating and financial data of at least preceding 5 (five) years.	Complied	
1.5(xix)	Declaration of dividend	Complied	
1.5(xx)	Number of board meetings held during the year and attendance by each director	Complied	
1.5(xxi)	The pattern of shareholding	Complied	

1.5(xxii)	In case of Appointment/re-appointment of Directors, the Company shall disclose the following to the shareholders:	
1.5(xxii)(a)	A brief resume of the director	Complied
1.5(xxii)(b)	Nature of his/her expertise in specific functional areas	Complied
1.5(xxii)(c)	Name of companies in which he/she holds the directorship and the membership of the committees of the Board	Complied
2.0	Chief Financial Officer (CFO), Head of Internal Audit (HIA) and Company Secretary (CS)	
2.1	Appointment of CFO, HIA and CS and board shall clearly define the roles, responsibilities and duties of CFO, HIA and CS	Complied
2.2	The CFO and CS shall attend the Board Meeting except such part of the meeting which involves consideration of agenda relating to them	Complied
3.0	Audit Committee	
3.0(i)	An Audit Committee as sub-committee of the Board of Directors	Complied
3.0(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	Complied
3.0(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing	Complied
3.1	Constitution of Audit Committee	
3.1(i)	Audit Committee should be composed of at least 3 (three) members	Complied
3.1(ii)	Members of the Audit Committee should be appointed by the Board with at least 1 (one) Independent Directors	Complied
3.1(iii)	All members of the Audit Committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience	Complied
3.1(iv)	The Board will ensure continuity term of the Audit Committee and maintain the minimum number of members of the Committee and if any vacancy arises the Board will fill up the vacancy within 1 (one) month	Complied
3.1(v)	The company secretary shall act as the secretary of the Committee	Complied
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director	Complied
3.2	Chairman of the Audit Committee	
3.2(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an Independent Director	Complied
3.2(ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM)	Complied
3.3	Role of Audit Committee	
3.3(i)	Oversee the financial reporting process.	Complied
3.3(ii)	Monitor choice of accounting policies and principles	Complied
3.3(iii)	Monitor Internal Control Risk management process	Complied
3.3(iv)	Oversee hiring and performance of external auditors	Complied
3.3(v)	Review along with the management, the annual financial statements before submission to the board for approval	Complied
3.3(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval	Complied
3.3(vii)	Review the adequacy of internal audit function	Complied
3.3(viii)	Review statement of significant related party transactions submitted by the management	Complied

3.3(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors	Complied	
3.3(x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc) on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.	Not Applicable	There was no IPO/PRO/Right Issue in 2012.
3.4.1	Reporting of Audit Committee to the Board of Directors		
3.4.1(i)	Audit Committee reports on its activities to the Board of Directors	Complied	The Audit Committee informs the Board timely through its minutes.
	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:		No such event occurred
3.4.1(ii) (a)	Report on conflict of interest		
3.4.1(ii) (b)	Any suspected or presumed fraud or irregularity or material defect in the Internal control system		No such event occurred
3.4.1(ii) (c)	Suspected infringement of laws, including securities laws, rules and regulations		No such event occurred
3.4.1(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately		No such event occurred
3.4.2	Reporting to Authorities		
	If any report which materially impacts the financial condition & results of operation has been discussed with the Board of Directors and the management and that any rectification which is necessary is unreasonably ignored, Audit Committee shall report such finding to SEC upon reporting of such matters to the Board for three times or completion of a period of 6 (six) month from the date of first reporting to the Board whichever is earlier		No such event occurred
3.5	Reporting to the Shareholders and General Investors		
	Report on activities carried out by the Audit Committee including any report made to the Board under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer Company	Complied	No such event occurred under condition 3.4.1 (ii).
4	External/Statutory Auditors should not be engaged to the following services		
4(i)	Appraisal or valuation services or fairness opinions	Complied	
4(ii)	Designing of Financial Information System and implementation	Complied	
4(iii)	Book Keeping or other services related to the accounting records or financial statements	Complied	
4(iv)	Broker-Dealer services	Complied	
4(v)	Actuarial services	Complied	
4(vi)	Internal Audit services	Complied	
4(vii)	Any other services that the Audit Committee determines	Complied	

4(viii)	No partner or employees of the external audit firms shall possess any share of the Company they audit at least during the tenure of their audit assignment of that Company.	Complied	The Audit firm has declared that none of them holds any share in the Company.
5	Subsidiary Company		
5(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	Not Applicable	The Company does not have any subsidiary.
5(ii)	At least 1 (one) Independent Director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company	Not Applicable	-Do-
5(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	Not Applicable	-Do-
5(iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company too	Not Applicable	-Do-
5(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	Not Applicable	-Do-
6	CEO and CFO's Certification of Financial Statements to the Board		
6(i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:		
6(i)(a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	Complied	
6(i)(b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	Complied	
6(ii).	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct	Complied	
7	Reporting and Compliance of Corporate Governance		
7(i)	The Company shall obtain a certificate from a practising Professional Accountant/Secretary (Chartered Accountant/Cost & Management Accountants/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis	Complied	
7(ii).	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions	Complied	



Rahman Rahman Huq
Chartered Accountants
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**Certification to the Board of Directors of Industrial Promotion and Development Company of Bangladesh Limited
under section 2CC of the Securities and Exchange Ordinance 1969**

This is to certify that the management of Industrial Promotion and Development Company of Bangladesh Limited has complied with the necessary requirements of Corporate Governance for the year ended 31 December 2012 as per compliance requirements of the conditions imposed by Bangladesh Securities and Exchange Commission's Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 issued under section 2CC of the Securities and Exchange Ordinance 1969.

Dhaka, February 27, 2013

Rahman Rahman Huq, a partnership firm registered in Bangladesh and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

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Fax +880 (31) 2520795
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Internet www.kpmg.com/bd

Statement of Compliance on the Good Governance Guidelines Issued by Bangladesh Bank

In terms of DFIM Circular No. 07 dated September 25, 2007 of Bangladesh Bank, Financial Institutions are required to comply with the policy on role and responsibility of the Board of Director and Chief Executive Officer. The Company has implemented those guidelines as per the directives of Bangladesh Bank.

Status report on compliance with those guidelines is given below:

Sl.	Particulars	Compliance Status
01.	Responsibilities and authorities of the Board of Directors	
A.	Work Planning and Strategic Management	
i.	The Board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goal and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans.	Complied
ii.	The Board shall have its analytical review incorporated in the Annual report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies.	Complied
iii.	The Board will set the Key Performance Indicator (KPI)s for the CEO and other senior executives and will evaluate half yearly / yearly basis.	Complied
B	Formation of sub-committee To expedite the process of decision making, (e.g. approval of loan/lease, write off, rescheduling etc.) Board may form Executive Committee with the Director (excluding any alternate director)	Complied
C	Financial Management	
i.	Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
ii.	Board shall review and examine on quarterly basis various statutory financial statements such as statement of income-expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recovery of overdue loan/lease.	Complied
iii.	Board shall approve the procurement policy and shall accordingly delegate the power for making such expenditure. The maximum delegation of power shall rest on the CEO and top management. However, decision relating to purchase of land, building and vehicles shall remain with the Board.	Complied
iv.	The Board shall adopt the operation of bank accounts. Groups may be formed among the management to operate bank accounts under joint signatures.	Complied
D	Management of loan/lease/investments	
i.	Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	Complied
ii.	No director shall interfere on the approval of loan proposal associated with him. The director concerned shall not give any opinion on that loan proposal.	Complied
iii.	Any syndicated loan/lease/investment proposal must be approved by the Board.	Complied
E.	Risk Management Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied
F.	Internal Control and Compliance A regular Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditor, external auditors and Bangladesh Bank Inspection team.	Complied

G. Human Resource Management		
i.	Board shall approve the policy on Human Resources Management and Service Rule. Chairman and director of the Board shall not interfere on the administrative job in line with the approved Service Rule.	Complied
ii.	Only the authority for the appointment and promotion of the Managing Director/Deputy Managing Director/ General Manager and other equivalent position shall lie with the Board in compliance with the Policy and Service Rule. No director shall be included in any Executive Committee formed for the purpose of appointment and promotion of others.	Complied
H. Appointment of CEO		
	The Board shall appoint a competent CEO for the Company with the approval of the Bangladesh Bank and shall approve any increment of his salary and allowances.	Complied
I. Benefit to the Chairman		
	Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the Company subject to the approval of the Board.	Complied
J. Responsibilities and Duties of the Chairman		
i.	Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power;	Complied
ii.	The minutes of the Board meetings shall be signed by the Chairman;	Complied
iii.	Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
K. Responsibilities of Managing Director & CEO		
i.	Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management;	Complied
ii.	Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities;	Complied
iii.	All recruitment/promotion/training, except recruitment/promotion/training of DMD, GM shall be vested upon the Managing Director. He shall act such in accordance with the approved HR Policy of the Company;	Complied
iv.	Managing Director may re-schedule job responsibilities of employees;	Complied
v.	Managing Director may take disciplinary actions against the employees except DMD and GM;	Complied
vi.	Managing Director shall sign all the letters/statements relating to compliance of policies and guidelines. However, Departmental/Unit Heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by the Managing Director.	Complied

Report of the Audit Committee

Role of Audit Committee

Audit Committee is a sub-committee of the Board and formed by the Board of Directors of the Company. The Audit Committee assists the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business. The Audit Committee makes recommendations on the reporting, control and compliance aspects of the Directors' and the Company's responsibilities, providing independent monitoring, guidance and challenge to executive management in these areas. Its aim is to ensure that high standards of corporate reporting, control and compliance are achieved, in the belief that excellence in these areas enhances the effectiveness, and reduces the risks of the business.

Structure of the Audit Committee:

Name	Status with the committee	Status with the Board	Educational qualification
Mr. Md. Nazrul Huda	Chairman	Independent Director	M.A. (Economics), University of Dhaka; Master of Economics, University of New England, Australia
Ms. Afroza Khan	Member	Director	Master of Soil, Water and Environment, University of Dhaka; Master of Public Health, University of North Carolina, USA
Ms. Ashraf Ali	Member	Director	Master of Political Science, University of Dhaka
Mr. Amin H. Manekia	Member	Director	MBA (majoring in Finance & Marketing), Babson College, USA
Mr. Altaf Ramzi	Member	Director	B.Com, University of Karachi

The Company Secretary acts as the secretary of the Audit Committee.

Scope of the Audit Committee

The Committee is authorized to investigate any matter within its terms of reference, access all documents and information of the Company, seek information from any director or employee of the Company and co-opt any resources (including external professional assistance) it sees fit in order to fulfill its duties. However, the Committee has no executive function and its primary objective is to review and challenge, rather than assume responsibility for any matters within its remit. The Committee presents a summary of its activities to shareholders and other interested parties by means of this report, and the Committee Chairman attends all general meetings of the Company's shareholders to answer any questions on the Committee's activities.

Review of Financial Statements by the Audit Committee

Audit Committee reviewed the annual financial statements for the year 2012 and placed its recommendations to the Board of Directors.

External Audit

Hoda Vasi Chowdhury & Co, Chartered Accountants, a partnership firm registered in Bangladesh and Independent Correspondent Firm to Deloitte Touche Tohmatsu, were re-appointed as statutory auditors of the Company at the 30th Annual General Meeting held on May 03, 2012. As a part of ensuring highest level of corporate governance, the Committee prohibits the external auditors from performing any work that they may subsequently need to audit, or which might otherwise create a conflict of interest. The Committee has ascertained that the external auditors of the Company have not been engaged to any one of the following material non-audit services:

- Appraisal or valuation services or fairness opinions;
- Financial information systems design and implementation;
- Book-keeping or other services related to the accounting records or financial statements;
- Broker-dealer services;
- Actuarial services; and
- Internal audit services.

The Committee has also ascertained the followings:

- None of the partners or employees of the external audit firms possesses any share of IPDC at least during the tenure of their audit assignment.

- The external audit firm is not receiving any fee which is contingent upon such factors like achieving targeted Non Performing Loan ratio by the Company, loan disbursement target etc.


The Audit Committee evaluated the expertise, resources, independence and objectivity of the external auditors and also reviewed their effectiveness as external auditors before recommending their appointment to the Board.

Major activities of the Audit Committee:

The Committee met five times during 2012 to carry out the following major activities:

- Reviewed and recommended to the Board the annual financial statements for the year ended December 31, 2011.
- Reviewed the Management Letter from external auditors for the year 2011 together with management's responses to the findings.
- Reviewed expressions of interest to continue as statutory auditors from existing statutory auditors, Hoda Vasi Chowdhury & Co, Chartered Accountants, for the second year of consecutive service and recommended the same to the Board, as auditors of the Company for the year 2012.
- Reviewed expressions of interest received from various audit firms and recommended appointment of Rahman Rahman Huq, Chartered Accountants, member firm of KPMG International as auditors for the year 2012 for certification on compliance with Corporate Governance Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC).
- Reviewed and recommend to the Board the first quarter, half-year and third quarter ended financials of 2012.
- Reviewed the inspection report of Bangladesh Bank with responses from the management for the year ended 31 December 2011.
- Approved the Internal Audit Plan for the year 2012, monitored progress and effected revisions where necessary.
- Reviewed and recommended to the Board the revised Terms of Reference (ToR) of Audit Committee.
- Reviewed and approved the Job Description (JD) of Head of Internal Audit & Compliance.
- Reviewed the periodical inspection reports of the Company conducted and submitted by the Internal Auditors and recommended necessary instructions to the management for proper and prompt resolution of the irregularities/objections stated therein.
- Reviewed and ascertained that the internal control system including financial and operational controls, accounting system, and reporting structure are adequate and effective.
- Reviewed the actions taken by the management for implementation of Audit Committee observations on issues deliberated in Audit Committee reports.
- The committee placed its report regularly to the Board of the Company for review and monitoring the activities with recommendations on internal control system, compliance with rules and regulation of the regulatory bodies.
- Reviewed issues within the following areas. However, no such instances were identified and reported to the Board of Directors:
 - Report on conflicts of interests
 - Suspected or presumed fraud or irregularity or material defect in the internal control system
 - Suspected infringement of laws, including securities related laws, rules and regulations

Based on the above review and discussions, the Audit Committee is of the view that the internal control and compliance procedures are adequate to present a true and fair view of the activities and financial status of the Company.



Md. Nazrul Huda
Chairman, Audit Committee

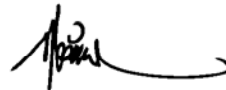
**DUTIES OF CHIEF EXECUTIVE OFFICER (CEO)
AND
CHIEF FINANCIAL OFFICER (CFO)**

In compliance with the condition conferred by the Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 7, 2012 issued by Bangladesh Securities and Exchange Commission (BSEC), this is to certify to the Board of the Company that:

- (i) We have reviewed financial statements for the year 2012 and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.



Dilip Kumar Mandal
Chief Financial Officer



Mominul Islam
Managing Director & CEO

Date: February 27, 2013

Hoda Vasi Chowdhury & Co

Chartered Accountants

Independent Corrospendent Firm to **Deloitte Touche Tohmatsu**

Auditors' report to the shareholders of Industrial Promotion and Development Company of Bangladesh Limited

We have audited the accompanying financial statements of Industrial Promotion and Development Company of Bangladesh Limited (IPDC) which comprises the balance sheet as at 31 December 2012 and profit and loss account, statement of changes in equity, cash flow statement, and liquidity statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchanges Rules 1987 and other applicable laws and regulations. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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, give a true and fair view of the state of the company's affairs as at 31 December 2012 and of the results of its operations and cash flows for the year then ended and comply with the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchanges Rules 1987 and other applicable laws and regulations.

Further to our opinion in the above paragraph, we state that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) in our opinion, proper books of account as required by law have been kept by IPDC 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 not visited by us;
- (iii) IPDC's Balance Sheet and Profit and Loss Account together with the annexed notes 1 to 51 dealt with by the report are in agreement with the books of account and returns;
- (iv) the expenditure incurred was for the purpose of IPDC's business;
- (v) the financial position of IPDC as on 31 December 2012 and the profit for the year then ended have been properly reflected in the financial statements and the financial statements have been prepared in accordance with the generally accepted accounting principles;

- (vi) the financial statements have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations issued by Bangladesh Bank;
- (vii) the financial statements conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (viii) adequate provisions have been made for loan, leases advances and other assets which are, in our opinion, doubtful of recovery;
- (ix) the information and explanations required by us have been received and found satisfactory;
- (x) IPDC has complied with relevant laws pertaining to reserves and found satisfactory.
- (xi) IPDC has no overseas branches;
- (xii) the methods of calculating risk weighted assets as determined by Bangladesh Bank for non bank Financial Institutions (NBFIs) are mandatory from 1 January 2012. For audit purpose we have used these methods to ensure we have reviewed 80% of the risk-weighted assets of the company;
- (xiii) we have spent approximately 600 man hours for the audit of books and accounts of the company.



Hoda Vasi Chowdhury & Co
Chartered Accountants

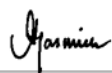
Dhaka, 27 February 2013

Industrial Promotion and Development Company of Bangladesh Limited
Balance Sheet
as at 31 December 2012

Figures in Taka

	Note	2012	2011
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	5.1	68,533	40,200
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	5.2	94,246,168	79,521,979
		94,314,701	79,562,179
Balance with other banks and financial institutions	6	433,650,776	742,592,747
Money at call and short notice	7	-	120,000,000
		433,650,776	862,592,747
Investments			
Government	8.2	165,000,000	587,600,000
Others	8.3	499,278,558	572,578,558
		664,278,558	1,160,178,558
Loans, advances and leases	9	5,585,644,010	4,325,023,676
Fixed assets including premises, furniture and fixtures	10	76,209,026	81,022,559
Other assets	11	254,313,304	252,709,608
Non financial institutional assets	12	6,096,865	-
TOTAL ASSETS		7,114,507,241	6,761,089,327
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks and financial institutions	13	29,698,701	104,023,088
Term deposits	14	4,208,012,043	3,798,236,467
Other liabilities	15	849,470,357	960,106,874
Total liabilities		5,087,181,101	4,862,366,429
Shareholders' equity			
Paid up capital	16	1,043,392,350	948,538,500
Share premium	17	167,014,000	167,014,000
Statutory reserve	18	223,222,211	197,501,563
Assets revaluation reserve	19	13,585,980	13,585,980
Retained earnings	20	580,111,599	572,082,855
Total shareholders' equity		2,027,326,140	1,898,722,898
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,114,507,241	6,761,089,327
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Letters of guarantee	21	5,590,000	15,590,000
Other commitments		-	-
Total off-balance sheet items		5,590,000	15,590,000

The annexed notes 1 to 51 form an integral part of these financial statements.



Company Secretary



Managing Director & CEO



Chairman

Auditors' Report to the shareholders
See annexed report to date


Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka, 27 February 2013

Industrial Promotion and Development Company of Bangladesh Limited
Profit and Loss Account
for the year ended 31 December 2012

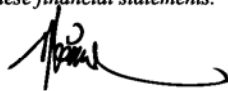
Figures in Taka

	Note	2012	2011
PARTICULARS			
Interest income	26	791,167,557	554,452,041
Interest paid on deposits and borrowings etc.	27	554,659,236	431,518,260
Net interest income		236,508,321	122,933,781
Investment income	28	70,241,726	138,130,847
Commission, exchange and brokerage	29	7,134,733	3,136,483
Other operating income	30	25,245,938	1,482,431
Total operating income		339,130,718	265,683,541
Salary and allowances	32	60,549,462	60,916,274
Rent, taxes, insurance, electricity, etc.	33	10,769,111	9,986,175
Legal expenses	34	8,252,369	7,269,258
Postage, stamp, telecommunications, etc.	35	2,443,879	2,113,416
Stationery, printings, advertisements, etc.	36	6,306,120	8,398,882
Managing Director's salary and allowances	37	7,167,045	8,721,757
Directors' fees	38	3,823,212	3,762,471
Auditors' fees	39	350,000	350,000
Charges on loan loss		-	-
Depreciation and repair of Company's assets	40	21,286,418	19,419,419
Other expenses	41	10,682,366	12,645,237
Total operating expenses		131,629,982	133,582,889
Profit before provision		207,500,736	132,100,652
Provision for loans and leases		65,039,122	(31,176,146)
Provision for diminution in value of investments		-	5,522,369
Other provisions		8,465,789	18,156,069
Total provision	42	73,504,911	(7,497,708)
Profit before tax		133,995,825	139,598,360
Current tax	15.4	7,788,282	26,175,525
Deferred tax	43	(2,395,699)	1,748,557
Total tax expenses		5,392,583	27,924,082
Net profit after tax		128,603,242	111,674,278
Appropriations			
Statutory reserve	18	25,720,648	22,334,856
General reserve		-	-
		25,720,648	22,334,856
Retained surplus		102,882,594	89,339,422
Earnings per share (EPS)	44	1.23	1.07

The annexed notes 1 to 51 form an integral part of these financial statements.



Company Secretary

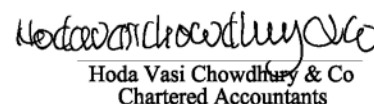


Managing Director & CEO



Chairman

Auditors' Report to the shareholders
See annexed report to date


Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka, 27 February 2013

Industrial Promotion and Development Company of Bangladesh Limited
Cash Flow Statement
for the year ended 31 December 2012

Figures in Taka

	Note	2012	2011
OPERATING ACTIVITIES			
Interest receipts in cash		778,394,118	581,842,629
Interest payments in cash		(519,805,904)	(378,521,738)
Dividend receipts in cash		41,117,654	48,901,245
Fee and commission receipts in cash		7,134,733	3,806,054
Recoveries of loan previously written off		24,304,828	221,000
Cash payments to employees		(64,792,957)	(68,846,120)
Cash payments to suppliers		(46,889,783)	(51,193,026)
Income taxes paid		(12,425,223)	(17,017,404)
Receipts from other operating activities	45	34,589,767	99,777,784
Payments for other operating activities		-	-
Cash generated before change in operating assets and liabilities		241,627,233	218,970,424
Increase/(decrease) in operating assets and liabilities			
Statutory deposits		-	-
Purchase/sale of trading securities		145,670,840	(370,358,189)
Loans, advances and leases to other banks		(46,080,493)	2,667,515
Loans, advances and leases to customers		(1,161,478,620)	(176,734,423)
Other assets	22	1,613,622	4,937,323
Deposits from customers		409,775,576	617,373,536
Trading liabilities		(67,255,975)	(32,744,025)
Other liabilities	23	9,412,338	(3,254,827)
Net increase/(decrease) in operating assets and liabilities		(708,342,712)	41,886,910
Net cash from operating activities		(466,715,479)	260,857,334
INVESTING ACTIVITIES			
Proceeds from sale/repayment of securities		73,300,000	147,000,000
Payments for purchase of securities		-	(99,900,000)
Payments for purchase of property, plant and equipment		(14,650,943)	(15,400,551)
Sale proceeds of property, plant and equipment		946,943	1,250,014
Net cash provided/(used) in investing activities		59,596,001	32,949,463
FINANCING ACTIVITIES			
Receipts/(payments) of long term loan		(7,068,412)	12,930,656
Dividends paid in cash		(1,558)	(505,773)
Net cash provided/(used) in financing activities		(7,069,970)	12,424,883
Net increase/(decrease) in cash		(414,189,449)	306,231,680
Cash and cash-equivalents at beginning of the year		942,154,926	635,923,246
Cash and cash-equivalents at end of the year	24	527,965,477	942,154,926

The annexed notes 1 to 51 form an integral part of these financial statements.



Company Secretary



Managing Director & CEO



Chairman

Industrial Promotion and Development Company of Bangladesh Limited
Statement of Changes in Shareholders' Equity
for the year ended 31 December 2012

For the year ended 31 December 2012

Figures in Taka

	Paid up share capital	Share premium	Statutory reserve	Asset revaluation reserve	Retained earnings	Total
Opening balance	948,538,500	167,014,000	197,501,563	13,585,980	572,082,855	1,898,722,898
Changes in accounting policy	-	-	-	-	-	-
Restated balance	948,538,500	167,014,000	197,501,563	13,585,980	572,082,855	1,898,722,898
Net profit for the year 2012	-	-	-	-	128,603,242	128,603,242
Issuance of bonus share	94,853,850	-	-	-	(94,853,850)	-
Appropriation during the year	-	-	25,720,648	-	(25,720,648)	-
Closing balance	1,043,392,350	167,014,000	223,222,211	13,585,980	580,111,599	2,027,326,140

For the year ended 31 December 2011

Opening balance	862,307,800	167,014,000	175,166,707	13,585,980	568,974,133	1,787,048,620
Changes in accounting policy	-	-	-	-	-	-
Restated balance	862,307,800	167,014,000	175,166,707	13,585,980	568,974,133	1,787,048,620
Net profit for the year 2011	-	-	-	-	111,674,278	111,674,278
Issuance of bonus share	86,230,700	-	-	-	(86,230,700)	-
Appropriation during the year	-	-	22,334,856	-	(22,334,856)	-
Closing balance	948,538,500	167,014,000	197,501,563	13,585,980	572,082,855	1,898,722,898

The annexed notes 1 to 51 form an integral part of these financial statements.



Company Secretary



Managing Director & CEO



Chairman

Industrial Promotion and Development Company of Bangladesh Limited
Liquidity Statement
as at 31 December 2012

Figures in Taka

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Cash in hand (including balance with Bangladesh Bank)	94,314,701	-	-	-	-	94,314,701
Balance with other banks and financial institutions	321,263,786	112,386,990	-	-	-	433,650,776
Investments	10,000,000	-	73,300,000	373,300,000	207,678,558	664,278,558
Loans, advances and leases	177,881,134	452,280,140	1,569,903,920	2,754,487,705	631,091,111	5,585,644,010
Property, plant and equipment	1,418,995	2,795,380	9,819,807	32,988,786	29,186,058	76,209,026
Other assets	2,574,968	11,473,093	42,208,385	83,844,729	114,212,129	254,313,304
Non financial institutional assets	-	-	6,096,865	-	-	6,096,865
Total assets	607,453,584	578,935,603	1,701,328,977	3,244,621,220	982,167,856	7,114,507,241
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	-	1,901,594	6,053,966	21,743,141	-	29,698,701
Deposits and other accounts	176,474,328	432,970,955	1,220,940,524	2,009,209,955	368,416,281	4,208,012,043
Provision and other liabilities	20,989,163	81,179,132	172,700,903	262,741,539	311,859,620	849,470,357
Total liabilities	197,463,491	516,051,681	1,399,695,393	2,293,694,635	680,275,901	5,087,181,101
Net liquidity gap	409,990,093	62,883,922	301,633,584	950,926,586	301,891,955	2,027,326,140

The annexed notes 1 to 51 form an integral part of these financial statements.

Industrial Promotion and Development Company of Bangladesh Limited

Notes to the Financial Statements

as at and for the year ended 31 December 2012

1. Reporting entity

1.1 Company profile

With a mandate to promote economic growth in the country, Industrial Promotion and Development Company of Bangladesh Limited (IPDC) was incorporated in Bangladesh in 1981 as the premier private sector long term lending institution with the Registrar of Joint Stock Companies and Firms, Dhaka. The Company also registered itself as a financial institution under the Financial Institutions Act 1993 on 07 February 1995. The registered office of the Company is situated at Hosna Center (4th Floor), 106 Gulshan Avenue, Dhaka, Bangladesh. The Company became a listed company on 03 December 2006 with the Dhaka and the Chittagong Stock Exchanges in Bangladesh. The Company has four branch offices located at Dhaka, Chittagong and Sylhet.

1.2 Nature of business of the Company

IPDC specializes in providing long term and short term financing, project financing, lease financing, equity financing, syndication finance, work order finance, mortgage finance, channel finance, SME & medium market enterprise finance, asset backed securitisation through issuance of zero-coupon bond and related consultancies to both local and foreign private investments in Bangladesh.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared on a going concern basis following accrual basis of accounting except cash flow statement in accordance with the Companies Act 1994, the Financial Institutions Act 1993, Securities and Exchange Rules 1987, the Listing Rules of Dhaka and Chittagong Stock Exchanges, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), except in the circumstances where local regulations differ, and with other applicable laws and regulations.

The presentation of the financial statements has been made as per the requirements of DFIM Circular No: 11 dated 23 December 2009 issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank.

2.2 Basis of measurement

The financial statements have been prepared on historical cost basis except for certain assets which are stated at revalued amount.

2.3 Disclosure of deviations from the requirements of BAS/BFRS due to mandatory compliance with Bangladesh Bank's guidelines

Bangladesh Bank, the Central Bank of Bangladesh, is the prime regulatory body for Non-Bank Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations differ from those of BAS/BFRS regarding presentation of financial statements and provisioning requirement of loan, leases, advances investments. As such the Company has departed from those contradictory requirements of BAS/BFRS in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below along with financial impact where applicable.

2.3.1 As per FID circular No. 08 dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. However, as per requirements of BAS 39: *Financial Instrument: Recognition and Measurement*, investment in shares falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year-end is taken to profit and loss account or other comprehensive income respectively.

2.3.2 As per FID circular No. 08 dated 03 August 2002 and FID circular No. 03 dated 03 May 2006 issued by Bangladesh Bank, a general provision is required to be maintained at 1% on standard loans/leases and at 5% on loan/leases classified in the category of Special Mention Account (SMA). However, such general provision can not satisfy the conditions of provision as per BAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. At the year end the Company has recognized an accumulated general provision of Tk. 90.46 million shown in note no. 15.1 of the financial statements.

2.3.3 Bangladesh Bank has issued templates for financial statements which will strictly be followed by all NBFIs. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income (OCI) Statement. As such the Company does not prepare the other comprehensive income statement. However the company does not have any elements of OCI to be presented.

2.3.4 As per Bangladesh Bank guidelines financial instruments are categorized, recognized and measured differently from those prescribed in BAS 39: *Financial Instrument: Recognition and measurement*. As earlier as such some disclosures and presentation requirements of BFRS 7: *Financial Instrument: Disclosure* and BAS 32: *Financial Instrument: Presentation* have not been made in the financial statements.

2.4 Date of authorization

The Board of Directors has authorized these financial statements for public issue on 27 February 2013.

2.5 Functional and presentation currency and level of precision

The financial statements are presented in Bangladesh Taka (BDT/Taka/Tk.) currency, which is the Company's functional currency. All financial information presented in BDT has been rounded off to the nearest integer.

2.6 Use of estimates and judgments

The preparation of these financial statements in conformity with Bangladesh Financial Reporting Standards (BFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. It also requires disclosure of contingent assets and liabilities at the date of financial statements. Provisions and accrued expenses are recognized in the financial statements in line with the Bangladesh Accounting Standard (BAS) 37: *Provisions, Contingent Liabilities and Contingent Assets*, when:

- the Company has legal or constructive obligation as a result of past event.
- it is probable that an outflow of economic benefit will be required to settle the obligation.
- a reliable estimate can be made of the amount of the obligation.

Estimates and underlying assumptions are based on historical experience and various factors that are believed to be reasonable under the prevailing circumstances, the result of which form the basis of making the judgment about the carrying amount of assets and liabilities which are not readily available from other sources. Actual results may vary from those estimates. However, the estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

a)	Note -11.1.2	Deferred tax assets
b)	Note -15.9	Deferred tax liabilities
c)	Note -15.1	Cumulative provision for loans, leases and investments
d)	Note -15.3	Measurement of defined benefit obligation (provision for gratuity)
e)	Note -15.4	Provision for corporate tax
f)	Note -15.8	Provision for expenses
g)	Note -21	Contingent liabilities (Letter of guarantee)

2.7 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.8 Materiality and aggregation

Each material item considered by management as significant has been presented separately in the financial statements. No amount has been set off unless the Company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.9 Directors' responsibility statement

The Board of Directors is responsible for the preparation and presentation of the financial statements under section 183 of the Companies Act, 1994 and as per the provision of 'The Framework for the Preparation and Presentation of Financial Statements'.

2.10 Branch accounting

The Company has four branches, with no overseas branch as at 31 December 2012. Accounts of the branches are maintained at the head office from which these financial statements have been drawn up.

2.11 Reporting period

The financial period of the Company has been determined from 1 January to 31 December each year and is followed consistently.

2.12 Consistency

In accordance with the BFRS framework for the presentation of the financial statements together with Bangladesh Accounting Standard (BAS) 1: *Presentation of Financial Statements* and Bangladesh Accounting Standard (BAS) 8: *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company applies the disclosure principles consistently from one year to the next. Where selecting and applying new accounting policies, changes in accounting policies applied, correction of errors, the amounts involved are accounted for and disclosed in accordance with the requirement of BAS 8. We have applied the same accounting and valuation principles in 2012 as in financial statements for 2011.

3. Significant accounting policies

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

3.1 Accounting for leases

As per Bangladesh Accounting Standard (BAS) 17: *Leases*, the transactions for leasing operation have been recorded under finance lease method of accounting since all the risks and rewards associated with ownership of the assets leased to lessee under agreements are transferred substantially other than the legal title and all leases are full payout leases.

As per this standard, the aggregate lease receivables including un-guaranteed residual value throughout the primary lease term are recorded as gross lease receivables while the excess of gross lease receivables over the total acquisition costs including interest during the period of acquiring the lease asset, constitutes the unearned lease income. Initial direct costs, if any, in respect of lease are charged in the year in which such costs are incurred.

The unearned lease income is usually amortised to revenue on a monthly basis over the lease term yielding a constant rate of return over the period. Unrealised income is suspended where necessary in compliance with the requirements of relevant circulars issued by Bangladesh Bank.

3.2 Accounting for direct finance

Direct finance operation consists of short-term finance and long-term finance and its books of accounts are maintained based on accrual method of accounting. Outstanding loans, alongwith the accrued interest thereon, for short-term finance, and unrealised principal for long-term finance, auto loan, home loan and other finances are accounted for as direct finance assets of the Company. Interest earnings are recognised as operational revenue periodically.

3.3 Accounting for investment

Investment comprises of investment in equity and government securities. Investment in equity is classified broadly in three categories and investment in government securities classified into held for trading and held to maturity which are accounted for as under:

3.3.1 Investment in equity

3.3.1.1 Unlisted shares

Equity finance operation consists of equity participation in the form of unlisted ordinary shares which are initially recognized at cost. Adequate provision is maintained, if required, for diminution in value of shares as per the latest available audited financial statements as on the closing of the year on an individual investment basis.

3.3.1.2 Listed shares

Investments in marketable ordinary shares held for trading or held for dividend income are reported at cost and adequate provision is made for excess of cost over market value of the shares. Unrealised gains are not recognised in the profit and loss account.

3.3.1.3 Preference shares

Investment in cumulative preference shares has been reported at cost and dividend income is recognised in the profit and loss account on accrual basis and considered as operational revenue.

3.3.2 Investment in Government securities

All investment in securities are initially recognized at cost, being fair value of the consideration given, including acquisition charges, if any, associated with the investment. The investment is classified either as 'Held for Trading (HFT)' or 'Held to Maturity (HTM)'.

3.3.2.1 Held to maturity

Investments classified as 'Held to Maturity (HTM)' are non-derivative financial assets with fixed or determinable payments and fixed maturities, and are intended to be held to maturity that the Company has the intention and ability to hold those securities to maturity. When the Company is willing to sell other than an insignificant amount of such assets, the entire category would be classified as held for sale.

3.3.2.2 Held for trading

Investments classified in this category are acquired principally for the purpose of selling or repurchasing in short term trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any changes in fair value is recognized in the profit and loss account for the period in which it arises.

3.4 Revenue recognition

3.4.1 General

As per Bangladesh Accounting Standard (BAS) 18: *Revenue*, revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

3.4.2 Lease income

The excess of aggregate rentals receivable over the cost of the leased asset constitutes the total unearned lease income. The unearned lease income is recognized as revenue on accrual basis over the terms of the lease. However, lease income against classified and Special Mention Account (SMA) is not recognised as income rather reversed from interest income and transferred to interest suspense account as per Bangladesh Bank directives.

3.4.3 Dividend income

3.4.3.1 Listed and unlisted shares

Dividend income against listed and unlisted equity investment is recognised when the shareholders' legal right to receive payments has been established i.e. during the period in which dividend is declared in the Annual General Meeting.

3.4.3.2 Preference shares

Dividend income on cumulative preference shares is recognised on accrual basis.

3.4.3.3 Gain on sale of shares

Capital gain on sale of shares listed in the stock exchanges is recognised only when such gain is realised through the shares selling in the market.

3.4.4 Interest on term finance and short term finance

Interest on term finance and short term finance is recognized as revenue on accrual basis. However, interest income on Special Mention Account (SMA) and classified finance is not recognized as income rather reversed from interest income and transferred to interest suspense account as per Bangladesh Bank directives.

3.4.5 Interest on secured lending

Interest on secured lending is recognised as revenue on accrual basis.

3.4.6 Fee based revenue

Fee based revenue is recognised as income on cash basis.

3.5 Interest suspense

Lease income and interest income on term finance, short term finance, auto loan etc. under category of classified and Special Mention Account (SMA) are not recognized as revenue but credited to interest suspense account.

3.6 Property, plant and equipment

3.6.1 Own assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes as per Bangladesh Accounting Standard (BAS) 16: *Property, Plant and Equipment*.

3.6.2 Subsequent expenditure on property, plant and equipments

Subsequent expenditure is capitalised only when it increases the future economic benefit from the assets. All other expenditures are recognised as expense as and when they are incurred.

3.6.3 Depreciation on property, plant and equipment

Depreciation is provided to allocate the cost of the assets after commissioning, over the period of their expected useful life, in accordance with the provisions of Bangladesh Accounting Standard (BAS) 16: *Property, Plant and Equipment*. Full month's depreciation is charged on additions irrespective of date when the related assets are put into use and no depreciation is charged from the month of disposal. Depreciation is calculated on the cost of assets in order to allocate such cost over the estimated useful life of such asset. Depreciation has been provided at the following rates on straight line basis:

	2012	2011
	Useful life (years)	Useful life (years)
Office premises	20	20
Motor Vehicles:		
▪ New	5	5
▪ Reconditioned	3	3
Furniture and fixtures	8	8
Equipments and appliances	5	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

3.6.4 Impairment

The carrying amount of the entity's non financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. However, no such conditions that might be suggestive of a heightened risk of impairment existed at the reporting date.

3.6.5 Disposal of property, plant and equipment

On disposal of item of property, plant and equipment, gain or loss on such disposal is reflected in the profit and loss account as non-operating income or loss.

3.6.6 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Such assets are measured at the lower of their carrying amount and fair value less cost to sell, as per Bangladesh Financial Reporting Standard (BFRS) 5: *Non-current Assets Held for Sale and Discontinued Operations*.

3.7 Intangible asset

The intangible assets comprise the value of accounting software licensed for of the Company, other than software applied to the operating systems of computers. An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company over a period of time and the cost of the asset can be measured reliably as per Bangladesh Accounting Standard (BAS) 38: *Intangible Assets*. Intangible assets acquired separately are recorded on initial recognition at costs and are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

3.7.1 Subsequent expenditure on intangible asset

Subsequent expenditure on intangible asset is capitalised only when it increases the future economic benefit from the assets. All other expenditure are recognised as expense as and when they are incurred.

3.7.2 Amortisation of intangible asset

Intangible assets are amortised on straight line basis to the profit and loss account from the date when the asset is available for use. Intangible asset i.e. acquisition cost of the accounting software is amortised within two years of acquisition.

3.8 Borrowing costs

All borrowing costs are recognized as expense in the period in which they are incurred in accordance with the Bangladesh Accounting Standard (BAS) 23: *Borrowing Costs*.

3.9 Foreign currency translation

Transactions in foreign currencies are translated to BDT at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the end of the year. Resulting exchange differences are recognised in the profit and loss account.

3.10 Income tax

Income tax comprises current and deferred tax.

3.10.1 Current tax

Provision for current tax is made on the basis of the profit of the year as adjusted for taxation purposes in accordance with the provisions of Income Tax Ordinance, 1984 and amendments made thereto from time to time. The Company's current tax liability is calculated using tax rate that is applicable on the reporting date, and any adjustments to tax payable in respect of previous year(s). Currently tax rate applicable to the Company is 42.50%.

3.10.2 Deferred tax

The Company accounts for deferred tax as per Bangladesh Accounting Standard (BAS) 12: *Income Taxes*. Deferred tax is provided using the balance sheet method for all temporary differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. Tax rate prevailing at the balance sheet date is used to determine the deferred tax.

3.11 Provision for doubtful loans, leases and investments

Provision for loans, leases and investments is an estimate of the losses that may be sustained in the investment portfolio. The provision is based on two principles (1) Bangladesh Accounting Standard (BAS) 37: *Provision, contingent liabilities and contingent assets* and (2) Bangladesh Bank Guidelines. The methodology for measuring the appropriate level of the provision relies on several key elements, which include both quantitative and qualitative factors as set forth in the Bangladesh Bank's FID circular no. 08 dated 03 August 2002 and FID circular no. 03 dated 03 May 2006 as the bases for calculating the provision for investment and advances.

3.12 Write off

In compliance with Bangladesh Bank's FID Circular no. 03 dated 15 March 2007, loans, leases, advances and investment are written off to the extent that (i) there is no realistic probability of recovery, (ii) against which legal cases are pending and (iii) full provision has been maintained. The item's potential return is thus canceled and removed ("written off") from the Company's balance sheet. However, these write off will not undermine or affect the claim amount against the borrower. Recovery against the written off is credited to other operational income. Income is recognized where amounts are either recovered and/or adjusted against securities/properties or advances there-against or are considered recoverable. Detailed memorandum records for such write off accounts are meticulously maintained and followed up.

3.13 Employee benefits

3.13.1 Defined contribution plan

The Company operates a contributory provident fund scheme for its permanent employees. Provident Fund is administered by a Board of Trustees and is funded by contributions equally from the permanent employees and from the Company @ 10% of basic salary of the employees. The contributions are invested to ensure optimum return to the employees.

3.13.2 Defined benefit plan

The Company operates an unfunded gratuity scheme for its permanent employees. Employees are entitled to gratuity benefit after completion of minimum five years of service with the Company. The gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service. The Company has provided for the same in the financial statements accordingly.

3.13.3 Short-term benefit

Short-term employee benefit (salary, bonus etc.) obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.13.4 Other employee benefit obligation

The Company operates a group life insurance, a group hospitalization schemes for its permanent employees.

3.14 Interest expense on term deposits

Interest expenses on term deposits from customers are recognized on accrual basis.

3.15 Accrued expenses, provisions and payables

Liabilities are recognised for goods and services received, whether paid or not, for those goods and services. Payables are not interest bearing and are stated at their actual value.

Provisions and accrued expenses are recognised in the financial statements when the Company has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.16 Cash and cash equivalents

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

3.17 Cash flow statement

Cash flow statement has been prepared in accordance with the Bangladesh Accounting Standard (BAS) 7: *Statement of Cash Flows* under direct method as recommended in the DFIM Circular No. 11 dated 23 December 2009 issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank.

3.18 Earnings per share

The Company calculates earnings per share in accordance with Bangladesh Accounting Standard (BAS) 33: *Earnings Per Share*. The company presents basic Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted Earning Per Share (DEPS) is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4. General

4.1 Related party disclosure

As per Bangladesh Accounting Standards (BAS) 24: *Related Party Disclosures*, parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties.

4.2 Litigation

The Company is not a party to any material law suits except those arising in the normal course of business. The Company has filed necessary law suits against some of the default clients for non-performance in loan/lease repayment. The Company, however, has made adequate provision against such doubtful finances.

4.3 Guarantees, commitments and contingencies

Corporate guarantee represents irrevocable assurance that the company will make payments in the event that a client cannot meet its obligation to third parties.

4.4 Statutory reserve

As per Financial Institutions Regulations 1994, Non-Bank Financial Institutions (NBFIs) are required to transfer 20% of its post tax profit to statutory reserve before declaration of dividend. In compliance with this requirement the Company has transferred BDT 25,720,648 to statutory reserve in 2012.

4.5 Borrowings from other banks, financial institutions and agents

Borrowings include short term and long term borrowings from banks and non-bank financial institutions. These are stated at amounts outstanding on the reporting date. Interest expense on these borrowings is charged to the profit and loss account on accrual basis.

4.6 Dividend payments

Proposed dividends are not recognised as a liability in the balance sheet in accordance with Bangladesh Accounting Standard (BAS) 10: *Events After the Reporting Period*.

4.7 Risk management

Risk is defined as uncertainties resulting in adverse variation of profitability or in losses, financial or otherwise. The risk management of the Company covers core risk areas of credit risk, liquidity risk, market risk that includes foreign exchange risk, interest rate risk, equity risk, operational risk and reputation risk. The objective of the risk management is that the Company evaluates and takes well calculative business risks and thereby safeguarding the Company's capital, its financial resources and profitability from various risks.

4.7.1 Credit risk

Credit risk is defined as the potential loss arising from the failure of a counter party to perform as per contractual agreement with the Company. The Company has separate Credit Risk Management Department and Credit Administration to carry out risk assessment in lending to a customer, sanctioning credit and maintaining asset quality.

4.7.2 Operational risk

Operational risk addresses the risk associated with fraud, forgery, unauthorised activities, error, omission, system failure and external events among others. The Company is managing these risk through written procedures, regular training, awareness programs and monitoring of the implementation of these procedures.

4.7.3 Interest rate risk

Interest rate risk may arise from trading portfolio and non-trading portfolio. The trading portfolio of the Company consists of government treasury bills, bond, etc. The short term movement in interest rate is negligible or nil. Interest rate risk of nontrading business arises from mismatches between the future yield of an asset and its funding cost. Asset Liability Committee (ALCO) of the Company monitors the interest rate movement on a regular basis.

4.7.4 Liquidity risk

The objective of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Company is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance. The liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis.

4.8 Event after the reporting period

All material events occurring after the reporting period has been considered and where necessary, adjusted for or adequately disclosed in the note no. 48 of the financial statements.

4.9 Comparatives and reclassification

Comparative information has been disclosed in respect of the year ended 31 December 2012 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2011 have been restated/rearranged/reclassified whenever considered necessary to ensure comparability with the current year's figure.

4.10 Contingent liabilities

Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or any present obligation that arises from past events but is not recognized because:

- a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits can be reliably estimated.

4.11 Liquidity statement

The Liquidity Statement of assets and liabilities as on the reporting date has been prepared on residual maturity term in accordance with DFIM Circular no. 06 dated 26 July 2011 as per following bases:

- a) Balance with other banks and financial institutions, money at call and short notice etc. are on the basis of their term.
- b) Investments are on the basis of their residual maturity term.
- c) Loans and advances are on the basis of their repayment/maturity schedule.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their realization/amortization.
- f) Borrowings from other banks and financial institutions as per their maturity/repayment term.
- g) Deposits and other accounts are on the basis of their maturity period and past trend of withdrawal by the depositors.
- h) Other long term liability on the basis of their maturity term.
- i) Provisions and other liabilities are on the basis of their payment/adjustments schedule.

4.12 Integral Components of Financial Statements

The Financial Statements of the Company include the following components:

1. Balance Sheet as at 31 December 2012.
2. Profit and Loss Account for the year ended 31 December 2012.
3. Cash Flow Statement for the year ended 31 December 2012.
4. Statement of Changes in Equity for the year ended 31 December 2012.
5. Notes to the Financial Statements as at and for the year ended 31 December 2012.

4.13 Compliance Report on Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS):

The following Accounting and Reporting Standards are applicable for the Company and which are followed consistently in preparing the Financial Statements:

Sl no.	Name of the BAS	BAS no.	Status
01	Presentation of Financial Statements	01	Complied*
02	Inventories	02	N/A
03	Statement of Cash Flows	07	Complied
04	Accounting Policies, Changes in Accounting Estimates and Errors	08	Complied
05	Events after the Reporting Period	10	Complied
06	Construction Contract	11	N/A
07	Income Taxes	12	Complied
08	Segment Reporting	14	Complied
09	Property, Plant and Equipment	16	Complied
10	Leases	17	Complied
11	Revenue	18	Complied
12	Employee Benefits	19	Complied
13	Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
14	The Effects of Changes in Foreign Exchange Rates	21	Complied
15	Borrowing Costs	23	Complied
16	Related Party Disclosures	24	Complied
17	Accounting for Investments	25	Complied
18	Accounting and Reporting by Retirement Benefits Plans	26	N/A
19	Consolidated and Separate Financial Statements	27	N/A
20	Investments in Associates	28	N/A
21	Interest in Joint Ventures	31	N/A
22	Financial Instruments: Presentation	32	Complied
23	Earnings per Share	33	Complied
24	Interim Financial Reporting	34	Complied
25	Impairment of Assets	36	Complied
26	Provision, Contingent Liabilities and Contingent Assets	37	Complied
27	Intangible Assets	38	Complied
28	Financial Instruments: Recognition and Measurement	39	Complied
29	Investment Property	40	N/A
30	Agriculture	41	N/A

* As the regulatory requirements differ with the standards, relevant disclosures are adequately made in accordance with Bangladesh Bank's directives.

Sl no.	Name of the BFRS	BFRS no.	Status
01	First Time Adoption of IFRS	01	N/A
02	Share-based Payment	02	N/A
03	Business Combination	03	N/A
04	Insurance Contracts	04	N/A
05	Non-current Assets Held for Sale and Discontinued Operations	05	Complied
06	Exploration for and Evaluation of Mineral Resources	06	N/A
07	Financial Instruments: Disclosures	07	Complied
08	Operating Segment	08	Complied

		Figures in Taka	
As at 31 December	Note	2012	2011
5. Cash			
Cash in hand	5.1	68,533	40,200
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	5.2	94,246,168	79,521,979
		94,314,701	79,562,179
5.1 Cash in hand			
In local currency		68,533	40,200
In foreign currency		68,533	40,200
5.2 Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)			
Bangladesh Bank			
Local currency		94,246,168	79,521,979
Foreign currencies		94,246,168	79,521,979
Sonali Bank Limited (as an agent of Bangladesh Bank)		94,246,168	79,521,979

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

Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR) have been calculated and maintained in accordance with Section 19 of the Financial Institutions Act 1993, Financial Institution Regulations 1994 and FID Circular No. 06 dated 06 November 2003 and FID Circular No. 02 dated 10 November 2004 issued by Bangladesh Bank.

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.50% on total term deposits excluding deposits from banks and financial institutions and maintained with Bangladesh Bank in the form of current account.

Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.00% including CRR of 2.50% on total liabilities (excluding deposits from banks and financial institutions and shareholders' equity) SLR is maintained in the form of treasury bonds, balance with Bangladesh Bank and other banks and financial institutions.

Both the reserves as maintained by the Company are shown below:

Cash Reserve Requirement (CRR)			
Required reserve		98,550,681	90,790,000
Actual reserve maintained		99,704,056	91,217,000
Surplus/(deficit)		1,153,375	427,000
Statutory Liquidity Reserve (SLR)			
Required reserve		219,276,888	198,948,000
Actual reserve maintained		220,907,322	309,374,000
Surplus		1,630,434	110,426,000
Total surplus		2,783,809	110,853,000
6. Balance with other banks and financial institutions			
In Bangladesh	6.1	433,650,776	742,592,747
Outside Bangladesh		-	-
		433,650,776	742,592,747

Figures in Taka

As at 31 December	2012	2011
6.1 In Bangladesh		
With other banks		
<i>Current deposit accounts</i>		
Commercial Bank of Ceylon Plc	44,520	45,790
The Hongkong and Shanghai Banking Corporation Ltd.	1,146	37,396
Uttara Bank Ltd.	2,583	3,158
United Commercial Bank Ltd.	16,255	50,275
AB Bank Ltd.	3,240	4,390
Standard Chartered Bank	406,977	-
Citibank N.A.	-	3,449
Prime Bank Ltd.	12,492,740	-
Bank Alfalah Ltd.	1,451	1,451
	12,968,911	145,908
<i>Short term deposit accounts</i>		
Dutch Bangla Bank Ltd.	54,868,548	30,054,312
Prime Bank Ltd.	37,341,034	534,527
AB Bank Ltd.	1,418,218	1,347,066
Standard Chartered Bank	6,142	408,050
IFIC Bank Ltd.	-	12,268
Al-Arafah Islami Bank Ltd.	6,209	15,122
BRAC Bank Ltd.	714,820	53,332
	94,354,971	32,424,675
<i>Short term placement</i>		
National Bank of Pakistan	150,000,000	150,000,000
AB Bank Ltd.	-	120,000,000
IFIC Bank Ltd.	-	50,000,000
Eastern Bank Ltd.	-	70,000,000
	150,000,000	390,000,000
<i>Short term deposit accounts (in foreign currency)</i>		
AB Bank Ltd.	62,403	62,403
	62,403	62,403
<i>Fixed deposit accounts</i>		
Mercantile Bank Ltd.	50,000,000	-
National Bank Ltd.	13,877,500	-
Eastern Bank Ltd.	-	50,000,000
National Bank of Pakistan	-	14,236,483
The City Bank Ltd.	-	100,000,000
Prime Bank Ltd.	62,386,991	55,723,278
	126,264,491	219,959,761
	383,650,776	642,592,747
With financial institutions		
<i>Short term placement</i>		
International Leasing and Financial Services Ltd	50,000,000	100,000,000
	433,650,776	742,592,747

Figures in Taka

As at 31 December	Note	2012	2011
6.2 Disclosers in compliance with Bangladesh Bank's FID Circular no. 06 dated 06 November 2003 are as follows:			
Maturity grouping of balance with other banks and financial institutions			
Repayable			
On demand		12,970,278	145,908
Within one month		308,293,508	536,723,561
Within one to three months		112,386,990	155,723,278
Within three to twelve months		-	50,000,000
Within one to five years		-	-
More than five years		-	-
		433,650,776	742,592,747
7. Money at call and short notice			
Prime Bank Ltd.		-	50,000,000
Agrani Bank Ltd.		-	70,000,000
		-	120,000,000
8. Investments			
Government securities	8.2	165,000,000	587,600,000
Other investments	8.3	499,278,558	572,578,558
		664,278,558	1,160,178,558
8.1 Classification of investments			
Held for trading (HFT)		-	363,000,000
Held to maturity (HTM)		165,000,000	224,600,000
		165,000,000	587,600,000
Other investments		499,278,558	572,578,558
		664,278,558	1,160,178,558
8.2 Government securities			
10-year treasury bonds		-	160,400,000
15-year treasury bonds		242,600,000	242,600,000
20-year treasury bonds		172,400,000	184,600,000
		415,000,000	587,600,000
Less: Special repo borrowing from Bangladesh Bank		250,000,000	-
		165,000,000	587,600,000
8.3 Other investments			
In ordinary shares - Listed		7,007,689	7,007,689
In ordinary shares - Unlisted		31,670,869	31,670,869
		38,678,558	38,678,558
In cumulative redeemable preference shares		310,600,000	383,900,000
Investment in shares		349,278,558	422,578,558
In corporate bonds		150,000,000	150,000,000
		499,278,558	572,578,558

Figures in Taka

As at 31 December	2012		2011	
Details of other investments are as follows:	Cost	Market value	Cost	Market value
<i>In ordinary shares - listed</i>				
Olympic Industries Ltd.	2,025	2,025	2,025	2,025
Bemco Electric Metre Ltd.	7,000,000	4,305,000	7,000,000	4,305,000
RAK Ceramics (Bangladesh) Ltd.	5,664	6,702	5,664	20,249
	7,007,689	4,313,727	7,007,689	4,327,274
<i>In ordinary shares - unlisted</i>				
Quality Feeds Ltd.	1,500,000	1,500,000	1,500,000	1,500,000
Alliance Bags Ltd.	3,000,000	3,000,000	3,000,000	3,000,000
Ekushey Television Ltd.	7,170,869	7,170,869	7,170,869	7,170,869
Gonophone Bangladesh Ltd.	20,000,000	20,000,000	20,000,000	20,000,000
	31,670,869	31,670,869	31,670,869	31,670,869
<i>In cumulative preference shares</i>				
Premium Seed Ltd.	4,000,000	4,000,000	4,000,000	4,000,000
Delta Brac Housing Finance Corp. Ltd.	100,000,000	100,000,000	100,000,000	100,000,000
ACI Godrej Agrovet Private Ltd.	66,600,000	66,600,000	99,900,000	99,900,000
Confidence Salt Ltd.	30,000,000	30,000,000	40,000,000	40,000,000
Summit Uttaranchol Power Company Ltd.	55,000,000	55,000,000	70,000,000	70,000,000
Summit Purbanchol Power Company Ltd.	55,000,000	55,000,000	70,000,000	70,000,000
	310,600,000	310,600,000	383,900,000	383,900,000
<i>In corporate bonds</i>				
Mutual Trust Bank Ltd.	150,000,000	150,000,000	150,000,000	150,000,000
	499,278,558	496,584,596	572,578,558	569,898,143

Unquoted shares are primarily recognised at cost. Adequate provision has been maintained against the unquoted shares whose book value is lower than the cost as per latest available audited accounts.

As at 31 December	Note	2012	2011
8.4 Maturity grouping of investments			
On demand		-	-
Repayable within one month		10,000,000	23,200,000
Within one to three months		-	72,000,000
Within three to twelve months		73,300,000	80,300,000
Within one to five years		373,300,000	371,600,000
More than five years		207,678,558	613,078,558
		664,278,558	1,160,178,558
9. Loans, advances and leases			
Long term loan		3,296,153,533	2,756,285,816
Lease finance	9.1	1,618,199,053	1,231,435,484
Short term loan		316,539,819	196,459,516
Mortgage finance		32,951,684	-
Channel finance		88,120,017	-
Auto loan		106,028,436	66,833,056
Secured retail loan		109,893,163	57,873,126
Staff loan		17,758,305	16,136,678
		5,585,644,010	4,325,023,676

All loans, leases and advances are within Bangladesh.

		Figures in Taka	
As at 31 December	Note	2012	2011
9.1 Lease finance			
Gross lease receivables		1,948,130,259	1,411,608,015
Less: Unearned interest income		449,139,080	270,891,841
Net lease receivables		1,498,991,179	1,140,716,174
Add: Overdue lease rentals		116,007,874	90,719,310
Add: Advance against lease finance		3,200,000	-
		1,618,199,053	1,231,435,484
9.2 a) Net loans, advances and lease receivables including bills purchased and discounted			
Total loans, advances and lease receivables		5,585,644,010	4,325,023,676
Less: Provision for loans and advances (specific and general)	15.1	190,472,191	322,456,806
Less: Cumulative balance of interest suspense account	15.2	126,814,695	160,639,681
		5,268,357,124	3,841,927,189
b) Rate of net classified loans, leases and advances			
Gross loans, advances and leases		5,585,644,010	4,325,023,676
Classified loans, advances and leases		539,363,199	563,799,421
Unclassified loan, advances and leases		5,046,280,811	3,761,224,255
Total provision		190,472,191	322,456,806
Interest suspense and cash collateral		126,814,695	160,639,681
Total provision, interest suspense and cash collateral		317,286,886	483,096,487
Net classified loans, advances and leases		222,076,313	80,702,934
Rate of gross classified loans, advances and leases		9.66%	13.04%
Rate of net classified loans, advances and leases		3.98%	1.87%
9.3 Residual maturity grouping of loans, advances and lease receivables including bills purchased and discounted			
On demand		-	-
Upto one month		177,881,134	157,320,178
More than one month but less than three months		452,280,140	366,761,620
More than three months but less one year		1,569,903,920	1,010,142,095
More than one year but less than five years		2,754,487,705	1,911,940,139
More than five years		631,091,111	878,859,644
		5,585,644,010	4,325,023,676
9.4 Loans, advances and lease receivables including bills purchased and discounted are classified into the following broad categories			
Loans, leases and advances		5,585,644,010	4,325,023,676
Cash credit		-	-
Secured overdraft		-	-
		5,585,644,010	4,325,023,676
Bills purchased and discounted		-	-
		5,585,644,010	4,325,023,676
9.5 Loans, advances and lease receivables including bills purchased and discounted on the basis of significant concentration			
Loans, leases and advances to the allied concerns of the directors		-	-
Advances to chief executive and other senior executives			
Managing Director & CEO		11,112,492	11,525,197
Senior Executives (Senior Manager & above)		3,221,072	2,282,758
Other staffs		3,424,742	2,328,722
		17,758,305	16,136,678

Figures in Taka

As at 31 December	2012	2011
9.5.1 Advances to customers' group		
Agricultural loan	419,147,540	305,531,300
Large corporate	4,145,879,644	3,463,561,759
Small and medium enterprise	689,528,330	338,122,424
Retail loan	248,919,930	150,343,378
Others	64,410,261	51,328,138
	5,567,885,705	4,308,886,999
	5,585,644,010	4,325,023,676

9.5.2 Disclosure on large loan

Loan sanctioned to any individual or enterprise or any organisation of a group amounting to 15% or more of the Company's total capital and classified amount therein and measures taken for recovery of such loan have been furnished as under. Total capital of the Company as at 31 December 2012 was Taka 2,027.33 million against that of Taka 1,898.72 million as at 31 December 2011.

Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each	2	3
Amount of outstanding loans and advances [to the client as mentioned above]	446,877,366	469,613,764
Amount of classified loans and advances [out of the amount as mentioned above]	-	-
Measures taken for recovery [for the amount as mentioned above]	-	-

9.6 Geographical location-wise loans, advances and lease receivables including bills purchased and discounted

Dhaka Division	4,714,560,829	3,561,190,907
Chittagong Division	825,810,367	725,836,154
Khulna Division	24,037,574	27,569,197
Rangpur Division	8,958,046	8,958,046
Rajshahi Division	3,965,194	1,469,372
Sylhet Division	8,312,000	-
Barisal Division	-	-
	5,585,644,010	4,325,023,676

9.7 Industry-wise loans, advances and lease receivables including bills purchased and discounted

Agro-based industries	496,826,670	305,531,300
Banks and non-banking financial institutions	172,169,249	126,088,756
Chemicals, pharmaceuticals and allied products	582,602,717	394,651,375
Engineering and building materials	488,259,153	390,796,062
Food and allied products	225,993,182	100,776,950
Glass, ceramic and other non-metallic products	166,994,679	207,525,442
Hotel, tourism and leisure	15,885,566	19,397,062
Information and communication technologies	238,140,221	94,606,984
Paper converting and packaging, printing and publishing	158,239,795	131,321,084
Ready made garments and knitwear	123,245,070	173,769,771
Social sector	53,953,056	236,558,271
Tannery, leather and rubber products	101,111,556	54,490,438
Textile	854,483,927	655,888,052
Transport and aviation	168,328,503	345,223,378
Others	1,739,410,667	1,088,398,750
	5,585,644,010	4,325,023,676

Figures in Taka

As at 31 December	2012	2011
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9.8 Broad economic sector-wise segregation of loans, advances and lease receivables including bills purchased and discounted

Government and autonomous bodies	-	-
Banks and financial institutions (public and private)	172,169,249	126,088,756
Other public sector	-	-
Private sector	5,413,474,761	4,198,934,920
	5,585,644,010	4,325,023,676

9.9 a) Classification of loans, advances and lease receivables including bills purchased and discounted

<i>Unclassified loans, advances and leases</i>		
Standard (including staff loans)	5,034,628,038	3,595,759,502
Special mention account	11,652,773	165,464,753
Total unclassified loans, advances and leases	5,046,280,811	3,761,224,255
<i>Classified loans, advances and leases</i>		
Substandard	8,681,567	53,736,858
Doubtful	97,488,030	103,087,058
Bad/loss	433,193,602	406,975,505
Total classified loans, advances and leases	539,363,199	563,799,421
Total loans, advances and leases	5,585,644,010	4,325,023,676

b) Classification and provisioning of loans, advances and lease receivables including bills purchased and discounted

Status	Outstanding	Base for provision	Rate	Provision	Provision
General provision					
Standard	5,034,628,038	5,034,628,038	1%	50,346,280	35,957,595
Special mention account	11,652,773	11,011,976	5%	550,599	7,589,728
	5,046,280,811	5,045,640,014		50,896,879	43,547,323
Specific provision					
Sub-standard	8,681,567	8,184,184	20%	1,636,837	228,082
Doubtful	97,488,030	18,998,370	50%	9,499,185	11,495,499
Bad/loss	433,193,602	88,874,040	100%	88,874,040	173,624,108
	539,363,199	116,056,594		100,010,062	185,347,689
Total provision required				150,906,941	228,895,012
Total provision maintained				190,472,191	322,456,806
Total provision surplus				39,565,250	93,561,794

9.10 Particulars of loans, advances and lease receivables including bills purchased and discounted

Loans considered good in respect of which the Company is fully secured	2,210,635,181	1,781,291,427
Loans considered good for which the Company holds no security other than the debtor's personal guarantee	207,789,528	219,170,815
Loans considered good and secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtors	3,167,219,299	2,324,561,434
	5,585,644,010	4,325,023,676

Figures in Taka

As at 31 December	2012	2011
Loans adversely classified; provision not maintained there against	-	-
Loans due by directors or officers of the Company or any of them either separately or jointly with any other persons *	17,758,305	16,136,678
Loans due from companies or firms in which the directors of the Company have interests as directors, partners or managing agents or in case of private companies as members	-	-
Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Company or any of them either separately or jointly with any other persons*	17,758,305	16,136,678
Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Company have interests as directors, partners or managing agents or in the case of private companies as members	-	-
Due from other Non Banking Financial Institutions (NBFIs)	4,607,943	-
Amount of classified loans on which interest has not been charged	433,193,602	406,975,505
Increase/(decrease) in specific provision	53,389,159	(64,348,105)
Amount of loan written off during the year	226,564,185	176,468,433
Amount realized against loan previously written off	24,304,828	221,000
Amount of provision kept against loan classified as 'bad/loss' on the date of preparing the balance sheet	88,874,040	173,624,108
Interest creditable to the interest suspense account during the year	13,967,586	26,278,123
* Amount represents loans to employees of the Company only.		
a) Cumulative amount of written off loan		
Opening balance	403,260,465	227,013,032
Add: Amount written off during the year	226,564,185	176,468,433
	629,824,649	403,481,465
Less: Recovery during the year	24,304,828	221,000
Closing balance	605,519,821	403,260,465
b) Amount of written off loan for which lawsuit has been filed for recovery	605,519,821	403,260,465
10. Fixed assets including premises, furniture and fixtures		
Land and building	75,684,163	75,684,163
Motor vehicles	20,911,776	17,678,729
Furniture and fixtures	29,241,775	28,840,320
Equipment and appliances	33,413,823	30,347,888
Accounting software	2,398,750	1,600,000
	161,650,287	154,151,100
Less: Accumulated depreciation	85,441,261	73,128,541
	76,209,026	81,022,559

Details are shown in Annexure-A.

Figures in Taka

As at 31 December	Note	2012	2011
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10.1 Capital expenditure commitments

There was no capital expenditure contracted but not incurred or provided for at 31 December 2012 (Year 2011: nil). There was no material capital expenditure authorised by the Board but not contracted for at 31 December 2012 (Year 2011: nil).

11. Other assets

Income generating other assets

Investment in shares of subsidiary companies	-	-
Dividend receivable against cumulative preference shares	11,158,047	13,334,289
	11,158,047	13,334,289

Non-income generating other assets

Stationery, stamps, printing materials in stock	52,825	53,105
Advance rent and advertisement	4,079,432	5,835,236
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures and other income receivable	14,090,220	21,147,345
Security deposits	716,160	716,160
Preliminary, formation and organization expenses, renovation/development expenses and prepaid expenses	375,259	349,797
Branch adjustment	-	-
Suspense account	-	-
Silver	-	-
Others	11.1	223,841,361
		243,155,257
		252,709,608

11.1 Others

Advance tax	11.1.1	214,822,122	202,396,898
Deferred tax asset	11.1.2	4,697,206	3,486,891
Sundry assets	11.1.3	4,322,033	5,389,886
		223,841,361	211,273,675

11.1.1 Advance tax

Advance payment of tax represents corporate income tax paid to the Government Exchequer by way of advance tax and tax deducted by the third parties at source from different heads of incomes, which would be adjusted with the corporate tax liability of the Company.

11.1.2 Deferred tax asset

Deferred tax asset has been recognised in accordance with the Bangladesh Accounting Standard (BAS) 12: *Income Taxes* based on temporary difference arising due to difference in the carrying amount of the assets and liabilities in the financial statements and its tax base. Calculation of deferred tax asset is as follows:

Deductible temporary difference

Gratuity provision	11,052,250	8,204,449
Tax rate	42.50%	42.50%
Deferred tax asset	4,697,206	3,486,891
Movement of deferred tax asset is as follows:		
Opening balance	3,486,891	3,061,361
Less: Charged/(released) to profit and loss account	(1,210,315)	(425,530)
Closing balance	4,697,206	3,486,891

		Figures in Taka	
As at 31 December	Note	2012	2011
11.1.3 Sundry assets			
City corporation tax		113,400	113,400
Hosna Centre Owners' Association		583,050	583,050
Advance others		3,625,583	4,693,436
		4,322,033	5,389,886
12. Non financial institutional assets			
Generator	12.1	2,344,460	-
Freehold land	12.2	3,752,405	-
		6,096,865	-
12.1 The Company had purchased a 315 KVA generator in the year 2010 for its own use and subsequently has decided in the year 2012 to sell it. Accordingly the Company has classified and presented the same in compliance with BFRS 5: <i>Non-current Assets Held for Sale and Discontinued Operations</i> .			
12.2 This represents the mortgaged property (land) acquired from a default client by virtue of verdict given by the competent court and ownership has been transferred in favor of the Company. The land is mutated in the name of the Company.			
13. Borrowings from other banks, financial institutions and agents			
<i>Unsecured long term loan</i>			
The UAE-Bangladesh Investment Company Ltd.		29,698,701	36,767,113
<i>Secured bank overdraft</i>			
Prime Bank Ltd.		-	16,798,283
Standard Chartered Bank		-	50,457,692
		-	67,255,975
		29,698,701	104,023,088
All borrowings are within Bangladesh.			
13.1 Residual maturity grouping of borrowings from other banks, financial institutions and agents			
<i>Repayable</i>			
On demand		-	-
Within one month		-	67,255,975
Over one month but within three months		1,901,594	1,689,542
Over three months but within twelve months		6,053,966	5,378,870
Over one year but within five years		21,743,141	29,698,701
Over five years		-	-
		29,698,701	104,023,088
14. Deposits and other accounts			
Inter-bank deposits		-	-
Other deposits		4,208,012,043	3,798,236,467
		4,208,012,043	3,798,236,467
14.1 Residual maturity grouping of deposits and other accounts			
<i>Repayable</i>			
On demand		-	-
Within one month		176,474,328	163,825,697
Over one month but within six months		432,970,955	391,053,045
Over six months but within one year		1,220,940,524	1,049,238,571
Over one year but within five years		2,009,209,955	1,887,602,487
Over five years but within ten years		368,416,281	306,516,667
		4,208,012,043	3,798,236,467

There was no unclaimed deposits for ten (10) years and more held by the Company at the reporting date.

		Figures in Taka	
As at 31 December	Note	2012	2011
15. Other liabilities			
Cumulative provision for loans, leases and investments	15.1	269,664,794	393,183,619
Cumulative interest and dividend suspense	15.2	129,472,462	162,935,475
Provision for gratuity	15.3	11,052,250	8,204,449
Unclaimed dividend		3,800,090	3,801,648
Provision for corporate tax	15.4	126,791,790	119,003,508
Receipts against lease	15.5	27,313,330	28,447,130
Provision for finance charge	15.6	239,227,891	204,374,559
Withholding tax and VAT		6,991,938	4,026,155
Liabilities for special accounts	15.7	16,242,773	16,450,700
Provision for expense	15.8	5,853,232	4,881,521
Deferred tax liabilities	15.9	12,295,227	13,480,611
Payable for purchase of office equipment		764,581	1,317,501
		849,470,357	960,106,874
15.1 Cumulative provision for loans, advances, leases and investment			
<i>Specific provision for bad and doubtful loans, leases and advances</i>			
Opening balance		185,347,689	448,889,143
Add: Specific provision made during the year		24,668,751	40,945,828
Add: Transferred from/(to) general provision		88,251,652	(76,125,826)
Less: Fully provided debt written-off		197,023,737	132,884,888
Add: Recoveries of amounts previously written-off		24,304,828	221,000
Less: Provision no longer required		78,928,280	16,197,719
Add: Net charge to profit and loss account	42	53,389,159	(79,499,849)
Closing balance		100,010,062	185,347,689
<i>General provision against unclassified loans, leases and advances</i>			
Opening balance		137,109,115	37,628,697
Add: General provision made during the year		38,527,808	61,691,266
Less: Provision released during the year		8,573,105	86,660,378
Less: Transferred to/(from) specific provision		88,251,652	(76,125,826)
Add: Net charger to profit and loss account	42	11,649,963	48,323,704
		90,462,129	137,109,115
Closing balance		190,472,191	322,456,804
<i>Provision for investments</i>			
Opening balance		70,726,815	47,048,377
Add: Provision for investment in equity	42	-	5,522,369
Add: Marking to market on Govt. securities	42	8,465,789	18,156,069
Total charge		8,465,789	23,678,438
Closing balance		79,192,603	70,726,815
		269,664,794	393,183,619
Break up of cumulative provision for loans, advances, leases and investment			
Provision for loans, leases and advances		190,472,191	322,456,804
Provision for investments in shares		38,072,894	38,197,894
		228,545,085	360,654,698
Provision for marking to market of Govt. securities		41,119,709	32,528,921
		269,664,794	393,183,619

As at 31 December	Figures in Taka	
	2012	2011
15.2 Cumulative interest and dividend suspense		
Opening balance	162,935,475	264,628,055
Add: Transferred to suspense account during the year	13,967,586	26,278,123
	176,903,061	290,906,178
Less: Recovered from suspense account during the year	17,890,151	87,100,331
Less: Written-off/waiver of suspense account during the year	29,540,448	40,870,372
	47,430,599	127,970,703
Closing balance	129,472,462	162,935,475
<i>Break up of cumulative interest and dividend suspense :</i>		
Interest suspense against loans, leases and advances	126,814,695	160,639,681
Dividend suspense against investment in shares	2,657,767	2,295,794
	129,472,462	162,935,475

15.3 Provision for gratuity

This represents provision for staff gratuity up to 31 December 2012. The company has provided full provision for gratuity at the rate of one month's basic salary for each completed year of service.

Opening balance	8,204,449	7,203,203
Add: Provision made during the year	3,055,300	3,321,927
	11,259,749	10,525,130
Less: Payment during the year	207,500	2,320,681
Closing balance	11,052,250	8,204,449

15.4 Provision for corporate tax

Provision for corporate tax has been made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provision of Income Tax Ordinance 1984 and amendments thereto. Currently tax rate applicable to the company is 42.50% on its business income.

Opening balance	119,003,508	119,882,915
Add: Provision made during the year	7,788,282	26,175,525
	126,791,790	146,058,440
Less: Adjustment during the year	-	27,054,932
Closing balance	126,791,790	119,003,508

Assessment of income tax has been finalized with the tax authority for the accounting years up to 2003 and for the accounting year 2005. Final assessment of income tax for accounting years 2004 and 2006 to 2008 are pending with the Appellate Authorities and High Court Division of the Supreme Court. Income tax return for the year 2009, 2010 and 2011 have been duly submitted under section 82BB (Universal Self Assessment) of Income Tax Ordinance 1984.

15.5 Receipts against lease

Receipts against lease represents lease deposits received from lessees against finance on the stipulation that the amount will be adjusted with the outstanding rentals/installments. Lease deposits are made up as under:

Opening balance	28,447,130	31,894,338
Add: Receipts during the year	14,467,780	10,464,694
	42,914,910	42,359,032
Less: Adjusted during the year	15,601,580	13,911,902
Closing balance	27,313,330	28,447,130

Purpose of taking lease deposit is to secure the finance provided to the clients. No interest is payable on it.

As at 31 December	Note	2012	Figures in Taka 2011
15.6 Provision for finance charge			
Accrued interest expenses on term deposits		238,833,141	204,071,533
Accrued interest expenses on long term borrowings		247,489	303,026
Accrued interest expenses on Repo borrowings		147,260	-
		239,227,891	204,374,559
15.7 Liabilities for special accounts			
Account payable special account - IPO		1,118,356	1,118,356
Account payable special account - DEG		14,941,452	13,437,194
Account payable special account - other		182,964	1,895,149
		16,242,773	16,450,700
15.8 Provision for expenses			
Legal fees		2,068,225	2,149,350
Office services		778,235	849,929
Pay and allowance		377,749	302,000
Promotion and publicity		1,500,338	795,820
Office rent		67,335	67,335
Professional fees		232,100	151,500
Audit fees		768,250	365,750
Other expenses		61,000	199,837
		5,853,232	4,881,521
15.9 Deferred tax liabilities			
<i>Taxable temporary differences</i>			
Property, plant and equipment		5,302,152	8,091,292
Revaluation reserve on office premises		23,627,792	23,627,792
Net taxable temporary differences		28,929,945	31,719,084
Tax rate		42.50%	42.50%
Deferred tax liabilities		12,295,227	13,480,611
Movement of deferred tax liabilities is as follows:			
Opening balance		13,480,611	11,306,524
Less: Charged/(released) to profit and loss account	43	(1,185,384)	2,174,087
Closing balance		12,295,227	13,480,611
16. Share capital			
<i>Authorized</i>			
400,000,000 ordinary shares of Taka 10 each		4,000,000,000	4,000,000,000
<i>Issued, subscribed and fully paid up</i>			
104,339,235 number of ordinary shares of Taka 10 each (As at 31 December 2011:			
94,853,850 number of ordinary shares of Taka 10 each.)		1,043,392,350	948,538,500

Paid up capital is made up of 25,701,400 numbers of ordinary shares paid up in cash and 78,637,835 numbers of ordinary shares through issuance of bonus shares (As of 31 December 2011: 25,701,400 numbers of ordinary shares paid up in cash and 69,152,450 numbers of ordinary shares through issuance of bonus shares).

As at 31 December	2012	Figures in Taka 2011
16.1 Paid up capital of the company is held as follows:		
<i>Foreign</i>		
Aga Khan Fund for Economic Development (AKFED)	532,674,670	484,249,700
Others	550	500
	532,675,220	484,250,200
<i>Domestic</i>		
Government of the People's Republic of Bangladesh (GoB)	228,289,710	207,536,100
General Shareholders	282,420,490	256,745,900
Others	6,930	6,300
	510,717,130	464,288,300
	1,043,392,350	948,538,500

16.2 Number of ordinary shares and percentage of holding are as follows:

	2012		2011	
	Number	% of holding	Number	% of holding
<i>Foreign</i>				
Aga Khan Fund for Economic Development (AKFED)	53,267,467	51.05	48,424,970	51.05
Others	55	0.00	50	0.00
	53,267,522	51.05	48,425,020	51.05
<i>Domestic</i>				
Government of the People's Republic of Bangladesh (GoB)	22,828,971	21.88	20,753,610	21.88
General Shareholders	28,242,049	27.07	25,674,590	27.07
Others	693	0.00	630	0.00
	51,071,713	48.95	46,428,830	48.95
	104,339,235	100.00	94,853,850	100.00

16.3 Composition of shareholding was as follows:

	No. of shares	
	2012	2011
Institutional shareholding (including GoB)	86,056,048	76,294,920
Individual shareholding	18,283,187	18,558,930
	104,339,235	94,853,850

16.4 Classification of shareholders by holding as required by Regulation 37 of the Listing Regulation of the Dhaka Stock Exchange Ltd.

Number of shares	No. of shareholders	No. of shares	% of holdings
1 to 500 shares	5,932	721,300	0.69%
501 to 5,000 shares	4,216	6,403,310	6.14%
5,001 to 10,000 shares	357	2,528,237	2.42%
10,001 to 20,000 shares	179	2,451,888	2.35%
20,001 to 30,000 shares	64	1,564,044	1.50%
30,001 to 40,000 shares	26	891,517	0.85%
40,001 to 50,000 shares	13	584,191	0.56%
50,001 to 1,00,000 shares	32	2,296,659	2.20%
1,00,001 to 1,000,000 shares	33	9,791,651	9.38%
over 1,000,000	3	77,106,438	73.90%
Total	10,855	104,339,235	100.00%

The shares are listed in both Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. since 03 December 2006 and traded at Tk. 18.00 and Tk 18.20 at the close of 31 December 2012 at Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. respectively.

As at 31 December	2012	2011
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16.5 Capital adequacy ratio

In accordance with the Financial Institutions Regulations 1994 and Bangladesh Bank's DFIM circular no. 05 dated 24 July 2011 every Non Banking Financial Institution which is registered in Bangladesh as a company has to increase its paid up capital to Tk 1,000 million within 30 June 2012 and the Company has fulfilled the condition within the stipulated time. As at 31 December 2012, total capital of the company was Tk 2,027.33 million out of which paid up capital is Tk 1,043.39 million.

In accordance with Bangladesh Bank's DFIM Circular no. 14 dated 28 December 2011 the Financial Institutions are required to maintain at least 10% Capital Adequacy Ratio (CAR) in line with the guidelines on Capital Adequacy and Market Discipline (CAMD) for Financial Institutions, which has come fully into force from 1 January 2012. As of 31 December 2012 the CAR of the Company is 24.31% against the required CAR of 10%. Details are as follows:

Particulars	Amount	Amount
Tier -1 Capital	2,013,740,160	1,885,136,918
Tier -2 Capital	57,304,538	94,313,226.00
Eligible capital	2,071,044,698	1,979,450,144
Total risk weighted assets	8,519,234,889	7,723,744,815
Capital adequacy ratio	24.31%	25.63%
Minimum capital requirement	851,923,489	772,374,482
Capital surplus	1,219,121,209	1,207,075,662

17. Share premium	167,014,000	167,014,000
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Share premium against 280,140 number of ordinary shares issued in 2004 and 1,390,000 number of ordinary shares issued in 2006 @ Tk 100 per share i.e. in year 2012 total number of shares would be 16,701,400 @ Tk 10 per share as the Company has changed the denomination of shares from Tk. 100 to Tk. 10 each in 2011 in compliance with the Bangladesh Securities and Exchange Commission's order number SEC/CMRRCD/2009-193/109 dated 15 September 2011.

18. Statutory reserve

This comprises the cumulative balance of statutory reserve as required by section 9 of the Financial Institutions Act, 1993 and regulation 4(d) and 6 of the Financial Institutions Regulations, 1994.

Opening balance	197,501,563	175,166,707
Add: Transferred from profit during the year	25,720,648	22,334,856
Closing balance	223,222,211	197,501,563

19. Assets revaluation reserve	13,585,980	13,585,980
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In terms of Bangladesh Accounting Standard (BAS) 16: *Property, Plant and Equipment* the Company had revalued its office premises by a professionally qualified valuation firm of the country in 2005. Total revaluation surplus of Taka 23,627,792 has been included with value of office premises and Tk 13,585,980 shown as assets revaluation reserve after adjustment of deferred tax.

20. Retained earnings

Opening balance	572,082,855	568,974,133
Add: Post tax profit for the year	128,603,242	111,674,278
	700,686,097	680,648,411
Less: Transfer to statutory reserve	25,720,648	22,334,856
Less: Issuance of bonus shares	94,853,850	86,230,700
	120,574,498	108,565,556
Closing balance	580,111,599	572,082,855

As at 31 December	Figures in Taka	
	2012	2011
21. Letters of guarantee		
Director	-	-
Government	-	-
Bank and financial institutions	5,590,000	15,590,000
Others	-	-
	5,590,000	15,590,000
Letter of guarantee has been issued in favor of Habib Bank Limited, against Titas Gas Transmission and Distribution Company Limited on account of M/s Hossain & Sons.		
22. (Increase)/decrease of other assets		
<i>Closing other assets</i>		
Stationery, stamps, printing materials in stock	52,825	53,105
Advance rent and advertisement	4,079,432	5,835,236
Security deposit	716,160	716,160
Other assets	9,019,239	8,876,777
	13,867,656	15,481,278
<i>Opening other assets</i>		
Stationery, stamps, printing materials in stock	53,105	25,220
Advance rent and advertisement	5,835,236	7,483,321
Security deposit	716,160	403,856
Other assets	8,876,777	12,506,204
	15,481,278	20,418,601
	1,613,622	4,937,323
23. Increase/(decrease) of other liabilities		
<i>Closing other liabilities</i>		
Provision for current tax	126,791,790	119,003,508
Withholding tax, VAT and excise duty	6,991,938	4,026,155
Others	43,556,103	44,897,829
	177,339,830	167,927,492
<i>Opening other liabilities</i>		
Provision for current tax	119,003,508	119,882,915
Withholding tax, VAT and excise duty	4,026,155	2,544,335
Others	44,897,829	48,755,069
	167,927,492	171,182,319
	9,412,338	(3,254,827)
24. Cash and cash equivalents		
Cash in hand	68,533	40,200
Balance with Bangladesh Bank and its agent bank(s)	94,246,168	79,521,979
Balance with other banks and financial institutions	433,650,776	742,592,747
Money at call and short notice	-	120,000,000
	527,965,477	942,154,926

For the year ended 31 December		Figures in Taka	
	Note	2012	2011
25. Particulars of profit and loss account			
<i>Income</i>			
Interest, discount and other similar income	26	791,167,557	554,452,041
Dividend income	28	38,941,411	43,377,624
Fees, commission and brokerage	29	7,134,733	3,136,483
Gains less losses arising from dealing securities	28	31,300,315	94,753,223
Gains less losses arising from dealing in foreign currencies	29	-	-
Other operating income	30	25,245,938	1,482,431
Profit less losses on interest rate changes		-	-
		893,789,953	697,201,801
<i>Expenses</i>			
Interest, fee and commission	27	554,659,236	431,518,260
Losses on loans and leases		-	-
Administrative expenses	31	115,502,252	119,537,728
Depreciation on fixed assets	40.1	16,127,730	14,045,161
		686,289,217	565,101,148
Profit before provision		207,500,736	132,100,653
26. Interest income			
<i>Interest income on loans, leases and advances</i>			
Interest on lease finance		212,540,794	139,171,573
Interest on long term finance		418,842,237	321,018,595
Interest on short term finance		27,182,282	20,389,682
Interest on channel finance		10,095,418	-
Interest on mortgage finance		2,607,366	-
Interest on secured finance		15,552,837	6,815,662
Interest on auto loan		13,566,921	10,535,275
Interest income on staff loan		1,758,715	1,642,903
		702,146,570	499,573,690
<i>Interest income on balance with other banks and financial institutions</i>			
Interest on fixed deposits		20,112,522	14,274,371
Interest on overnight and treasury placements		68,397,556	39,725,416
Interest on STD accounts		510,909	878,564
		89,020,987	54,878,351
		791,167,557	554,452,041
27. Interest paid on deposits and borrowings etc.			
Interest expenses on term deposits		529,656,332	393,752,041
Interest expenses on borrowings	27.1	25,002,904	37,766,219
		554,659,236	431,518,260

		Figures in Taka	
For the year ended 31 December	Note	2012	2011
27.1 Interest paid on borrowings			
Interest expenses on long term loan		4,046,272	4,244,894
Interest expenses on call loan borrowing		1,955,377	6,149,827
Interest expenses on bank overdrafts		5,170,570	2,182,713
Interest expenses on Repo borrowings		13,830,685	25,188,785
		25,002,904	37,766,219
The Company does not have any foreign borrowings.			
28. Investment income			
<i>Dividend income</i>			
Dividend income on cumulative preference shares		38,788,914	43,075,273
Dividend income on listed shares		-	2,351
Dividend income on un-listed shares		152,497	300,000
		38,941,411	43,377,624
<i>Income on treasury bills, bonds and debentures</i>			
Income on Govt. treasury bills		-	12,237,908
Income on Govt. treasury bonds		13,275,657	64,520,109
Income on corporate bonds		18,024,658	17,995,206
		31,300,315	94,753,223
		70,241,726	138,130,847
29. Commission, exchange and brokerage			
Fees and commission income	29.1	7,134,733	3,136,483
Exchange income		-	-
		7,134,733	3,136,483
29.1 Fees and commission income			
<i>Fees income</i>			
Appraisal and feasibility study fees		7,073,386	2,290,146
Documentation fees		4,347	2,687
Restructuring/renewal fees		50,000	10,000
		7,127,733	2,302,833
Commission		7,000	833,650
		7,134,733	3,136,483
30. Other operating income			
Transfer price of leased assets		413,184	1,237,669
Other earnings		20,349	23,762
Loan loss recovery		24,304,828	221,000
Income/(loss) on sale of fixed assets	30.1	507,577	-
		25,245,938	1,482,431
30.1 Income from sale of fixed assets			
Cost price of the sold items		1,756,953	3,881,225
Less: Accumulated depreciation		1,317,587	2,631,211
Written down value		439,366	1,250,014
Sale proceeds		946,943	1,250,014
Income from sale of fixed assets		507,577	-

For the year ended 31 December		Figures in Taka	
	Note	2012	2011
31. Administrative expenses			
Salary and allowances	32	60,549,462	60,916,274
Rent, taxes, insurance, electricity, etc.	33	10,769,111	9,986,175
Legal expenses	34	8,252,369	7,269,258
Postage, stamp, telecommunications, etc.	35	2,443,879	2,113,416
Stationery, printings, advertisements etc.	36	6,306,120	8,398,882
Managing Director's salary and allowances	37	7,167,045	8,721,757
Directors' fees	38	3,823,212	3,762,471
Auditors' fees	39	350,000	350,000
Repair and maintenance	40.2	5,158,688	5,374,258
Other expenses	41	10,682,366	12,645,237
		115,502,252	119,537,728
32. Salary and allowances			
Basic salary		24,338,357	24,106,846
House rent allowance		7,575,822	7,095,781
Medical allowance		4,135,382	3,370,971
Bonus		9,119,397	11,066,710
Leave fare assistance		3,890,809	3,955,884
Other allowances		1,997,048	3,268,819
Company's contribution to provident fund		1,901,439	2,038,684
Gratuity		2,416,670	2,823,297
Contractual staffs		5,174,538	3,189,282
		60,549,462	60,916,274
32.1 Number of employees and remuneration thereof			
As per the Schedule XI of the Companies Act, 1994, the number of employees (including contractual employees) engaged for the whole year or part thereof who received a total remuneration of Taka 36,000 per annum or Taka 3,000 per month were 95 at the end of 2012 as against 82 in 2011.			
33 Rent, taxes, insurance, electricity, etc.			
Office rent		5,324,298	5,330,479
Rates and taxes		228,605	228,605
Insurance		1,938,867	1,871,652
Utilities - electricity, gas, water etc		3,277,341	2,555,439
		10,769,111	9,986,175
34. Legal expenses			
Professional fees		5,068,229	5,926,477
Legal document, court fees etc.		3,184,140	1,342,781
		8,252,369	7,269,258
35. Postage, stamp, telecommunications, etc.			
Postage, stamps etc.		328,168	341,210
Telephone		411,711	335,801
Internet expenses		1,704,000	1,436,405
		2,443,879	2,113,416
36. Stationery, printing, advertisements etc.			
Printing and stationery		1,105,149	958,079
Publicity and advertisement		5,200,971	7,440,803
		6,306,120	8,398,882

		Figures in Taka	
For the year ended 31 December	Note	2012	2011
37. Managing Director's salary and allowances			
Basic salary		4,200,000	4,533,333
House rent allowance		360,000	653,333
Medical allowance		150,000	140,000
Bonus		700,000	1,460,000
Leave fare assistance		698,415	1,063,558
Company's contribution to provident fund		420,000	372,903
Gratuity		638,630	498,630
		7,167,045	8,721,757
In 2012 Managing Director's salary and allowances covers the period of 04 January 2012 to 31 December 2012, on the other hand in 2011 the same was for the period of 01 January 2011 to 10 December 2011 including separation benefit.			
38. Directors' fees			
Honorarium for attending meeting		517,500	678,500
Incidental expenses for attending meeting		3,305,712	3,083,971
		3,823,212	3,762,471
Directors' fees include fees for attending the meetings of the Board, Executive Committee and Audit Committee. Each director was remunerated @ Tk 5,000 per meeting in accordance with Bangladesh Bank's DFIM circular number 03 dated 24 February 2010.			
39. Auditors' fees		350,000	350,000
40. Depreciation and repair on fixed assets			
Depreciation	40.1	16,127,730	14,045,161
Repair and maintenance	40.2	5,158,688	5,374,258
		21,286,418	19,419,419
40.1 Depreciation			
Office premises		3,824,457	3,784,212
Motor vehicles		4,462,750	3,775,578
Furniture and fixtures		3,623,923	3,158,464
Equipment and appliances		4,083,475	3,326,907
Accounting software		133,125	-
		16,127,730	14,045,161
Detailed depreciation is shown in Annexure-A			
40.2 Repair and maintenance			
Office premises		212,486	101,360
Vehicles		3,489,457	4,226,116
Office equipments		1,456,745	1,046,782
		5,158,688	5,374,258
41. Other expenses			
Staff training		416,837	992,040
Membership fees, subscription and donations	41.1	681,545	2,912,078
News papers, periodicals, learning materials etc.		63,115	85,398
Recruitment expenses		110,000	6,900
Traveling, conveyance and hotel expenses		1,768,650	1,785,143
Entertainment and public relation		679,836	587,262
AGM/EGM expenses		2,321,166	2,963,973
Security and cleaning services		1,969,378	1,404,217
Sundry office maintenance		2,174,520	1,578,268
Other operational expenses		497,319	329,958
		10,682,366	12,645,237

		Figures in Taka	
For the year ended 31 December	Note	2012	2011
41.1 Membership fees, subscription and donations			
Membership fees		420,000	633,835
Fess for increasing authorised share capital		-	1,755,875
Subscription		261,545	240,850
CSR activities		-	281,518
		681,545	2,912,078
42. Provision for loans, advances, leases and investment			
Provision for classified loans, leases and advances	15.1	53,389,159	(79,499,849)
Provision for unclassified loans, leases and advances	15.1	11,649,963	48,323,704
		65,039,122	(31,176,146)
Provision for investment in shares	15.1	-	5,522,369
Marking to market on Govt. securities	15.1	8,465,789	18,156,069
		73,504,911	(7,497,708)
43. Deferred tax expense/(income)			
Expense/(income) on deductible temporary differences	11.1.2	(1,210,315)	(425,530)
Expense/(income) on taxable temporary differences	15.9	(1,185,384)	2,174,087
		(2,395,699)	1,748,557

44. Earnings per share (EPS)

Earnings per share (EPS) as shown in the face of the Profit and Loss Account is calculated in accordance with Bangladesh Accounting Standard (BAS) 33: *Earnings per share*. Due to impact of issuance of 9,485,385 number of bonus shares in 2012, EPS of 2011 has been restated as per BAS 33 which was reported at Tk. 1.18 as at 31 December 2011. Details are as follows:

Net profit after tax	128,603,242	111,674,278
<i>Weighted average number of shares outstanding during the year:</i>		
Number of ordinary shares as at 1 January	94,853,850	94,853,850
Bonus shares issued during the year	9,485,385	9,485,385
	104,339,235	104,339,235
Basic earning per share	1.23	1.07

Diluted earning per share (DEPS)

No DEPS is required to be calculated for the year as there was no scope for dilution of share during the year.

45. Receipts from other operating activities

Transfer price of lease assets	413,184	1,237,669
Securities income	34,156,235	98,516,353
Income from other operating activities	20,349	23,762
	34,589,767	99,777,784

46. Receivable from Director

The Company does not have any receivable from any of the Directors of the Company as at 31 December 2012 (Year 2011: nil).

47. Board meetings

During the year 2012 a total of 5 (five) Board Meetings were held (2011: 8).

48. Events after the reporting preiod

48.1 Proposed Dividend

The Board of Directors of the Company in its 131st meeting held on 27 February 2013 recommended 10% (ten percent) cash dividend for the year ended 31 December 2012 which is subject to approval of the shareholders in the upcoming 31st Annual General Meeting scheduled to be held on 25 April 2013. Total amount of recommended cash dividend is Tk. 104,339,235.

48.2 Others

No other material event occurred after the balance sheet date, which could materially affect the amounts or disclosures in these financial statements.

49. General

49.1 Previous year's figure have been rearranged where necessary to conform current year's presentation.

50. Disclosure on Audit Committee of the Company

50.1 Particular of Audit Committee

The Audit Committee of the Board was duly constituted by the Board of Directors of the Company in accordance with the FID Circular No. 10 dated 18 September 2005 and DFIM Circular No. 13 dated 26 October 2011 of Bangladesh Bank as well as Bangladesh Securities and Exchange Commission Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012. The committee was formed comprising 5 (five) members of the Board.

Sl.No.	Name	Status with Company	Status with Committee	Educational qualification
i)	Mr. Md. Nazrul Huda	Independent Director	Chairman	M.A. (Economics), University of Dhaka; Master of Economics, University of New England, Australia
ii)	Ms. Afroza Khan	Director	Member	Master of Soil, Water and Environment, University of Dhaka; Master of Public Health, University of North Carolina, USA
iii)	Ms. Ashraf Ali	Director	Member	Master of Political Science, University of Dhaka
iv)	Mr. Amin H. Manekia	Director	Member	MBA (majoring in Finance & Marketing), Babson College, USA
v)	Mr. Altaf Ramzi	Director	Member	B.Com, University of Karachi

The Company Secretary acts as Secretary to the Audit Committee.

50.2 Meeting held by the Audit Committee during the year

The Audit Committee meeting held 5 (five) times during the year 2012 to carry out the followings:

- The Committee reviewed of the periodical inspection reports on operational, financial procedure and branch operations of the Company conducted and submitted by the Internal Auditors and gave necessary instructions to the management for proper and prompt resolution of the irregularities/objections stated therein;
- The Committee reviewed internal audit plan for the year 2012;
- The Committee reviewed the draft financial statements for the year 2011 and after discussion with the external auditors, recommended it to the Board of Directors for its approval;
- The Committee reviewed the management letter issued by the external auditors and management's responses thereto;
- The Committee also reviewed the first quarter, half-year and third quarter ended financial statements for the year 2012;
- The Committee reviewed and ascertained that the internal control system including financial and operational controls, accounting system, and reporting structure are adequate and effective;
- The Committee reviewed the actions taken by the management for implementation of Audit Committee observations on issues deliberated in Audit Committee meetings;
- The Committee reviewed the inspection report of Bangladesh Bank with responses from the management for the year ended 31 December 2011;
- The Committee recommended re-appointment of external auditors of the Company considering suitability & global acceptability;
- The Committee reviewed the Terms of Reference (ToR) of the Audit Committee;
- The Committee placed its report regularly to the Board of the Company for review and monitoring the activities with recommendations on internal control system, compliance of rules and regulation of the regulatory bodies.

51. Related party/(ies) disclosure

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decision and include associated companies with or without common directors and key management personnel. The Company has entered into transactions with other entities in normal course of business that fall within the definition of related party as per Bangladesh Accounting Standard 24: *Related Party Disclosures*. Transactions with related parties were executed on the same terms, including interest rates as those prevailing at the time for comparable transactions with normal business transactions with others and do not involve more than a normal risk.

Detail of the related parties transactions are as follows:

Related party	Relationship	Nature of transaction	Figures in Taka	
			Outstanding balance 2012	2011
Aga Khan Education Service, Bangladesh	This is a part of Aga Khan Development Network - AKDN	Term Deposit Receipt	259,965,997	229,739,166
Aga Khan Foundation, Bangladesh	This is a part of Aga Khan Development Network - AKDN	Term Deposit Receipt	224,000,000	200,000,000
Industrial Promotion Services (Bangladesh) Ltd.	This is a part of Aga Khan Fund for Economic Development - AKFED	Term Deposit Receipt	17,472,852	15,553,150
Habib Bank Ltd	Majority share held by AKFED	Letter of Guarantee	5,590,000	5,590,000
Mr. Sulaiman Ajanee	Nominee Director & Chairman of IPDC	Term Deposit Receipt	20,921,248	13,476,638
Ms. Nurjahan Ajanee	Spouse of Mr. Sulaiman Ajanee - Chairman of IPDC	Term Deposit Receipt	560,000	1,048,375
World Com. Ltd.	Mr. Sulaiman Ajanee is the Managing Director of World Com. Ltd	Term Deposit Receipt	28,765,915	26,112,613
Ms. Ashraf Ali	Nominee Director of IPDC	Term Deposit Receipt	3,600,000	2,600,000
Mr. Nizar Ali	Spouse of Ms. Ashraf Ali - Nominee Director of IPDC	Term Deposit Receipt	500,000	500,000
Mr. Mominul Islam	Managing Director & CEO	Term Deposit Receipt	1,167,853	1,075,000
		Home Loan	10,770,851	11,240,446
		Employee Loan	341,641	284,751
		Secured Loan	769,999	-

51.1 Name of the Directors and the entities in which they have interest as at 31 December 2012

Sl. no.	Name	Status with the IPDC		Firms/ companies in which they have interest	
		Position	Nominated By	Name	Position
i)	Mr. Sulaiman Ajanee	Chairman	AKFED	Aga Khan Foundation, Bangladesh	Vice Chairman
				His Highness Prince Aga Khan Shia Imami Ismaili Council for Bangladesh	Chairman
				Standard Finis Oil Company	Managing Partner
				World Com Ltd.	Managing Director
ii)	Ms. Afroza Khan	Director	GoB	Training Institutes for Chemical Industries (TICI)	Director
iii)	Mr. Jalal Ahmed	Director	GoB	Bangladesh Submarine Cable Ltd.	Director
				Bangladesh Tele-Communication Co. Ltd.	Director
				Bangladesh Services Ltd.	Director
				Arms Forces Medical College	Director
iv)	Mr. Md. Nazrul Huda	Independent Director	N/A	British American Tobacco (BD) Ltd.	Director
				BRAC Bank Ltd.	Advisor
				Securities and Investment Company Ltd.	Director
v)	Mr. Altaf Ramzi	Director	AKFED	Ismailia Co-operative Society.	Director
				Signet Enterprises Ltd.	Director
				Scotia Services Ltd.	
vi)	Mr. Amin H. Manekia	Director	AKFED	Apparel Connection.	Director
				IVP Ltd. India	Director
				Development Credit Bank Ltd., India	Director
vii)	Mr. Alauddin A Majid	Independent Director	N/A	Bangladesh Krishi Bank	Chairman
				Shakti Foundation	Member
				Data Edge Ltd.	Chairman
				Enterprise Development Company Ltd.	Director
viii)	Mr. Altaf Hussain	Director	AKFED	None	N/A
ix)	Mr. Mansoor Ali Halari	Director	AKFED	None	N/A
x)	Ms. Ashraf Ali	Director	AKFED	None	N/A
xi)	Mr. Mominul Islam	Managing Director & CEO	Ex-officio	None	N/A

51.2 Significant contracts in which the Company, its subsidiary or any fellow subsidiary company was a party and wherein the Directors have interest that subsisted at any time during the year or at the end of the year

None

51.3 Shares issued to Directors and Executives without consideration or exercisable at discount

None

51.4 Nature, type and elements of transactions with the related party

Note no. 51

51.5 Lending policies in respect of related party:

- Amount of transactions regarding loans and advances, deposits, guarantees and commitment
- Amount of provision against loans and advances given to related party
- Amount of guarantees and commitments arising out of the statement of affairs

Note no. 51

None

None

51.6 Investments in securities of the Directors and their related concerns

None

Fixed assets including premises, furniture and fixtures

Category of asset	Cost			Depreciation			Carrying amount as at
	Balance as at 1 Jan 2012	Addition during the year	Adjustment during the year	Disposal during the year	Balance as at 31 Dec 2012	Rate	
Office premises	75,684,163	-	-	-	75,684,163	5%	49,717,690
Motor vehicles	17,678,729	4,990,000	-	1,756,953	20,911,776	20%	16,896,243
Furniture and fixtures	28,840,320	401,455	-	-	29,241,775	12.50%	9,130,427
Equipment and appliances	30,347,888	7,907,818	4,303,583	538,300	33,413,823	20%	12,679,750
Accounting software	1,600,000	798,750	-	-	2,398,750	50%	665,626
Balance as at 31 December 2012	154,151,100	14,098,023	4,303,583	2,295,253	161,650,287		76,209,026

Category of asset	Cost			Depreciation			Carrying amount as at
	Balance as at 1 Jan 2011	Addition during the year	Adjustment during the year	Disposal during the year	Balance as at 31 Dec 2011	Rate	
Office premises	68,841,763	6,842,400	-	-	75,684,163	5%	53,542,147
Motor vehicles	21,559,953	-	-	3,881,225	17,678,729	20%	3,927,649
Furniture and fixtures	24,732,271	4,108,049	-	-	28,840,320	12.50%	12,321,863
Equipment and appliances	26,779,127	4,680,052	-	1,111,291	30,347,888	20%	11,230,899
Accounting software	1,600,000	-	-	-	1,600,000	50%	1
Balance as at 31 December 2011	143,513,114	15,630,501	-	4,992,516	154,151,100		81,022,559

Revaluation of office premises

The office premises with proportionate land comprising 11,661 square feet of office space on 4th floor of Hosna Center, 106 Gulshan Avenue, Dhaka-1212, along with car parking for 15 cars, have been revalued by a professional valuer as at 31 December 2005 in line with prevailing market price as on that date. Accordingly selling price of the premises with proportionate land is stated at Tk. 68,441,292 with a revaluation adjustment of Tk. 23,627,792 as at 31 December 2005.

Highlights on the overall activities of the Company for the years 2012 and 2011

Figures in Taka

Serial no.	Particulars	2012	2011
1	Paid up capital	1,043,392,350	948,538,500
2	Total capital	2,027,326,140	1,898,722,898
3	Capital surplus	1,219,121,209	1,207,075,662
4	Total assets	7,114,507,241	6,761,089,327
5	Total deposits	4,208,012,043	3,798,236,467
6	Total loans and advances	5,585,644,010	4,325,023,676
7	Total contingent liabilities and commitments	5,590,000	15,590,000
8	Credit deposit ratio	1.33:1	1.14:1
9	Percentage of classified loans against total loans, advances & lease receivables	9.66%	13.04%
10	Net profit after tax and provision	128,603,242	111,674,278
11	Amount of classified loans and advances at the end of the year	539,363,199	563,799,421
12	Provisions kept against classified loan	100,010,062	185,347,689
13	Provisions surplus/(deficit)	39,565,250	93,561,794
14	Cost of fund	13.43%	11.26%
15	Interest earning assets	6,683,573,345	6,347,794,981
16	Non-interest earning assets	430,933,896	413,294,346
17	Return on investment (RoI)	6.55%	6.06%
18	Return on asset (RoA)	1.85%	1.72%
19	Income from investment	70,241,726	138,130,847
20	Earning per share (Taka)	1.23	1.07
21	Net income per share (Taka)	1.23	1.07
22	Price earning ratio (Times)	14.60	29.71

Disclosure on Capital Adequacy and Market Discipline (CAMD)

Disclosure on Capital Adequacy and Market Discipline is made in accordance with Bangladesh Bank's Circular no. DFIM -14 dated 28 December 2011 which consists of the following three mutually reinforcing pillars:

- a) **Pillar I:** This prescribes the minimum capital requirements for Credit Risk, Market Risk and Operational Risk.
- b) **Pillar II:** This prescribes the Supervisory Review Process and is based on the principle that the Company assesses overall the adequacy of its capital and set targets for capital that commensurate with the Company's specific risk profile and control environment.
- c) **Pillar III:** This depicts Market Discipline and comprises as set of disclosures on the capital adequacy and risk management framework on the Company to ensure that market participants can better understand the Company's risk profile and the adequacy of its capital.

A) Scope of Application

Qualitative Disclosures	
a) The name of the top corporate entity in the group to which this guidelines apply.	IPDC of Bangladesh Limited
b) An outline of differences in the basis of consolidated for accounting and regulatory purpose, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk weighted).	Not applicable since the Company does not have any subsidiary.
c) Any restriction, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable
Quantitative Disclosures	
d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.	Not applicable

B) Capital Structure

Qualitative Disclosures	
a) Summary information on the terms and conditions of the main features of all capital instruments, specially in the case of capital instruments eligible for inclusion in Tier I or in Tier II	<p>Tier 2 capital includes:</p> <ul style="list-style-type: none"> i) General provision up to a limit of 1.25% of Risk Weighted Asset for Credit Risk. ii) Revaluation reserve for fixed assets up to a limit of 50%. <p>Conditions for maintaining regulatory capital:</p> <ul style="list-style-type: none"> i) Amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital. ii) 50% of revaluation reserves for fixed assets and 45% of revaluation reserves for securities eligible for Tier 2 capital.

Quantitative Disclosures

- b) The amount of Tier I capital, with separate disclosure of:

Particulars	Taka in crore
Fully Paid-up Capital	104.34
Non repayable share premium account	16.70
Statutory Reserve	22.32
General Reserve	-
Retained Earnings	58.01
Sub-total (A)	201.37
c) Total amount of Tier 2 Capital	5.73
d) Other deductions from capital	-
e) Total eligible capital	207.10

C) Capital Adequacy

Qualitative Disclosures

- a) A summary discussion of the Company's approach to assessing the adequacy of its capital to support current and future activities.
- Total Risk Weighted Assets (RWA) is determined by multiplying the capital charge for market risk and operational risk by the reciprocal of the minimum capital adequacy ratio (currently 10% as on 31 December 2012) and adding the resulted figure to the sum of the RWA for credit risk. Capital Adequacy Ratio (CAR) is then determined by dividing total RWA by total eligible regulatory capital.

Quantitative Disclosures

Particulars	Taka in crore	
b) Capital requirement for Credit Risk	78.54	
c) Capital requirement for Market Risk	1.60	
d) Capital requirement for Operational Risk	4.78	
e) Total and Tier I capital ratio		
	Total capital	Tier 1
▪ For the consolidated group; and	N/A	N/A
▪ For stand alone	23.72	0.67

D) Credit Risk

Qualitative Disclosures

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

With a view to strengthening credit discipline, the Company classifies loan, leases and advances and maintains provision in line with Bangladesh Bank's FID Circular no. 08 dated 03 October 2002 and FID Circular no. 03 dated 03 May 2006 as follows:

Fixed term loan (repayable within maximum 5 years of time) are classified as:

- Definition of past due and impaired (for accounting purposes);

Substandard - if defaulted installment is equal to or more than the amount of installment(s) due within 6 (six) months, the entire loans are classified as 'Sub-standard'.

Doubtful - if defaulted installment is equal to or more than the amount of installment(s) due within 12 (twelve) months, the entire loans are classified as 'Doubtful'.

Bad/Loss - if defaulted installment is equal to or more than the amount of installment(s) due within 18 (eighteen) months, the entire loans are classified as 'Bad/Loss'.

Fixed term loan (repayable more than 5 years of time) are classified as:

Substandard - if defaulted installment is equal to or more than the amount of installment(s) due within 12 (twelve) months, the entire loans are classified as 'Sub-standard'.

Doubtful - if defaulted installment is equal to or more than the amount of installment(s) due within 18 (eighteen) months, the entire loans are classified as 'Doubtful'.

Bad/Loss - if defaulted installment is equal to or more than the amount of installment(s) due within 24 (twenty four) months, the entire loans are classified as 'Bad/Loss'.

A term loan which will remain overdue for a period of 90 days or more, are treated 'Special Mention Account (SMA)'.

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

The Company is following the general and specific provision for loans and advances/investments on the basis of Bangladesh Bank guidelines issued from time to time.

Particulars	Rate
General provision on unclassified loan, leases	1%
General provision on special mention account	5%
Specific provision on substandard loan, leases	20%
Specific provision on doubtful loan, leases	50%
Specific provision on bad/loss loan, leases	100%

▪ Discussion of the Company's credit risk management policy

Definition of Credit Risk: Credit risk is the risk of loss that occur from the failure of any counterparty to make required payments in accordance with agreed terms and conditions and/or deterioration of credit worthiness. Credit risk is managed through a framework set by policies and procedures established by the Board. The responsibility is clearly segregated between originator of business transaction and approver in the risk function.

Credit policies and procedures: The Credit Policy Manual contains the core principles for identifying, measuring, approving and managing credit risk in the Company. These policies are established by the Board of Directors and are designed to meet the organisational requirements. These policies represent the minimum standards for credit extension by the Company and are not a substitute for the experience and prudent judgment. There is a comprehensive credit appraisal procedure that covers business risk, management risk, financial risk, security risk, environmental risk, reputational risk and account performance risk. Credit risk management function is independent of business originating functions to establish better internal control systems and conflict of interest. The head of Credit Risk Management (HoCRM) has clear responsibility for management of credit risk of the Company.

Credit Rating and Measurement: Risk management plays a pivotal role along with prudential judgment and experience in informed risk taking decisions and portfolio management. For the purpose of risk management the Company uses a numeric grading system associated with a borrower. Though this rating system, 'Credit Risk Grading Matrix (CRGM)' is not a lending decision making tool but is used as general indicator to compare one set of customers with others. CRGM analyses a borrower against a range of quantitative and qualitative measures. No rating model for retail and channel financing are currently in practice rather borrowers are assessed against some pre-approved criteria outlined in Product Program Guidelines (PPG), which are approved by the Board of Directors.

Credit Monitoring: The Company monitors credit exposures and portfolio performance on monthly basis. Corporate and medium enterprise accounts are continuously monitored under a clearly set out credit policy. Early alerts are raised for financial deterioration, management weakness, irregular repayments, breach of covenants, eroding position in the industry etc. If early alerts are raised, remedial actions are agreed and monitored.

Credit Risk Mitigation: Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreement and other guarantees. The reliance that can be placed on these mitigates is carefully assessed in light with issues such as legal certainty and enforceability, market valuation, and counterparty risk of the guarantor. Collateral is valued by independent third party surveyor in accordance with the Company's credit policy and procedures.

Credit Approval: Board of Directors of the Company has the sole authority to approve any credit exposure and to sub delegate to such authority the 'Executive Committee', a sub-committee of the Board, with no approval authority to the management except Auto Loan upto certain limit.

Problem Credit Management: The Company has a separate 'Special Asset Management (SAM)' department, dedicated for management, settlement and recovery of problem credits. Major responsibility of this department is to formulate strategy and action plans for minimizing risk, prevention of loss, maximization of recoveries and restructuring, direct recovery and/or legal actions.

Quantitative Disclosures

	Particulars	Taka in crore
b) Total gross credit risk exposures broken down by major types of credit exposure.	Lease finance	161.82
	Term loans and advances	361.27
	Mortgage finance	3.30
	Channel finance	8.81
	Retail loan	23.37
	Total	558.56
c) Geographical distribution of exposures broken down by major types of credit exposure.	Dhaka Division	471.46
	Chittagong Division	82.58
	Khulna Division	2.40
	Rangpur Division	0.90
	Rajshahi Division	0.40
	Sylhet Division	0.83
	Barisal Division	-
	Total	558.56
d) Industry or counterparty type distribution of exposures, broken down by major type of credit exposure.	Agro-based industries	49.68
	Banks and non-banking financial institutions	17.22
	Chemicals, pharmaceuticals and allied products	58.26
	Engineering and building materials	48.83
	Food and allied products	22.60
	Glass, ceramic and other non-metallic products	16.70
	Hotel, tourism and leisure	1.59
	Information and communication technologies	23.81
	Paper converting and packaging, printing and publishing	15.82
	Ready made garments and knitwear	12.32
	Social sector	5.40
	Tannery, leather and rubber products	10.11
	Textile	85.45
	Transport and aviation	16.83
	Others	173.94
	Total	558.56

	Particulars	Taka in crore
	On demand	-
e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Upto one month	17.79
	More than one month but less than three months	45.23
	More than three months but less one year	156.99
	More than one year but less than five years	275.45
	More than five years	63.11
	Total	558.56
f) By major industry or counterparty type:		
▪ Amount of impaired loans and if available, past due loans, provided separately;	Gross non performing assets (NPAs)	53.94
	NPAs to gross loans and advances (in %)	9.66%
▪ Specific and general provisions;	Provision for unclassified loans and advances	(4.66)
	Provision for classified loans and advances	11.17
	Provision for off-balance sheet exposures	-
	Total	6.50
▪ Charges for specific allowances and charge-offs during the period;	None	
g) Gross Non Performing Assets (NPAs)		
	Movement of Non Performing Assets (NPAs)	
Non Performing Assets (NPAs) to Outstanding Loans & Advances	Opening balance	56.38
	Additions	10.22
	Reductions	12.66
	Closing balance	53.94
	Movement of specific provisions for NPAs	
	Opening balance	18.53
	Provisions made during the period	11.17
	Write-off	19.70
	Write-back of excess provisions	-
	Closing balance	10.00

E) Equities: Banking book position

Qualitative Disclosures

- a) The general qualitative disclosure requirement with respect to equity risk, including:
- | | |
|---|---|
| <p>i) Differentiation between holding on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and</p> <p>ii) Discussion of important policies covering the valuation and accounting of equity holdings in the banking book positions. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.</p> | <p>Investment in equity securities are broadly categorized into two parts:</p> <ul style="list-style-type: none"> ▪ Quoted Securities that are traded in the secondary markets (Trading Book Assets.) ▪ Unquoted Securities that are valued at cost price. <p>Both quoted and unquoted securities are valued at cost and necessary provisions are maintained if the prices fall below the cost price.</p> |
|---|---|

Quantitative Disclosures

Particulars	Taka in crore
b) Value disclosed in the balance sheet of investments, as well as the fair value of those investment; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	0.70
c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	-
d) <ul style="list-style-type: none"> Total unrealised gains (losses) Total latent revaluation gains (losses) Any amounts of the above included in Tier 2 capital. 	- - -
e) Capital requirements broken down by appropriate equity groupings, consistent with the Company's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements. <ul style="list-style-type: none"> Specific Market Risk: Market value of the investment in equity is Taka 0.43 crore against which capital requirement @10% is Taka 0.04 crore. General Market Risk: Market value of the investment in equity is Taka 0.43 crore against which capital requirement @10% is Taka 0.04 crore. 	- - -

F) Interest rate in the banking book

Qualitative Disclosures

- a) The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior or non-maturity deposits.
- Interest rate risk is the risk where changes in market interest rates might adversely affect the Company's financial condition. The short term impact of changes in interest rates is on the Company's Net Interest Income and in long term, gives rise to a risk to the net worth of the Company arising out of all re-pricing mismatches and other interest rate sensitive position. The Assets Liability Committee (ALCO) of the Company monitors the interest rate movement on continuous basis.

Quantitative Disclosures

b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk broken down by currency (as relevant).	Taka in crore		
	Increase in Interest Rate		
	Scenario 1 1%	Scenario 2 2%	Scenario 3 3%
Weighted Avg. Yield on asset	14.06%	14.06%	14.06%
Total Asset	728.59	728.59	728.59
Duration GAP	2.03	2.03	2.03
Fall in MVE	12.94	25.89	38.33
Tax adjusted loss	7.44	14.89	22.04
Revised Capital	199.66	192.22	184.78
Revised CAR	23.64%	22.96%	22.27%

G) Market Risk

Qualitative Disclosures

- a) **Views of Board of Directors (BOD) on trading/investment activities:**
- Market risk is the possibility of losses of assets in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e., interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rates and market prices.

Methods used to measure the Market Risk

Bangladesh Bank suggested the FIs for using Standardized Approach (rule based) in order to calculate the market risk for banking book where the capital charge for interest rate risk, price and foreign exchange risk is determined separately.

Market Risk Management system

Policies and processes for mitigating market risk

To mitigate the several market risks the Company formed Asset Liability Management Committee (ALCO) that monitors the Treasury Division's activities to minimize the market risk. ALCO is primarily responsible for establishing the market risk management and asset liability management of the Company, procedures thereof, implementing core risk management framework issued by the regulator, best risk management

practices followed by globally and ensuring that internal parameters, procedures, practices/policies and risk management prudential limits are adhere to.

The ALCO reviews the risk of changes in income of the Company as a result of movement in the market interest rates. The Company always try to follow Bangladesh Bank's guidelines to minimize mismatches between the duration of interest rate sensitive assets and liabilities.

ALCO holds monthly meetings on regular basis, in addition to controlling day-to-day trading activities, to perform market analysis over interest rate and manage & monitor the level of mismatch for assessing the market risk.

Quantitative Disclosures

b) Capital requirements for:

Particulars	Taka in crore
Interest rate risk	1.59
Equity position risk	0.09
Foreign Exchange Position and Commodity risk (if any)	-

H) Operational Risk

Qualitative Disclosures

a) Views of BoD on system to reduce Operational Risk:

The operational risk is defined as the risk of loss resulting from inadequacy or failure of internal processes, people and systems or from external events. The Board of Director (BOD) of the Company and its Management firmly believe that this risk through a control based environment in which processes are documented, authorization as independent and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews undertaken by internal audit. All the operational policies and guidelines are duly approved by the BoD and reviewed on a regular basis.

Performance gap of executives and staffs

The Company always strives to ensure a great place to work by hiring and retaining the most suitable people at all levels of the business. We want to be the preferred employer in the industry within the year 2013. The Company affirms that there exists no performance gap of the executives and staffs.

Potential external events

External events like general business and political situation, change in credit quality of the borrowers, change in market conditions etc. can affect the business of the Company. IPDC is proceeding with its strategic plan and its successful implementation for its future performance.

Policies and procedures for mitigating operational risk

IPDC mitigates operational risk by virtue of designing the organizational structure by clearly defining roles and responsibilities of individuals involved in risk taking as well as managing it, formulating overall risk assessment and management policies, methodologies, guidelines and procedures for risk identification, risk measurement, risk monitoring, defining an acceptable level of risk, mitigating all the core risks in line with their respective guidelines provided by Bangladesh Bank.

Approach for calculating capital charge for operation risk

As suggested by the guideline, the Company has computed the capital requirements for operational risk under the 'Basic Indicator Approach(BIA)'. Under BIA, the capital charge for operational risk is a fixed percentage, currently 15%, of average positive annual gross income of the Company over the past three years.

Quantitative Disclosures

b) Capital requirements for operational risk

Particulars	Taka in crore
Capital requirements for operational risk	4.78



Beside your Dream ...always

Industrial Promotion and Development Company of Bangladesh Limited

Proxy Form

I.....
of.....being member of IPDC of
Bangladesh Limited, hereby appoint Mr/ Ms..... of
.....
as my proxy to attend and vote for me and on my behalf at the 31st Annual General Meeting of the Company to be held on
Thursday, April 25, 2013 at 11:00 a.m. in Conference Hall No. 3 of BRAC-CDM, Rajendrapur, Gazipur or at any adjustment
thereof.

Signed this.....
Day of.....2013

Signature of Proxy.....

Signature of Shareholder

Revenue
Stamp
Tk. 20.00

BO ID:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

No. of Shares.....

N.B.

1. This Proxy Form, duly completed, must be deposited at least 48 hours before the meeting at the Company's Registered Office. Proxy is invalid if not signed and stamped as explained above.
2. Signature of the Shareholders should agree with the Specimen Signature registered with the Company.



Beside your Dream ...always

Industrial Promotion and Development Company of Bangladesh Limited

Attendance Slip

I hereby record my attendance at the 31st Annual General Meeting of the Company being held on Thursday, April 25, 2013 at
11:00 a.m. in Conference Hall No. 3 of BRAC-CDM, Rajendrapur, Gazipur.

Name of Member/Proxy.....

BO ID:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Signature.....

Date.....

N.B. Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and deposit the same at the registration counter on the day of the meeting.



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SINCE 1981



fixed deposits



deposit premium
schemes



auto loan



home loan



project finance



lease finance



preference share



syndication



short term finance



work order finance



factoring



corporate advisory



venture capital



sme finance



women entrepreneur
finance

Industrial Promotion and Development Company of Bangladesh Limited

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