



Beside your Dream ... *always*

The background of the cover is a dark blue square. Overlaid on this is a large, stylized graphic consisting of several concentric, overlapping circles or arcs in varying shades of blue, creating a sense of depth and movement. The text 'Annual Report 2014' is centered in white, with a thin yellow horizontal line underneath it.

Annual Report 2014

Industrial Promotion and Development Company
of Bangladesh Limited



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Industrial Promotion and Development Company of Bangladesh Limited

www.ipdcbd.com

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Notice of the 33rd Annual General Meeting

Notice is hereby given that the 33rd Annual General Meeting (AGM) of the shareholders of Industrial Promotion and Development Company of Bangladesh Limited will be held at Trust Milonayaton, 545, Old Air Port Road, Jahangir Gate, Dhaka Cantonment, Dhaka-1206 on Wednesday, May 06, 2015 at 10:00 a.m. 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, 2014;
2. To declare dividend for the year ended December 31, 2014;
3. To elect/re-elect Directors;
4. To appoint the Auditors and to fix their remuneration;
5. To confirm the appointment of Independent Directors, Mr. Salahdin Irshad Imam & Ms. Nasreen Sattar;
6. To confirm the re-appointment of Mr. Mominul Islam, Managing Director & CEO of IPDC of Bangladesh Ltd;
7. To transact any others business (if any) with the permission of the chair.

By Order of the Board



Samiul Hashim
Company Secretary

Dated: Dhaka
April 06, 2015

Notes:

- March 09, 2015 was considered as the Record Date for entitlement of the Dividend for the year ended December 31, 2014
- 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 not 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 since December 03, 2006.

Licensed as Financial Institution under the Financial Institutions Act 1993 on February 07, 1995.

Date of Incorporation:

November 28, 1981

Company Registration No.:

C- 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@ipdbd.com
Web site : www.ipdbd.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

Motijheel Branch:

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

Uttara Branch:

Circle Windflower (2nd floor), Plot no. 30, Sector no. 11
Sonargaon Janapath, Uttara Model Town, Dhaka-1230
Tel: (+88 02) 8932152, 8932154, Fax: (+88 02) 8932630

Chittagong Branch:

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

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:

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

Corporate Governance Auditors:

Snehasish Mahmud & Co.
Chartered Accountants
Plot 10 (3rd Floor), Road 9
Block J, Baridhara, Dhaka 1212

Tax Consultant:

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

Legal Advisors:

A Hossian & Associates
Huq & Company
Dr. Kamal Hossain & Associates
A Rahman & Associates
Law & Remedy
Mamun Chowdhury & Associates
Sarder Jinnat Ali
ARH Legal Group

Principal Bankers:

Standard Chartered Bank
Prime Bank Limited
AB Bank Limited
Dutch Bangla Bank Limited
Dhaka Bank Limited
Brac Bank Limited

Board of Directors



Mr. Sulaiman Ajanee
Chairman



Dr. Muzibur Rahman Howlader
Director



Ms. Afroza Khan
Director



Mr. Salahdin Irshad Imam
Director



Mr. Altaf Hussain
Director



Ms. Nasreen Sattar
Director



Mr. Altaf Ramzi
Director



Mr. Shaffiq Dharamshi
Director



Mr. Amin H. Manekia
Director



Ms. Ashraf Ali
Director



Mr. Mominul Islam
Managing Director and CEO

Management Committee



Front Row (Left to right): **Mr. Mominul Islam**- Managing Director & CEO, **Mr. A F M Barkatullah** – Deputy Managing Director, **Mr. Md. Zakir Hossen**- AGM, Operations, **Mr. Muhammad Sami Ul Hoque** – Manager, Internal Audit & Compliance.

Middle Row (Left to right): **Mr. Samiul Hashim** - Head of Legal Affairs & Company Secretary, **Mr. Rizwan Dawood Shams** - Head of Channel Financing, **Mr. Mohammad Ruknuzzaman** - Head of Investment, **Mr. Md. Ashique Hossain** - Head of Credit Risk Management

Back Row (Left to right): **Mr. Kazi Samiur Rahman** - Head of Retail Business, **Mr. Lingkon Mondal** – Chief Financial Officer, **Mr. A S M Shahin** - Head of MME

Moments of 32nd Annual General Meeting



Honorable Chairman delivering his speech in the 32nd Annual General Meeting



The Board of Directors at the 32nd Annual General Meeting



Shareholders registering their presence for the Annual General Meeting at the Registration Booth



Managing Director and CEO of the Company addressing queries from the shareholders in the 32nd Annual General Meeting



One of the honorable shareholders addressing in the 32nd Annual General Meeting



The Board of Directors, IPDC officials and few of the shareholders in the Annual General Meeting

Chairman's Statement

Bismillahir Rahmanir Rahim

Distinguished Shareholders, Assalaamu A'laikum,

With immense pleasure I welcome you all to the 33rd Annual General Meeting (AGM) of the Industrial Promotion and Development Company (IPDC) of Bangladesh Limited. It is a privilege for me to present before you the successes, challenges and future directions of this great Company as reflected in this Annual Report along with the audited Financial Statements for the year ended December 31, 2014.

I am delighted to report that in 2014, your Company has continued to deliver excellent results by improving profitability and greatly strengthening our balance sheet. We hope to continue adding value for our shareholders by employing strategies that would help us achieve strong and sustainable growth over the long-term. During the year, the Company's operating profit reached a record level of BDT 395.12 million an increase of 21.5% year-on-year whilst profit before tax has increased substantially by 42.61%. Profit after tax for the year 2014 was BDT 165.5 million, which has also witnessed a healthy improvement of 16.6% over the previous year. I am pleased to inform you that, the Company's gross classified loan ratio has come down to 3.39% in 2014 from 5.95% in 2013 and our net classified loan ratio has come down to 0.05% from 2.37% during the same period. This is a tremendous achievement especially as the uncertain economic climate has resulted in many businesses defaulting on their debt obligations. I am confident that, based on our strong balance sheet, the Company will witness healthier profitability and growth in future years.

We keep our shareholders interest on top of our mind while determining our corporate strategy. Our success in delivering consistent business and financial performance leads us to believe that our corporate strategy is sound and is being properly executed. Being a value driven financial institution, we believe in responsible leadership and strong control and compliance practices. I am happy to share with our shareholders that our ethical practice, prudent risk management, diversified earning streams and strong corporate governance has safeguarded us from any direct and indirect loss of money and reputation especially those that originated from recent financial scams.

Your Company has successfully navigated through the stormy waters of an emerging economy fraught with multiple risks and has emerged much stronger, while we have successfully transformed and strengthened the organizational structure of IPDC internally; we are continuously being challenged at the external front. Year 2015 could be one of the most difficult years for the financial sector of our country with several uncertainties on the political front. In view of the disruptions and uncertainties prevailing in the market, we are adopting a cautious strategy while extending credit together with ensuring strong risk management, monitoring and cost containment to safeguard the Company from any downside risks emerging out of external adversities.



We remain grateful and resolute as ever to all of our stakeholders. I would like to take this opportunity to express my sincere gratitude to all our stakeholders including shareholders, customers and regulators especially Bangladesh Bank and BSEC for their continued support and judicious guidance. I am grateful to my fellow Members of the Board of Directors for their valuable support and constant cooperation. My sincere appreciation goes to team IPDC under the leadership of Mr. Mominul Islam, Managing Director & CEO for their renewed vigor, continued commitment and engaged initiatives to take on new challenges. We believe in our people, people believe in our values and values drive business for the sustainable growth and well-being of all our stakeholders.



Sulaiman Ajanee

Chairman

Board of Directors

Dhaka, March 15, 2015



Managing Director's Statement

IPDC has completed another very successful year in 2014 with solid growth in revenue, operating profit, profit before tax and profit after tax backed by reduction in cost of fund, improvement in operational efficiency and improvement in asset quality. However, growth of our lending portfolio remained below our targeted level due to dampened investment climate as well as exit from some risky relationships. During 2014 IPDC posted BDT 395.12 million in operating profit for the year, up 21.5% from the previous year, while the Company's pre-tax profit surged by 42.61% to BDT 344.81 million. On the other hand our credit portfolio slightly reduced by 1.18% mainly due to significant reduction in the classified portfolio. In 2014, we made significant breakthrough in recovering from the legacy classified and written-off loans. As a result, Gross Classified Loan ratio has come down to 3.39 % in 2014 from 5.95% in 2013. The Net Classified Loan ratio has also dropped to 0.05% compared to 2.37% of 2013, with BDT 68.29 million additional provisions kept in the balance sheet on top of regulatory requirement considering uncertain economic condition in 2015. This will help us to withstand any external shocks of considerable magnitude with relative ease.

Amidst a liquidity overhang in the economy, one of our key challenges had been to manage the excess liquidity prudently to prevent any interest loss. Looking at the future market outlook, while we have retained our core deposits, we have let go few high cost institutional deposits which have significantly reduced our cost of fund. This has translated into better net interest income for the company. Despite some attrition in deposits, we ended the year with surplus liquidity which will help us to cater to any sudden credit growth in a favorable market condition.

Creating consistent and long term value for our stakeholders is our corporate strategy. We perceive it as the key to our competitive edge over our peers and a guiding philosophy of our risk management tool. At IPDC, we believe in sustainable growth instead of aggressive expansion that cannot be sustained over a longer period. In the face of uncertainties and slowed down investment activities, it is no surprise that both income and profit of the Company have positive growth during the year. We have proved once again that we can keep our asset quality intact without hampering the momentum of our businesses and trend of growth. In the year 2014, our net profit after tax stood at BDT 165.5 million having a growth of 16.6% over the previous year.

We have now posted positive growth in all the key operational and financial indicators for the last three years despite a difficult business environment. This is a demonstration of the true character of the Company which did not only withstand but also flourished in an adverse market condition. Despite facing multifarious challenges we remained faithful to our business model which is built upon robust risk management framework, ethical business practices, continuous improvement in operational efficiency and a relentless pursuit for creating extraordinary customer experiences. At the end of this year we opened our fifth branch at the strategic location of Uttara with primary focus on the growing retail segment in the vicinity. We have also established our Disaster Recovery Site at Uttara. We had undertaken the initiative to implement new core financial software in 2013. The new software, BankUltimus has been successfully implemented in 2014 which will help us to serve our customers better with improved internal efficiency and risk management capability. We are committed to uphold internal and regulatory compliance in all our business conducts. In 2014 the Company did not face any penalty for regulatory breach.

Human resources remain our key differentiator in the market and we invested significantly in people development in 2014. Total 38 employees participated in local training programs while 5 employees attended overseas training programs. In addition in-house customer service and credit training programs and team building events were also arranged. We remain committed to maintain the best working environment for our employees which remains our competitive edge in attracting and retaining talents.

The road ahead remains challenging and we stay focused on combating the challenges by adopting fitting strategy as well as by building appropriate organizational capacity. One of our key priorities in 2015 will be to increase the number of customer calls per relationship manager. We will continue to further develop our capacity in soliciting quality credit proposals and fast-tracking of the approval process. On the retail business side we will continue to focus on small ticket deposit mobilization through our micro-marketing initiatives as well as corporate tie-ups. We soft-launched our home loan product in 2014. We plan to put more focus to this business segment which remains aligned with our strategic priority. Implementing responsibility center accounting remained pending in 2014 which we are hopeful to complete by the first quarter of 2015 as it will enhance accountability of revenue and costs at the business unit or functional level and will foster leadership in accelerated growth down the line.

Of course, there is more to business than just generating profit. To demonstrate our commitment to all our stakeholders and increase their trust in IPDC, we have embraced holistic business principles, which is a declaration that, we have to create value not only for our shareholders but also for people in the communities where we do business in order to be

successful in long term. This is a fundamental part of our business strategy and it means we will always comply with the Company's business principles, law of the land and international standards and ensure that our actions are environmentally sound, socially and economically viable. For that reason, we will always be responsive to the needs of our communities, and ultimately, our clients. We will continue to allocate more resources for the development of the under-privileged segments of the society through our product offerings as well as through Corporate Social Responsibility programs.

IPDC remains committed to identify itself distinctively as the best customer service provider in the financial sector and our pursuit towards this goal will continue in 2015 and beyond. Last but not the least, compliance remains a cornerstone in our organizational culture and business processes and we will continue to focus on maintaining strict compliance to all local regulations as well as adhering to international standard of corporate governance.

I thank you all and wish you a meaningful year ahead, keeping ourselves beside your dream always.

Sincerely,



Mominul Islam
Managing Director & CEO

Dhaka, March 10, 2015



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, 2014 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.

Economic Review 2014

Worldwide economic activity experienced an increase in momentum in year 2014, primarily due to the favorable trends in some advanced economies. Nevertheless, recovery from the backlash of the turbulent financial climate remains uneven. Economies in the Euro area are expected to remain fragile as financial fragmentation and increased debt hold back domestic demand. Growth prospects in emerging markets and in the developing markets of Asia are expected to continue along a stable path. Major bottlenecks to growth in these developing economies include policy weaknesses, political instability and localized vulnerabilities. International investors take serious note of these issues and tend to pull out their investments or cut further capital infusions if they fear a deterioration which could lead to a general slowdown.

In Bangladesh, the economy has weathered widespread political demonstrations prior to the national elections held in early January of 2014. Since then, the country has witnessed a period of relative calm on the political front ensuring renewed focus on economic activity. Attaining a GDP growth of 6.1 percent in FY2013-14 amidst the serious political unrest and uncertainty speaks volumes on the resilient nature of our economy. Most of the macroeconomic indicators remained stable leading to Asian Development Bank (ADB) forecasting a better GDP growth of 6.4% for FY2014-15. Some sign of worries however do remain especially in areas like Worker's Remittance and the Export Sector. Entrepreneurs however, remain somewhat edgy about new investments due to the uncertainties on the political front.

The financial sector is passing through a challenging period due to a slowdown in new investments, lower level of growth in external trade, sluggish real estate sector, and few incidents of large scale losses due to internal control lapses which have resulted in slower credit growth as well as a deterioration of asset quality. The lower credit growth coupled with an increasing trend of overseas borrowing by local corporate houses has resulted in surplus liquidity in the financial sector. However in a falling interest rate regime, with few exceptions, banks/FIs have been able to improve their spread from fund based business and maintain operating profits at more or less similar levels as those of the previous year. The capital market continued its bearish trend for the most of the year except for a brief period between August and October 2014 when it experienced an upward trend both in Index and turnover, followed by a bearish trend again towards the end of the year.

With the Balance of Payment remaining positive, Foreign Exchange Reserves are at a record level. Increasing government revenue collections combined with reduced subsidies on fuel have resulted in the government budgetary deficit being at comfortable levels. The Macroeconomic indicators of the country thus remain on a solid footing. The major challenges may arise on the political and financial front as has been noted by multilateral agencies. The Bangladesh economy is poised for a higher level of growth trajectory if the country can contain these two risks at an acceptable level. Fast tracking of the large infrastructural projects in the public sector as planned will also play a vital role in the accelerated growth of the resilient private sector.

Principal Activities

The principal businesses of the Company are related to finance and activities associated to finance. These businesses include deposits taking; credit to corporate organizations, retail and SMEs; factoring finance; project finance; leases; hire purchase; equity/quasi-equity investments and advisory services. IPDC provides multiple business services through its 5 branches and one head office. The branches cover the geographical area of Dhaka, Chittagong and Sylhet. The branches are located at Motijheel, Dhanmondi, Uttara, Chittagong and Sylhet.

Diversified Credit Portfolio

Diversification of credit related products is one of the Company's strategic priorities. The well diversified portfolio of IPDC includes long term loan financing that represents 50.01% of total loans, followed by lease financing 24.91%, short term loan financing 12.29%, factoring financing 4.51%, mortgage financing 1.51%, retail loan financing 1.99%, auto loan financing 4.51% and staff loan 0.28 %. Despite a fairly weak investment climate, we ended the year with fresh credit disbursement of BDT 3,523.81 million vis-à-vis BDT 3,492.20 million disbursed in the previous year. The Company's total credit portfolio stood at BDT 5,676.79 million as of December 31, 2014. A total of 128 agreements were approved for loans, leases and advances during the year 2014. The credit portfolio of IPDC is also well diversified across different sectors.

Performance Highlights

Amidst a challenging period for the financial sector, IPDC continues to record superior performance that confirms the inherent soundness of our financial position. IPDC's sustainable business model ensured that we proactively manage risks, improve on internal efficiency and remain focused on delivering value to our stakeholders.

During the year 2014, the outstanding gross loans, advances and leases of the company has experienced a marginal reduction to BDT 5,676.79 million from BDT 5,745.51 million of the prior year due to a significant reduction in the classified portfolio (43.77 percent). At the end of year 2014 the ratio of gross classified loans, leases and advances stood at 3.39 percent as opposed to 5.95 percent in the previous year while on the net basis the figure is now only 0.05% from last

Directors' Report (continued)

year's 2.37%. IPDC's classified lending portfolio has reduced in every year since the year 2010 due to the prudent policy and rigorous due diligence put into while extending new credit as well as intensive focus on recovery from the legacy defaulting accounts which bears testament to our combined efforts in improving assets quality.

In the retail deposit front, our focus remains on individual small ticket deposits rather than large ticket institutional deposits. During the year 2014, various Micro-Marketing Initiatives (MMIs) were launched in order to facilitate small deposit mobilization and reduce cost of funds. The increased liquidity arising out of these initiatives enabled us to exit several high-cost large ticket deposits. At the year-end total customer deposits stood at BDT 3,997.4 million compared to BDT 4,427.10 million in the previous year. As a result the Company's cost of funds as well as the spread from funded business has significantly improved during the year. IPDC did not have any net bank borrowing during the year (borrowing from banks/FIs less placement of funds with banks/FIs). IPDC's reliance on its own source of funds for lending ensures that the Company is better equipped to withstand volatility in the money market and also allows us to adopt a prudent approach in sanctioning loans only to quality customers at competitive rates.

Net interest income during the year increased to BDT 416.19 million compared to BDT 304.33 million in the previous year; registering a strong growth of 36.76 percent mainly due to reduction of non-performing loans and a reduction in cost of funds. The investment income, on the other hand, remained steady at BDT 86.81 million in Y2014 vis-a-vis BDT 87.24 million of Y2013. Commission, exchange and brokerage constituting mainly fee income for IPDC, still remains an insignificant part of the revenue stream and was BDT 5.64 million compared to BDT 9.25 million in the previous year. In Y2014, other operating income which mainly constituted of loan loss recovery was BDT 71.39 million compared to BDT 77.47 million in Y2013. Overall operating revenue increased to BDT 580.03 million with growth of 21.27 percent from BDT 478.29 million in the previous year. The total operating expenses increased to BDT 184.90 million in Y2014 from BDT 153.18 million in Y2013 with 20.71 percent increase year on year.

In the year 2014 IPDC posted operating profit of BDT 395.12 million compared to BDT 325.11 million of the previous year resulting in a healthy growth of 21.54 percent.

Considering the uncertainties in the external environment and challenges faced by the financial sector, IPDC continues to adhere to its prudent approach when dealing with the non-performing and high risk credit portfolio. In Y2014 the Company made total provision for loans, leases and investments of BDT 50.2 million vis-à-vis BDT 83.3 million of the last year. After making the provision against loan, lease and investment portfolio, Profit Before Tax (PBT) of the Company registered significant positive growth of 42.6 percent and reached BDT 344.8 million vis-à-vis BDT 241.78 million in Y2013.

With the impact of a significant jump in PBT and in absence of admissible expense like loan loss write off, the Company made higher tax expense provision during the year and after allowing for the provision of corporate tax, PAT for the year stood at BDT 165.5 million compared to BDT 141.98 million in Y2013, i.e. a moderate profit growth of 16.6 percent year on year. As such, the Company's Earnings per Share (EPS) improved to BDT 1.44 from BDT 1.24 (restated) of Y2013.

Key Operating and Financial Information

Key operating and financial data of the preceding five years and significant deviation as per requirement of BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 are presented in Annexure-I as Key Operating Financial Data.

Variance between Quarterly and Annual Performance

During the Q1 of 2014, the Company earned net Profit After Tax (PAT) of BDT 18.36 million vis-à-vis BDT 34.83 million of Q2 and BDT 46.98 million in Q3 vis-à-vis BDT 65.33 million in Q4. PAT increased due to positive growth of performing portfolio, reduction of non-performing loans requiring less provision thereof and income earned through recovery of written-off loans. During the year, total recovery of BDT 116.86 million was from written off portfolio.

Proposed Dividend and Appropriations of Profit

In the year 2014, the Company's Net Profit after Tax stood at BDT 165.5 million which is 16.6 percent higher than the previous 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 Stock & 5% (Five) Cash dividend for the year ended December 31, 2014 to be approved by the Shareholders in 33rd Annual General Meeting (AGM) scheduled to be held on May 04, 2015.

	BDT in million	
	2014	2013
Retained Earnings Brought Forward	432.85	475.77
Net Profit after Tax	165.51	141.98
Profit available for Appropriation	598.36	617.75
Appropriations		
Transferred to Statutory Reserve (20% of Net Profit after Tax)	33.1	28.4
Proposed 5% Cash & 10% Stock Dividend (Y2013 C:5% S: 10%)	172.16	156.51
Total Appropriation	205.26	184.91
Retained Earnings	393.10	432.85

Capital Management

Capital management of the Company is based on the objective of maintaining an adequate capital base to support the projected business and regulatory requirements. This is done by drawing an annual planned business growth vis-à-vis capital requirement. IPDC recognizes the impact of

Directors' Report (continued)

shareholders' returns on the level of equity and seeks to maintain a prudent balance between Tier-I and Tier-II capital. As per directives of Bangladesh Bank, the financial institutions are required to maintain capital at 10.00 percent of risk-weighted assets under Basel-II. The Company's capital fund is divided into two parts- Tier-I and Tier-II capital. Tier-I includes the equity (paid-up capital, share premium, statutory reserve and retained earnings) and Tier-II includes general provision on unclassified loans and advances, revaluation reserves, unsecured subordinated debt and exchange equalization account.

Total capital fund of the Company increased by BDT 226.84 million and stood at BDT 2,291.81 million during 2014. Tier-I capital grew by BDT 113.34 million and stood at BDT 2,164.72 million during the year under review. Total capital fund is equivalent to 26.39 percent of total risk weighted assets. More details regarding capital management are given in the notes to the accounts of this annual report.

Revaluation of Land & Building:

Land and Building of IPDC has been revalued to present at fair value in accordance with BAS 16. As per instruction of the Board of Directors of IPDC, HodaVasi Chowdhury & Co (HVC) as professionally qualified valuer has conducted the assignment of valuation for determining the fair value of the property, details of which is as follows-

Amount in BDT			
Particulars	Written Down Value Before Revaluation	Revalued Amount (31 st Dec. 2014)	Revaluation Surplus
Land & Building	41,867,528	150,162,500	108,294,972

Shareholders' Equity and Shareholders' Value

Shareholders' equity of IPDC, increased by 10.99 percent during the year which increased by 1.82 percent during Y2013. Paid-up capital of IPDC increased by 104.34 million (because of bonus share of Y2013) and stood at BDT 1,147.73 million during Y2014. The statutory reserve increased by BDT 33.10 million during the year and stood at BDT 284.72 million. Distributable profit stood at BDT 565.26 million during the year. The strong growth in shareholders' equity will help the Company to expand its business and withstand any external shock.

IPDC remains fully committed to deliver higher shareholders' value. The smooth growth of profitability track record underpins the value that the shareholders derive from investing in the shares of the Company. The earnings per share increased and stood at BDT 1.44 and return on average equity stood at 7.60 percent during Y2014. Market capitalization stood at BDT 2,088.87 million as at December 31, 2014.

Human Resources Management

IPDC's vision envisages the most effective use of our human resources through the optimum enhancement of knowledge, skills, abilities and personal attributes of our employees. A

healthy environment has been created where employees enjoy working with pride. Believing that the human resources are main elements behind the success and future sustainability of the Company, IPDC is developing and motivating the workforce with contemporary HR policies and attractive employee benefits. The Company is not only offering a job but also the opportunity for learning, development, in a challenging and rewarding career.

Risks and Concerns

Maintaining a prudent risk management framework is an essential component of business success at IPDC. The identification, evaluation and management of risk, together with the way we respond to changes in the external operating environment, are a key to our success and underpins the robustness of our business plans and strategic objectives, protect our license to operate and our reputation and help to create long-term competitive advantage. Risk management is embedded in IPDC's organizational structure, operations and management systems. Business risks across the Company are addressed in a structured and systematic way through a predefined risk management structure. This ensures the Board's assessment of risk is continually updated with the relevant risk factors and mitigating controls originating from and identified by the Company's assets, functional departments and operations. Moreover, IPDC possesses a detailed risk management system with procedures in place to support risk evaluation across the Company. The risks associated with the delivery of the business plan and annual work programmes and the associated mitigation measures are maintained in asset or project risk matrices and registers.

IPDC possesses different committees for risk management. The Credit Evaluation Committee (CEC) and Asset and Liability Committee (ALCO) is constituted by the Company's senior management team who regularly review issues related to the market, credit and liquidity and accordingly, recommend and implement appropriate measures to proactively identify and mitigate risks. IPDC has an approved Asset Liability Management (ALM) Policy, under the responsibility of the ALCO, together with a dedicated ALM desk to generate necessary MIS for improving ALCO's decision-making abilities. The Company's Credit Risk Management (CRM) department independently scrutinizes projects from a risk-weighted perspective and assists relevant departments in setting business development priorities. These are aligned with the Company's risk appetite while optimizing the risk-return trade-off derived from relevant risk exposures. The CRM team also clearly defines exceptionally high-risk sectors and prohibits lending to those projects which the Company does not ascribe to, including those which represent negative environmental, social or ethical standards.

At an individual exposure level, risk grading model is used to promote corporate safety and sustainability by facilitating informed decision-making. At the portfolio level, the Company actively tracks the quality of its loans by analyzing risk migration and trends in non-performing assets. Such

Directors' Report (continued)

indicators prompt timely decision-making by the relevant risk management committees in preserving the quality of loans and advances. IPDC's Credit Risk Management Department and Internal Audit & Compliance Department are responsible for assessing operational risks across the Company and also ensuring an appropriate framework to identify, assess and manage operational risks.

associated with business and delivering high value to our stakeholders by maintaining effective and robust Risk Management Systems which not only mitigate these risks but also provide an appropriate trade-off between risk and return. The principal risks associated with IPDC as well as their relevant governing policies and how they support the risk appetite is furnished below:

At IPDC, we are always committed to managing the risks

Type of Risk	Policies	Application to Support Risk Appetite
Credit Risk including Concentration Risk	Board Approved Credit Policies including large Credit Exposure and Industry Sector Concentration Policy	Exposures to a single or group related counterparties (upper credit limit set is the policy including the coverage of security). Industry concentration (exposure and risk adjusted concentration limit)
Market Risk	Board Approved Credit and ALM Policy	Interest Rate Risk (Market value sensitivity and Net Interest Margin Risk Limit)
Liquidity Risk	Board Approved (ALM) Policy	Holding of liquid assets as a contingency plan to use at the time of liquidity crunch.
Operational Risk	Operational Risk covered with Company Core Risk Management Policies	A number of risk management policies and comprehensive risk assessment and control assurance process.
Compliance Risk	Company Core Risk Management Policies	Business unit compliance framework and skill compliance professional.
Reputational Risk	Best Practice Corporate Culture	Professionalism and leadership, best efforts for customer service

Credit Risk

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

factors. It includes legal, regulatory, fraud, business continuity and technology risk. In order to control its operational risk, IPDC primarily relies on its internal audit and internal control system.

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.

Market Risk

Market risk is the potential of loss arising from adverse changes in interest rates and changes in the price of securities. Being a Financial Institution (FI), the primary risk is interest rate risk. The immediate impact of changes in interest rates is on the Company's earnings due to changes in its Net Interest Margin (NIM).

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.

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 for FI rests with the ALCO.

Related Party Transaction

In the normal course of business, IPDC has entered into various transactions with related parties during the year 2014. 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 operational 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 44 of the Financial Statements.

Operational Risk

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

Directors' Report (continued)

Contribution to the National Economy

IPDC is the first private sector Non-banking Financial Institution in Bangladesh and was established in 1981 by the Government of Bangladesh and a number of distinguished multilateral developing 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 its inception IPDC has played a pivotal role over the last three decades in developing the private sector industry in Bangladesh through various landmark projects in partnership with renowned corporate houses. IPDC has made significant contributions in the development of the health, education and agro-based industries of the country. We have also introduced many innovative financial products and over time have earned the distinction to be the 'most innovative financial institute' of the country. Sustainable economic development is the key focus of the Company and corporate social responsibility is woven into the totality of our operations. IPDC envisages continuing and expanding its role as catalyst in inspiring, strengthening and enhancing the financial sector development of the country. IPDC always prioritizes sectors which help the sustainable growth of the economic development of the country. In general, IPDC avoids investing in projects which are hazardous to the environment. During project appraisals, concerned personnel examine whether the project is indeed viable and whether it complies with the Environment Conservation Act 1995 and Environment Conservation Rules 1997 and other rules and regulations relating to the environment. In addition to our mentioned approach, IPDC has taken initiative for in-house environment management, compiling a Green Office Guide, incorporation of Environmental Risk in CRM, introducing Green Finance, creating of Climate Risk Fund, introducing Green Marketing, supporting Employee Training, Consumer Awareness and Green Event etc. in line with Bangladesh Bank regulations.

In order to serve the diverse needs of our customers, IPDC offers a range of products and services covering corporate finance and advisory services, middle market supply chain finance, retail wealth management and retail finances.

During the year 2014, IPDC has deposited total amount of BDT 59.91 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 BDT 51.19 million has been incurred on acquisition of office furniture, office equipment and vehicles during the year 2014. The details of capital expenditure are reflected in the Fixed Assets schedule in Notes to the Financial Statements.

Going Concern

Going concern is one of the fundamental assumptions in accounting on the basis of which Financial Statements are prepared. Financial Statements are prepared assuming that a business entity will continue to operate in the foreseeable future without the need or intention on the part of management to liquidate the entity or to significantly curtail its operational activities. Therefore, it is assumed that the entity will realize its assets and settle its obligations in the normal course of the business. It is the responsibility of the management of a Company to determine whether the going concern assumption is appropriate in the preparation of Financial Statements. If the going concern assumption is considered by the management to be invalid, the Financial Statements of the entity would need to be prepared on break up basis. This means that assets will be recognized at amount which is expected to be realized from its sale (net of selling costs) rather than from its continuing use in the ordinary course of the business. Assets are valued for their individual worth rather than their value as a combined unit. Liabilities shall be recognized at amounts that are likely to be settled.

No indication of possible problems of going concern:

- Deteriorating liquidity position of the Company not backed by sufficient financing arrangements
- High financial risk arising from increased gearing level rendering the Company vulnerable to delay in payment of interest and loan principle
- Significant trading losses being incurred for several years
- Profitability of the Company is essential for its survival in the long term
- Aggressive growth strategy not backed by sufficient finance which ultimately leads to over trading
- Increasing level of short term borrowing and overdraft not supported by increase in business
- Inability of the Company to maintain liquidity ratios as defined in the loan covenants
- Serious litigations faced by the Company which does not have the financial strength to pay the possible Settlement
- Inability of the Company to develop a new range of commercially successful products

A detailed report on the going concern has been furnished in Annexure –II.

Shareholding Pattern as at 31 December 2014

Shareholding pattern of the Company as at December 31, 2014 is shown in Annexure – III.

Corporate and Financial Reporting Framework

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

Directors' Report (continued)

- 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, 2014 a total 4 (four) Board Meetings were held and attendance by the Directors along with remuneration paid to them are summarized in Annexure - IV in this annual report.

Appointment / Re-appointment of Director(s)

As per Article 100 and 101 of the Articles of Association of the Company, the following Directors will retire from the office of the Company in the 33rd 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.

- | | |
|-------------------------------|---------------------------|
| ▪ Dr. Muzibur Rahman Howlader | - Nominated by Government |
| ▪ Ms. Ashraf Ali | - Nominated by AKFED |
| ▪ Ms. Afroza Khan | - Nominated by Government |

Status of Compliance on Corporate Governance

Corporate Governance status of compliance with the conditions imposed by the BSEC'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.

Statutory Auditors

Rahman Rahman Huq, Chartered Accountants (KPMG in Bangladesh) were appointed as the statutory auditors of the Company in the 32nd (AGM) held on May 15, 2014 for the year 2014 until conclusion of 33rd (AGM) at a remuneration of BDT 400,000 excluding VAT.

The auditors will retire in the 33rd (AGM). Being eligible for re-appointment under section 212 of the Companies Act 1994 and the Financial Institutions Act 1993, the existing

auditors Rahman Rahman Huq, Chartered Accountants, offered themselves for re-appointment. As proposed by the Board Audit Committee, the Board of Directors recommended Rahman Rahman Huq, Chartered Accountants for re-appointment as the auditors of the Company for the year 2015 subject to approval of the shareholders in 33rd AGM at a remuneration of BDT 440,000 excluding VAT.

Internal Control System

The Board of Directors have the responsibility for reviewing and approving the overall business strategies and significant policies of the Company; understanding the major risks run by the Company, setting acceptable levels for these risks and ensuring that senior management takes steps necessary to identify, measure, monitor and control these risks. Senior management have the responsibility for implementing strategies and policies approved by the Board; developing processes that identify, measure, monitor and control risks incurred by the Company; maintaining an organizational structure that clearly assigns responsibility, authority and reporting relationships; ensuring that delegated responsibilities are effectively carried out; setting appropriate internal control policies and monitoring the adequacy and effectiveness of the internal control system.

An effective internal control system also requires that an appropriate control structure is set up, with control activities defined at every business level. These include: top level reviews; appropriate activity controls for different departments or divisions; physical controls; checking for compliance with exposure limits and follow-up on non-compliance; a system of approvals and authorizations; and a system of verification and reconciliation.

Control Environment

Control activities are the policies and procedures which helps to ensure that management directives are carried out, and the necessary actions are taken to minimize the risks of failure to meet stated objectives. Policies and procedures are effectively established within the Company and are continuously reviewed for compliance, adequacy and improvement opportunities. The Board of Directors sets the tone for an effective control environment through regular reviews of the processes for identifying, evaluating, and managing significant risks. An effective Control environment is set by top management and cascades across all business functions. Every year the top team conducts a self-assessment of key controls that affect the business and develops up action plans to make the internal control environment more robust

Outlook and Prospects in 2015

Global credit rating agency Standard & Poor's has reaffirmed its 'BB-' long-term and 'B' short-term sovereign credit rating for Bangladesh. These ratings indicate that the country's vulnerabilities are balanced by its pace of economic growth and an external profile which benefits from ongoing donor and multilateral engagement. In addition, Moody's Investors Service has reaffirmed the country's Ba3 sovereign rating which stands testament of

Directors' Report (continued)

Bangladesh's stable outlook and growth prospects. Analysis of the country's performance in Y2014 and early signs of the prospects for the coming year reveal that both the opportunities and the risks facing the economy remains in a period of democratic transition and has entered into a political business cycle. As such, Y2015 is likely to remain very challenging for the financial sector due to political unrest and dampened investment appetite in the private sector.

Considering the challenges posed by the economy and financial market, IPDC will remain conservative on credit growth, proactively pursue non-performing loan recovery and focus our collective expertise on refining existing products, services and resources. Our customers are the most important part of our business and IPDC will endeavour to distinguish itself in terms of providing extra-ordinary customer service to all our stakeholders. Our strong performance in 2014 is testimony of our sustainable business model which can withstand the challenges of operating in a developing country like Bangladesh fraught with fiscal, economic and political uncertainty. Going forward IPDC will remain focused on strengthening our balance sheet and capital position to create greater opportunities for improvement in long-term shareholder value.

Underpinning this strategy is our unique culture and corporate values and, most especially, the quality of our people. We are proud to have one of the most vibrant working environments with passionate employees who work together to attain a common goal: help our customers to fulfill their

dreams. Our business strategy, strong culture of compliance and the unyielding commitment and dedication of the IPDC team will translate into exceptional results in 2015 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 Ltd, Chittagong Stock Exchange Ltd, Registrar of Joint Stock Companies and Firms, the National Board of Revenue, the Ministry of Finance, Ministry of Industries and other Government Agencies for their collaboration. 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

Directors' Report (continued)

Annexure - I

Key Operating and Financial Data of Preceding Five Years

	2010	2011	2012	2013	2014	Growth (%)
BDT in million						
Operational Result						
Operational Income	567.24	692.58	861.41	1,019.25	1,016.10	-0.31%
Financial Expenses	298.53	431.52	554.66	627.68	513.10	-18.25%
Net Interest Margin	268.71	261.06	306.75	391.57	503.00	28.46%
Operational Expenses	117.90	133.58	131.63	153.18	184.91	20.71%
Operating Profit	230.30	132.10	207.50	325.11	395.12	21.54%
Profit before Tax	206.21	139.60	134.00	241.78	344.81	42.61%
Net Profit after Tax ¹	176.20	111.67	128.60	141.98	165.51	16.57%
Financial Performance						
Disbursement - Loans and Advances	1,608.66	1,979.82	3,316.94	3,492.20	3,523.81	0.91%
Outstanding Loans and Advances	4,150.96	4,325.02	5,585.64	5,745.51	5,676.79	-1.20%
Property, Plant and Equipment	80.69	81.02	76.21	107.83	224.13	107.86%
Total Assets	6,241.91	6,761.09	7,114.51	7,758.92	7,743.86	-0.19%
Term Deposits	3,180.86	3,798.24	4,208.01	4,427.09	3,997.39	-9.71%
Borrowings	123.84	104.02	29.70	413.98	398.38	-3.77%
Total Liabilities and Equity	6,241.91	6,761.09	7,114.51	7,758.92	7,743.86	-0.19%
Equity Information						
Shareholders' Equity	1,787.05	1,898.72	2,027.33	2,064.97	2,291.81	10.99%
Paid up Capital	862.31	948.54	1,043.39	1,043.39	1,147.73	10.00%
Number of Ordinary Shares ²	8,623,078	94,853,850	104,339,235	104,339,235	114,773,158	10.00%
Net Asset Value Per Share (NAV) ³	207.24	20.02	19.43	19.79	19.97	0.90%
Earnings per Share (EPS) ⁴	1.16	0.78	1.12	1.24	1.44	16.57%
Rate of Dividend	10.00%	10.00%	10.00%	15.00%	15.00%	0.00%
Year end Market Price per Share ⁵	687.75	31.80	18.00	20.00	18.20	-9.00%
Market Capitalization ⁶	5,930.52	3,016.35	1,878.11	2,086.78	2,088.87	0.10%
Financial Ratios						
Current Ratio (Times)	1.06	1.36	1.39	1.18	1.25	6.29%
Debt Equity Ratio (Times)	0.52	0.26	0.23	0.20	0.17	-13.29%
Interest Coverage Ratio (Times)	11.60	4.70	6.36	7.28	11.35	55.89%
Return on Asset	3.00%	1.72%	1.85%	1.91%	2.14%	12.09%
Price Earning Ratio (Times)	24.28	29.71	14.60	14.70	12.62	-14.13%
Rate of NPL	26.98%	13.04%	9.66%	5.95%	3.39%	-43.06%
Rate of net NPL	8.65%	1.87%	3.98%	2.37%	0.05%	-40.55%

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

²Denomination of face value of shares has been converted to BDT 10 from BDT 100 w.e.f. December 04, 2011.

³NAV for the year 2010 has been calculated using the face value per share of BDT 100 each.

⁴EPS has been restated for the year 2010 - 2013 due to issuance of bonus shares.

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

⁶Market Capitalization for the year 2010 has been calculated using Market Price per Share with face value of BDT 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 Bangladesh Accounting Standards, Companies Act, Listing Rules and Bangladesh 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 have made annual assessment for the year ended December 31, 2014 on whether the Company is a going concern 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, 2014 on the basis of going concern assumption is appropriate.

Financial Indications

Optimistic Net Current Assets

IPDC has favorable net current assets of BDT 654.11 million as at December 31, 2014 which represents the Company's ability to meet its short term obligation out of the short term assets.

Less Dependency on Bank Borrowings

As at December 31, 2014 total bank borrowings of the Company were BDT 398 million which is 7.30 percent of the total liabilities indicating that Company has no dependency on the bank borrowings.

Continuous Support from the Depositors

The Company has a very good relationship with the depositors of the Company and a good track record and reputation in settlement of its obligation with its depositors. As at December 31, 2014 total customer deposits stood at BDT 3,997.39 million. The Company has been able to build confidence with the depositors and confident that the depositors will continue their support.

Positive Liquidity

Statement of liquidity also demonstrates overall positive liquidity gap representing strong ability to meet current and future obligations.

Favorable Key Financial Ratios

Company's financial ratios (Annexure - I the Key Financial and Operating Performance) reveals the sound financial strength and good prospect of the Company.

Consistent Payment of Dividend

IPDC has been paying dividend consistently since 2006 which reflect Company's long term viability in operational existence.

Creditability in settle of Obligation

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

Growth in Operating Profit

In the year 2014, IPDC achieved 21.54 percent growth of operating profit compared to previous year which reflect Company's excellence is operational growth.

Growth in Quality Lending Portfolio

In the year 2014 the quality performing portfolio of loans, leases and advances increased compared to last few years which represent the positive indication of sustainable business of the Company.

Other Indications

Expansion of Business

Company introduced new opportunity for business during the year 2014. This year Company successfully launched one new branch at Uttara indicating continuous increase of business. Moreover, in retail segment Company launched different types of deposit products including three months deposit scheme in 2014.

Employee Satisfaction and Working Environment

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

Maintenance of Capital Adequacy Ratio

As per DFIM circular number 14, dated December 28, 2011 of Bangladesh Bank regarding Capital Adequacy and Market Discipline for Financial Institutions, each Financial

Directors' Report (continued)

Institutions are required to maintain Capital Adequacy Ratio (CAR) of at least 10 percent of the total risk weighted assets. As at December 31, 2014 CAR of IPDC is 26.39 percent vis-à-vis requirement of 10 percent i.e. Company maintains 16.39 percent excess CAR at the end of the year 2014.

Strong Equity Base

IPDC is one of the highest equity based Company among the Financial Institutions. As at December 31, 2014 total equity of the Company is BDT 2,291.81 million including paid up capital of BDT 1,147.73 million opposed to BDT 1,043.39 million which is 10 percent higher than the previous year that reflects Company's long term sustainability.

Changes in Government's Policy

Management and Board 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, 2014 on the basis of going concern assumption is appropriate.

Directors' Report (continued)

Annexure - III

Pattern of Shareholdings as at December 31, 2014

Names	Position	No. of shares
Parent/subsidiary/Directors		
Parent/subsidiary/associates and other related parties	Not Applicable	Nil
Mr. Sulaiman Ajanee, his spouse and minor child	Chairman	12
Mr. Altaf Hussain, his spouse and minor child	Director	12
Ms. Ashraf Ali, her spouse and minor child	Director	12
Top Executives		
Mr. Mominul Islam	Managing Director & CEO	Nil
Mr. Lingkon Mondal*	Chief Financial Officer	Nil
Mr. Samiul Hashim	Company Secretary (CS)	Nil
Mr. Dawwan Shakil Ahmed	Head of Internal Audit & Compliance	Nil
Top Five Executives other than CEO, CFO, CS and HIA & C		
Mr. A. F. M. Barkatullah	Deputy Managing Director	Nil
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
Shareholders holding 10% or more voting right:		
Name of shareholders	No. of shares	%
Government of the People's Republic of Bangladesh (GOB)	25,111,868	21.88
Aga Khan Fund for Economic Development (AKFED)	58,594,213	51.05

*Mr. Lingkon Mondal joined as CFO on 1st February 2015.

Directors' Report (continued)

Meetings attended by the Directors during 2014

Annexure - IV

Name of Director	Board of Directors Meeting			Executive Committee Meeting			Audit Committee Meeting			Remarks
	Total No. of Meetings held during Director's tenure	Meetings attended	Remuneration paid for attending the meeting(s)	Total EC Meetings held during Director's tenure	Meetings attended	Remuneration paid for attending the meeting(s)	Total AC Meetings held during Director's tenure	Meetings attended	Remuneration paid for attending the meeting(s)	Total Remuneration paid in 2014
			Taka			Taka			Taka	Taka
Mr. Sulaiman Ajancee	4	3	-	-	-	-	-	-	-	-
Mr. Altaf Hussain	4	4	20,000	12	12	60,000	-	-	-	80,000
Mr. Salahdin Irshad Imam ***	1	1	5,000	-	-	-	1	1	5,000	10,000
Ms. Nasreen Sattar ***	1	1	5,000	3	3	15,000	-	-	-	20,000
Ms. Afroza Khan	4	3	15,000	-	-	-	4	3	15,000	30,000
Dr. Muzibur Rahman Howlader *	1	1	5,000	2	1	5,000	-	-	-	10,000
Mr. Shaffiq Dharamshi	4	2	-	12	10	-	-	-	-	-
Mr. Amin H. Manekia	4	3	15,000	-	-	-	4	3	15,000	30,000
Mr. Altaf Ramzi	4	3	15,000	-	-	-	4	3	15,000	30,000
Ms. Ashraf Ali	4	4	20,000	-	-	-	4	4	20,000	40,000
Mr. Jalal Ahmed *	3	3	15,000	10	6	30,000	-	-	-	45,000
Mr. Nazrul Huda **	3	2	10,000	-	-	-	3	2	10,000	20,000
Mr. Alauddin A. Majid **	3	3	15,000	8	7	35,000	1	1	5,000	55,000
Total Remuneration paid			140,000			145,000			85,000	370,000

Note:

Leave of absence was granted in all cases of non attendance

*Mr. Jalal Ahmed, a Nominee Director of GoB was replaced by Dr. Muzibur Rahman Howlader on 22.10.2014.

**Mr. Md. Nazrul Huda and Mr. Alauddin A. Majid resigned on 20.08.2014 as Independent Director from the Board of Directors of IPDC.

***Mr. Salahdin Irshad Imam and Ms. Nasreen Sattar has been appointed as Independent Director on 01.10.2014.

Directors' Report (continued)

The Brief Profile of the Board of Directors

Annexure - V

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 nominee Director of Aga Khan Fund For Economic Development(AKFED) and has been serving as the Chairman of the Board since October, 2010. He also served as 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: President: Aga Khan National 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: 51 years</p>
Altaf Hussain, Director – Nominated by AKFED	Director since 23 January 2006
<p>Mr. Hussain is a Director on the Board of IPDC since January 2006 and he also has been serving as the 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 Hailey College of Commerce, Punjab University, Pakistan.</p> <p>Age: 71 years</p>
Ashraf Ali, Director – Nominated by AKFED	Director since 29 October 2006
<p>Ms. Ali is a member of the Board of IPDC since October 2006 and also member of the Board Audit Committee since December 2012.</p> <p>Ms. Ali worked for British Airways as Sales Manager for about 22 years and took early retirement in 2000. During her tenure with British Airways she won many awards for outstanding performances. She was the President of Aga Khan National Council for Bangladesh from 1993-1999, she is a member of the National Committee of Aga Khan Foundation, Bangladesh and also involved with community works.</p>	<p>Other Interests:</p> <p>Advisor: Form Icon Limited</p> <p>Qualifications: MA in Political Science from the University of Dhaka.</p> <p>Age: 66 years</p>
Altaf Ramzi, Director – Nominated by AKFED	Director since 07 October 2008
<p>Mr. Ramzi is a member of the Board of IPDC since October 2008 and also 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.</p>	<p>Other Interests:</p> <p>Director: Signet Enterprise Ltd Scotia Services Ltd Apparel Connection Ismaila Co-operative Society</p> <p>Qualifications: Master in Accounting, University of Karachi, Pakistan</p> <p>Age: 57 years</p>

Directors' Report (continued)

Amin H. Manekia, Director - Nominated by AKFED	Director since 19 April 2009
<p>Mr. Manekia, is a member of the Board of IPDC since April, 2009 and he is a member of the Board Audit Committee since April, 2009.</p> <p>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 has also expertise in institutional catering. Mr. Manekia was a Member of the Aga Khan Economic Planning Board of India from 1990 to 1996 and also chaired the organization from 1996 to 2002. He also served as a Member of the National Council for India.</p>	<p>Other Interests: Director: DCB Bank Ltd., India; IVP Limited, India</p> <p>Qualifications: B. Com Sydenham College of Commerce & Economics, Mumbai, India MBA (major in Finance & Marketing), Babson College, Wellesley, USA.</p> <p>Age: 53 years</p>
Salahdin Irshad Imam-Independent Director	Director since 01 October 2014
<p>Educated at Harvard and MIT. Mr. Imam has had an extensive career as an International Banker with assignments in the Middle East and Europe. Currently he is working as an independent Financial Consultant/Corporate Advisor providing consultation in relation to project finance and investment services to leading multinationals, corporate houses and HNWI.</p>	<p>Other Interests: Independent Financial Consultant Chairman: Panigram Resort Ltd. Tropical Conservation Arannayk Foundation</p> <p>Member: Brotee (NGO) Tiger Tours Ltd.</p> <p>Qualifications: BA (Hons) in Social Studies, Harvard University, Cambridge MA USA SPURS Fellow (Business studies), Massachusetts Institute of Technology (MIT)</p> <p>Age: 67 years</p>
Shaffiq Dharamshi – Nominated by AKFED	Director since 03 October 2013
<p>Mr. Dharamshi is a professional banker with over 20 years of senior management experience in the Middle East and Africa. He is Head of Banking for Aga Khan Fund for Economic Development (AKFED), and responsible for providing oversight on operations of financial institutions in the AKFED portfolio across Asia and Africa. Prior to taking this position, Mr. Dharamshi was Senior Vice President, Wholesale Credit Risk Management at Mashreq Bank in Dubai. Before joining Mashreq Bank, Mr. Dharamshi spent 17 years with Citibank in a variety of positions across different areas of the bank in Africa and the Middle East. His last position with Citibank was Country Risk Head for Kuwait and Levant.</p>	<p>Other Interests: Director: Diamond Trust Bank, Uganda Diamond Trust Bank, Tanzania DCB Bank Ltd., India</p> <p>Qualifications: BSc. in Economics, Trent University, Ontario MSc. in Economics/Information Systems, London School of Economics (LSE).</p> <p>Age: 50 years</p>

Directors' Report (continued)

Dr. Muzibur Rahman Howlader —Nominated by GoB	Director since 22 October 2014
<p>Dr. Howlader is presently Additional Secretary to the Government of Bangladesh, Finance Division in Ministry of Finance. He has been serving as member of University Grant Commission and member in Board of Governance of Bangladesh Planning Training Academy. He has previously served as Additional Secretary Ministry of Public Administration, Vice Chairman of Export Promotion Bureau, Economic Minister in Embassy of Bangladesh in Tokyo Japan, and Joint Secretary in Economic Relations Division Ministry of Finance.</p>	<p>Other Interests: Nil</p> <p>Member: University Grant Commission Bangladesh Planning Training Academy</p> <p>Qualifications: M.S.S. from University of Dhaka Post Graduate Diploma in Economics & Development Planning, the Academy for Planning and Development, Ministry of Planning, Post-Graduate Diploma in Computer Software Applications, City and Guilds of London Institute, England Degree of Doctor of Philosophy in the Faculty of Social Science, Jahangirnagar University</p> <p>Age: 57 years</p>
Afroza Khan, Director - Nominated by GoB	Director since 29 November 2012
<p>Ms. Khan has been the Director on the Board of IPDC since November 2012. She is also the member of the Board Audit Committee since her induction on the Board.</p> <p>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.</p>	<p>Other Interests: Director: Training Institutes for Chemical Industries (TICI).</p> <p>Qualifications: Master of Soil, Water and Environment, University of Dhaka; Master of Public Health, University of North Carolina, Chapel Hill, USA.</p> <p>Age: 55 years</p>
Nasreen Sattar - Independent Director	Director since 01 October 2014
<p>Ms. Sattar is an international banking professional having experience over 23 years. Her last assignment was as CEO for Standard Chartered Bank, Afghanistan where she successfully led the Bank over challenging and difficult times.</p> <p>She is currently a consultant involved in Training & Developing professional women in enhancing their leadership skills.</p>	<p>Other Interests: Non-Executive Chairman, Consumark Limited</p> <p>Qualifications: Senior Cambridge - St. Xavier's Convent Bachelor of Arts - Holy Cross College</p> <p>Age: 69 years</p>

Directors' Report (continued)

Mominul Islam, Managing Director - Ex Officio	Managing Director since 04 January 2012
<p>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 and automation, process reengineering, control and compliance and service quality etc.</p>	<p>Other Interests: Nil</p> <p>Qualifications: BBA from IBA, University of Dhaka.</p> <p>Age: 38 years</p>
<p>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.</p>	

Directors' Report (continued)

Annexure - VI

Corporate Governance Compliance Report on SEC's Notification

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated 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	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 one percent (1%) 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 (ID) shall be appointed by the Board and approved by the shareholders in the AGM.	Complied	Approval of newly appointed ID will be obtained in 33 rd 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	

Directors' Report (continued)

1.3(ii)	The person should be a Business Leader/Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, and Chartered Secretaries. The Independent Director must have at least 12 (twelve) years of corporate management/professional experiences	Complied	
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 on 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)	Adaption 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 Statements 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	

Directors' Report (continued)

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 hold the directorship and the membership of the committees of the Board	Complied
2	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	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 within 1 (one) month Board will fill up the vacancy.	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

Directors' Report (continued)

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/RPO/ Right Issue in 2014.
3.4.1 Reporting of Audit Committee to the Board of Directors			
3.4.1(i)	Audit Committee report on its activities to the Board of Directors	Complied	The Audit Committee informs the Board timely through its minutes.
3.4.1(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-		
3.4.1(ii) (a)	Report on conflict of interest		No such event occurred
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 has a material impact on the financial condition & results of operation has discussed with the Board of Directors and the management that any rectification is necessary and which is unreasonably ignored, Audit Committee shall report such finding to BSEC upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board whichever is earlier		No such event occurred
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		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	

Directors' Report (continued)

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 employee 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	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	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	
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	
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	
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	
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:	Complied	
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 practicing 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	

Statement of Compliance on the Good Governance Guideline Issued by the 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 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 in quarterly basis various statutory Financial Statements such as statement of income-expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recovery of overdue loan/lease.	Complied
iii.	Board shall approve the procurement policy and shall accordingly the delegation of 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 maybe 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

Directors' Report (continued)

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, 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 General Manager;	Complied
vi.	Managing Director shall sign all the letters/statements relating to compliance to the 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

Certificate on
Compliance of conditions of Corporate Governance guidelines to the
Shareholders of
INDUSTRIAL PROMOTION AND DEVELOPMENT COMPANY OF BANGLADESH LIMITED.

We have examined compliance to the BSEC guidelines on Corporate Governance by **Industrial Promotion and Development Company of Bangladesh Limited.** for the year ended on 31 December 2014. These guidelines relate to the Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7th August 2012 of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance.

Such compliance to the codes of Corporate Governance is the responsibility of those charged with governance and management of the Company.

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

In our opinion and to the best of our information and according to the explanations provided to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned guidelines issued by BSEC.

We also state that such compliance is neither an assurance as to the future viability of the Company nor a certification on the efficiency or effectiveness with which the Management has conducted the affairs of the Company.



Snehasish Mahmud & Co.
Chartered Accountants

Dhaka, 8 March 2015

Report of the Audit Committee

Role of Audit Committee

The Audit Committee on behalf of the Board of Directors endeavors to ensure effective implementation of the processes set out in the business plan and policies. The Audit Committee also 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 that an effective monitoring system is in place.

Purpose of the Audit Committee

The Audit Committee is a sub-committee formed by the Board of Directors of the Company. Terms of Reference of the Audit Committee are fixed by the Board. The main purpose of the Audit Committee is to assist the Board of Directors on the following matters:

- Performance of the Company's internal control functions;
- Compliance of the Company with legal and regulatory requirements;
- Making recommendations on the reporting, control and compliance aspects of the Company;
- Providing independent monitoring, guidance and, if necessary, challenge to executive management ;
- Whether the Financial Statements reflect true and fair view of the affairs of the Company and are prepared as per the regulatory guidelines;

Structure of Audit Committee

The Audit Committee of the Company has been formed pursuant to the Bangladesh Bank guideline on Internal Control and Compliance framework vide DFIM circular no 13, dated October 26, 2011 and the Guidelines on Corporate Governance issued by Bangladesh Securities and Exchange Commission (BSEC) dated August 7, 2012.

The Audit Committee of the Company comprises of the following members:

Name	Status with the Committee	Status with the Board
Mr. Salahdin Irshad Imam	Chairman	Independent Director
Ms. Afroza Khan	Member	Director
Ms. Ashraf Ali	Member	Director
Mr. Amin H. Manekia	Member	Director
Mr. Altaf Ramzi	Member	Director

The Company Secretary acts as the secretary of the Audit Committee

Terms of Reference

The Terms of Reference of the Audit Committee clearly define the roles and responsibilities of the Audit Committee. The Terms of Reference are reviewed and revised with the concurrence of the Board of Directors. The Audit Committee is responsible to and reports to the Board of Directors. Role and functions of the Committee are further regulated by the rules governing the Audit Committee as specified by the 'Conditions on Corporate Governance' issued by the Bangladesh Securities and Exchange Commission and the relevant guidelines issued by Bangladesh Bank.

Scope of work of Audit Committee

The Committee is authorized to monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system. The Committee performs its activities within the Terms of Reference of the Committee; seeking information from any Director or employee of the Company from time to time as it thinks fit. The Committee presents a summary of its activities to shareholders and other interested parties by means of this report.

Review of Financial Statements by the Audit Committee

The Audit Committee has reviewed the Annual Financial Statements and has determined that they are complete and consistent with the accounting standards set by the regulatory authority.

External Auditor

Rahman Rahman Huq (RRH/ KPMG in Bangladesh), a Bangladeshi partnership, is a Member Firm of KPMG International, were appointed as statutory auditors of the Company at the 32nd Annual General Meeting held on May 15, 2014. 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 in any one of the following material non-audit services:

- Appraisal or valuation services or fairness opinions.
- Financial information system 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 following:

- None of the partners or employees of the external audit firm possess 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 auditor before recommending their appointment to the Board.

The Committee also reviewed the auditing performance of the external auditors and their audit reports, reviewed the findings and recommendations made by the external auditor for removing the irregularities detected and also made recommendations to the management regarding removing those irregularities.

Major activities of the Audit Committee:

The Committee met four times during the year 2014 to carry out the following major activities:

- Reviewed and recommended to the Board on approval of the Annual Financial Statements for the year ended December 31, 2013.
- Reviewed the Management Letter from external auditors for the year 2013 together with management's responses to the findings.
- Reviewed the Auditor's Certificate on Corporate Governance compliance under sec 2CC of the Securities and Exchange Ordinance 1969 for the year ended December 31, 2013.
- Reviewed and ascertained that the internal control system including financial and operational controls, accounting system, and reporting structure are adequate and effective.
- 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 the actions taken by the management for implementation of Audit Committee observations on issues deliberated in Audit Committee reports.
- The Committee placed its reports 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.
- The Committee reviewed the Inspection Report issued by Bangladesh Bank for the year ended December 31, 2013.
- The Committee reviewed first quarter, half-year and third quarter ended Financial Statements for the year 2014 and recommended to the Board for its approval.
- Reviewed statement of significant related party transactions submitted by the management.
- 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 irregularities or material defects in the internal control systems.
 - 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.



Salahdin Irshad Imam

Chairman, Audit Committee

**Report of the CEO & Managing Director and the Chief Financial Officer to the Board of Directors of
Industrial Promotion and Development Company of Bangladesh Limited**

In accordance with the notification of Bangladesh Securities and Exchange Commission No. SEC/ CMRRCD/2006-158/134/Admin/44 dated 07, August, 2012 we declare that-

We have reviewed accompanying Financial Statements of IPDC of Bangladesh Limited which comprise the Balance Sheet as at December 31, 2014, Profit and Loss Account, Statement of Changes in Equity, Cash Flow Statement for the year then ended, and notes to the Financial Statements.

These Financial Statements have been prepared and presented fairly in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), the Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994 and other applicable laws and regulations.

The Company has taken proper and sufficient care in installing a system of internal control, which is reviewed, evaluated and updated on an ongoing basis. The Internal Audit & Compliance Department of the Company conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

Based on the internal control system of the Company and our review of these Financial Statements, we certify that to the best of our knowledge and belief:

- i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;
- iii) no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.
- iv) proper books of account as required by law have been kept by the Company;



Mominul Islam
Managing Director & CEO



Lingkon Mondol
Chief Financial Officer

Date: February 25, 2015

**Rahman Rahman Huq**

Chartered Accountants
9 Mohakhali C/A (11th & 12th Floors)
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Bangladesh

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**Independent Auditor's Report
to the Shareholders of
Industrial Promotion and Development Company of Bangladesh Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of Industrial Promotion and Development Company of Bangladesh Limited ("the Company") which comprise the balance sheet as at 31 December 2014, and the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in note 2.1, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 give a true and fair view of the financial position of the Company as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 2.1.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, Securities and Exchange Rules 1987, the Financial Institution Act 1993 and the rule and regulations issued by Bangladesh Bank, we also report the following:

- a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) The balance sheet and profit and loss account of the Company dealt with by the report are in agreement with the books of account;
- d) The expenditure incurred was for the purposes of the Company's business;
- e) The financial statements of the Company have been drawn up in conformity with the Financial Institutions Act 1993 and in accordance with the accounting rules and regulations issued by Bangladesh Bank to the extent applicable to the Company;

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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Rahman Rahman Huq
Chartered Accountants

- f) Adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- g) The financial statements of the Company conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- h) The records and statements submitted by the branches have been properly maintained and recorded in the financial statements;
- i) The information and explanation required by us have been received and found satisfactory;
- j) We have reviewed over 80% of the risk weighted assets of the Company and we have spent around 1,650 person hours for the audit of the books and accounts of the Company; and
- k) Capital adequacy ratio (CAR) as required by law, has been maintained adequately during the year.

Other matters

The financial statements of the Company for the year ended 31 December 2013 were audited by another auditor who expressed unmodified opinion on those statements on 16 March 2014.

Dhaka, 25 February 2015

Industrial Promotion and Development Company of Bangladesh Limited

Balance Sheet as at 31 December 2014

	<u>Note</u>	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
Property and assets			
Cash	5		
In hand (including foreign currencies)	5.1	150,000	50,542
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	5.2	84,621,526	154,996,460
		84,771,526	155,047,002
Balance with other banks and financial institutions	6		
In Bangladesh	6.1	736,811,385	546,533,211
Outside Bangladesh		-	-
		736,811,385	546,533,211
Money at call and short notice		-	-
Investments	7		
Government	7.2	415,000,000	415,000,000
Others	7.3	300,037,536	505,970,869
		715,037,536	920,970,869
Loans and advances			
Loans, cash credits, overdrafts, etc.	8	5,676,790,793	5,745,510,743
Bills purchased and discounted		-	-
		5,676,790,793	5,745,510,743
Fixed assets including land, building, furniture and fixtures	9	224,130,901	107,827,295
Other assets	10	302,568,585	279,282,330
Non financial institutional assets	11	3,752,405	3,752,405
Total assets		7,743,863,131	7,758,923,855
Liabilities and capital			
Liabilities			
Borrowings from other banks, financial institutions and agents	12	398,377,801	413,976,376
Deposits and other accounts	13		
Current accounts and other accounts		-	-
Bills payable		-	-
Savings deposits		-	-
Term deposits		3,997,390,887	4,427,093,408
Bearer certificate of deposits		-	-
Other deposits		-	-
		3,997,390,887	4,427,093,408
Other liabilities	14	1,056,286,355	852,883,256
Total liabilities		5,452,055,043	5,693,953,040
Shareholders' equity			
Paid up capital	15	1,147,731,580	1,043,392,350
Share premium	16	167,014,000	167,014,000
Statutory reserve	17	284,720,219	251,618,993
Assets revaluation reserve	18	127,086,739	13,585,980
Retained earnings	19	565,255,550	589,359,492
Total shareholders' equity		2,291,808,088	2,064,970,815
Total liabilities and shareholders' equity		7,743,863,131	7,758,923,855

Balance Sheet (continued)

	<u>Note</u>	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
Off-balance sheet items			
Contingent liabilities			
Acceptances and endorsements		-	-
Letters of guarantee	20	5,590,000	5,590,000
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
Total contingent liabilities		<u>5,590,000</u>	<u>5,590,000</u>
Other commitments			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total other commitments		<u>-</u>	<u>-</u>
Total off-balance sheet items including contingent liabilities		<u>5,590,000</u>	<u>5,590,000</u>

The annexed notes from 1 to 45 and Annexure - A are an integral part of these financial statements.



Chairman



Director



Managing Director & CEO



Company Secretary

As per our report of same date.



Auditor
Rahman Rahman Huq
Chartered Accountants

Dhaka, 25 February 2015



Industrial Promotion and Development Company of Bangladesh Limited


Profit and Loss Account for the year ended 31 December 2014

Particulars	Note	2014 Taka	2013 Taka
Interest income	22	929,287,424	932,008,095
Interest paid on deposits and borrowings etc.	23	513,098,917	627,680,621
Net interest income		416,188,507	304,327,474
Investment income	24	86,812,815	87,243,013
Commission, exchange and brokerage	25	5,636,658	9,247,360
Other operating income	26	71,394,084	77,472,120
Total operating income		580,032,064	478,289,967
Salary and allowances	28	82,353,556	76,520,759
Rent, taxes, insurance, electricity, etc.	29	13,235,518	12,064,232
Legal expenses	30	20,566,503	7,772,088
Postage, stamp, telecommunications, etc.	31	3,055,616	2,911,842
Stationery, printing, advertisements, etc.	32	12,613,516	8,918,246
Managing Director's salary and allowances	33	7,879,996	6,879,996
Directors' fees	34	3,536,254	3,174,589
Auditors' fees	35	460,000	442,750
Charges on loan loss		-	-
Depreciation and repair of assets	36	26,217,998	20,724,420
Other expenses	37	14,991,402	13,773,560
Total operating expenses		184,910,359	153,182,482
Profit before provision		395,121,705	325,107,485
Provision for loans and leases	38	36,966,734	100,179,038
Provision for diminution in value of investments	38	13,348,821	(16,849,126)
Other provisions		-	-
Total provision		50,315,555	83,329,912
Profit before tax		344,806,150	241,777,573
Tax expenses			
Current tax	14.4	182,882,958	98,428,841
Deferred tax	39	(3,582,939)	1,364,822
		179,300,019	99,793,663
Net profit after tax		165,506,131	141,983,910
Appropriations			
Statutory reserve	17	33,101,226	28,396,782
General reserve		-	-
Proposed dividend		-	-
		33,101,226	28,396,782
Retained surplus		132,404,905	113,587,128
Earnings per share (EPS)	40	1.44	1.24

The annexed notes from 1 to 45 and Annexure - A are an integral part of these financial statements.

			
Chairman	Director	Managing Director & CEO	Company Secretary

As per our report of same date.


Auditor
Rahman Rahman Huq
Chartered Accountants

Dhaka, 25 February 2015



Industrial Promotion and Development Company of Bangladesh Limited

Cash Flow Statement for the year ended 31 December 2014

Figures in Taka

Particulars	Note	2014	2013
A) Cash flows from operating activities			
Interest receipts in cash		1,074,390,248	1,068,672,316
Interest payments in cash		(534,159,993)	(614,837,405)
Dividend receipts in cash		38,542,464	30,804,250
Fee and commission receipts in cash		5,636,658	9,327,427
Recoveries of loan previously written off		69,482,960	75,738,172
Cash payments to employees		(88,831,896)	(81,547,828)
Cash payments to suppliers		(68,871,863)	(56,750,442)
Income taxes paid		(24,375,003)	(12,942,862)
Receipts from other operating activities		56,845,980	56,652,751
Payments for other operating activities		-	-
Cash generated from operating activities before changes in operating assets and liabilities		528,659,555	475,116,379
Increase/decrease in operating assets and liabilities			
Statutory deposits		-	-
Purchase / (sale) of trading securities		-	(250,000,000)
Loans and advances to other banks		44,425,470	(174,148,600)
Loans and advances to customers		(337,360,453)	(420,326,873)
Other assets		80,238	(5,562,971)
Deposits from other banks and financial institutions		-	-
Deposits from customers		(429,702,521)	219,081,365
Other liability accounts of customers		-	-
Trading liabilities		(15,598,575)	384,277,675
Other liabilities		193,832,240	114,093,228
		(544,323,601)	(132,586,176)
Net cash (used in)/from operating activities		(15,664,046)	342,530,203
B) Cash flows from investing activities			
Proceeds from sale of securities		205,933,333	82,625,021
Payments for purchase of securities		-	(100,000,000)
Net increase in purchase of property, plant and equipment		(40,819,028)	(42,533,909)
Cash payments or proceeds from purchase or sale of subsidiaries		-	-
Net cash from/(used in) investing activities		165,114,305	(59,908,888)
C) Cash flows from financing activities			
Receipts from issue of loan and debt securities		-	-
Payments for redemption of loan and debt securities		-	-
Receipts from issue of ordinary share		-	-
Payments of long term loan		(3,316,554)	(7,955,559)
Dividends paid in cash		(26,131,007)	(101,051,020)
Net cash used in financing activities		(29,447,561)	(109,006,579)
D) Net increase in cash (A+B+C)		120,002,698	173,614,736
E) Effect of changes in exchange rate over cash and cash equivalents		-	-
F) Cash and cash equivalents at beginning of year		701,580,213	527,965,477
G) Cash and cash equivalents at end of year (D+E+F)		821,582,911	701,580,213

Industrial Promotion and Development Company of Bangladesh Limited

Statement of Changes in Equity for the year ended 31 December 2014

Figures in Taka

Particulars	Paid up capital	Statutory reserve	Share premium	Assets revaluation reserve	Retained earnings	Total
Balance as at 1 January 2014	1,043,392,350	251,618,993	167,014,000	13,585,980	589,359,492	2,064,970,815
Surplus/(deficit) on account of revaluation of assets	-	-	-	108,294,972	-	108,294,972
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-
Deferred tax liability	-	-	-	5,205,787	-	5,205,787
Currency translation differences	-	-	-	-	-	-
Net gain/(loss) not recognised in the profit and loss account	-	-	-	-	-	-
Net profit for the year 2014	-	-	-	-	165,506,131	165,506,131
Payment of dividend	-	-	-	-	(52,169,617)	(52,169,617)
Issuance of bonus share	104,339,230	-	-	-	(104,339,230)	-
Issuance of share capital	-	-	-	-	-	-
Appropriation during the year	-	33,101,226	-	-	(33,101,226)	-
Balance as at 31 December 2014	1,147,731,580	284,720,219	167,014,000	127,086,739	565,255,550	2,291,808,088
Balance as at 31 December 2013	1,043,392,350	251,618,993	167,014,000	13,585,980	589,359,492	2,064,970,815

Industrial Promotion and Development Company of Bangladesh Limited
Liquidity Statement
(Assets and liabilities maturity analysis)
for the year ended 31 December 2014

Figures in Taka

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets						
Cash in hand (including balance with Bangladesh Bank)	84,771,526	-	-	-	-	84,771,526
Balance with other banks and financial institutions	359,623,951	-	377,187,434	-	-	736,811,385
Money at call and short notice	-	-	-	-	-	-
Investments	-	10,700,000	95,833,333	170,833,334	437,670,869	715,037,536
Loans and advances	276,225,245	529,676,217	1,433,899,330	3,158,743,286	278,246,715	5,676,790,793
Fixed assets including land, building, furniture and fixtures	2,016,565	4,033,130	18,149,085	45,495,480	154,436,641	224,130,901
Other assets	10,545,317	19,485,552	1,000,000	4,187,622	267,350,094	302,568,585
Non financial institutional assets	-	-	3,752,405	-	-	3,752,405
Total assets	733,182,604	563,894,899	1,929,821,587	3,379,259,722	1,137,704,319	7,743,863,131
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	379,951,211	2,921,382	9,206,483	6,298,725	-	398,377,801
Deposits	204,037,844	1,049,920,816	680,057,803	1,982,290,641	81,083,783	3,997,390,887
Other accounts	-	-	-	-	-	-
Provision and other liabilities	44,508,627	50,057,423	152,126,681	34,470,590	775,123,034	1,056,286,355
Total liabilities	628,497,682	1,102,899,621	841,390,967	2,023,059,956	856,206,817	5,452,055,043
Net liquidity gap	104,684,922	(539,004,722)	1,088,430,620	1,356,199,766	281,497,502	2,291,808,088

Industrial Promotion and Development Company of Bangladesh Limited

Notes to the Financial Statements as at and for the year ended 31 December 2014

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 ("the Company") 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 7 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 3 December 2006 with both the Dhaka Stock Exchange and the Chittagong Stock Exchange in Bangladesh. The Company has five branches located at Dhanmondi, Motijheel, Chittagong, Sylhet and Uttara.

1.2 Nature of business

The Company specialises in providing long term and short term financing, project financing, lease financing, channel finance, work order finance, mortgage finance, equity financing, syndication finance, Small and Medium Enterprises (SME) and Medium Market Enterprises (MME) finance, asset backed securitisation through issuance of zero-coupon bond and related consultancies to both local and foreign private investments in Bangladesh. In 2006, the Company also started retail business to increase its activities in retail segment.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the Company are prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) and the requirements of the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987. In case any requirement of the Financial Institutions Act 1993, and provisions and circulars issued by Bangladesh Bank differ with those of BFRS, the requirements of the Financial Institutions Act 1993, and provisions and circulars issued by Bangladesh Bank shall prevail. The financial statements have been prepared on historical cost basis except for office premises (Land and building) under fixed assets which are stated at revalued amount. The Board of Directors has authorized these financial statements on 25 February, 2015 Material departures from the requirements of BFRS are as follows:

Disclosure of departure from few requirements of BASs/BFRSs due to mandatory compliance of Bangladesh Bank's requirements

Bangladesh Bank is the prime regulatory body for

Non-Banking Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations differs with the requirements of BASs and BFRSs. As such the Company has departed from those contradictory requirements of BASs/BFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below; along with financial impact where applicable.

i) Investment in shares and securities

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

Bangladesh Bank: As per Financial Institutions Department (FID) circular no. 08 dated 3 August 2002 issued by Bangladesh Bank, investments in quoted shares and unquoted shares are required to be revalued at the year end at market price and book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment.

ii) Provision on loans and advances/investments

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

Bangladesh Bank: As per FID circular No. 08 dated 3 August 2002, FID circular No. 03, dated 3 May 2006 and DFIM Circular No. 03 dated 29 April 2013 issued by Bangladesh Bank, a general provision of 0.25% to 5% under different categories of unclassified loans (Standard/Special Mention Account loans) has to be maintained.

iii) Other comprehensive income

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

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which will strictly be followed by Financial Institutions. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to be included in a single Other Comprehensive Income (OCI) Statement. As such the Financial Institution does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

iv) Financial instruments – presentation and disclosure

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

2.2 Functional and presentation currency

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.

2.3 Use of estimates and judgments

The preparation of these financial statements in conformity with Bangladesh Financial Reporting Standards (BFRSs) 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. Actual results may differ from these estimates.

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-10.1.2 Deferred tax assets
- b) Note-14.9 Deferred tax liabilities
- c) Note-14.1 Cumulative provision for loans and advances
- d) Note-14.3 Measurement of defined benefit obligation (provision for gratuity)
- e) Note-14.4 Provision for corporate tax
- f) Note-14.8 Provision for expenses
- g) Note-18 Assets revaluation reserve
- h) Note-20 Letters of guarantee (contingent liabilities)
- i) Note-36.1 Depreciation

2.4 Going concern

The Company has adequate resources to continue its 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.

2.5 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.

2.6 Branch accounting

The Company has five branches, with no overseas branch as at 31 December 2014. Accounts of the branches are maintained at the head office from which these financial statements are drawn up.

2.7 Reporting period

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

2.8 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'.

2.9 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. The Company has applied the same accounting and valuation principles in 2014 as in financial statements for 2013.

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 Lease finance

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.

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 circular issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank.

3.2 Direct finance

Direct finance operation consists of short-term finance and long-term finance, accounts for which are maintained based on accrual method of accounting. Outstanding loans 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 Investments

Investment comprises of investment in equity, corporate bond 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.

3.3.1 Investment in equity

3.3.1.1 Unlisted shares

Equity finance consists of equity participation in the form of unlisted ordinary shares 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 shown under current assets. These 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

3.3.2.1 Held to maturity

Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the intention and ability to hold to maturity. Where the Company want to sell other than an insignificant amount of such assets, the entire category would be reclassified as held for trading.

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 Mentioned Account (SMA) is not recognised as revenue but 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 long term finance and short term finance

Interest on long 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 but credited to interest suspense account as per Bangladesh Bank guidelines.

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 as well as interest income on long term finance, short term finance, lease finance, channel 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 Fixed assets including land, building, furniture and fixtures

3.6.1 Own assets

Fixed assets including premises, furniture and fixtures are stated at cost less accumulated depreciation and accumulated impairment losses, if any. On the other hand land and building are stated at revaluation model. 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 fixed assets including land, building, furniture and fixtures

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/amortisation on fixed assets including land, building, furniture and fixtures

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 on the month of disposal. Depreciation is calculated on the cost of assets in order to write off such cost over the estimated useful life of such asset. Depreciation/amortisation has been provided at the following rates on straight line basis for current and comparative years:

Particulars	Useful life (years)
Building	15*
Motor Vehicles	5
Furniture and fixtures	8
Equipment and appliances	5
Accounting Software	5

* The remaining useful life of Building after revaluation. 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 fixed assets including land, building, furniture and fixtures

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*.

3.6.6 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 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 amortization 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 over its estimated useful life. Intangible asset i.e. acquisition cost of the accounting software is amortised within five 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 expenses

Income tax expenses comprises current and deferred tax.

3.10.1 Current tax

Provision for current tax has been 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 (current tax rate is 42.5%) that is applicable on the reporting date, and any adjustments to tax payable in respect of previous years.

3.10.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- a) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- b) Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- c) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

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 guidelines. FID circular no. 08 dated 3 August 2002 and FID circular no. 03 dated 3 May 2006 as the bases for calculating the provision for investment and advances.

3.11.1 Write off loans, leases and investments

In compliance with Bangladesh Bank FID Circular No. 3 dated 15 March 2007 and DFIM circular No. 11 dated 21 November 2013, 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 cancelled 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 recognised where amounts are either recovered and/or adjusted against securities/properties or advances there against or are considered recoverable.

3.12 Employee benefits

3.12.1 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.

3.12.2 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 from the date of joining. 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 provided the same in the accounts accordingly.

3.12.3 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.

3.12.4 Other employee benefit obligation

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

3.13 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 probable to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.14 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.

3.15 Cash flow statement

Cash flow statement has been prepared in accordance with the Bangladesh Accounting Standard (BAS) 7, 'Cash Flow Statement' 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.

3.16 Earnings per share (EPS)

The Company presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is 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

'Financial guarantees' are contracts that require the Company to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails

to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

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. This requirement has been properly complied with.

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 recognized 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, unauthorized 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. Interest rate risk of non-trading 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 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 reliably be estimated.

Contingent assets are not recognized in the financial statements as this may result in the recognition of income which may never be realised.

4.9 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 basis:

- 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.

4.10 Events after the balance sheet date

All material events occurring after the balance sheet date have been considered and where necessary, adjusted for or disclosed in note no. 42 of these financial statements.

4.11 Comparatives and reclassification

Comparative information have been disclosed in respect of 2013 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

To facilitate comparison, certain relevant balances pertaining to the previous year have been rearranged/reclassified whenever considered necessary to conform to current period's presentation.

4.12 Integral component of financial statements

The financial statements of the Company include the following components:

- i. Balance sheet as at 31 December 2014
- ii. Profit and loss account for the year ended 31 December 2014
- iii. Cash flow statement for the year ended 31 December 2014
- iv. Statement of changes in equity for the year ended 31 December 2014
- v. Notes to the financial statements for the year ended 31 December 2014

4.13 Compliance of Bangladesh Financial Reporting Standard (BFRS)

Name of the standards	Ref.	Status
First-time Adoption of Bangladesh Financial Reporting Standards	BFRS-1	Not applicable
Share Based Payment	BFRS-2	Not applicable
Business Combinations	BFRS-3	Not applicable
Insurance Contracts	BFRS-4	Not applicable
Non-current Assets Held for Sale and Discontinued Operations	BFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	BFRS-6	Not applicable
Financial Instruments: Disclosures	BFRS-7	Applied with some departure (note 2.1)
Operating Segments	BFRS-8	Applied with some departure (note 2.1)
Consolidated Financial Statements	BFRS-10	Not Applicable
Joint Arrangements	BFRS-11	Not Applicable
Disclosure of Interests in Other Entities	BFRS-12	Not Applicable
Fair Value Measurement	BFRS-13	Applied with some departure (note 2.1)
Presentation of Financial Statements	BAS-1	Applied with some departure (note 2.1)
Inventories	BAS-2	Not Applicable
Statement of Cash Flows	BAS-7	Applied with some departure (note 2.1)
Accounting Policies, Changes in Accounting Estimates and Errors	BAS-8	Applied
Events After the Reporting Period	BAS-10	Applied
Construction Contracts	BAS-11	Not Applicable
Income Taxes	BAS-12	Applied
Property, Plant and Equipment	BAS-16	Applied
Leases	BAS-17	Applied
Revenues	BAS-18	Applied
Employee Benefits	BAS-19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	BAS-20	Not Applicable
The Effects of Changes in Foreign Exchange Rates	BAS-21	Applied
Borrowing Cost	BAS-23	Applied
Related Party Disclosures	BAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS-26	Not Applicable
Separate Financial Statements	BAS-27	Not Applicable
Investments in Associates	BAS-28	Not Applicable
Financial Reporting in Hyperinflationary Economies	BAS-29	Not Applicable
Financial Instruments: Presentation	BAS-32	Applied with some departure (note 2.1)
Earnings per Share	BAS-33	Applied
Interim Financial Reporting	BAS-34	Applied
Impairments of Assets	BAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS-37	Applied
Intangible Assets	BAS-38	Applied
Financial Instruments: Recognition and Measurement	BAS-39	Applied with some departure (note 2.1)
Investment Property	BAS-40	Not Applicable
Agriculture	BAS-41	Not Applicable

As at 31 December	Note	2014	2013
5. Cash			
Cash in hand	5.1	150,000	50,542
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	5.2	84,621,526	154,996,460
		84,771,526	155,047,002
5.1 Cash in hand			
In local currency		150,000	50,542
In foreign currency		-	-
		150,000	50,542
5.2 Balance with Bangladesh Bank and its agent bank (including foreign currencies)			
Bangladesh Bank			
Local currency		84,621,526	154,996,460
Foreign currency		-	-
		84,621,526	154,996,460
Sonali Bank Limited (as an agent of Bangladesh Bank)		-	-
		84,621,526	154,996,460
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 the Section 19 of the Financial Institutions Act, 1993 and of instructions contained in FID Circular No. 02 dated 10 November 2004 and FID Circular No. 06 dated 06 November 2003 respectively issued by Bangladesh Bank.			
Cash Reserve Requirement (CRR) required on the term deposits at the rate of 2.5% has been calculated and maintained with Bangladesh Bank in the form of current account and 5% Statutory Liquidity Reserve (SLR) including Cash Reserve Requirement has been maintained against total liabilities excluding shareholders' equity, borrowings from Bangladesh Bank and other Banks and NBFIs in the form of treasury bills, 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		102,876,484	109,885,494
Actual reserve maintained		110,983,843	110,746,528
Surplus		8,107,359	861,034
Statutory Liquidity Reserve (SLR)			
Required reserve		242,196,323	245,641,903
Actual reserve maintained		254,184,840	310,002,793
Surplus		11,988,517	64,360,890
Total surplus		20,095,876	65,221,924
6. Balance with other banks and financial institutions			
In Bangladesh	6.1	736,811,385	546,533,211
Outside Bangladesh		-	-
		736,811,385	546,533,211
6.1 In Bangladesh			
With banks:			
<i>In current deposit accounts with</i>			
Commercial Bank of Ceylon PLC		43,250	43,250
The Hongkong and Shanghai Banking Corporation Ltd.		-	1,026
Uttara Bank Ltd.		2,583	2,583
United Commercial Bank Ltd.		40,748	34,027
AB Bank Ltd.		18,375	18,950
Standard Chartered Bank		64,896	180,742
Prime Bank Ltd.		1,000,040	-
Social Islami Bank Limited		2,500	-
Bank Alfalah Ltd.		-	1,451
		1,172,392	282,029

As at 31 December	Note	2014	2013
<i>Short term deposit accounts with</i>			
Dutch Bangla Bank Ltd.		4,828,602	278,727
Prime Bank Ltd.		26,487,901	301,108
AB Bank Ltd.		1,488,859	1,568,943
Standard Chartered Bank		25,105	179,857
Mercantile Bank Ltd.		168,010	42,189
AL-Arafah Islami Bank Ltd.		5,397	5,299
BRAC Bank Ltd.		385,403	565,832
		<u>33,389,277</u>	<u>2,941,955</u>
<i>Short term placement</i>			
National Bank of Pakistan		200,000,000	-
		<u>200,000,000</u>	<u>-</u>
<i>Short term deposit accounts (in foreign currency) with</i>			
AB Bank Ltd.		62,283	62,403
		<u>62,283</u>	<u>62,403</u>
<i>Fixed deposit accounts with</i>			
Mercantile Bank Ltd.		-	52,700,001
National Bank Ltd.		-	15,678,816
Prime Bank Ltd.		110,324,933	122,168,007
Dhaka Bank Ltd.		100,000,000	102,700,000
AB Bank Ltd.		77,362,500	50,000,000
United Commercial Bank Ltd.		-	50,000,000
EXIM Bank Ltd.		50,000,000	50,000,000
ONE Bank Ltd.		-	50,000,000
National Bank of Pakistan		14,500,000	-
The City Bank Ltd.		50,000,000	-
Trust Bank Ltd.		100,000,000	50,000,000
Total		<u>502,187,433</u>	<u>543,246,824</u>
Grand total		<u>736,811,385</u>	<u>546,533,211</u>
6.2 Maturity grouping of balance with other banks and financial institutions			
<i>Repayable:</i>			
On demand		1,172,391	282,028
Within one month		358,451,560	18,683,173
Within one to three months		-	372,055,507
Within three to twelve months		377,187,434	155,512,503
Within one to five years		-	-
More than five years		-	-
		<u>736,811,385</u>	<u>546,533,211</u>
7. Investments			
Government securities	7.2	415,000,000	415,000,000
Other investments	7.3	300,037,536	505,970,869
		<u>715,037,536</u>	<u>920,970,869</u>
7.1 Classification of investments			
Held for trading (HFT)		204,100,000	204,100,000
Held to maturity (HTM)		210,900,000	210,900,000
		<u>415,000,000</u>	<u>415,000,000</u>
Other investments		300,037,536	505,970,869
		<u>715,037,536</u>	<u>920,970,869</u>
7.2 Government securities			
Treasury bonds	7.2.1	415,000,000	415,000,000
		<u>415,000,000</u>	<u>415,000,000</u>

As at 31 December	2014	2013
7.2.1 Treasury bonds		
15-year treasury bonds	242,600,000	242,600,000
20-year treasury bonds	172,400,000	172,400,000
	415,000,000	415,000,000
7.3 Other investments		
In ordinary shares:		
Quoted	7,000,000	7,000,000
Unquoted	11,670,869	11,670,869
	18,670,869	18,670,869
Redeemable preference shares	131,366,667	337,300,000
Investment in shares	150,037,536	355,970,869
Investment in corporate bonds	150,000,000	150,000,000
	300,037,536	505,970,869

Details of other investments are as follows:

	2014		2013	
	Cost	Market value	Cost	Market value
In ordinary shares - quoted				
Bemco Electric Metre Ltd.	7,000,000	4,305,000	7,000,000	4,305,000
	7,000,000	4,305,000	7,000,000	4,305,000
	2014		2013	
	Cost	Book value	Cost	Book value
In ordinary shares - unquoted				
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
	11,670,869	11,670,869	11,670,869	11,670,869
In redeemable preference shares				
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
ACI Godrej Agrovet Private Ltd.	-	-	33,300,000	33,300,000
Confidence Salt Ltd.	10,700,000	10,700,000	20,000,000	20,000,000
Summit Power Company Ltd.	50,000,000	50,000,000	80,000,000	80,000,000
ACI Godrej Agrovet Private Ltd.	66,666,667	66,666,667	100,000,000	100,000,000
	131,366,667	131,366,667	337,300,000	337,300,000
Investment in corporate bonds				
Mutual Trust Bank Ltd.	150,000,000	150,000,000	150,000,000	150,000,000
	300,037,536	297,342,536	505,970,869	503,275,869

Unquoted shares are primarily recognized at cost. Adequate provision has been maintained against the unquoted shares whose book value is lower than the cost.

7.4 Maturity grouping of investments

Repayable on demand	-	-
Within one month	-	-
Within one to three months	10,700,000	-
Within three to twelve months	95,833,333	216,633,333
Within one to five years	170,833,334	266,666,667
More than five years	437,670,869	437,670,869
	715,037,536	920,970,869

As at 31 December	Note	2014	2013
8. Loans and advances			
In Bangladesh:			
Long term loan		2,839,058,571	3,233,775,052
Lease finance	8.1	1,413,928,097	1,741,016,638
Short term loan		697,565,894	239,746,912
Channel finance		256,198,846	163,595,841
Mortgage finance		85,629,338	52,601,865
Auto loan		255,781,377	187,788,787
Secured retail loan		112,777,787	110,389,371
Staff loan		15,850,883	16,596,277
		5,676,790,793	5,745,510,743
Outside Bangladesh		-	-
		5,676,790,793	5,745,510,743
Bills purchased and discounted		-	-
		5,676,790,793	5,745,510,743
8.1 Lease finance			
Gross lease receivables		1,683,042,909	2,152,084,013
Less: Unearned interest income		321,610,387	475,071,242
Net lease receivables		1,361,432,522	1,677,012,771
Add: Overdue lease rentals		52,495,575	60,803,867
Advance against lease finance		-	3,200,000
		1,413,928,097	1,741,016,638
8.2 a) Net loans and advances including bills purchased and discounted			
Total loans, advances and lease receivables	8	5,676,790,793	5,745,510,743
Less: Provision against loans and advances (specific and general)	8.9(b)	150,916,653	153,895,802
Less: Cumulative balance of interest suspense account	14.2	38,332,212	50,147,364
		5,487,541,928	5,541,467,577
b) Rate of net classified loans and advances			
Gross loans, advances and leases		5,676,790,793	5,745,510,743
Classified loans, advances and leases		192,338,111	342,072,882
Unclassified loan, advances and leases		5,484,452,683	5,403,437,861
Total provision		150,916,653	153,895,802
Interest suspenses		38,332,212	52,232,364
Total provision, interest suspense		189,248,865	206,128,166
Net classified loans, advances and leases		3,089,246	135,944,716
Rate of classified loans, advances and leases		3.39%	5.95%
Rate of net classified loans, advances and leases		0.05%	2.37%
8.3 Residual maturity grouping of loans and advances including bills purchased and discounted			
Repayable on demand		-	-
Upto three month		805,901,462	689,364,388
More than three months but less one year		1,433,899,330	2,277,635,891
More than one year but less than five years		3,158,743,286	2,351,443,375
More than five years		278,246,715	427,067,089
		5,676,790,793	5,745,510,743
8.4 Loans and advances including bills purchased and discounted are classified into the following broad categories			
Loans and advances			
In Bangladesh			
Loans and leases		5,676,790,793	5,745,510,743
Cash credit		-	-
Secured overdraft		-	-
		5,676,790,793	5,745,510,743
Outside Bangladesh		-	-
		5,676,790,793	5,745,510,743

As at 31 December	2014	2013
Bills purchased and discounted		
Payable in Bangladesh	-	-
Payable outside Bangladesh	-	-
	-	-
	5,676,790,793	5,745,510,743
8.5 Loans and advances including bills purchased and discounted on the basis of significant concentration		
Loans, leases and advances to the allied concerns of the directors	-	-
<i>Advances to chief executive and other senior executives</i>		
Managing Director & CEO	10,676,941	11,663,111
Senior Executives (Senior Manager & above)	3,567,310	3,911,199
Other staffs	5,131,204	6,703,404
	19,375,455	22,277,714
<i>Advances to customers' group</i>		
Agricultural loan	598,927,138	549,096,157
Large corporate	3,558,924,400	3,909,462,069
Small and medium enterprise	1,046,642,767	857,319,146
Retail loan	450,663,928	350,756,530
Others	2,257,105	56,599,127
	5,657,415,338	5,723,233,029
	5,676,790,793	5,745,510,743

8.5.1 Disclosure on large loan

Loan sanctioned to any individual or enterprise or any organization 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 2014 was Taka 2,178.31 million against that of Taka 2,064.97 million as at 31 December 2013.

Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each	1	1
Amount of outstanding loans and advances [to the client as mentioned above]	346,622,519	199,365,185
Amount of classified loans and advances [out of the amount as mentioned above]	-	-
Measures taken for recovery [for the amount as mentioned above]	-	-

8.6 Industry-wise loans and advances including bills purchased and discounted

Agro-based industries	598,927,138	549,096,157
Banks and non-banking financial institutions	301,892,379	346,317,849
Chemicals, pharmaceuticals and allied products	213,641,556	438,050,385
Engineering and building materials	444,118,342	454,562,960
Food and allied products	414,268,180	524,530,074
Glass, ceramic and other non-metallic products	48,669,702	7,419,664
Hotel, tourism and leisure	70,782,502	86,030,634
Information and communication technologies	37,218,224	91,497,508
Paper converting and packaging, printing and publishing	323,881,651	242,107,323
Ready made garments and knitwear	528,212,939	151,952,371
Social sector	225,502,442	386,908,940
Tannery, leather and rubber products	-	73,678,868
Textile	624,141,861	759,544,830
Transport and aviation	212,305,658	185,674,526
Others	1,633,228,219	1,448,138,654
	5,676,790,793	5,745,510,743

As at 31 December

2014

2013

8.7 Geographical location-wise loans and advances including bills purchased and discounted

Dhaka Division	4,731,867,477	4,858,079,983
Chittagong Division	887,678,372	848,683,555
Khulna Division	17,241,810	19,883,619
Rangpur Division	-	8,958,046
Rajshahi Division	15,044,183	7,525,521
Sylhet Division	24,958,951	2,380,019
Barisal Division	-	-
	5,676,790,793	5,745,510,743

8.8 Broad economic sector-wise segregation of loans and advances including bills purchased and discounted

Government and autonomous bodies	-	-
Bank and financial institutions (public and private)	301,892,379	346,317,849
Other public sector	-	-
Private sector	5,374,898,414	5,399,192,894
	5,676,790,793	5,745,510,743

8.9 a) Classification of loans and advances including bills purchased and discounted**Unclassified loans and advances**

Standard (including staff loans)	5,467,371,748	5,395,761,022
Special mention account	17,080,934	7,676,839

Total unclassified loans and advances**Classified loans and advances**

Substandard	20,161,813	82,300,432
Doubtful	6,185,770	1,568,956
Bad/loss	165,990,528	258,203,494

Total classified loans and advances**Total loans and advances**

	192,338,111	342,072,882
	5,676,790,793	5,745,510,743

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

Classification / status of loans, advances and leases	Amount of outstanding loans and advances as at 31 December 2014	Base for provision	Percentage (%) of provision required as per Bangladesh Bank's directives	2014	2013
Unclassified loans and advances					
General provision					
Standard	4,747,984,224	4,747,984,225	1%	47,479,842	47,924,360
Standard - SME	719,387,524	719,387,524	0.25%	1,798,469	1,508,313
Special mentioned account	17,080,934	16,860,098	5%	843,005	305,345
	5,484,452,682	5,484,231,847		50,121,316	49,738,018
Specific provision					
Sub-standard	20,161,813	5,017,044	20%	1,003,409	8,846,572
Doubtful	6,185,770	3,776,091	50%	1,888,046	688,709
Bad/loss	165,990,528	29,609,383	100%	29,609,383	45,284,497
	192,338,111	38,402,518		32,500,837	54,819,778
Total provision required				82,622,153	104,557,796
Total provision maintained				150,916,653	153,895,802
Total provision surplus				68,294,500	49,338,006

As at 31 December	2014	2013
8.10 Particulars of loans and advances		
including bills purchased and discounted		
Loans considered good in respect of which the Company is fully secured	1,464,221,861	1,254,144,148
Loans considered good for which the Company holds no other security other than the debtor's personal guarantee	2,118,946,123	2,078,400,151
Loans considered good and secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtors	2,093,622,809	2,412,966,444
Loans adversely classified; provision not maintained there against	-	-
	5,676,790,793	5,745,510,743
Loans due by directors or officers of the Company or any of them either separately or jointly with any other persons *	19,375,455	22,277,714
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*	19,375,455	22,277,714
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)	2,991,501	3,863,002
Amount of classified loans on which interest has not been charged	165,990,528	258,203,494
Increase/(decrease) in specific provision	(22,318,941)	(45,190,283)
Amount of loan written off during the year	60,637,932	217,098,297
Amount realized against loan previously written off	69,482,960	75,738,172
Amount of provision kept against loan classified as 'bad/loss' on the date of preparing the balance sheet	29,609,383	45,284,498
Interest creditable to the interest suspense account (during the year)	20,114,021	10,637,144
<i>* Amount represents loans to employees of the Company only.</i>		
a) Cumulative amount of written off loan		
Opening balance	670,411,513	605,519,822
Add: Amount written off during the year	60,637,932	217,098,297
	731,049,445	822,618,119
Less: Adjustment/recovered during this year	116,863,589	152,206,606
Balance as on 31 December	614,185,856	670,411,513
b) Amount of written off loan for which lawsuit has been filed for its recovery	614,185,856	670,411,513

As at 31 December	Note	2014	2013
9. Fixed assets including land, building, furniture and fixtures			
Land		129,240,000	75,684,163
Building		20,922,500	
Motor vehicles		32,690,044	31,374,745
Furniture and fixtures		33,964,876	29,550,148
Equipment and appliances		63,138,083	37,591,445
Accounting software		16,398,750	2,398,750
		296,354,253	176,599,251
Less: Accumulated depreciation		72,223,352	89,798,816
		224,130,901	86,800,435
Capital work in progress		-	21,026,860
		224,130,901	107,827,295
Details are shown in Annexure-A.			
10. Other assets			
<i>Non-income generating other assets</i>			
Stationery, stamps, printing materials in stock		108,849	97,715
Advance rent and advertisement		5,187,621	7,552,593
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures and other income receivable		30,815,053	31,686,492
Security deposits		1,222,410	716,160
Preliminary expenses, formation and organization expenses, renovation/development expenses and prepaid expenses		263,162	400,227
Branch adjustment		-	-
Suspense account		-	-
Silver		-	-
Others	10.1	264,971,490	238,829,143
		302,568,585	279,282,330
10.1 Others			
Advance tax	10.1.1	252,139,987	227,764,984
Deferred tax assets	10.1.2	6,240,947	5,645,244
Sundry assets	10.1.3	6,590,556	5,418,915
		264,971,490	238,829,143
10.1.1 Advance tax			
Advance payment of tax represents corporate income tax paid to the Government Exchequer by way of advance tax under section 64 and tax deducted at sources from different heads of income by the third parties and tax paid under section 74 of the Income Tax Ordinance 1984, which would be adjusted with the corporate tax liability of the Company.			
10.1.2 Deferred tax assets			
Deferred tax assets have been recognised in accordance with the provision of 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 assets is as follows:			
Deductible temporary differences			
Gratuity provision		14,684,582	13,282,926
Specific provision		-	-
		14,684,582	13,282,926
Tax rate		42.50%	42.50%
Deferred tax assets		6,240,947	5,645,244
Movement of deferred tax assets is as follows:			
Balance as at 1 January		5,645,244	4,697,206
Add: Credited to profit and loss account as income		595,703	948,038
Balance as at 31 December		6,240,947	5,645,244

As at 31 December	Note	2014	2013
10.1.3 Sundry assets			
City corporation tax		135,628	138,140
Hosna Centre Owners' Society		583,050	583,050
Advance others		5,871,878	4,697,725
		6,590,556	5,418,915
11. Non financial institutional assets			
		3,752,405	3,752,405
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.			
12. Borrowings from other banks, financial institutions and agents			
In Bangladesh	12.1	398,377,801	413,976,376
Outside Bangladesh		-	-
		398,377,801	413,976,376
12.1 In Bangladesh			
<i>Unsecured</i>			
Long term loan			
The UAE-Bangladesh Investment Company Ltd.		12,789,088	21,743,142
Borrowing under Refinance Project (scheme JICA assisted ESPDSME)		5,637,500	-
		18,426,588	21,743,142
<i>Secured</i>			
Bank overdraft			
Prime Bank Ltd.		59,951,213	85,176,244
Mercantile Bank Ltd.		-	47,056,990
		59,951,213	132,233,234
Money at call and short notice			
Standard Bank Ltd.		50,000,000	40,000,000
Dhaka Bank Ltd.		100,000,000	-
BASIC Bank Ltd.		-	50,000,000
The Farmers Bank Ltd.		-	50,000,000
Dutch-Bangla Bank Ltd.		-	60,000,000
The City Bank Ltd.		170,000,000	60,000,000
		320,000,000	260,000,000
		398,377,801	413,976,376
12.2 Residual maturity grouping of borrowings from other banks, financial institutions and agents			
Repayable on demand		320,000,000	260,000,000
Within one month		59,951,211	-
Over one month but within three months		2,921,382	38,140,334
Over three months but within twelve months		9,206,483	100,906,692
Over one year but within five years		6,298,725	14,929,350
Over five years		-	-
		398,377,801	413,976,376
13. Deposits and other accounts			
Inter-bank deposits		-	-
Other deposits	13.1	3,997,390,887	4,427,093,408
		3,997,390,887	4,427,093,408

As at 31 December	Note	2014	2013
13.1 Residual maturity grouping of deposits and other accounts			
Repayable on demand		-	-
Within one month		204,037,844	183,461,427
Over one month but within six months		1,049,920,816	668,793,386
Over six months but within one year		680,057,803	1,891,818,528
Over one year but within five years		1,982,290,641	1,636,381,228
Over five years but within ten years		81,083,783	46,638,839
		3,997,390,887	4,427,093,408

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

14. Other liabilities

Cumulative provision for loans, advances, leases and investments	14.1	226,608,952	216,239,280
Cumulative interest and dividend suspense	14.2	41,438,746	53,165,131
Provision for gratuity	14.3	14,684,582	13,282,926
Dividend payable		33,126,916	7,088,305
Provision for corporate tax	14.4	408,103,589	225,220,631
Receipts against lease	14.5	46,364,536	36,086,227
Provision for finance charge	14.6	231,010,031	252,071,107
Withholding tax and VAT		11,436,305	7,761,895
Liabilities for special accounts	14.7	19,421,867	22,425,305
Provision for expense	14.8	9,762,775	4,009,842
Deferred tax liabilities	14.9	6,415,064	14,608,087
Account payable for purchase of office equipment		7,912,992	924,520
		1,056,286,355	852,883,256

14.1 Cumulative provision for loans, advances and investment

14.1.1 Specific provision for bad and doubtful loans and advances

Opening balance		54,819,778	100,010,062
Add: Recoveries of amounts previously written-off			
Specific provision for the year	38	29,433,112	91,500,755
Less: Fully provided debt written-off		39,945,870	136,691,039
Closing balance		44,307,020	54,819,778

14.1.2 General provision against unclassified loans, advances, leases and investment

Opening balance		99,076,024	90,462,129
Add: Provision made during the year	38	7,533,622	8,678,283
		106,609,646	99,076,024
Less: Adjustment during the year		13	64,388
Closing balance		106,609,633	99,076,024
Total specific and general provision of loans		150,916,653	153,895,802

14.1.3 Provision for investments

Opening balance		62,343,478	79,192,604
Add: Provision made/(release) for investment in share	38	-	(19,902,026)
Add: Marking to market provision on Govt. securities		13,348,821	3,052,900
Total provision made/(release) during the year		13,348,821	(16,849,126)
Closing balance		75,692,299	62,343,478
Total specific and general provision of loans, advances and investment		226,608,952	216,239,280

Break up of cumulative provision for loans, advances and investment:

Provision for loans, advances and leases		150,916,653	153,895,802
Provision for investments in equity		18,170,869	18,170,869
Provision for marking to market of Govt. securities		57,521,430	44,172,609
		226,608,952	216,239,280

As at 31 December	2014	2013
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14.2 Cumulative interest and dividend suspense

Opening balance	53,165,131	129,472,462
Add: Amount transferred to suspense account during the year	20,114,021	10,637,144
	73,279,152	140,109,606
Less: Amount recovered from suspense account during the year	8,393,094	6,599,580
	64,886,058	133,510,026
Less: Amount written-off/waiver during the year	23,447,312	80,344,895
Closing balance	41,438,746	53,165,131
Break up of cumulative interest and dividend suspense:		
Interest suspense against loans, advances and leases	38,332,212	50,147,364
Dividend suspense against investment in redeemable preference shares	3,106,534	3,017,767
	41,438,746	53,165,131

14.3 Provision for gratuity

This liability represents provision for staff gratuity up to 31 December 2014. The company had provided full provision for gratuity at the rate of one month's basic salary for each completed year of service.

Opening balance	13,282,926	11,052,250
Add: Provision made during the year	3,713,656	2,576,676
	16,996,582	13,628,926
Less: Payment during the year	2,312,000	346,000
Closing balance	14,684,582	13,282,926

14.4 Provision for corporate tax

Provision for current 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. Current tax rate for the company is 42.50% on its business income.

Opening balance	225,220,631	126,791,790
Add: Provision made during the year	182,882,958	98,428,841
Closing balance	408,103,589	225,220,631

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 High Court Division of the Supreme Court. However, the Honorable High Court passed its decisions in favor of the company in 2014 against all these cases. Income tax return for the year 2009, 2010, 2011, 2012 and 2013 have been duly submitted under section 82BB (Universal Self Assessment) of Income Tax Ordinance 1984.

14.5 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	36,086,227	27,313,330
Add: Receipts during the year	22,760,949	17,813,748
	58,847,176	45,127,078
Less: Adjusted during the year	12,482,640	9,040,851
Closing balance	46,364,536	36,086,227

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

14.6 Provision for finance charge

Accrued interest expenses on term deposits	230,412,937	251,696,581
Accrued interest expenses on long term borrowings	597,094	374,526
	231,010,031	252,071,107

14.7 Liabilities for special accounts

Account payable special account - IPO	1,118,356	1,118,356
Account payable special account - DEG	15,640,920	16,381,424
Account payable special account - other	2,662,591	4,925,525
	19,421,867	22,425,305

As at 31 December	2014	2013
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14.9 Deferred tax liabilities

i) Taxable temporary differences		
Fixed assets including furniture and fixtures	3,715,385	10,744,177
Revaluation reserve on office premises	-	-
Net taxable temporary differences	3,715,385	10,744,177
Tax rate	42.50%	42.50%
Deferred tax liability	1,579,039	4,566,275
ii) Deferred tax liability on land revaluation		
Revaluation reserve on building	5,296,999	3,307,891
Tax rate	42.50%	42.50%
Deferred tax liability	2,251,225	1,405,854
Revaluation reserve on land	129,240,000	20,319,901
Tax rate	2.00%	42.50%
Deferred tax liability	2,584,800	8,635,958
Total deferred tax liability on revaluation	4,836,025	10,041,812
Total deferred tax liability (i+ii)	6,415,064	14,608,087
Movement of deferred tax liabilities is as follows:		
Balance as at 1 January	14,608,087	12,295,227
(Credited)/ charged to profit and loss account as (income)/ expenses	(2,987,236)	2,312,860
Credited to assets revaluation reserve	(5,205,787)	-
Balance as at 31 December	6,415,064	14,608,087

15. Share capital**Authorized**

400,000,000 ordinary shares of Taka 10 each	4,000,000,000	4,000,000,000
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Issued, subscribed and fully paid up

114,773,158 (2013: 104,339,235) ordinary shares of Tk 10 each	1,147,731,580	1,043,392,350
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Paid up capital as at 31 December 2014 is made up of 25,701,400 ordinary shares paid up in cash and 89,071,758 ordinary shares through issuance of bonus shares.

15.1 Paid up capital of the Company is held as follows:**Foreign**

Aga Khan Fund for Economic Development (AKFED)	585,942,130	532,674,670
Others	600	550
	585,942,730	532,675,220

Domestic

Government of the People's Republic of Bangladesh (GoB)	251,118,680	228,289,710
General shareholders	310,669,810	282,420,490
Others	360	6,930
	561,788,850	510,717,130
	1,147,731,580	1,043,392,350

As at 31 December	2014	2013
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15.2 Number of ordinary shares and percentage of holding are as follows:

	2014		2013	
	Number	% of holding	Number	% of holding
Foreign				
AKFED	58,594,213	51.05	53,267,467	51.05
Others	60	0.00	55	0.00
	58,594,273	51.05	53,267,522	51.05
Domestic				
GoB	25,111,868	21.88	22,828,971	21.88
General shareholders	31,066,981	27.07	28,242,049	27.07
Others	36	0.00	693	0.00
	56,178,885	48.95	51,071,713	48.95
	114,773,158	100.00	104,339,235	100.00

15.3 Composition of shareholding was as follows:

	No. of shares	
	2014	2013
Institutional shareholding (including GoB)	98,108,052	88,315,675
Individual shareholding	16,665,106	16,023,560
	114,773,158	104,339,235

15.4 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	5,696	724,794	0.63%
501 to 5,000 shares	3,380	5,181,936	4.51%
5,001 to 10,000 shares	319	2,272,231	1.98%
10,001 to 20,000 shares	158	2,208,317	1.92%
20,001 to 30,000 shares	43	1,063,628	0.93%
30,001 to 40,000 shares	24	818,841	0.71%
40,001 to 50,000 shares	21	962,472	0.84%
50,001 to 1,00,000 shares	32	2,199,576	1.92%
1,00,001 to 1,000,000 shares	26	6,858,946	5.98%
over 1,000,000	6	92,482,417	80.58%
Total	9,705	114,773,158	100.00%

The shares are listed in both Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. since 3 December 2006 and traded at Tk. 18.20 and Tk. 17.90 at the close of 31 December 2014 at Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. respectively.

15.5 Capital adequacy ratio

In accordance with the Financial Institutions Rules 1994 and Bangladesh Bank's DFIM circular no. 05 dated 24 July 2011, every Non-Banking Financial Institution which is registered in Bangladesh has to increase its paid up capital to Tk. 1,000 million within 30 June 2012. The Company fulfilled this condition within the stipulated time and as at 31 December 2014, total capital of the Company was Tk. 2,178.31 million out of which paid up capital is Tk. 1,147.73 million.

In accordance with Bangladesh Bank's DFIM Circular no. 14 dated 28 December 2011 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 2014 the CAR of the Company is 26.39% against the required CAR of 10%. Details are as follows:

As at 31 December	2014	2013
Tier -1 Capital (A)	2,164,721,349	2,051,384,835
Tier -2 Capital (B)	168,316,300	94,499,717
Eligible capital (C=A+B)	2,333,037,649	2,145,884,552
Total risk weighted assets	8,840,465,514	8,809,779,155
Minimum capital requirement	1,000,000,000	1,000,000,000
Capital surplus	1,333,037,649	1,145,884,552
Capital adequacy ratio	26.39%	24.36%
16. Share premium	167,014,000	167,014,000

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 2014 total number of shares would be 16,701,400 @ Tk. 10 per share as the Company 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.

17. Statutory reserve

This comprises of 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.

Balance as at 1 January	251,618,993	223,222,211
Add: Transferred from profit during the year	33,101,226	28,396,782
Balance as at 31 December	284,720,219	251,618,993

18. Assets revaluation reserve

IPDC owns real estate property (commercial space including car parking) for its own use as Office Premises situated at Hosna Center (4th floor), 106 Gulshan Avenue, Dhaka. This property has been revalued to present at fair value in accordance with BAS 16: Property, Plant and Equipment which requires regular valuation of property to ensure that the value reflects current market condition.

The Property was last revalued in 2005 and since then significant changes took place in local real estate market, as a result with the consent of the Board of Directors of IPDC, Hoda Vasi Chowdhury & Co (HVC) as professionally qualified valuer has conducted the assignment of valuation for determining the fair value of the Property, which has subsequently conveyed to management for incorporating in the financials of 2014 after being adopted in the Board. Total revaluation reserve of Taka 108,294,972 has been included in land and building.

Opening balance	13,585,980	13,585,980
Revaluation during the year	93,233,926	-
Land	15,061,046	-
Building	(845,371)	-
Adjustment of deferred tax liability for revaluation reserve on building	6,051,158	-
Deferred tax liability on land revaluation	127,086,739	13,585,980
Closing balance		

19. Retained earnings

Balance as at 1 January	589,359,492	580,111,599
Net profit after tax	165,506,131	141,983,910
Transfer to statutory reserve	(33,101,226)	(28,396,782)
Payment of dividend	(52,169,617)	(104,339,235)
Issuance of bonus shares	(104,339,230)	-
Balance as at 31 December	565,255,550	589,359,492

20. Letters of guarantee

Director	-	-
Government	-	-
Bank and financial institutions	5,590,000	5,590,000
Others	-	-
	5,590,000	5,590,000

Letter of guarantee has been issued by Habib Bank Limited on our behalf in favor of Titas Gas Transmission and Distribution Company Limited on account of our client M/s Hossain & Sons.

For the year ended 31 December	Note	2014	2013
21. Particulars of profit and loss account			
<i>Income</i>			
Interest, discount and other similar income	22	929,287,424	932,008,095
Dividend income	24	30,597,960	31,045,048
Fees, commission and brokerage	25	5,636,658	9,247,360
Gains less losses arising from dealing securities	24	56,214,855	56,197,965
Gains less losses arising from investment securities		-	-
Gains less losses arising from dealing in foreign currencies		-	-
Income from non financial institutional assets		-	-
Other operating income	26	71,394,084	77,472,120
Profit less losses on interest rate changes		-	-
		1,093,130,981	1,105,970,588
<i>Expenses</i>			
Expenses related with deposits, fee, commission etc.	23	513,098,917	627,680,621
Losses on loans and advances		-	-
Administrative expenses	27	164,858,348	138,685,556
Other operating expenses		-	-
Depreciation on fixed assets	36.1	20,052,011	14,496,926
		698,009,276	780,863,103
Profit before provision		395,121,705	325,107,485
22. Interest income			
<i>Interest income on loans, leases and advances</i>			
Interest on lease finance		288,891,947	266,153,757
Interest on long term finance		430,541,775	472,251,694
Interest on short term finance		29,916,123	50,290,239
Interest on channel finance		35,287,225	22,673,216
Interest on mortgage finance		11,789,616	6,739,705
Interest on secured finance		17,611,301	24,805,564
Interest on auto loan		38,651,437	25,090,769
Interest income on staff loan		1,875,759	1,778,689
		854,565,183	869,783,633
<i>Interest income on balance with other banks and financial institutions</i>			
Interest on fixed deposits		50,855,254	40,343,206
Interest on overnight and treasury placements		22,986,542	20,427,569
Interest on STD accounts		880,445	1,453,687
		74,722,241	62,224,462
		929,287,424	932,008,095
23. Interest paid on deposits and borrowings etc.			
Interest expenses on term deposits		499,831,480	603,676,091
Interest expenses on borrowings	23.1	13,267,437	24,004,530
		513,098,917	627,680,621
23.1 Interest expenses on borrowings			
<i>Local Banks and financial institutions</i>			
Interest expenses on long term loan		2,267,318	3,148,364
Interest expenses on call loan borrowing		10,810,782	16,637,110
Interest expenses on bank overdrafts		189,337	244,741
Interest expenses on Repo borrowings		-	3,974,315
		13,267,437	24,004,530
<i>Foreign Banks and financial institutions</i>			
Interest expenses on long term lines of credit		-	-
		13,267,437	24,004,530

For the year ended 31 December	Note	2014	2013
24. Investment income			
<i>Dividend income</i>			
Dividend income on cumulative preference shares		29,922,836	30,742,052
Dividend income on listed shares		124	2,996
Dividend income on un-listed shares		675,000	300,000
		30,597,960	31,045,048
<i>Interest on treasury bills, bonds and debentures</i>			
Interest income on Govt. treasury bonds		38,114,855	38,020,210
Interest income on corporate bonds		18,100,000	17,975,478
		56,214,855	55,995,688
Capital gain on sale of listed shares		-	202,277
		56,214,855	56,197,965
		86,812,815	87,243,013
25 Commission, exchange and brokerage			
Fees income	25.1	5,636,658	9,247,360
		5,636,658	9,247,360
25.1 Fees income			
Appraisal, feasibility study fees and documentation fees		5,636,658	9,217,360
Restructuring/renewal fees		-	30,000
		5,636,658	9,247,360
26. Other operating income			
Transfer price/sale of leased assets		135,405	475,112
Other earnings		495,720	181,951
Loan loss recovery		69,482,960	75,738,172
Gain on sale/adjustment of fixed assets	26.1	1,279,999	1,076,885
		71,394,084	77,472,120
26.1 Gain on sale/adjustment of fixed assets			
Some items of fixed assets which were impaired, sold or adjusted during the year as under:			
Sale proceeds		3,380,000	3,446,000
Cost price of the sold/adjusted items		4,604,000	14,467,607
Less: Accumulated depreciation		2,503,999	12,098,492
Written down value		2,100,001	2,369,115
Gain on sale of fixed assets		1,279,999	1,076,885
27. Administrative expenses			
Salary and allowances	28	82,353,556	76,520,759
Rent, taxes, insurance, electricity, etc.	29	13,235,518	12,064,232
Legal expenses	30	20,566,503	7,772,088
Postage, stamp, telecommunications, etc.	31	3,055,616	2,911,842
Stationery, printing, advertisements etc.	32	12,613,516	8,918,246
Managing Director's salary and allowances	33	7,879,996	6,879,996
Directors' fees	34	3,536,254	3,174,589
Auditors' fees (including VAT)	35	460,000	442,750
Repair and maintenance	36.2	6,165,987	6,227,494
Other expenses	37	14,991,402	13,773,560
		164,858,348	138,685,556
28. Salary and allowances		82,353,556	76,520,759
28.1 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 105 at the end of 2014 as against 107 in 2013.			

For the year ended 31 December	Note	2014	2013
29. Rent, taxes, insurance, electricity, etc.			
Office rent		6,669,569	5,740,822
Rates and taxes		253,792	249,225
Insurance		2,249,450	2,170,744
Utilities - electricity, gas, water etc		4,062,707	3,903,441
		13,235,518	12,064,232
30. Legal expenses			
Professional fees		16,667,035	4,783,454
Legal document, court fees etc.		3,899,468	2,988,634
		20,566,503	7,772,088
31. Postage, stamp, telecommunications, etc.			
Postage, stamps etc.		286,504	466,244
Telephone		1,021,959	741,598
Internet expenses		1,747,153	1,704,000
		3,055,616	2,911,842
32. Stationery, printing, advertisements etc.			
Printing and stationery		1,552,867	1,344,009
Publicity and advertisement		11,060,649	7,574,237
		12,613,516	8,918,246
33. Managing Director's salary and allowances			
Basic salary		4,200,000	4,200,000
House rent allowance		360,000	360,000
Medical allowance		150,000	150,000
Festival Bonus		700,000	700,000
Performance bonus		1,000,000	-
Leave fare assistance		699,996	699,996
Company's contribution to provident fund		420,000	420,000
Gratuity		350,000	350,000
		7,879,996	6,879,996
34. Directors' fees			
Honorarium for attending meeting		425,500	581,500
Incidental expenses for attending meeting		3,110,754	2,593,089
		3,536,254	3,174,589
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. In addition, as per policy the Company also bears travelling, accommodation and other related costs of Directors who attend Board Meeting from overseas.			
35. Auditors' fees			
Auditors' remuneration for statutory annual audit		460,000	442,750
		460,000	442,750
36. Depreciation and repair of assets			
Depreciation	36.1	20,052,011	14,496,926
Repair and maintenance	36.2	6,165,987	6,227,494
		26,217,998	20,724,420
36.1 Depreciation			
Building		3,925,081	3,925,081
Motor vehicles		5,490,587	3,160,077
Furniture and fixtures		1,548,664	2,804,735
Equipment and appliances		7,188,099	4,207,658
Accounting software		1,899,580	399,375
		20,052,011	14,496,926
Details are shown in Annexure-A			

For the year ended 31 December	Note	2014	2013
36.2 Repair and maintenance			
Office premises		252,064	480,189
Vehicles		4,818,776	4,397,835
Office equipments		1,095,147	1,349,470
		6,165,987	6,227,494
37. Other expenses			
Staff training		1,804,068	2,232,729
Membership fees, subscription and donations		1,604,855	1,554,885
News papers, periodicals, learning materials etc.		144,343	81,144
Recruitment expenses		55,036	88,703
Traveling, conveyance and hotel expenses		2,327,528	2,046,279
Entertainment and public relation		1,291,766	993,588
Annual General Meeting expenses		3,583,123	2,475,015
Security and cleaning services		2,589,438	2,479,414
Sundry office maintenance		1,338,075	1,555,395
Other operational expenses		253,170	266,408
		14,991,402	13,773,560
38. Provision for loans and advances			
Provision for classified loans and advances		29,433,112	91,500,755
Provision for unclassified loans and advances		7,533,622	8,678,283
		36,966,734	100,179,038
Break up of provision for loans, advances and investment			
Provision for loans and advances		36,966,734	100,179,038
Add: Provision made/(release) for investment in share		-	(19,902,026)
Add: Marking to market provision on Govt. securities		13,348,821	3,052,900
Provision made during the year		50,315,555	83,329,912
39. Deferred tax expense/(income)			
Income on deductible temporary differences		(595,703)	(948,038)
(Income)/ expenses on taxable temporary differences		(2,987,236)	2,312,860
		(3,582,939)	1,364,822
40. Earnings per share (EPS)			
Basic earnings per share has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year ended 31 December 2014 as per Bangladesh Accounting Standard (BAS) 33: <i>Earnings per share (EPS)</i> .			
Net profit after tax		165,506,131	141,983,910
Weighted average number of outstanding shares		114,773,158	114,773,158
Basic earning per share (2013 restated)		1.44	1.24
Diluted Earnings Per Share (DEPS)			
No DEPS is required to be calculated since there was no scope for dilution of share during the year under review.			
41. Board meetings			
During the year 2014 a total of 4 (four) Board Meetings were held (2013: 5).			
42. Events after the balance sheet date			
The Board of Directors of the Company in its 140 th meeting held on 25 February 2015 recommended 5% (Five percent) cash dividend and 10% (Ten percent) stock dividend.			

43. Disclosure on Audit Committee of the Board

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 the company	Status with the committee	Educational qualification
i)	Mr. Salahdin Irshad Imam	Independent Director	Chairman	B.A. Hons, Harvard University
ii)	Mr. Amin H. Manekia	Director	Member	MBA (major in Finance & Marketing), Babson College, USA
iii)	Ms. Afroza Khan	Director	Member	Master of Soil, Water and Environment, University of Dhaka; Master of Public Health, University of North Carolina, USA
iv)	Ms. Ashraf Ali	Director	Member	Master of Political Science, University of Dhaka
v)	Mr. Altaf Ramzi	Director	Member	Masters in Accounting, University of Karachi

The company secretary acts as secretary to Audit Committee.

The Audit Committee of the Board conducted 4 (four) meetings from 1 January 2014 to 31 December 2014 in which among others, the following salient issues were discussed:

- The Committee reviewed the periodical inspection reports 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 also reviewed and approved the audit plan of the Company;
- The Committee reviewed the draft financial statements for the year 2013 and after discussion with the external auditors, recommended it to the Board of Directors for its approval;
- The Committee reviewed first quarter, half-year and third quarter ended financial statements for the year 2014 and recommended to the Board;
- The Committee reviewed the management letter issued by the external auditors and management's responses thereto;
- The Committee reviewed the Certificate on Corporate Governance issued by the auditors for the year ended 31 December 2013.
- The Committee reviewed and ascertained the effectiveness of internal control system including financial & operational controls, accounting system and reporting structure;
- 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 for the year ended 31 December 2013 issued by Bangladesh Bank and management action plan against thereof;
- The Committee recommended appointment of external auditors of the Company considering suitability & global acceptability;
- 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.

44. 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 related party/(ies) transactions

Following are the detail of the transactions whereby the related parties are maintaining fixed term deposits with IPDC:

Figures in Taka

Related party	Relationship	Nature of transaction	Outstanding balance	
			2014	2013
Aga Khan Education Bangladesh Services, Bangladesh	This is a part of Aga Khan Development Network - AKDN	Term Deposit Receipt	312,801,568	233,547,506
Aga Khan Foundation, Bangladesh	This is a part of Aga Khan Development Network - AKDN	Term Deposit Receipt	288,495,700	254,760,000
Industrial Promotion Services (Bangladesh) Ltd.	This is a part of Aga Khan Fund for Economic Development - AKFED	Term Deposit Receipt	20,749,714	19,708,745
Ismailia Co-Operative Society Ltd	Mr. Altaf Ramzi - Director of Ismailia Co-Operative Ltd. Ms. Ashraf Ali Director of Ismailia Co-Operative Ltd.	Term Deposit Receipt	92,783,384	69,176,061
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	22,097,842	22,042,797
Ms. Nurjahan Ajanee	Spouse of Mr. Sulaiman Ajanee - Chairman of IPDC	Term Deposit Receipt	1,356,886	1,177,150
World Com. Ltd.	Mr. Sulaiman Ajanee is the Managing Director of World Com. Ltd	Term Deposit Receipt	16,037,517	32,375,420
Ms. Ashraf Ali	Ms. Ashraf Ali is the Nominee Director of IPDC	Term Deposit Receipt	3,600,000	3,600,000
Mr. Nizar Ali	Mr. Nizar Ali, spouse of Ms. Ashraf Ali - Nominee Director of IPDC	Term Deposit Receipt	500,000	500,000
Mr. Alauddin A. Majid	Former-Independent Director resigned during 2014	Term Deposit Receipt	-	3,000,000
		Secured Loan	-	251,361
Mr. Mominul Islam	Managing Director & CEO of IPDC	Term Deposit Receipt	1,619,597	1,375,628
		Home loan	9,743,703	10,268,247
		Employee Loan	454,992	377,728
		Secured Retail Loan	478,246	1,017,136

45. Directors information

45.1 Name of the Directors and the entities in which they have interest as at 31 December 2014

Name	Status with the IPDC		Firms/companies in which they have interest	
	Position	Nominated by	Name	Position
Mr. Sulaiman Ajanee	Chairman	AKFED	His Highness Prince Aga Khan Shia Imami Ismaili Council for Bangladesh	President
			Aga Khan Foundation, Bangladesh	Vice Chairman
			World Com. Ltd.	Managing Director
			Standard Finis Oil Company	Managing Partner
Ms. Afroza Khan	Director	GoB	Training Institutes for Chemical Industries (TICI).	Director
Dr. Muzibur Rahman Howlader	Director	GoB	University Grant Commission	Member
			Bangladesh Planning Training Academy	Member
Mr. Altaf Hussain	Director	AKFED	None	N/A
Mr. Altaf Ramzi	Director	AKFED	Ismailia Co-operative Society, Dhaka	Director
			Signet Enterprises Ltd.	Director
			Scotia Services Ltd.	Director
			Apparel Connection	Director
Mr. Amin H. Manekia	Director	AKFED	IVP Ltd. India.	Director
			DCB Bank Ltd., India	Director
Mr. Shaffiq Dharamshi	Director	AKFED	Diamond Trust Bank (Uganda)	Director
			Diamond Trust Bank (Tanzania)	Director
			DCB Bank Ltd., India	Director
			Aga khan Fund for Economic Development (AKFED)	Head of Banking
Ms. Ashraf Ali	Director	AKFED	Form Icon Limited	Advisor
Mr. Salahdin Irshad Imam	Independent Director	N/A	Panigram Resort Ltd.	Chairman
			Radius Enterprises	Proprietor
			Tiger Tours Ltd.	Member
			Tropical Conservation	Chairman
			Arannayk Foundation	Chairman
			Brotee (NGO)	Member
Ms. Nasreen Sattar	Independent Director	N/A	Consumark Limited	Chairman
Mr. Mominul Islam	Managing Director & CEO	Ex-officio	None	N/A

45.2 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

45.3 Shares issued to Directors and Executives without consideration or exercisable at discount None

45.4 Nature, type and elements of transactions with the related party Note No. 44

45.5 Lending policies in respect of related party:

a) Amount of transactions regarding loans and advances, deposits, guarantees and commitment Note No. 44

b) Amount of provision against loans and advances given to related party None

c) Amount of guarantees and commitments arising out of the statement of affairs None

45.6 Investments in securities of the Directors and their related concerns None

Industrial Promotion and Development Company of Bangladesh Limited
Fixed assets including premises, furniture and fixtures

Figures in Taka

Category of asset	Cost					Depreciation/amortisation			Carrying amount as at 31 December 2014	
	Balance as at 1 January 2014	Revaluation reserve	Addition during the year	Adjustment during the year	Disposal during the year	Balance as at 31 December 2014	Charged during the year	Adjustment during the year		Balance as at 31 December 2014
Land	65,088,380	93,233,926	-	29,082,306	-	129,240,000	-	-	-	129,240,000
Building	10,595,783	15,061,046	-	4,734,329	-	20,922,500	29,891,554	3,925,081	33,816,635	20,922,500
Motor vehicles	31,374,745	-	5,919,299	4,604,000	-	32,690,044	11,484,918	5,490,587	2,503,999	18,218,538
Furniture and fixtures	29,550,148	-	4,488,863	74,135	-	33,964,876	22,741,196	1,548,664	66,883	9,741,899
Equipment and appliances	37,591,445	-	26,779,338	1,232,700	-	63,138,083	23,548,649	7,188,099	1,239,958	33,641,293
Accounting software	2,398,750	-	14,000,000	-	-	16,398,750	2,132,499	1,899,580	-	12,366,671
Capital work in progress -Hardware	5,337,695	-	-	5,337,695	-	-	-	-	-	-
Capital work in progress -Software	15,689,165	-	-	15,689,165	-	-	-	-	-	-
Balance as at 31 December 2014	197,626,111	108,294,972	51,187,500	60,754,330	-	296,354,253	89,798,816	20,052,011	37,627,475	224,130,901

Category of asset	Cost					Depreciation/amortisation			Carrying amount as at 31 December 2013		
	Balance as at 1 January 2013	Revaluation reserve	Addition during the year	Adjustment during the year	Disposal during the year	Balance as at 31 December 2013	Charged during the year	Adjustment during the year		Balance as at 31 December 2013	
Office premises	75,684,163	-	-	-	-	75,684,163	25,966,473	3,925,081	-	29,891,554	45,792,609
Motor vehicles	20,911,776	-	19,052,060	8,589,091	-	31,374,745	16,896,243	3,160,077	8,571,402	11,484,918	19,889,827
Furniture and fixtures	29,241,775	-	490,220	181,847	-	29,550,148	20,111,348	2,804,735	174,887	22,741,196	6,808,952
Equipment and appliances	33,413,823	-	5,570,708	1,393,086	-	37,591,445	20,734,073	4,207,658	1,393,082	23,548,649	14,042,796
Accounting software	2,398,750	-	-	-	-	2,398,750	1,733,124	399,375	-	2,132,499	266,251
Capital work in progress -Hardware	-	-	5,337,695	-	-	5,337,695	-	-	-	-	5,337,695
Capital work in progress -Software	-	-	15,689,165	-	-	15,689,165	-	-	-	-	15,689,165
Balance as at 31 December 2013	161,650,287	-	46,139,848	10,164,024	-	197,626,111	85,441,261	14,496,926	10,139,371	89,798,816	107,827,295

Revaluation of office premises

The office premises with proportionate land comprising 16,738 square feet of office space on 4th floor of Hosna Center, 106 Gulshan Avenue, Dhaka-1212, including car parking for 15 cars, had been revalued by an independent professional valuer as at 31 December 2005 and subsequently it has been revalued in 31 December 2014 in line with prevailing market price. Accordingly the fair market value of the premises with proportionate land is stated at Tk. 150,162,500 with a revaluation reserve of Tk. 108,294,972 as at 31 December 2014. Additionally, the land and building has been presented separately based on the valuation report from the latest valuation date.

Industrial Promotion and Development Company of Bangladesh Limited

Highlights on the overall activities of the Company for the years 2014 and 2013

Figures in Taka

Serial no.	Particulars	2014	2013
1	Paid up capital (Taka)	1,147,731,580	1,043,392,350
2	Total capital (Taka)	2,291,808,088	2,064,970,815
3	Capital surplus (Taka)	1,333,037,649	1,145,884,552
4	Total assets (Taka)	7,743,863,131	7,758,923,855
5	Total deposits (Taka)	3,997,390,887	4,427,093,408
6	Total loans and advances (Taka)	5,676,790,793	5,745,510,743
7	Total contingent liabilities and commitments (Taka)	5,590,000	5,590,000
8	Credit deposit ratio	1.42:1	1.30:1
9	Percentage of classified loans and advances	3.39%	5.95%
10	Net profit after tax and provision (Taka)	165,506,131	141,983,910
11	Amount of classified loans and advances at the end of the year (Taka)	192,338,111	342,072,882
12	Provisions kept against classified loan (Taka)	44,307,020	54,819,778
13	Provisions surplus against classified loan (Taka)	68,294,500	49,338,006
14	Cost of fund	11.87%	13.51%
15	Interest earning assets (Taka)	7,128,639,714	7,213,014,823
16	Non-interest earning assets (Taka)	615,223,417	545,909,032
17	Return on investment (RoI)	7.60%	6.94%
18	Return on asset (RoA)	2.14%	1.91%
19	Income from investment (Taka)	86,812,815	87,243,013
20	Earning per share (Taka)	1.44	1.24
21	Net income per share (Taka)	1.44	1.24
22	Price earning ratio (Times)	12.62	16.17

Disclosure on Capital Adequacy and Market Discipline (CAMD)

In accordance with Bangladesh Bank's DFIM Circular no. 14 dated 28 December 2011, the disclosures on capital adequacy and market discipline have been made in line with same circular, which consists of the following three mutually reinforcing pillars:

Pillar I: This prescribes the minimum capital requirements for Credit Risk, Market Risk and Operational Risk.

Pillar II: This prescribes the Supervisory Review Process which is based on the principle that the Company assesses the overall adequacy of its capital and set targets for capital that commensurate with the Company's specific risk profile and control environment.

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

The name of the top corporate entity in the group to which this guidelines apply: IPDC of Bangladesh Ltd.

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

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

Not Applicable

Quantitative Disclosures

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

Not Applicable

B) Capital Structure

Qualitative Disclosures

Summary information on the terms and conditions of the main features of all capital instruments, specially in the case of capital instruments eligible for inclusion in Tier I or in Tier II

As per the guidelines of Bangladesh Bank, Tier - I and Tier - II Capital of the Company consists the following:

Tier - I	Tier - II
Fully Paid-up Capital	General provision
Non repayable share premium account	Revaluation reserves -
Statutory Reserve	- 50% of revaluation reserve of fixed assets
Retained Earnings	- 45% of revaluation reserve on securities
	All other preference shares

Quantitative Disclosures

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

Particulars	Taka in million
Paid-up capital	1,147.73
Non repayable share premium account	167.01
Statutory Reserve	284.72
General Reserve	-
Retained Earnings	565.26
Total Tier - I capital	2,164.72
Total amount of Tier - II Capital	168.30
Other deductions from capital	-
Total eligible capital	2,333.02

C) Capital Adequacy

Qualitative Disclosures

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

IPDC has adopted Standardized Approach for computing Capital Charge for Credit and Market Risk while Basic Indicator Approach for Operational Risk. 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 which is currently 10% 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 million
Capital requirement for Credit Risk	7,961.38
Capital requirement for Market Risk	180.36
Capital requirement for Operational Risk	698.73
<i>Total and Tier I capital ratio - For stand alone</i>	
CAR on Total Capital basis (%)	26.39
CAR on Tier - I Capital basis (%)	24.49

D) Credit Risk

Quantitative Disclosures

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

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

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:

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'.

Special Mentioned Account (SMA) - A term loan which will remain overdue for a period of 90 days or more, are treated as '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 loans and advances	1%
General provision on unclassified SME loans and advances	0.25%
General provision on special mention account	5%
Specific provision on substandard loans and advances	20%
Specific provision on doubtful loans and advances	50%
Specific provision on bad/loss loans and advances	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 which are designed to meet the organizational requirements. These policies represent the minimum standards for credit extension by the Company and these are not a substitute for the experience and prudent judgment. The policy covers corporate, small and medium enterprise. 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 central 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 it 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, at least quarterly, monitor credit exposures and portfolio performance. 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 Managing Director & CEO and other Departmental Heads.

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

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

Particulars	Taka in million
Lease finance	1,413.93
Term loans and advances	3,536.62
Mortgage finance	85.63
Channel finance	256.20
Retail loan	384.41
Total	5,676.79

Geographical distribution of exposures broken down by major types of credit exposure.

Particulars	Taka in million
Dhaka Division	4,731.87
Chittagong Division	887.68
Khulna Division	17.24
Rangpur Division	-
Rajshahi Division	15.04
Sylhet Division	24.96
Total	5,676.79

Industry or counterparty type distribution of exposures, broken down by major type of credit exposure.

Particulars	Taka in million
Agro-based industries	598.93
Banks and non-banking financial institutions	301.89
Chemicals, pharmaceuticals and allied products	213.64
Engineering and building materials	444.12
Food and allied products	414.27
Glass, ceramic and other non-metallic products	48.67
Hotel, tourism and leisure	70.78
Information and communication technologies	37.15
Paper converting and packaging, printing and publishing	323.95
Ready made garments and knitwear	528.21
Social sector	225.50
Tannery, leather and rubber products	-
Textile	624.14
Transport and aviation	212.31
Others	1,633.23
Total	5,676.79

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

Particulars	Taka in million
On demand	-
Upto one month	276.23
More than one month but less than three months	529.68
More than three months but less one year	1,433.90
More than one year but less than five years	3,158.74
More than five years	278.25
Total	5,676.79

By major industry or counterparty type:

- Amount of impaired loans and if available, past due loans, provided separately

Particulars	Taka in million
Gross non-performing assets (NPAs)	192.34
NPAs to gross loans and advances (in %)	3.39%

- Specific and general provisions

Particulars	Taka in million
Provision for unclassified loans and advances	118.42
Provision for classified loans and advances	32.50
Provision for off-balance sheet exposures	-
Total	150.92

- Charges for specific allowances and charge-offs during the period

None

Gross Non Performing Assets (NPAs)

Non Performing Assets (NPAs) to Outstanding Loans & Advances

Movement of Non Performing Assets (NPAs)

Particulars	Taka in million
Opening balance	342.07
Additions	22.75
Deductions	172.48
Closing balance	192.34

Movement of specific provisions for NPAs

Particulars	Taka in million
Opening balance	54.82
Provisions made during the period	29.43
Write-off	(39.95)
Write-back of excess provisions	-
Closing balance	44.31

E) Equities: Banking book position

Qualitative Disclosures

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

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

Investment in equity securities are broadly categorized into two parts:

- Quoted Securities that are traded in the secondary markets (Trading Book Assets.)
- Unquoted Securities that are valued at cost price.

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.

Both quoted and unquoted securities are valued at cost and necessary provisions are maintained if the prices fall below the cost price.

Quantitative Disclosures

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.

Particulars	Taka in million
Quoted shares	7.00
Unquoted shares	11.67

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

Particulars	Taka in million
Total unrealized gains (losses)	-
Total latent revaluation gains (losses)	-
Any amounts of the above included in Tier II capital.	-

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.

- Specific Market Risk: Market value of the investment in equity is Tk. 4.31 million against which capital requirement @ 10% is Tk. 0.43 million
- General Market Risk: Market value of the investment in equity is Tk. 4.31 million against which capital requirement @ 10% is Tk. 0.43 million

F) Interest rate in the banking book

Qualitative Disclosures

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

Interest rate risk is the risk where changes in market interest rates might adversely affect the Company's financial condition. Changes in interest rates affect both the current earnings as well as the net worth of the Company. The short term impact of changes in interest rates is on the Company's Net Interest Income. In long term, changes in interest rates impact the cash flows on the assets and liabilities giving 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 a continuous basis.

Quantitative Disclosures

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

Particulars	Taka in million				
	Within 1month	1 - 2 months	2 - 3 months	3 - 6 months	6 months- 1 Yr
Total Rate Sensitive Liabilities	263.99	205.69	202.99	647.16	686.27
Total Rate Sensitive Assets	634.68	354.84	282.87	1,062.87	640.13
Mismatch	370.69	149.15	79.88	415.70	(46.15)
Cumulative Mismatch	370.69	519.84	599.72	1,015.43	969.28
Mismatch (in %)	140.42%	72.51%	39.35%	64.24%	-6.72%

Interest Rate Risk - Increase in Interest Rate

Particulars	Minor	Moderate	Major
	2%	4%	6%
Change in the Value of Bond Portfolio	(48.40)	(96.80)	(145.20)
Net Interest Income	19.40	38.80	58.20
Revised Regulatory Capital	2,304.00	2,275.00	2,246.00
Risk Weighted Assets	8,840.50	8,840.50	8,840.50
Revised CAP (in %)	26.06%	25.73%	25.41%

G) Market Risk

Qualitative Disclosures

Views of Board of Directors 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.

In addition, ALCO holds monthly meetings on a regular basis for 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

Capital requirements for Market Risk

Particulars	Taka in million
Interest rate risk	17.20
Equity position risk	0.86
Foreign Exchange Position and Commodity risk (if any)	-

H) Operational Risk

Qualitative Disclosures

Views of Board of Directors (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 Directors (BoD) of the Company and its Management firmly believe that this risk through a control based environment in which processes are documented, authorized 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

Capital requirements for operational risk

Particulars	Taka in million
Capital requirements for operational risk	69.87

Disclosure on Green Banking

The Earth is wrapped in a blanket of air called the 'atmosphere', which is made up of several layers of gases. The sun is much hotter than the Earth and it gives off rays of heat (radiation) that travel through the atmosphere and reach the Earth. The rays of the sun warm the Earth, and heat from the Earth then travels back into the atmosphere. Thus the green house effects create serious bad impact on the earth as the atmosphere becomes polluted. The more the pollution the more the bad impact on the earth which ultimately destroys the balance of the world.

Climate change is thus a significant issue for Bangladesh as like other countries in the world. But the effects of climate change are increasingly a risk to the health, economy and the environment of the country; economists are also recognizing that there are financial rewards from controlling climate change and developing a low carbon economy. Bank & Financial Institutions can provide important leadership for the required economic transformation that will provide new opportunities for financing and investment policies as well as portfolio management for the creation of a strong and successful low carbon economy. The bank's green banking activities cover multidimensional areas which include both in-house environment management and undertaking green financing to support green economy.

IPDC is committed to comply with environmental regulation for maintaining ecological as well as social balance and retaining the globe safe habitable for all living beings and their future generation.

IPDC is one of the pioneer financial institutions in the country in implementing Bangladesh Bank's (BB) Green Banking Guidelines in phases. Actions taken by IPDC are given below:

- As per the "Policy Guideline for Green Banking" issued by the GB & CSR Department of Bangladesh Bank on August 11, 2013, the Board of Directors of IPDC adopted the 'Green Banking Policy' in its 137th Meeting held on 14 May 2014.
- IPDC has already formulated Green Banking Unit (GBU) headed by the Head of Corporate Investment.
- IPDC has circulated the 'Green Banking Policy' for all the employee of IPDC. The purpose of this policy is to create awareness for more efficient management of resources and encourage IPDC employees to embrace "green" values by promoting a more environmentally friendly corporate culture, identifying steps for positive environmental action, developing sustainable procurement practices and conservation policies, and facilitating shifts towards a green mindset.
- Beside the Green Banking Policy, the Company uses e-communication system for internal communication, information sharing and employee education. We use IT equipment for conducting Board, Executive Committee and Audit Committee meeting instead of using hard papers. It facilitates notifications, leave management facility and e-attendance for the employees. Most of the communications within the Company has become absolutely online. To further reduce the proportion of paper consumption steps have taken on efficient and economic use of paper, such as both-side printing and reusing paper as much as possible. All of these are significantly saving the usage of paper and thus enabling IPDC to become a more environment friendly organization. Moreover There were some sessions on Green Banking activities arranged by IPDC to create awareness among the employees.
- IPDC is utilizing modern facilities with a view to establish green concept in usual business communications. As part of this, it has created SMS service for providing information to the clients. IPDC encourages its clients to communicate and to send documents through e-mail with a view to avoid printing and paper use.
- IPDC has included Environmental Risk Policy with its regular Credit Manual in line with Credit Risk Management (CRM) guideline. Environmental risk, an innate element of credit risk, needs to be managed properly. With this end in view and in line with the guidelines of Bangladesh Bank (BB), Environmental Risk Management (ERM) Policy of IPDC has been prepared and included in 'Credit Manual' version: 5 dated 19 July 2014, contents of which are to be followed and abided by all concerned and reviewed under Environmental Due Diligence (EDD) checklists.
- Allocation of Fund in the Budget for Green Banking for the amount of BDT 30.00 million (for Green Finance BDT 20.00 million & Climate Risk Fund BDT 10.00 million)
- The Company instructed to its branches to initiate workshop, seminar and customer get together to make aware them regarding their participation towards protection of the environment from different pollution and hazards.

To keep the world livable for human being the function of human being are to be controlled in such a way, so that the temperature can be kept in a tolerable level. To keep the world suitable for the next generation, we have to come under common consensus to protect the world.

As one of the important participant in the country economy, we are committed to ensure proactive and prudent management for the environmental degradation arising from our business activities. We are also committed to comply with all environmental regulation for maintaining ecological as well as social balance and retaining the globe safe habitable for all living beings and their future generation. IPDC is also proactive to reduce its own impact on the environment from operational perspective and we use the green motto RRR that is Reduce, Reuse & Recycle to be more compliant for green banking.

[illegible]



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 33rd Annual General Meeting of the Company to be held on
 Wednesday, May 06, 2015 at 10:00 a.m. in Trust Milonayaton, 545, Old Air Port Road, Jahangir Gate, Dhaka Cantonment, Dhaka-1206
 or at any adjustment thereof.

Signed this.....
 Day of.....2015

Signature of Proxy.....

Signature of Shareholder

Revenue
 Stamp
 Tk. 20.00

BO ID:

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No. of Shares.....

N.B. Important

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 33rd Annual General Meeting of the Company being held on Wednesday, May 06, 2015 at
 10:00 a.m. in Trust Milonayaton, 545, Old Air Port Road, Jahangir Gate, Dhaka Cantonment, Dhaka-1206.

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.