

Annual Report 2013



Beside your Dream ... always

**Industrial Promotion and Development Company
of Bangladesh Limited**



Annual Report 2013

Industrial Promotion and Development Company of Bangladesh Limited

www.ipdcbd.com

Contents

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Notice of the 32nd Annual General Meeting

Notice is hereby given that the 32nd Annual General Meeting of the shareholders of **Industrial Promotion and Development Company of Bangladesh Limited** will be held on May 15, 2014 (Thursday) at 10:00 a.m. at the Conference Hall No. 3 of BRAC-CDM, Rajendrapur, Gazipur to transact the following proceedings:

1. To receive and adopt the Directors' Report, Auditors' Report and Audited Financial Statements of the Company for the year ended December 31, 2013;
2. To declare dividend for the year ended December 31, 2013;
3. To elect Directors;
4. To appoint Auditors and to fix their remuneration;
5. To confirm the appointment of Mr. Shaffiq Dharamshi, Nominee-Director, AKFED;
6. 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 24, 2014

Notes:

- March 27, 2014 shall be considered as the Record Date for entitlement of the Dividend for the year ended December 31, 2013
- Admission into the venue of the AGM will be allowed on submission of the attendance slip.
- Only the shareholders or their appointed proxies will be allowed to attend the meeting.
- A shareholder, intending to appoint a Proxy, must deposit the duly stamped Proxy Form at the Company's registered office no later than 48 hours before the day of the AGM.
- Except the shareholders or valid proxies, no one will be authorized to complete registration process.

Corporate Information

REGISTERED NAME OF THE COMPANY

Industrial Promotion and Development Company of Bangladesh Limited.

LEGAL FORM

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

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

Date of Incorporation:

November 28, 1981

Company Registration No.:

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

Bangladesh Bank License No.:

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

Registered Office:

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

Dhanmondi Branch:

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

Chittagong Branch:

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

Motijheel Branch:

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

Sylhet Branch:

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

Auditors:

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

Corporate Governance Auditors:

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

Tax Consultants:

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

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

Legal Advisors:

A Hossian & Associates
Dr. M. Zahir
A Rahman & Associates
Law & Remedy
Mamun Chowdhury & Associates
Sarder Jinnat Ali

Principal Bankers:

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

Board of Directors



Standing from (Left to Right): Ms. Ashraf Ali, Mr. Alauddin A. Majid, Mr. Md. Nazrul Huda, Mr. Shaffiq Dharamshi, Mr. Mominul Islam- Managing Director & CEO, Mr. Amin H. Manekia, Mr. Altaf Ramzi and Ms. Afroza Khan

Sitting from (Left to Right) : Mr. Jalal Ahmed, Mr. Sulaiman Ajanee- Chairman and Mr. Altaf Hussain

Management Committee



Front Row (Left to Right): Mr. Fazle Quayum - Head of Credit Risk Management, Mr. Md. Zakir Hossen- AGM Operations, Mr. A.F.M. Barkatullah - DMD, Mr. Mominul Islam- MD & CEO, Mr. Mohammad Ruknuzzaman - Head of Corporate Investment, Mr. Dilip Kumar Mandal - CFO

Back Row (Left to Right): Ms. Uzma Tahiya Khan - Human Resources, Mr. Shaheen Ahmed - Head of Special Asset Management, Mr. Kazi Samiur Rahman - Head of Retail Business. Mr. A.S.M. Shahin - Head of SME & MME, Mr. Samiul Hashim - Company Secretary & Head of Legal Affairs, Mr. Rizwan Dawood Shams - Head of Channel Financing

Moments of 31st Annual General Meeting



Honorable Chairman of the Company delivering his speech in the 31st Annual General Meeting



The Board of Directors in the 31st Annual General Meeting



Managing Director & CEO of the Company addressing queries from the shareholders in the 31st Annual General Meeting



One of the Honorable Shareholders addressing in the 31st Annual General Meeting



One of the Honorable Shareholders addressing in the 31st Annual General Meeting



The Board of Directors along with few Shareholders in the 31st Annual General Meeting

Chairman's Message

Bismillahir Rahmanir Rahim

Distinguished Shareholders, Assalaamu A'laikum,

It is a great pleasure and a true honour to welcome you all to the 32nd Annual General Meeting of your Company. To begin with, let me express my heartfelt gratitude and appreciation for your kind patronage and continued trust in the Board and the management of IPDC.

I am pleased to report that 2013 was a year of achievement for your Company due to continued focus on cost containment, effective risk management increased operational efficiency, and above all, concentrating on the Company's sustainable business model in the midst of a turbulent socio-economic landscape. Our performance clearly shows that the Company is forging ahead with a sound business strategy, strong governance and the right leadership for delivering sustainable value proposition to the shareholders.

Being the Chairman of this esteemed organization, I feel an immense sense of pride in IPDC's achievements over the last 32 years. We have ended 2013 with good momentum and the Board remains confident for the times ahead. Though the coming year will bring its own challenges, including changing market scenarios, we will remain focused on achieving long-term success by upholding our core values – innovation, performance, dedication and commitment to provide quality service to our clients.

I want to take this opportunity to extend my sincere gratitude to our valued customers for their continued support and loyalty, all our regulatory bodies for their kind cooperation, the Board of Directors for their leadership and the entire IPDC Team who, in a year of change, has exceeded expectations and delivered positive results for the benefit of all our stakeholders.

Lastly, I want to thank you, our esteem shareholders, for your generous patronage and the unwavering confidence that you have in your Company.

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



SULAIMAN AJANEE

Chairman

Board of Directors

Dhaka, March 16, 2014



Managing Director's Message

Success in difficult times calls for holding true to basic tenets of effective behavior.

During 2013, we produced solid improvements in all the key operational and financial parameters amidst serious disruptions in the economy. IPDC posted Tk. 325.11 million in operating profit for the year, up 56.68% from the previous year, while the Company's pre-tax profit surged by 80.44% to Tk. 241.78 million. 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.

However, there is little room for complacency. We do not only need to meet short term earning targets but we have to also ensure adequate investments for the future for sustainable growth over time. In a sluggish investment climate our credit portfolio grew by 2.86%, somewhat at a lower pace than anticipated. However we have significantly improved the credit quality during the year bringing down Gross Classified Loan ratio to 5.95 % in 2013 from 9.66% in 2012. The Net Classified Loan ratio has also dropped from 3.98 % in 2012 to 2.37% in 2013 with Tk. 49.34 million additional provision kept in the balance sheet on top of regulatory requirement considering uncertain economic condition in 2014. This will help us to withstand any external shocks of considerable magnitude with relative ease. Customer deposits, our core source for external funds, grew by 5.21% in 2013 in line with the credit growth. However, individual deposit grew by impressive 10.94% during the year which remains our strategic priority. Most importantly in 2013 retail customer base has increased by 34.12% which will have significant impact in reducing cost of fund over long term.

With an aim to improve customer service and management efficiency, IPDC undertook the project of Core Financial Software implementation in 2013 which is expected to go live in second quarter of 2014. IPDC re-launched its Company webpage as well as launched its Facebook page at the end of 2013. Going forward digital marketing will remain our preferred route for brand promotion side by side with micro-marketing programs. Human resources remain our key differentiator in the market and we invested significantly in people development in 2013. Total 40 employees participated in local training programs while 6 employees attended overseas training programs; in addition in-house customer service and credit training programs and team building events were arranged. We remain committed to maintaining 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 2014 will be to further develop our capacity in soliciting quality credit proposals and fast-tracking the approval process. On the deposit side we will continue to focus on small ticket deposit mobilization through our micro-marketing initiatives. In 2014 we will also focus on corporate tie-ups for retail business expansion. Implementing responsibility center accounting along with the new financial system will be another key priority which will enhance accountability of revenue and costs at the business unit or functional level and will foster leadership in accelerated growth down the line. IPDC remains committed to distinctively identify itself as the best customer service provider in the financial sector and our pursuit towards this goal will continue in 2014 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.

Sincerely,

MOMINUL ISLAM

*Managing Director & CEO
Dhaka, March 16, 2014*



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, 2013 for your valued consideration, approval and adoption. The Directors' Report has been prepared in compliance with Section 184 of the Companies Act, 1994 and the requirements mandated by the regulatory bodies.

Economy and Market Review 2013

Six years after the financial crisis first made shockwaves around the world, global economic activity slowly gained momentum in the second half of 2013. Despite the improved global financial conditions and reduced short-term risks, there are still dangers lurking beneath the surface with the Euro area barely out of a protracted recession and the standard of living in much of the developed world struggling to rise in an uphill battle against the lingering effects of the financial crisis. Throughout the year, fiscal tightening and political gridlocks over budgetary issues were the main bottlenecks to growth in developed regions; and while monetary policy has been extremely accommodative, it has nevertheless resulted in boosting equity prices rather than stimulating the economy. On the other hand, the economies of least developed countries (LDCs) are expected to grow at a solid pace with a forecast of 5.70 percent in FY 2014-15 following a growth of 5.40 percent in FY2013. This has been in spite of political uncertainty, institutional deficits and lack of infrastructure which are the major obstacles for social and economic development in most LDCs.

In comparison, Bangladesh has remained relatively resilient against the fallout of the global financial crisis. Nevertheless, the economy has experienced a decelerated rate of growth for the third time in a row – rate of growth in Gross Domestic Product (GDP) was 6.71 percent in FY 2010-11, 6.23 percent in FY 2011-12 and declined further to 6.03 percent in FY 2012-13. For FY 2013-14, the rate of growth in GDP has been projected to fall below the decadal average of 6.00 percent to 5.80 percent. This has been largely due to a steep fall in import growth especially in capital machinery, as private sector entrepreneurs remain hesitant in engaging in new projects in the midst of the ongoing political turmoil, and consumer and investment demand falling short of expectations due to the dampened investment appetite in the private sector. The decline in economic growth and historical rate of stagnation in private investment was reflected in other macro-economic correlates in FY2013 including slowdown in revenue collection by the National Board of Revenue (NBR).

During the first eight months of FY2013, the country experienced an increase in money supply due to the government's adoption of monetary policy aimed to increase GDP growth by focusing on productive investment and containing inflation.

However, this was not accompanied by increased flow of credit to the public sector due to the government's lower dependence on the banking system. In addition, excess liquidity in the banking system has negatively impacted the call money rate and also resulted in a downward trend for interest on both deposits and lendings. The continued bearish capital market trend has been further exacerbated by the rising size of loan defaults, incidents of fraud, banking scams and malpractices which have led to the adoption of a web-based integrated supervision system in the banking sector for improved monitoring and control.

The recent trend in the banking sector is not supportive of incremental and sustained economic growth, thus the key challenges for banks and financial institutions going forward will be to appropriately channel excess liquidity arising from the sluggish demand for domestic credit, counter the constraints faced due to uncertain and violent political environment, overcome the challenges created by the nearsighted policies pursued in the last fiscal year and adopt a more prudent approach in terms of operational control.

IPDC Performance Highlights

In the backdrop of adverse socio-economic conditions and growing uncertainties on the political front, IPDC has performed in a way that confirms the inherent soundness of our financial position. Despite the challenging external environment, IPDC's sustainable business model ensures that we proactively manage risks, keep tight control on costs and remain focused on delivering value to our shareholders, supporting our customers and making a positive impact on the communities in which we live and work.

In the year 2013 IPDC made total disbursement of loans and leases of Tk. 3,492.20 million vis-à-vis Tk. 3,316.94 million for the previous year. The gross loan, advance and lease portfolio has increased to Tk. 5,745.11 million at the end of Y2013 from Tk. 5,585.64 million of the prior year reflecting a growth of 2.85 percent. During the year performing loan, advance and lease portfolio witnessed a growth of 7.08 percent while classified portfolio has reduced by 36.60 percent. At the end of the year 2013 the ratio of gross classified loans and leases stood at 5.95 percent as compared to 9.66 percent for the prior year. Net Classified Portfolio has also reduced from 3.98 percent in Y2012 to 2.37 percent in Y2013.

At the end of the year total customer deposits stood at Tk. 4,427.09 million compared to Tk. 4,208.00 million in the previous year with individual deposit growth of 10.94 percent and institutional deposit growth of 0.71 percent. IPDC's reliance on its own sources of funding for loans ensures that the Company is better equipped to withstand volatility in the

Directors' Report (continued)

money market and also allows us to adopt a prudent approach in sanctioning loans only to quality customers at competitive rates.

During Y2013 net interest income increased to Tk. 304.33 million compared to Tk. 236.50 million in the previous year registering a growth of 28.68 percent; while investment income has increased by 24.20 percent from Tk. 70.24 million in Y2012 to Tk. 87.24 million in Y2013. Commission, exchange and brokerage constituting mainly fees income for IPDC, still remains an insignificant part of the revenue stream and showed an upward trend in Y2013 with Tk. 9.25 million compared to Tk. 7.13 million in the past year. In Y2012, other operating income, which mainly constituted loan loss recovery was reported at Tk. 25.25 million and increased significantly to Tk. 77.47 million in Y2013. Overall operating revenue increased to Tk. 478.29 million with a solid growth of 41.03 percent against Tk. 339.13 million in the previous year.

The total operating expenses increased to Tk. 153.18 million in Y2013 from Tk. 131.63 million in Y2012 marking an annual increase of 16.37 percent which remained well below the revenue growth level. As a result, the operating profit of the Company increased to Tk. 325.11 million in Y2013 compared to Tk. 207.50 million of Y2012 with a staggering 56.68 percent year-on-year growth.

Considering the political uncertainties, multilateral challenges and the current market outlook, IPDC continues to adhere to its prudent approach when dealing with the non-performing and high risk credit portfolio. In Y2013 the Company made total provision for loans, leases and investments of Tk. 83.32 million vis-à-vis Tk. 73.50 million of the previous year. Post these provisions on loans, leases and investments profit before tax (PBT) posted a significant positive growth of 80.44 percent and reached Tk. 241.78 million in Y2013 vis-à-vis Tk. 134.00 million in Y2012.

With the significant jump in Profit before Tax and lower level of admissible expenses in the form of loan loss written off, the Company incurred higher tax expenses of Tk. 99.79 million during the year vis-à-vis Tk. 5.39 million in Y2012. After allowing for the provision of corporate tax, IPDC's profit after tax for the year 2013 stood at Tk. 141.98 million compared to Tk. 128.60 million in the year 2012, with moderate growth of 10.40 percent. As such, the Company's Earnings Per Share (EPS) improved to Tk. 1.36 from Tk. 1.23 of Y2012.

Key Operating and Financial Data

Key operating and financial data of at least preceding five years and significant deviation as per requirement of SEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 is presented in Annexure -I as Key Operating Financial Data at page number 14.

Variance between Quarterly vis-à-vis Annual Performance

During the Q1 of Y2013, the Company earned net profit after tax (PAT) of Tk. 14.20 million vis-à-vis Tk. 39.19 million of Q2 and Tk. 17.70 million in Q3 vis-à-vis Tk. 70.69 million in Q4. In Q2, PAT is increased by Tk. 24.99 million due to positive growth of performing portfolio and loan loss recovery income of Tk. 10.00 million from a written off portfolio. On the other hand in Q4, PAT is increased over Q3 due to recovery of Tk. 65.74 million from written off portfolio.

Proposed Dividend and Appropriations of Profit

In the year 2013, the Company's Net Profit After Tax stood at Tk. 141.98 million which is 10.40 percent higher than the previous year. Considering the net profit after tax and the total available profit for distribution after complying with the regulatory requirement, the Board recommended 5 (five) percent cash dividend and 10 (ten) percent stock dividend (i.e. 1 share for 10 shares each) altogether 15 (fifteen) percent dividend for the year ended December 31, 2013 for the approval of Shareholders in 32nd Annual General Meeting scheduled to be held on May 15, 2014.

Taka in million		
	2013	2012
Retained Earnings Brought Forward	475.77	477.23
Net Profit After Tax	141.98	128.60
Profit Available for Appropriation	617.75	605.83
Appropriations		
Transferred to Statutory Reserve (20% of Net Profit After Tax)	28.40	25.72
Proposed 5% Cash and 10% Stock Dividend (Y2012: 10% Cash)	156.51	104.34
Total Appropriation	184.91	130.06
Retained Earnings	432.84	475.77

Risks and Concerns

Risk is the element of uncertainty which may lead to reduction in the Company's value due to changes in the business environment. Management of different types of financial risks is an integral part of the financing business. At IPDC, we are always committed to managing the risks associated with business and delivering high value to our stakeholders by maintaining effective and robust Risk Management System 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.

Directors' Report (continued)

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 Assets Liability Management (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

Credit Risk

Credit risk is the potential 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 concentration 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.

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, the primary risk that arises for a FI is interest rate risk. The immediate impact of changes in interest rates is on the Company's earnings due to changes its Net Interest Margin (NIM).

Liquidity Risk

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

Operational Risk

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

Compliance Risk

Compliance risk is the risk which arises due to legal or regulatory breach. The Company may suffer material financial loss or loss of reputation as a result of its failure to comply with the requirements of relevant laws, regulatory bodies etc.

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.

Related Party Transaction

In the normal course of business, IPDC has entered into various transactions with related parties during the year 2013. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. These transactions have taken place on an arm's length basis and include rendering or receiving of services. The details of related party transactions are disclosed in note number 50 of the Financial Statements.

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 in developing the private sector industrialization in Bangladesh through

Directors' Report (continued)

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- 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.

Directors' Meetings, Attendance and Remuneration

During the year ended December 31, 2013 a total 5 (five) Board Meetings were held and attendance by the Directors along with remuneration paid to them are summarized in Annexure - IV in this annual report at page no 17.

Directors' Report (continued)

Appointment / Re-appointment of Director(s)

As per Article 100 and 101 of the Articles of Association of the Company, the following three Directors will retire from the office of the Company in the 32nd Annual General Meeting and being eligible offered themselves for re-election as per Article 105 of the Articles of Association of the Company.

- Mr. Altaf Hussain - Nominated by AKFED
- Mr. Altaf Ramzi - Nominated by AKFED
- Mr. Shaffiq Dharamshi - Nominated by AKFED

Brief resume of the directors are furnished in Annexure - V of this Annual Report at page no. 18.

Status of Compliance on Corporate Governance

Corporate Governance status in compliance of 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 Commission Ordinance 1969 and DFIM Circular No. 07, dated September 25, 2007, issued by Bangladesh Bank is enclosed in Annexure VI and VII respectively at page no. 21 and 26.

Auditors

Hoda Vasi Chowdhury & Co., Chartered Accountants were reappointed as the statutory auditors of the Company in the 31st Annual General Meeting held on April 25, 2013 for the year 2013 until conclusion of 32nd Annual General Meeting at a remuneration of Tk. 385,000 plus VAT. The auditors will retire in the 32nd Annual General Meeting as per regulations. They are not eligible for re-appointment as they are the auditors of the Company for last consecutive three years. On the basis of the proposal of the Board Audit Committee, the Board recommends to appoint Rahman Rahman Huq, Chartered Accountants the member firm of KPMG International as the auditors of the Company for the year 2014 at a remuneration of Tk. 400,000 plus VAT.

Outlook and Prospects in 2014

On May 30, 2013, global credit rating agency Standard & Poor affirmed 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 the ongoing support of donor agencies and multilateral bodies. In addition, Moody's Investors Service has reaffirmed the country's Ba3 sovereign rating confirming Bangladesh's stable outlook and growth prospects.

Analysis of the country's performance in year 2013 and early signs of the prospects for the coming year reveal that the economy is likely to face both opportunities and risks aftermath of the national elections. Y2014 is likely to remain

challenging for the financial sector due to the dampened investment appetite in the private sector as well as drag from the non-performing loan portfolio. However, acceleration of the infrastructure investments in the public sector may act as a balancing factor ultimately boosting the overall demand in the economy.

Considering the challenges posed by the economy and financial market, IPDC will remain cautious on credit growth, proactively pursue non-performing loan recovery and deploy 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 service experience to all its customers. Our strong performance in 2013 is testimony of our sustainable business model which can withstand the economic and social challenges normally associated with a developing country. Going forward IPDC will continue to focus on strengthening balance sheet and capital position to create greater opportunities for improvement in long-term shareholders 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 better results in 2014 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 and other Government Agencies for their co-operation. Last but not least, the Board has a special note of thanks for the management and employees for their outstanding commitment and tremendous hard work; our customers and clients for giving us the opportunity to serve their needs; and our shareholders for your continued faith in the bright future of your Company.

For and on behalf of the Board of Directors.



Sulaiman Ajanee
Chairman

Key Operating and Financial Data of Preceding Five Years

Taka in million

	2009	2010	2011	2012	2013	Growth (%)
Operational Result						
Operational Income	654.28	567.24	692.58	861.41	1,019.25	18.32%
Financial Expenses	360.22	298.53	431.52	554.66	627.68	13.16%
Operational Expenses	81.04	117.90	133.58	131.63	153.18	16.37%
Operating Profit	216.86	230.30	132.10	207.50	325.11	56.68%
Profit Before Tax	142.42	206.21	139.60	134.00	241.78	80.43%
Net Profit After Tax ¹	136.61	176.20	111.67	128.60	141.98	10.40%
Financial Performance						
Disbursement - Loans, Leases, Advances etc.	1,216.21	1,608.66	1,979.82	3,316.94	3,492.20	5.28%
Outstanding Loans, Leases and Advances	4,548.49	4,150.96	4,325.02	5,585.64	5,745.51	2.86%
Property, Plant and Equipment	73.57	80.69	81.02	76.21	107.83	41.49%
Total Assets	6,042.82	6,241.91	6,761.09	7,114.51	7,758.92	9.06%
Term Deposits	2,329.40	3,180.86	3,798.24	4,208.01	4,427.09	5.21%
Borrowings	782.65	123.84	104.02	29.70	413.98	1293.87%
Total Liabilities and Equity	6,042.82	6,241.91	6,761.09	7,114.51	7,758.92	9.06%
Equity Information						
Shareholders' Equity	1,610.85	1,787.05	1,898.72	2,027.33	2,064.97	1.86%
Paid up Capital	783.92	862.31	948.54	1,043.39	1,043.39	0.00%
Number of Ordinary Shares ²	7,839,162	8,623,078	94,853,850	104,339,235	104,339,235	0.00%
Net Asset Value Per Share (NAV) ³	205.49	207.24	20.02	19.43	19.79	1.85%
Earnings per Share (EPS) ⁴	17.43	18.6	1.07	1.23	1.36	10.57%
Rate of Dividend	10.00%	10.00%	10.00%	10.00%	15%	50.00%
Year end Market Price per Share ⁵	451.00	687.75	31.80	18.00	20.00	11.11%
Market Capitalization ⁶	3,535.46	5,930.52	3,016.35	1,878.11	2,086.78	11.11%
Financial Ratios						
Current Ratio (Times)	1.07	1.06	1.36	1.39	1.18	-15.11%
Debt Equity Ratio (Times)	0.13	0.52	0.26	0.23	0.20	-13.04%
Interest Coverage Ratio (Times)	3.74	11.60	4.70	6.36	7.28	14.47%
Return on Asset	6.19%	3.00%	1.72%	1.85%	1.91%	3.24%
Price Earning Ratio (Times)	31.93	24.28	29.71	14.60	14.70	0.68%
Rate of NPL	27.15%	26.98%	13.04%	9.66%	5.95%	-38.41%
Rate of net NPL	6.42%	8.65%	1.87%	3.98%	2.37%	-40.45%

¹PAT of year 2009 - 2010 has been restated due to adjustment of deferred tax in compliance with Bangladesh Bank circular number DFIM 07 dated July 31, 2011.

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

³NAV for the year 2009-2010 has been calculated using the face value per share of Tk. 100 each.

⁴EPS has been restated for the year 2009 - 2011 due to issuance of bonus shares.

⁵Year end Market Price per Share for the year of 2009-2010 has been considered having face value of Tk. 100 each.

⁶Market Capitalization for the year 2009-2010 has been calculated using Market Price per Share with face value of Tk. 100 each.

Assessment Report on the Going Concern of IPDC

Going concern is one of the fundamental assumptions in the preparation of financial statements. As per the requirements of 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 has made annual assessment for the year ended December 31, 2013 of whether the Company is a going concern, which involves making appropriate inquiries including review of budget and future outcome of inherent risk associated in the business. The management and directors of the Company are satisfied from the following factors that the preparation of Financial Statements for the year ended December 31, 2013 on the basis of going concern assumption is appropriate.

Financial Indications

Positive Net Current Assets

IPDC has favorable net current assets of Tk. 598.29 million as at December 31, 2013 which indicates Company's ability to meet its short term obligations out of the short term assets.

Less Dependency on Borrowings

As at December 31, 2013 total borrowing of the Company was Tk. 413.98 million which is 7.27 percent of the total liabilities which indicate that Company has no dependency on bank borrowings.

Continuous Support from the Depositors

The Company enjoys good relationship with the depositors of the Company and maintains an excellent track record and reputation in settlement of its obligations towards the depositors. As at December 31, 2013 total customer deposits stood at Tk. 4,427.09 million with the growth of 5.21 percent over previous year. This indicates that the Company has been successful in building up confidence amongst the depositors and is very optimistic to further develop it in coming days.

Favorable Key Financial Ratio

Company's financial ratios (Please see the Key Operating and Financial Data at page number 14) reveal the sound financial health and future strength of the Company.

Regular Payment of Dividend

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

Creditability in Settlement of Obligations

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

Growth in Operating Profit

In the year 2013, IPDC achieved 56.68 percent growth in operating profit compared to previous year which reflects its efficiency and success story of its policies.

Growth in Lending Portfolio

In the year 2013 performing portfolio of loans, leases and advances increased by 7.08 percent over 2012 which represents the positive indication of business growth of the Company.

Other Indications

Employee Satisfaction and Working Environment

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

Maintenance of Capital Adequacy Ratio (CAR)

As per DFIM circular number 14 dated December 28, 2011 of Bangladesh Bank regarding Capital Adequacy and Market Discipline for Financial Institutions, each Financial Institution is required to maintain Capital Adequacy Ratio (CAR) at least 10.00 percent of the total risk weighted assets. As at December 31, 2013 CAR of IPDC is 24.36 percent vis-à-vis requirement of 10.00 percent which is 14.36 percent higher than the required CAR.

Strong Equity Base

IPDC is one of the highest equity based Company among the Financial Institutions. As at December 31, 2013 total equity of the Company is Tk. 2,064.97 million which includes paid up capital of Tk. 1,043.39 million. This reflects long term viability and sustainability of the Company.

Changes in Government Policy

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

Based on the review of the major indicators, the management and directors of the Company is of the view that the preparation of the financial statements of the Company for the year ended December 31, 2013 on the basis of going concern assumption is appropriate.

Pattern of Shareholdings as at December 31, 2013

Name	Position	No. of shares
Parent/subsidiary and Directors		
Parent/subsidiary/associates and other related parties	Not Applicable	Nil
Mr. Sulaiman Ajanee, his spouse and minor child	Chairman	11
Mr. Altaf Hussain, his spouse and minor child	Director	11
Ms. Ashraf Ali, her spouse and minor child	Director	11
Mr. Alauddin A. Majid, his spouse and minor child	Director	660
Top Executives		
Mr. Mominul Islam	Managing Director & CEO	Nil
Mr. Dilip Kumar Mandal	Chief Financial Officer (CFO)	Nil
Mr. Samiul Hashim	Company Secretary (CS)	Nil
Mr. Muhammad Sami Ul Hoque	Incharge - Head of Internal Audit (HIA)	Nil
Top Five Executives other than CEO, CFO CS and HIA		
Mr. Abul Fazal Muhammad 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 shareholder	No. of shares	%
Government of the People's Republic of Bangladesh (GoB)	22,828,971	21.88
Aga Khan Fund for Economic Development (AKFED)	53,267,467	51.05

Meeting Attended by the Directors during 2013

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 meetings	Total no. of meetings held during director's tenure	Meetings attended	Remuneration paid for attending the meetings	Total meetings held during director's tenure	Meetings attended	Remuneration paid for attending the meetings	Total remuneration paid in 2013
			Taka			Taka			Taka	Taka
Mr. Sulaيمان Ajanee	5	5	-	-	-	-	-	-	-	Nominated by AKFED
Mr. Md. Nazrul Huda	5	5	25,000	-	-	-	5	5	25,000	50,000
Mr. Alauddin A. Majid	5	5	25,000	12	11	55,000	-	-	-	80,000
Mr. Jalal Ahmed	5	5	25,000	12	10	50,000	-	-	-	75,000
Ms. Afroza Khan	5	5	25,000	-	-	-	5	4	20,000	45,000
Mr. Altaf Hussain	5	5	25,000	12	12	60,000	-	-	-	85,000
Mr. Shaffiq Dharamshi ¹	2	2	-	3	2	-	-	-	-	Nominated by AKFED
Mr. Altaf Ramzi	5	5	25,000	-	-	-	5	5	25,000	50,000
Mr. Amin H. Manekia	5	4	20,000	-	-	-	5	4	20,000	40,000
Ms. Ashraf Ali	5	5	25,000	-	-	-	5	4	20,000	45,000
Mr. Mansoor Ali Halari ¹	3	2	10,000	9	5	25,000	-	-	-	35,000
Total Remuneration paid			205,000			190,000			110,000	505,000

Note:

Leave of absence was granted in all cases of non attendance

¹Mr. Mansoor Ali Halari was a nominee director of AKFED, he was replaced by Mr. Shaffiq Dharamshi on 03.10.2013.

The Brief Profile of the Board of Directors

Sulaiman Ajanee, Chairman – Nominated by AKFED	Director since 21 January 2004
<p>Mr. Ajanee is the member of the Board since January 2004. He is the Director nominated by Aga Khan Fund For Economic Development(AKFED) and has been serving as Chairman of the Board since October 2010. He was also the member of the Board Executive Committee.</p>	<p>Other Interests: President: His Highness Prince Aga Khan Shia Imami Ismaili Council, Bangladesh Vice Chairman: Aga Khan Foundation, Bangladesh Managing Director: World Com Limited. Managing Partner: Standard Finis Oil Company. Qualifications: Associate in Industrial Engineering, USA.</p>
<p>Mr. Ajanee is a renowned business personality of the country and has extensive experience in chemical and insecticide business.</p>	<p>Age: 50 years</p>
Alftaf Hussain, Director – Nominated by AKFED	Director since 23 January 2006
<p>Mr. Hussain is a Director of the Board of IPDC since January 2006 and serving as Chairman of the Board Executive Committee.</p>	<p>Other Interests: None</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>Qualifications: B.Com (Hons); M. Com from Hailey College of Commerce, Punjab University, Pakistan.</p> <p>Age: 70 years</p>
Ashraf Ali, Director – Nominated by AKFED	Director since 29 October 2006
<p>Ms. Ali is on the Board of IPDC since October 2006 and member of the Board Audit Committee since December 2012.</p>	<p>Other Interests: None Advisor: Form Icon Limited.</p>
<p>Ms. Ali worked for British Airways as Sales Manager for 22 years and took early retirement in 2000. During her tenure with British Airways she won many awards for outstanding performance. She is involved with community work and served as the President of the Aga Khan National Council for Bangladesh from 1993-1999 and a member of the National Committee of Aga Khan Foundation, Bangladesh.</p>	<p>Qualifications: M.A. in Political Science from the University of Dhaka.</p> <p>Age: 65 years</p>
Altaf Ramzi, Director – Nominated by AKFED	Director since 07 October 2008
<p>Mr. Ramzi is on the Board of IPDC since October 2008 and he is a member of the Board Audit Committee since April 2009.</p>	<p>Other Interests: Director: Signet Enterprise Ltd Scotia Services Ltd Apparel Connection Ismailia Co-operative Society</p>
<p>Mr. Ramzi was a banker in profession. He started his career with the Bank of Credit and Commerce International (SA) Limited (BCCI) in 1981 as an officer in International Cadre. He then served in BCCI in various capacities and was posted in Egypt, Pakistan and London. He was also Consultant in Deloitte Touche Tohmatsu – a London-based global Chartered Accountants firm. He also held the position of Marketing Manager of Signet Enterprises Limited, UK. Coming to Bangladesh in 1996, he has been serving as the General Manager of Signet Enterprises Ltd. and Scotia Services Ltd. Currently, he holds the position of Director in both Companies.</p>	<p>Qualifications: Master in Accounting, University of Karachi, Pakistan.</p> <p>Age: 56 years</p>

Directors' Report (continued)

Amin H. Manekia, Director - Nominated by AKFED

Director since 19 April 2009

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

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

Other Interests:

Director:
DCB Bank Ltd., India
IVP Limited, India

Qualifications:

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

Age: 52 years

Alauddin A. Majid -Independent Director

Director since 16 June 2009

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

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

Other Interests:

Chairman:
Bangladesh Krishi Bank
Data Edge Limited
Director: Enterprise Development Co. Ltd.
Member: Shakti Foundation.

Qualifications:

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

Age: 72 years

Jalal Ahmed, Director – Nominated by GoB

Director since 16 October 2012

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

Mr. Ahmed has served the Government of Bangladesh for nearly 3 (three) decades in various positions such as Deputy Commissioner (Cabinet Vision) for both Thakurgaon and Faridpur; Joint Secretary, Energy Division during which he also served as the Project Director (PD) of the Hydrocarbon Unit, a technical wing of the Division and also headed the Geological Survey of Bangladesh for a short period; Chief Metropolitan Magistrate of Dhaka; Chairman of Bangladesh Oil, Gas & Mineral Corporation (Petrobangla); and Vice Chairman of Export Promotion Bureau (EPB), the Trade Promotion Body of the Country. Mr. Ahmed is committed to community service and involved in various social organizations.

Other Interests:

Director:
Bangladesh Submarine Cable Ltd.
Bangladesh Telecommunication Co. Ltd.
British American Tobacco Bangladesh Ltd.
IFIC Bank Ltd.
National Housing Finance and Investment Ltd.
Bangladesh Services Limited
Armed Forces Medical College

Qualifications:

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

Age: 53 years

Afroza Khan, Director - Nominated by GoB

Director since 29 November 2012

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

Other Interests:

Director:
Training Institutes for Chemical Industries (TICI).

Directors' Report (continued)

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

Qualifications:

Master of Soil, Water and Environment, University of Dhaka

Master of Public Health, University of North Carolina, Chapel Hill, USA

Age: 54 years

Md. Nazrul Huda - Independent Director

Director since 20 December 2012

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

Other Interests:

Advisor: BRAC Bank Limited

Director: Securities and Investment Co. Ltd.

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

Qualifications:

M.A. (Economics), University of Dhaka

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

Age: 60 years

Shaffiq Dharamshi, Director – Nominated by AKFED

Director since 03 October 2013

Mr. Shaffiq Dharamshi is a professional banker with over twenty 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.

Other interest: None

Qualifications:

BSc in Economics from Trent University, Ontario

MSc in Economics & Information System from London School of Economics

Age: 49 years

Mominul Islam, Managing Director - Ex Officio

Managing Director since 04 January 2012

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

Other Interests: None

Qualifications:

BBA from IBA, University of Dhaka.

Age: 37 years

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

Corporate Governance Compliance Report on BSEC's Notification

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

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

Directors' Report (continued)

	Director must have at least 12 (twelve) years of corporate management/professional experiences		
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission		No such deviation occurred
1.4	Chairman of the Board and Chief Executive Officer		
	The Chairman and the Chief Executive Officer should be different persons. The Chairman shall be elected from among the directors and Board shall clearly define the roles and responsibilities of the Chairman and the Chief Executive Officer.	Complied	
1.5	The Directors' Report to Shareholders shall include the following statements		
1.5(i)	Industry outlook and possible future developments in the industry	Complied	
1.5(ii)	Segment-wise or product-wise performance	Complied	
1.5(iii)	Risks and concerns	Complied	
1.5(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	Complied	
1.5(v)	Discussion on continuity of any Extra Ordinary gain or loss	Complied	
1.5(vi)	Basis for related party transactions a statement of all related party transactions should be disclosed in the annual report	Complied	
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments		No such item exists
1.5(viii)	An explanation if the financial results deteriorate after the Company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.		No such event occurred
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements, the management shall explain about the variance in their Annual Report.	Complied	
1.5(x)	Remuneration to directors including Independent Directors.	Complied	
1.5(xi)	Fairness of Financial Statements.	Complied	
1.5(xii)	Maintain proper books of accounts.	Complied	
1.5(xiii)	Adoption of appropriate accounting policies and estimates and have been applied consistently	Complied	
1.5(xiv)	International Accounting Standards(IAS)/Bangladesh Accounting Standards(BAS)/International Financial Reporting Standards(IFRS)/Bangladesh Financial Reporting Standards(BFRS) as applicable in Bangladesh, have been followed in preparation of Financial 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	
1.5(xxi)	The pattern of shareholding	Complied	

Directors' Report (continued)

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

Directors' Report (continued)

3.3(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors	Complied	
3.3(x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the Company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc) on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the Company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.	Not Applicable	There was no IPO/PRO/Right Issue in 2013.
3.4.1	Reporting of Audit Committee to the Board of Directors		
3.4.1(i)	Audit Committee reports on its activities to the Board of Directors	Complied	
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 materially impacts the financial condition & results of operation has been discussed with the Board of Directors and the management and that any rectification which is necessary is unreasonably ignored, Audit Committee shall report such finding to BSEC upon reporting of such matters to the Board for three times or completion of a period of 6 (six) month from the date of first reporting to the Board whichever is earlier		No such event occurred
3.5	Reporting to the Shareholders and General Investors		
	Report on activities carried out by the Audit Committee including any report made to the Board under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer Company		No such event occurred under condition 3.4.1 (ii)
4	External/Statutory Auditors should not be engaged to the following services		
4(i)	Appraisal or valuation services or fairness opinions	Complied	
4(ii)	Designing of Financial Information System and implementation	Complied	
4(iii)	Book Keeping or other services related to the accounting records or Financial Statements	Complied	
4(iv)	Broker Dealer services	Complied	
4(v)	Actuarial services	Complied	
4(vi)	Internal Audit services	Complied	
4(vii)	Any other services that the Audit Committee determines	Complied	
4(viii)	No partner or employees of the external audit firms shall possess any share of the Company they audit at least during the tenure of their audit assignment of that Company.	Complied	The Audit firm has declared that none of them holds any share in the Company.

Directors' Report (continued)

4(ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition number 7.	Complied	
5	Subsidiary Company		
5(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	Not Applicable	The Company does not have any subsidiary.
5(ii)	At least 1 (one) Independent Director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company	Not Applicable	Do
5(iii)	The minutes of the Board Meeting of the subsidiary company shall be placed for review at the following Board Meeting of the holding company.	Not Applicable	Do
5(iv)	The minutes of the respective Board Meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company too	Not Applicable	Do
5(v)	The Audit Committee of the holding company shall also review the Financial Statements, in particular the investments made by the subsidiary company	Not Applicable	Do
6	CEO and CFO's Certification of Financial Statements to the Board		
6(i)	They have reviewed Financial Statements for the year and that to the best of their knowledge and belief:		
6(i)(a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	Complied	
6(i)(b)	These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws	Complied	
6(ii).	There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct	Complied	
7	Reporting and Compliance of Corporate Governance		
7(i)	The Company shall obtain a certificate from a practising Professional Accountant/Secretary (Chartered Accountant/Cost & Management Accountants/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis	Complied	
7(ii)	The Directors of the Company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions	Complied	

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

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

Status report on compliance with those guidelines is given below:

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

Directors' Report (continued)

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



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**Certificate on
Compliance with Conditions of Corporate Governance Guidelines to
the Shareholders of
Industrial Promotion and Development Company of Bangladesh Limited**

We were engaged by Industrial Promotion and Development Company of Bangladesh Limited (the "Company") to provide certification whether the Company has complied with the conditions of corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission in its notification number SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 and SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July 2013 (the "conditions of corporate governance guidelines") for the year ended 31 December 2013.

The Company's Responsibilities

Those charged with governance and management of the Company are responsible for complying with the conditions of corporate governance guidelines. Those charged with the governance of the Company are also responsible for stating in the director's report whether the Company has complied with the conditions of corporate governance guidelines.

Our Responsibilities

Our responsibility is to examine the Company's status of compliance with the conditions of corporate governance guidelines and to certify thereon in the form of an independent assurance conclusion based on the evidence obtained. For the purpose of the engagement, we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain assurance whether the Company has complied with the conditions of corporate governance guidelines.

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Company has complied with the conditions of corporate governance guidelines for the year ended 31 December 2013.

Dhaka, 6 March 2014

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

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Report of the Audit Committee

Role of Audit Committee

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

Structure of Audit Committee

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

The Company Secretary acts as the secretary to the Audit Committee

Terms of Reference

The Terms of Reference of the Audit Committee clearly defines the roles and responsibility of the Audit Committee. The Terms of Reference is periodically reviewed and revised with the concurrence of the Board of Directors. The Audit Committee is responsible to and reports to the Board of Directors. The 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 guidelines on Corporate Governance and Responsibilities of Audit Committee 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; seek 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

Audit Committee reviewed the Annual Financial Statements for the year 2013 and placed its recommendations to the Board of Directors.

External Auditor

Hoda Vasi Chowdhury & Co, Chartered Accountants, a partnership firm registered in Bangladesh and Independent Correspondent Firm to Deloitte Touche Tohmatsu, were re-appointed as statutory auditors of the Company at the 31st Annual General Meeting held on April 25, 2013. 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 has not been engaged to 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 followings:

- None of the partners or employees of the external audit firms possesses any share of IPDC at least during the tenure of their audit assignment.
- The external audit firm is not receiving any fee which is contingent upon such factors like achieving targeted Non Performing Loan ratio by the Company, loan disbursement target etc.

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

Major activities of the Audit Committee

The Committee met five times during the year 2013 to carry out the following major activities:

- Reviewed and recommended to the Board the Annual Financial Statements for the year ended December 31, 2012.
- Reviewed the Management Letter from external auditors for the year 2012 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, 2012.
- Approved the Internal Audit Plan for the year 2014.
- 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's 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 for the year ended December 31, 2012 issued by Bangladesh Bank and management action plan against thereof.
- The Committee reviewed first quarter, half-year and third quarter ended financial statements for the year 2013 and recommended to the Board;
- Reviewed issues within the following areas, however, no such instances were identified and reported to the Board of Directors.
 - Report on conflicts of interests.
 - Suspected or presumed fraud or irregularity or material 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.



Md. Nazrul Huda
Chairman, Audit Committee

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

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

- (i) We have reviewed financial statements for the year 2013 and that to the best of our knowledge and belief:
- a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.



Dilip Kumar Mandal
Chief Financial Officer



Mominul Islam
Managing Director & CEO

Date: March 06, 2014

Hoda Vasi Chowdhury & Co

Chartered Accountants

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

We have audited the accompanying financial statements of Industrial Promotion and Development Company of Bangladesh Limited (IPDC) (the "Company") which comprise the balance sheet as at 31 December 2013, profit and loss account, statement of changes in equity, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in note 2, 3 and 4, the Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, the Securities and Exchange rules 1987, the Companies Act 1994 and other applicable laws and regulations 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.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 2, 3 and 4, and comply with the applicable sections of the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Report on Other Legal and Regulatory Requirements

We also report that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii) the balance sheet and profit and loss account of the Company together with annexed note 1 to 50 dealt with by the report are in agreement with the books of account and returns;



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- iv) the expenditure incurred was for the purposes of the Company's business;
- v) the financial position of the Company as at 31 December 2013 and their profit for the year then ended have been properly reflected in the financial statements of the Company, and these financial statements have been prepared in accordance with the generally accepted accounting principles;
- vi) the financial statements 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 the Bangladesh Bank to the extent applicable to the Company;
- vii) adequate provisions have been made for leases and advances and other assets which are, in our opinion, doubtful of recovery;
- viii) the records and statements submitted by the branches have been properly maintained;
- ix) the information and explanations required by us have been received and found satisfactory;
- x) the Company has complied with relevant laws pertaining to capital and reserves and found satisfactory;
- xi) 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;
- xii) we have reviewed over 80% of the risk weighted assets of the Company during the course of our audit and we have spent over 1,540 person hours.

Dhaka, 16 March 2014



Hoda Vasi Chowdhury & Co

Chartered Accountants



Industrial Promotion and Development Company of Bangladesh Limited

Balance Sheet
as at 31 December 2013

Figures in Taka

	Note	2013	2012
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	5.1	50,542	68,533
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	5.2	154,996,460	94,246,168
		155,047,002	94,314,701
Balance with other banks and financial institutions	6	546,533,211	433,650,776
Money at call and short notice		-	-
		546,533,211	433,650,776
Investments			
Government	7.2	415,000,000	165,000,000
Others	7.3	505,970,869	499,278,558
		920,970,869	664,278,558
Loans, advances and leases	8	5,745,510,743	5,585,644,010
Fixed assets including premises, furniture and fixtures	9	107,827,295	76,209,026
Other assets	10	279,282,330	254,313,305
Non financial institutional assets	11	3,752,405	6,096,865
TOTAL ASSETS		7,758,923,855	7,114,507,241
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	12	413,976,376	29,698,701
Term deposits	13	4,427,093,408	4,208,012,043
Other liabilities	14	852,883,256	849,470,357
Total liabilities		5,693,953,040	5,087,181,101
Shareholders' equity			
Paid up capital	15	1,043,392,350	1,043,392,350
Share premium	16	167,014,000	167,014,000
Statutory reserve	17	251,618,993	223,222,211
Assets revaluation reserve	18	13,585,980	13,585,980
Retained earnings	19	589,359,492	580,111,599
Total shareholders' equity		2,064,970,815	2,027,326,140
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,758,923,855	7,114,507,241
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Letters of guarantee	20	5,590,000	5,590,000
Other commitments		-	-
Total off-balance sheet items		5,590,000	5,590,000

The annexed notes 1 to 50 form an integral part of these financial statements.



Company Secretary



Managing Director & CEO



Chairman

Auditors' Report to the shareholders
See annexed report to date



Hoda Vasi Chowdhury & Co
Chartered Accountants



Dhaka, 16 March 2014

Industrial Promotion and Development Company of Bangladesh Limited

Profit and Loss Account
for the year ended 31 December 2013

Figures in Taka

	Note	2013	2012
PARTICULARS			
Interest income	25	932,008,095	791,167,557
Interest paid on deposits and borrowings etc.	26	627,680,621	554,659,236
Net interest income		304,327,474	236,508,321
Investment income	27	87,243,013	70,241,726
Commission, exchange and brokerage	28	9,247,360	7,134,733
Other operating income	29	77,472,120	25,245,938
Total operating income		478,289,967	339,130,718
Salary and allowances	31	76,520,759	60,549,462
Rent, taxes, insurance, electricity, etc.	32	12,064,232	10,769,111
Legal expenses	33	7,772,088	8,252,369
Postage, stamp, telecommunications, etc.	34	2,911,842	2,443,879
Stationery, printings, advertisements, etc.	35	8,918,246	6,306,120
Managing Director's salary and allowances	36	6,879,996	7,167,045
Directors' fees	37	3,174,589	3,823,212
Auditors' fees	38	442,750	365,750
Charges on loan loss		-	-
Depreciation and repair of Company's assets	39	20,724,420	21,286,418
Other expenses	40	13,773,560	10,666,616
Total operating expenses		153,182,482	131,629,982
Profit before provision		325,107,485	207,500,736
Provision for loans and leases		100,179,038	65,039,122
Provision for diminution in value of investments		(16,849,126)	8,465,789
Other provisions		-	-
Total provision	41	83,329,912	73,504,911
Profit before tax		241,777,573	133,995,825
Current tax	14.4	98,428,841	7,788,282
Deferred tax	42	1,364,822	(2,395,699)
Total tax expenses		99,793,663	5,392,583
Net profit after tax		141,983,910	128,603,242
Appropriations			
Statutory reserve	17	28,396,782	25,720,648
General reserve		-	-
		28,396,782	25,720,648
Retained surplus		113,587,128	102,882,594
Earnings per share (EPS)	43	1.36	1.23

The annexed notes 1 to 50 form an integral part of these financial statements.



Company Secretary



Managing Director & CEO



Chairman

Auditors' Report to the shareholders
See annexed report to date



Hoda Vasi Chowdhury & Co
Chartered Accountants



Dhaka, 16 March 2014

Industrial Promotion and Development Company of Bangladesh Limited

Cash Flow Statement
for the year ended 31 December 2013

Figures in Taka

	Note	2013	2012
OPERATING ACTIVITIES			
Interest receipts in cash		1,068,672,316	778,394,118
Interest payments in cash		(614,837,405)	(519,805,903)
Dividend receipts in cash		30,804,250	41,117,653
Fees and commission receipts in cash		9,327,427	7,134,733
Recoveries of loan previously written off		75,738,172	24,304,828
Cash payments to employees		(81,547,828)	(64,792,958)
Cash payments to suppliers		(56,750,442)	(46,950,782)
Income taxes paid		(12,942,862)	(12,425,224)
Receipts from other operating activities	44	56,652,751	34,589,767
Payments for other operating activities		-	-
Cash generated before change in operating assets and liabilities		475,116,379	241,566,233
Increase/decrease in operating assets and liabilities			
Statutory deposits		-	-
Purchase/sale of trading securities		(250,000,000)	145,670,840
Loans, advances and leases to other banks		(174,148,600)	(46,080,493)
Loans, advances and leases to customers		(420,326,873)	(1,161,478,620)
Other assets	21	(5,562,971)	1,613,622
Deposits from customers		219,081,365	409,775,576
Trading liabilities		384,277,675	(67,255,975)
Other liabilities	22	114,093,228	9,473,338
Net increase/decrease in operating assets and liabilities		(132,586,176)	(708,281,713)
Net cash from operating activities		342,530,203	(466,715,480)
INVESTING ACTIVITIES			
Proceeds from sale/repayment of securities		82,625,021	73,300,000
Payments for purchase of securities		(100,000,000)	-
Payment for purchase of fixed assets		(45,979,909)	(14,650,942)
Sale proceeds of property, plant and equipment		3,446,000	946,943
Net cash provided/(used) in investing activities		(59,908,888)	59,596,001
FINANCING ACTIVITIES			
Receipts/(payments) of long term loan		(7,955,559)	(7,068,412)
Dividend paid in cash		(101,051,020)	(1,558)
Net cash provided/(used) in financing activities		(109,006,579)	(7,069,970)
Net increase/(decrease) in cash		173,614,736	(414,189,449)
Cash and cash-equivalents at beginning of year		527,965,477	942,154,926
Cash and cash-equivalents at end of year	23	701,580,213	527,965,477

The annexed notes 1 to 50 form an integral part of these financial statements.



Company Secretary



Managing Director & CEO



Chairman

Industrial Promotion and Development Company of Bangladesh Limited

Statement of Changes in Shareholders' Equity
for the year ended 31 December 2013

Figures in Taka

	Paid up share capital	Share premium	Statutory reserve	Asset revaluation reserve	Retained earnings	Total
For the year ended 31 December 2013						
Opening balance	1,043,392,350	167,014,000	223,222,211	13,585,980	580,111,599	2,027,326,140
Changes in accounting policy	-	-	-	-	-	-
Restated balance	1,043,392,350	167,014,000	223,222,211	13,585,980	580,111,599	2,027,326,140
Net profit for the year 2013	-	-	-	-	141,983,910	141,983,910
10% cash dividend for year 2012	-	-	-	-	(104,339,235)	(104,339,235)
Appropriation made during the year	-	-	28,396,782	-	(28,396,782)	-
Closing balance	1,043,392,350	167,014,000	251,618,993	13,585,980	589,359,492	2,064,970,815
For the year ended 31 December 2012						
Opening balance	948,538,500	167,014,000	197,501,563	13,585,980	572,082,855	1,898,722,898
Changes in accounting policy	-	-	-	-	-	-
Restated balance	948,538,500	167,014,000	197,501,563	13,585,980	572,082,855	1,898,722,898
Net profit for the year 2012	-	-	-	-	128,603,242	128,603,242
Issuance of bonus share	94,853,850	-	-	-	(94,853,850)	-
Appropriation made during the year	-	-	25,720,648	-	(25,720,648)	-
Closing balance	1,043,392,350	167,014,000	223,222,211	13,585,980	580,111,599	2,027,326,140

The annexed notes 1 to 50 form an integral part of these financial statements.



Company Secretary



Managing Director & CEO



Chairman

Industrial Promotion and Development Company of Bangladesh Limited

Liquidity Statement

as at 31 December 2013

Figures in Taka

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Cash in hand (including balance with Bangladesh Bank)	155,047,002	-	-	-	-	155,047,002
Balance with other banks and financial institutions	18,965,201	372,055,507	155,512,503	-	-	546,533,211
Investments	-	-	216,633,333	266,666,667	437,670,869	920,970,869
Loans, advances and leases	201,970,047	487,394,341	2,277,635,891	2,351,443,375	427,067,089	5,745,510,743
Property, plant and equipment	1,418,995	2,795,380	14,025,179	49,810,274	39,777,467	107,827,295
Other assets	16,814,701	752,424	12,418,555	11,475,499	237,821,151	279,282,330
Non financial institutional assets	-	-	3,752,405	-	-	3,752,405
Total assets	394,215,946	862,997,652	2,679,977,866	2,679,395,815	1,142,336,576	7,758,923,855
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	260,000,000	38,140,334	100,906,692	14,929,350	-	413,976,376
Deposits and other accounts	183,461,427	668,793,386	1,891,818,528	1,636,381,228	46,638,839	4,427,093,408
Provision and other liabilities	35,674,845	46,827,353	113,572,875	69,620,983	587,187,200	852,883,256
Total liabilities	479,136,272	753,761,073	2,106,298,095	1,720,931,561	633,826,039	5,693,953,040
Net liquidity gap	(84,920,326)	109,236,579	573,679,771	958,464,254	508,510,537	2,064,970,815

The annexed notes 1 to 50 form an integral part of these financial statements.

Industrial Promotion and Development Company of Bangladesh Limited

Notes to the Financial Statements

as at and for the year ended 31 December 2013

1. Reporting entity

1.1 Company profile

With a mandate to promote economic growth in the country, Industrial Promotion and Development Company of Bangladesh Limited ("IPDC" or 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 07 February 1995. The registered office of the Company is situated at Hosna Center (4th Floor), 106 Gulshan Avenue, Dhaka, Bangladesh. The Company was went for public issue of its shares in 2006 and its shares are listed with the stock exchanges of Bangladesh. The Company has four branch offices located at Dhaka, Chittagong and Sylhet.

1.2 Nature of business of the Company

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

2. Basis of preparation

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

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

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

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

2.3.2 As per FID circular No. 08 dated 03 August 2002 and FID circular No. 03 dated 03 May 2006 issued by Bangladesh Bank, a general provision is required to be maintained at 1% on standard loans/leases and 5% on loan/leases classified under category of Special Mention Account (SMA). At the year end the Company has recognized an accumulated general provision of Tk. 99.08 million shown in note number 14.1 of the financial statements.

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

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

2.4 Date of authorization

The Board of Directors has authorized these financial statements for public issue on 16 March 2014.

2.5 Functional and presentation currency and level of precision

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

2.6 Use of estimates and judgments

The preparation of these financial statements in conformity with Bangladesh Financial Reporting Standards (BFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. It also requires disclosure of contingent assets and liabilities at the date of financial statements.

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

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

a)	Note -10.1.2	Deferred tax assets
b)	Note -14.9	Deferred tax liabilities
c)	Note -14.1	Cumulative provision for loans, leases and investments
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 -20	Contingent liabilities (Letters of guarantee)

2.7 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.

2.8 Materiality and aggregation

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

2.9 Directors' responsibility statement

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

2.10 Branch accounting

The Company has four branches, with no overseas branch as at 31 December 2013. Accounts of the branches are maintained at the head office from which these financial statements have been drawn up.

2.11 Reporting period

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

2.12 Consistency

In accordance with the BFRS framework for the presentation of the financial statements together with Bangladesh Accounting Standard (BAS) 1: *Presentation of Financial Statements* and Bangladesh Accounting Standard (BAS) 8: *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company applies the disclosure principles consistently from one year to the next. Where selecting and applying new accounting policies, changes in accounting policies applied, correction of errors, the amounts involved are accounted for and disclosed in accordance with the requirement of BAS 8. The Company has applied the same accounting and valuation principles in 2013 as in financial statements for 2012.

3. Significant accounting policies

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

3.1 Accounting for leases

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

As per this standard, the aggregate lease receivables including un-guaranteed residual value throughout the primary lease term are recorded as gross lease receivables

while the excess of gross lease receivables over the total acquisition costs including interest during the period of acquiring the lease asset, constitutes the unearned lease income. Initial direct costs, if any, in respect of lease are charged in the year in which such costs are incurred.

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

3.2 Accounting for direct finance

Direct finance operation consists of short-term finance and long-term finance and its books of accounts are maintained based on accrual method of accounting. Outstanding loans, along with the accrued interest thereon, for short-term finance, and unrealized 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 recognized as operational revenue periodically.

3.3 Accounting for investment

Investment comprises of investment in equity, investment in 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 which are accounted for as under:

3.3.1 Investment in equity

3.3.1.1 Unlisted shares

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

3.3.1.2 Listed shares

Investments in marketable ordinary shares held for trading or held for dividend income are reported at cost and adequate provision is maintained, if required, for diminution in market value of the shares. Unrealized gains are not recognized 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 recognized in the profit and loss account on accrual basis and considered as operational income.

3.3.2 Investment in Government securities

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

3.3.2.1 Held to maturity

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

3.3.2.2 Held for trading

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

3.4 Revenue recognition

3.4.1 General

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

3.4.2 Lease income

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

3.4.3 Dividend income

3.4.3.1 Listed and unlisted shares

Dividend income against listed and unlisted equity investment is recognized 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 recognized on accrual basis.

3.4.3.3 Gain on sale of shares

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

3.4.4 Interest on term finance and short term finance

Interest on term finance and short term finance is recognized

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

3.4.5 Interest on secured lending

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

3.4.6 Fees based revenue

Fees based revenue is recognized as income on cash basis.

3.5 Interest suspense

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

3.6 Property, plant and equipment

3.6.1 Own assets

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

3.6.2 Subsequent expenditure on property, plant and equipments

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

3.6.3 Depreciation on property, plant and equipment

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

	2013 Useful life (years)	2012 Useful life (years)
Office premises	20	20
Motor Vehicles:	5	3-5
Furniture and fixtures	8	8
Equipments and appliances	5	5

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

3.6.3.1 Change in accounting estimate

The Company has changed the useful life of reconditioned vehicles from three years to five years in the year 2013 and financial impact of such change has been applied prospectively.

3.6.4 Impairment

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

3.6.5 Disposal of property, plant and equipment

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

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 are capitalized only when it increases the future economic benefit from the assets. All other expenditure are recognized as expense as and when they are incurred.

3.7.2 Amortization of intangible asset

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

3.8 Borrowing costs

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

3.9 Foreign currency translation

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

3.10 Income tax

Income tax comprises current and deferred tax.

3.10.1 Current tax

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

3.10.2 Deferred tax

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

3.11 Provision for doubtful loans, leases and investments

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

3.12 Write off

In compliance with Bangladesh Bank's FID Circular no. 03 dated 15 March 2007 and DFIM circular number 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 canceled and removed ("written off") from the Company's balance sheet. However, these write off will not undermine or affect the claim amount against the borrower. Recovery against the written off is credited to other operational income. Income is recognized where amounts are either recovered and/or adjusted against securities/properties or advances there-against or are considered recoverable. Detailed memorandum records for such write off accounts are meticulously maintained and followed up.

3.13 Employee benefits

3.13.1 Defined contribution plan

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

3.13.2 Defined benefit plan

The Company operates an unfunded gratuity scheme for its permanent employees. Employees are entitled to gratuity benefit after completion of minimum five years continuous 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 has provided for the same in the financial statements accordingly.

3.13.3 Short-term benefit

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

3.13.4 Other employee benefit obligation

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

3.14 Interest expense on term deposits

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

3.15 Accrued expenses, provisions and payables

Liabilities are recognized for goods and services received, whether paid or not, for those goods and services. However, payables are not interest bearing and which are stated at their actual value.

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

3.16 Cash and cash equivalents

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

3.17 Cash flow statement

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

3.18 Earnings per share

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

4. General

4.1 Related party disclosure

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

4.2 Litigation

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

4.3 Guarantees, commitments and contingencies

Corporate guarantee represents irrevocable assurance that the company will make payments in the event that a client would fail to pay its obligation to third parties.

4.4 Statutory reserve

As per Financial Institutions Regulations 1994, Non-Bank Financial Institutions (NBFIs) are required to transfer 20% of its post tax profit to statutory reserve before declaration of dividend. In compliance with this requirement the Company has transferred BDT 28.40 million to statutory reserve in 2013.

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 Event after the reporting period

All material events occurring after the reporting period has been considered and where necessary, adjusted for or adequately disclosed in the note no. 47 of the financial statements.

4.9 Comparatives and reclassification

Comparative information has been disclosed in respect of the year ended 31 December 2013 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2012 have been restated/rearranged/reclassified whenever considered necessary to ensure comparability with the current year's figure.

4.10 Contingent liabilities

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

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

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

4.11 Liquidity statement

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

- a) Balance with other banks and financial institutions, money at call and short notice etc. are on the basis of their term.
- b) Investments are on the basis of their residual maturity term.
- c) Loans and advances are on the basis of their repayment/maturity schedule.
- d) Fixed assets are on the basis of their useful lives.

- e) Other assets are on the basis of their realization/amortization.
- f) Borrowings from other banks and financial institutions as per their maturity/repayment term.
- g) Deposits and other accounts are on the basis of their maturity period and past trend of withdrawal by the depositors.
- h) Other long term liability on the basis of their maturity term.
- i) Provisions and other liabilities are on the basis of their payment/adjustments schedule.

4.12 Integral Components of Financial Statements

The financial statements of the Company include the following components:

- 1) Balance Sheet as at 31 December 2013.
- 2) Profit and Loss Account for the year ended 31 December 2013.
- 3) Cash Flow Statement for the year ended 31 December 2013.
- 4) Statement of Changes in Equity for the year ended 31 December 2013.
- 5) Notes to the Financial Statements as at and for the year ended 31 December 2013.

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

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

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

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

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

As at 31 December	Note	2013	2012
5. Cash			
Cash in hand	5.1	50,542	68,533
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	5.2	154,996,460	94,246,168
		155,047,002	94,314,701
5.1 Cash in hand			
In local currency		50,542	68,533
In foreign currency		-	-
		50,542	68,533
5.2 Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)			
Bangladesh Bank			
Local currency		154,996,460	94,246,168
Foreign currencies		-	-
		154,996,460	94,246,168
Sonali Bank Limited (as an agent of Bangladesh Bank)		-	-
		154,996,460	94,246,168

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

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

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

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

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

Cash Reserve Requirement (CRR)

Required reserve	109,885,494	98,550,681
Actual reserve maintained	110,746,528	99,704,056
Surplus/(deficit)	861,034	1,153,375

Statutory Liquidity Reserve (SLR)

Required reserve	245,641,903	219,276,888
Actual reserve maintained	310,002,793	220,907,322
Surplus	64,360,890	1,630,434
Total surplus	65,221,924	2,783,809

6. Balance with other banks and financial institutions

In Bangladesh	6.1	546,533,211	433,650,776
Outside Bangladesh		-	-
		546,533,211	433,650,776

As at 31 December	2013	2012
6.1 In Bangladesh		
With other banks		
<i>Current deposit accounts</i>		
Commercial Bank of Ceylon PLC	43,250	44,520
The Hongkong and Shanghai Banking Corporation Ltd.	1,026	1,146
Uttara Bank Ltd.	2,583	2,583
United Commercial Bank Ltd.	34,027	16,255
AB Bank Ltd.	18,950	3,240
Standard Chartered Bank	180,742	406,977
Prime Bank Ltd.	-	12,492,740
Bank Alfalah Ltd.	1,451	1,451
	282,029	12,968,911
<i>Short term deposit accounts</i>		
Dutch Bangla Bank Ltd.	278,727	54,868,548
Prime Bank Ltd.	301,108	37,341,034
AB Bank Ltd.	1,568,943	1,418,218
Standard Chartered Bank	179,857	6,142
Mercantile Bank Ltd.	42,189	-
Al-Arafah Islami Bank Ltd.	5,299	6,209
BRAC Bank Ltd.	565,832	714,820
	2,941,955	94,354,971
<i>Short term placement</i>		
National Bank of Pakistan	-	150,000,000
	-	150,000,000
<i>Short term deposit accounts (in foreign currency)</i>		
AB Bank Ltd.	62,403	62,403
	62,403	62,403
<i>Fixed deposit accounts</i>		
Mercantile Bank Ltd.	52,700,001	50,000,000
National Bank Ltd.	15,678,816	13,877,500
Prime Bank Ltd.	122,168,007	62,386,991
Dhaka Bank Ltd.	102,700,000	-
AB Bank Ltd.	50,000,000	-
United Commercial Bank Ltd.	50,000,000	-
EXIM Bank Ltd.	50,000,000	-
ONE Bank Ltd.	50,000,000	-
Trust Bank Ltd.	50,000,000	-
	543,246,824	126,264,491
	546,533,211	383,650,776
With financial institutions		
<i>Short term placement</i>		
International Leasing and Financial Services Ltd.	-	50,000,000
	546,533,211	433,650,776
6.2 Disclosures in compliance with Bangladesh Bank's FID Circular no. 06 dated 06 November 2003 are as follows:		
Maturity grouping of balance with other banks and financial institutions		
Repayable		
On demand	282,028	12,968,911
Within one month	18,683,173	308,294,875
Within one to three months	372,055,507	112,386,990
Within three to twelve months	155,512,503	-
Within one to five years	-	-
More than five years	-	-
	546,533,211	433,650,776

As at 31 December	Note	2013	2012
7. Investments			
Government securities	7.2	415,000,000	165,000,000
Other investments	7.3	505,970,869	499,278,558
		920,970,869	664,278,558
7.1 Classification of investments			
Held for trading (HFT)		204,100,000	-
Held to maturity (HTM)		210,900,000	165,000,000
		415,000,000	165,000,000
Other investments		505,970,869	499,278,558
		920,970,869	664,278,558
7.2 Government securities			
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
Less: Special repo borrowing from Bangladesh Bank		-	250,000,000
		415,000,000	165,000,000
7.3 Other investments			
In ordinary shares - Listed		7,000,000	7,007,689
In ordinary shares - Unlisted		11,670,869	31,670,869
		18,670,869	38,678,558
In cumulative redeemable preference shares		337,300,000	310,600,000
Investment in shares		355,970,869	349,278,558
In corporate bonds		150,000,000	150,000,000
		505,970,869	499,278,558

Details of other investments are as follows:

	2013		2012	
	Cost	Market value	Cost	Market value
<i>In ordinary shares - listed</i>				
Olympic Industries Ltd.	-	-	2,025	2,025
Bemco Electric Metre Ltd.	7,000,000	4,305,000	7,000,000	4,305,000
RAK Ceramics (Bangladesh) Ltd.	-	-	5,664	6,702
	7,000,000	4,305,000	7,007,689	4,313,727
<i>In ordinary shares - unlisted</i>				
Quality Feeds Ltd.	1,500,000	1,500,000	1,500,000	1,500,000
Alliance Bags Ltd.	3,000,000	3,000,000	3,000,000	3,000,000
Ekushey Television Ltd.	7,170,869	7,170,869	7,170,869	7,170,869
Gonophone Bangladesh Ltd.	-	-	20,000,000	20,000,000
	11,670,869	11,670,869	31,670,869	31,670,869
<i>In cumulative preference shares</i>				
Premium Seed Ltd.	4,000,000	4,000,000	4,000,000	4,000,000
Delta Brac Housing Finance Corp. Ltd.	100,000,000	100,000,000	100,000,000	100,000,000
ACI Godrej Agrovat Private Ltd.	33,300,000	33,300,000	66,600,000	66,600,000
Confidence Salt Ltd.	20,000,000	20,000,000	30,000,000	30,000,000
Summit Uttaranchol Power Company Ltd.	40,000,000	40,000,000	55,000,000	55,000,000
Summit Purbanchol Power Company Ltd.	40,000,000	40,000,000	55,000,000	55,000,000
ACI Godrej Agrovat Private Ltd.	100,000,000	100,000,000	-	-
	337,300,000	337,300,000	310,600,000	310,600,000
<i>In corporate bonds</i>				
Mutual Trust Bank Ltd.	150,000,000	150,000,000	150,000,000	150,000,000
	505,970,869	503,275,869	499,278,558	496,584,596

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

As at 31 December	Note	2013	2012
7.4 Maturity grouping of investments			
On demand		-	-
Repayable within one month		-	10,000,000
Within one to three months		-	-
Within three to twelve months		216,633,333	73,300,000
Within one to five years		266,666,667	373,300,000
More than five years		437,670,869	207,678,558
		920,970,869	664,278,558
8. Loans, advances and leases			
Long term loan		3,233,775,052	3,296,153,533
Lease finance	8.1	1,741,016,638	1,618,199,053
Short term loan		239,746,912	316,539,819
Channel finance		163,595,841	88,120,017
Mortgage finance		48,652,699	32,951,684
Auto loan		187,788,787	106,028,436
Secured retail loan		108,657,099	109,893,163
Staff personal loan		22,277,715	17,758,305
		5,745,510,743	5,585,644,010
All loans, leases and advances are within Bangladesh.			
8.1 Lease finance			
Gross lease receivables		2,152,084,013	1,948,130,259
Less: Unearned interest income		475,071,242	449,139,080
Net lease receivables		1,677,012,771	1,498,991,179
Add: Overdue lease rentals		60,803,867	116,007,874
Add: Advance against lease finance		3,200,000	3,200,000
		1,741,016,638	1,618,199,053
8.2 a) Net loans, advances and lease receivables including bills purchased and discounted			
Total loans, advances and lease receivables		5,745,510,743	5,585,644,010
Less: Provision for loans leases (specific and general)	14.1	153,895,802	190,472,191
Less: Cumulative balance of interest suspense account	14.2	50,147,364	126,814,695
		5,541,467,577	5,268,357,124
b) Rate of net classified loans, leases and advances			
Gross loans, advances and leases		5,745,510,743	5,585,644,010
Classified loans, advances and leases		342,072,882	539,363,199
Unclassified loan, advances and leases		5,403,437,861	5,046,280,811
Total provision		153,895,802	190,472,191
Interest suspense and cash collateral		52,232,364	126,814,695
Total provision, interest suspense and cash collateral		206,128,166	317,286,886
Net classified loans, advances and leases		135,944,716	222,076,313
Rate of gross classified loans, advances and leases		5.95%	9.66%
Rate of net classified loans, advances and leases		2.37%	3.98%

As at 31 December	2013	2012
8.3 Residual maturity grouping of loans, advances and lease receivables including bills purchased and discounted		
On demand	-	-
Upto one month	201,970,047	177,881,134
More than one month but less than three months	487,394,341	452,280,140
More than three months but less one year	2,277,635,891	1,569,903,920
More than one year but less than five years	2,351,443,375	2,754,487,705
More than five years	427,067,089	631,091,111
	5,745,510,743	5,585,644,010
8.4 Loans, advances and lease receivables including bills purchased and discounted are classified into the following broad categories		
Loans, leases and advances	5,745,510,743	5,585,644,010
Cash credit	-	-
Secured overdraft	-	-
	5,745,510,743	5,585,644,010
Bills purchased and discounted	-	-
	5,745,510,743	5,585,644,010
8.5 Loans, advances and lease receivables including bills purchased and discounted on the basis of significant concentration		
Loans, leases and advances to the allied concerns of the directors	-	-
<i>Advances to chief executive and other senior executives</i>		
Managing Director & CEO	11,663,111	11,112,492
Senior Executives (Senior Manager & above)	3,911,199	3,221,072
Other staffs	6,703,404	3,424,741
	22,277,714	17,758,305
8.5.1 Advances to customers' group		
Agricultural loan	549,096,157	419,147,540
Large corporate	3,909,462,069	4,145,879,644
Small and medium enterprise	857,319,146	689,528,330
Retail loan	350,756,530	248,919,930
Others	56,599,127	64,410,261
	5,723,233,029	5,567,885,705
	5,745,510,743	5,585,644,010

8.5.2 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 2013 was Taka 2,064.97 million against that of Taka 2,027.33 million as at 31 December 2012.

Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each	1	2
Amount of outstanding loans and advances [to the client as mentioned above]	199,365,185	446,877,366
Amount of classified loans and advances [out of the amount as mentioned above]	-	-
Measures taken for recovery [for the amount as mentioned above]	-	-

As at 31 December	2013	2012
8.6 Geographical location-wise loans, advances and lease receivables including bills purchased and discounted		
Dhaka Division	4,858,079,983	4,714,560,829
Chittagong Division	848,683,555	825,810,367
Khulna Division	19,883,619	24,037,574
Rangpur Division	8,958,046	8,958,046
Rajshahi Division	7,525,521	3,965,194
Sylhet Division	2,380,019	8,312,000
Barisal Division	-	-
	5,745,510,743	5,585,644,010
8.7 Industry-wise loans, advances and lease receivables including bills purchased and discounted		
Agro-based industries	549,096,157	496,826,670
Banks and non-banking financial institutions	346,317,849	172,169,249
Chemicals, pharmaceuticals and allied products	438,050,385	582,602,717
Engineering and building materials	454,562,960	488,259,153
Food and allied products	524,530,074	225,993,182
Glass, ceramic and other non-metallic products	7,419,664	166,994,679
Hotel, tourism and leisure	86,030,634	15,885,566
Information and communication technologies	91,497,508	238,140,221
Paper converting and packaging, printing and publishing	242,107,323	158,239,795
Ready made garments and knitwear	151,952,371	123,245,070
Social sector	386,908,940	53,953,056
Tannery, leather and rubber products	73,678,868	101,111,556
Textile	759,544,830	854,483,927
Transport and aviation	185,674,526	168,328,503
Others	1,448,138,654	1,739,410,667
	5,745,510,743	5,585,644,010
8.8 Broad economic sector-wise segregation of loans, advances and lease receivables including bills purchased and discounted		
Government and autonomous bodies	-	-
Banks and financial institutions (public and private)	346,317,849	172,169,249
Other public sector	-	-
Private sector	5,399,192,894	5,413,474,761
	5,745,510,743	5,585,644,010
8.9 a) Classification of loans, advances and lease receivables including bills purchased and discounted		
<i>Unclassified loans, advances and leases</i>		
Standard (including staff loans)	5,395,761,022	5,034,628,038
Special mention account	7,676,839	11,652,773
Total unclassified loans, advances and leases	5,403,437,861	5,046,280,811
<i>Classified loans, advances and leases</i>		
Substandard	82,300,432	8,681,567
Doubtful	1,568,956	97,488,030
Bad/loss	258,203,494	433,193,602
Total classified loans, advances and leases	342,072,882	539,363,199
Total loans, advances and leases	5,745,510,743	5,585,644,010

As at 31 December

2013

2012

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

Status	Outstanding	Base for provision	Rate	Provision	Provision
General provision					
Standard - excluding SME	4,792,436,022	4,792,436,022	1%	47,924,360	46,430,553
Standard - SME	603,325,000	603,325,000	0.25%	1,508,313	97,893
Special mention account	7,676,839	6,106,903	5%	305,345	550,599
	5,403,437,861	5,401,867,925		49,738,018	47,079,045
Specific provision					
Sub-standard	82,300,432	44,232,861	20%	8,846,572	1,636,837
Doubtful	1,568,956	1,377,417	50%	688,709	9,499,185
Bad/loss	258,203,494	45,284,498	100%	45,284,498	88,874,040
	342,072,882	90,894,776		54,819,779	100,010,062
Total provision required				104,557,797	147,089,107
Total provision maintained				153,895,802	190,472,191
Total provision surplus				49,338,005	43,383,084

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

Loans considered good in respect of which the Company is fully secured	1,254,144,148	1,140,964,332
Loans considered good for which the Company holds no security other than the debtor's personal guarantee	2,078,400,151	1,448,899,375
Loans considered good and secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtors	2,412,966,444	2,995,780,303
	5,745,510,743	5,585,644,010
Loans adversely classified where provision not maintained there against	-	-
Loans due by directors or officers of the Company or any of them either separately or jointly with any other persons	22,529,076	17,758,305
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	22,529,076	17,758,305
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)	3,863,002	4,607,943
Amount of classified loans on which interest has not been charged	258,203,494	433,193,602
Increase/(decrease) in specific provision	(45,190,283)	(85,337,627)
Amount of loan written off during the year	217,098,297	226,564,185
Amount realized against loan previously written off	75,738,172	24,304,828
Amount of provision kept against loan classified as 'bad/loss' on the date of preparing the balance sheet	45,284,498	88,874,040
Interest creditable to the interest suspense account during the year	10,637,144	13,967,586

As at 31 December	Note	2013	2012
a) Cumulative amount of written off loan			
Opening balance		605,519,822	403,260,465
Add: Amount written off during the year		217,098,297	226,564,185
		822,618,119	629,824,650
Less: Adjustment for recovery		152,206,606	24,304,828
Closing balance		670,411,513	605,519,822
b) Amount of written off loan for which lawsuit has been filed for recovery		670,411,513	605,519,822
9. Fixed assets including premises, furniture and fixtures			
Land and building		75,684,163	75,684,163
Motor vehicles		31,374,745	20,911,776
Furniture and fixtures		29,550,148	29,241,775
Equipment and appliances		37,591,445	33,413,823
Accounting software		2,398,750	2,398,750
		176,599,251	161,650,287
Less: Accumulated depreciation		89,798,816	85,441,261
		86,800,435	76,209,026
Capital work in progress	9.1	21,026,860	-
		107,827,295	76,209,026

Details are shown in Annexure-A.

9.1 Capital work in progress

The company has issued work orders for Tk. 35.10 million in favor of different vendors during the year 2013 for supplying computer hardware, servers, software in connection with installation of new core banking software. Out of which Tk 21.03 million was paid during the year 2013 and shown as capital work in progress under the head of fixed assets including premises, furniture and fixtures

10. Other assets

Income generating other assets		-	-
<i>Non-income generating other assets</i>			
Stationery, stamps, printing materials in stock		97,715	52,825
Advance rent and advertisement		7,552,593	4,079,432
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures and other income receivable		31,686,492	25,248,267
Security deposits		716,160	716,160
Preliminary, formation and organization expenses, renovation/development expenses and prepaid expenses		400,227	375,260
Branch adjustment		-	-
Suspense account		-	-
Silver		-	-
Others	10.1	238,829,143	223,841,361
		279,282,330	254,313,305
10.1 Others			
Advance tax	10.1.1	227,764,984	214,822,122
Deferred tax asset	10.1.2	5,645,244	4,697,206
Sundry assets	10.1.3	5,418,915	4,322,033
		238,829,143	223,841,361

10.1.1 Advance tax

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

As at 31 December	Note	2013	2012
10.1.2 Deferred tax asset			
Deferred tax asset has been recognized in accordance with the Bangladesh Accounting Standard (BAS) 12: <i>Income Taxes</i> based on temporary difference arising due to difference in the carrying amount of the assets and liabilities in the financial statements and its tax base. Calculation of deferred tax asset is as follows:			
<i>Deductible temporary difference</i>			
Gratuity provision		13,282,926	11,052,250
Tax rate		42.50%	42.50%
Deferred tax asset		5,645,244	4,697,206
<i>Movement of deferred tax asset is as follows:</i>			
Opening balance		4,697,206	3,486,891
Add: (Expense)/income		948,038	1,210,315
Closing balance		5,645,244	4,697,206
10.1.3 Sundry assets			
City corporation tax		138,140	113,400
Hosna Centre Owners' Association		583,050	583,050
Advance others		4,697,725	3,625,583
		5,418,915	4,322,033
11. Non financial institutional assets			
Generator		-	2,344,460
Land	11.1	3,752,405	3,752,405
		3,752,405	6,096,865
11.1 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			
<i>Unsecured long term loan</i>			
The UAE-Bangladesh Investment Company Ltd.		21,743,142	29,698,701
<i>Secured bank overdraft</i>			
Prime Bank Ltd.		85,176,244	-
Mercantile Bank Ltd.		47,056,990	-
		132,233,234	-
<i>Money at call and short notice</i>			
Standard Bank Ltd.		40,000,000	-
BASIC Bank Ltd.		50,000,000	-
The Farmers Bank Ltd.		50,000,000	-
Dutch-Bangla Bank Ltd.		60,000,000	-
The City Bank Ltd.		60,000,000	-
		260,000,000	-
		413,976,376	29,698,701
All borrowings are within Bangladesh.			
12.1 Residual maturity grouping of borrowings from other banks, financial institutions and agents			
<i>Repayable</i>			
On demand		260,000,000	-
Within one month		-	-
Over one month but within three months		38,140,334	1,901,594
Over three months but within twelve months		100,906,692	6,053,966
Over one year but within five years		14,929,350	21,743,141
Over five years		-	-
		413,976,376	29,698,701

As at 31 December	Note	2013	2012
13. Deposits and other accounts			
Inter-bank deposits		-	-
Other deposits		4,427,093,408	4,208,012,043
		4,427,093,408	4,208,012,043
13.1 Residual maturity grouping of deposits and other accounts			
Repayable			
On demand		-	-
Within one month		183,461,427	176,474,328
Over one month but within six months		668,793,386	432,970,955
Over six months but within one year		1,891,818,528	1,630,940,524
Over one year but within five years		1,636,381,228	1,909,209,955
Over five years but within ten years		46,638,839	58,416,281
		4,427,093,408	4,208,012,043
There was no unclaimed deposits for ten (10) years or more held by the Company at the reporting date.			
14. Other liabilities			
Cumulative provision for loans, leases and investments	14.1	216,239,280	269,664,794
Cumulative interest and dividend suspense	14.2	53,165,131	129,472,462
Provision for gratuity	14.3	13,282,926	11,052,250
Dividend payable		7,088,305	3,800,090
Provision for corporate tax	14.4	225,220,631	126,791,790
Receipts against lease	14.5	36,086,227	27,313,330
Provision for finance charge	14.6	252,071,107	239,227,890
Withholding tax and VAT		7,761,895	6,991,938
Liabilities for special accounts	14.7	22,425,305	16,303,772
Provision for expense	14.8	4,009,842	5,792,233
Deferred tax liabilities	14.9	14,608,087	12,295,227
Payable for purchase of office equipment		924,520	764,581
		852,883,256	849,470,357
14.1 Cumulative provision for loans, advances, leases and investment			
<i>Specific provision for bad and doubtful loans, leases and advances</i>			
Opening balance		100,010,062	185,347,689
Add: Specific provision made during the year	41	91,500,755	111,686,108
Less: Fully provided debt written-off during the year		136,691,039	197,023,735
Closing balance		54,819,778	100,010,062
<i>General provision against unclassified loans, leases and advances</i>			
Opening balance		90,462,129	137,109,115
Add: General provision made during the year	41	8,678,283	(46,646,986)
Less: Adjustment during the year		64,388	-
		99,076,024	90,462,129
Closing balance	8.2 (a)	153,895,802	190,472,191
<i>Provision for investments</i>			
Opening balance		79,192,604	70,726,815
Add: Provision made/(release) for investment in shares	41	(19,902,026)	-
Add: Marking to market provision on Govt. securities	41	3,052,900	8,465,789
Total provision made during the year		(16,849,126)	8,465,789
Closing balance		62,343,478	79,192,604
		216,239,280	269,664,795

As at 31 December	Note	2013	2012
Break up of cumulative provision for loans, advances, leases and investment			
Provision for loans, leases and advances		153,895,802	190,472,191
Provision for investments in shares		18,170,869	38,072,894
		172,066,671	228,545,085
Provision for marking to market on Govt. securities		44,172,609	41,119,709
		216,239,280	269,664,794
14.2 Cumulative interest and dividend suspense			
Opening balance		129,472,462	162,935,475
Add: Transferred to suspense account during the year		10,637,144	13,967,586
		140,109,606	176,903,061
Less: Recovered from suspense account during the year		6,599,580	17,890,151
Less: Written-off/waiver of suspense account during the year		80,344,895	29,540,448
		86,944,475	47,430,599
Closing balance		53,165,131	129,472,462
Break up of cumulative interest and dividend suspense			
Interest suspense against loans, leases and advances	8.2 (a)	50,147,364	126,814,695
Dividend suspense against investment in preference shares		3,017,767	2,657,767
		53,165,131	129,472,462

14.3 Provision for gratuity

This represents provision for staff gratuity up to 31 December 2013. The company has provided full provision for gratuity at the rate of one month's basic salary for each completed year of service.

Opening balance	11,052,250	8,204,449
Add: Provision made during the year	2,576,676	3,055,300
	13,628,926	11,259,750
Less: Payment made during the year	346,000	207,500
Closing balance	13,282,926	11,052,250

14.4 Provision for corporate tax

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

Opening balance	126,791,790	119,003,508
Add: Provision made during the year	98,428,841	7,788,282
	225,220,631	126,791,790
Less: Adjustment during the year	-	-
Closing balance	225,220,631	126,791,790

Assessment of income tax has been finalized with the tax authority for the accounting years up to 2003 and for the accounting year 2005. Final assessment of income tax for accounting years 2004 and 2006 to 2008 are pending with the Appellate Authorities and High Court Division of the Supreme Court. Income tax return for the year 2009, 2010, 2011 and 2012 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	27,313,330	28,447,130
Add: Receipts during the year	17,813,748	14,467,780
	45,127,078	42,914,910
Less: Adjusted during the year	9,040,851	15,601,580
Closing balance	36,086,227	27,313,330

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

As at 31 December	Note	2013	2012
14.6 Provision for finance charge			
Accrued interest expenses on term deposits		251,696,581	238,833,141
Accrued interest expenses on long term borrowings		374,526	247,489
Accrued interest expenses on Repo borrowings		-	147,260
		252,071,107	239,227,890
14.7 Liabilities for special accounts			
Account payable special account - IPO		1,118,356	1,118,356
Account payable special account - DEG		16,381,424	14,941,452
Account payable special account - other		4,925,525	243,964
		22,425,305	16,303,772
14.8 Provision for expenses			
Legal fees		1,526,051	2,068,225
Office services		1,503,592	778,235
Pay and allowance		-	377,749
Promotion and publicity		239,074	1,500,339
Office rent		86,275	67,335
Professional fees		212,100	232,100
Audit fees		442,750	768,250
		4,009,842	5,792,233
14.9 Deferred tax liabilities			
<i>Taxable temporary differences</i>			
Property, plant and equipment		10,744,178	5,302,152
Revaluation reserve on office premises		23,627,792	23,627,792
Net taxable temporary differences		34,371,970	28,929,944
Tax rate		42.50%	42.50%
Deferred tax liabilities		14,608,087	12,295,227
Movement of deferred tax liabilities is as follows:			
Opening balance		12,295,227	13,480,611
Add: Expense/(income) during the year	42	2,312,860	(1,185,384)
Closing balance		14,608,087	12,295,227
15. Share capital			
<i>Authorized</i>			
400,000,000 ordinary shares of Taka 10 each		4,000,000,000	4,000,000,000
<i>Issued, subscribed and fully paid up</i>			
104,339,235 number of ordinary shares of Taka 10 each		1,043,392,350	1,043,392,350
Paid up capital is made up of 25,701,400 numbers of ordinary shares paid up in cash and 78,637,835 numbers of ordinary shares through issuance of bonus shares.			
15.1 Paid up capital of the company is held as follows:			
<i>Foreign</i>			
Aga Khan Fund for Economic Development (AKFED)		532,674,670	532,674,670
Others		550	550
		532,675,220	532,675,220
<i>Domestic</i>			
Government of the People's Republic of Bangladesh (GoB)		228,289,710	228,289,710
General Shareholders		282,420,490	282,420,490
Others		6,930	6,930
		510,717,130	510,717,130
		1,043,392,350	1,043,392,350

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

	2013		2012	
	Number	% of holding	Number	% of holding
<i>Foreign</i>				
Aga Khan Fund for Economic Development (AKFED)	53,267,467	51.05	53,267,467	51.05
Others	55	-	55	-
	53,267,522	51.05	53,267,522	51.05
<i>Domestic</i>				
Government of the People's Republic of Bangladesh (GoB)	22,828,971	21.88	22,828,971	21.88
General Shareholders	28,242,049	27.07	28,242,049	27.07
Others	693	-	693	-
	51,071,713	48.95	51,071,713	48.95
	104,339,235	100.00	104,339,235	100.00

15.3 Composition of shareholding is as follows:

	No. of shares	
	2013	2012
Institutional shareholding (including GoB)	88,315,675	86,056,048
Individual shareholding	16,023,560	18,283,187
	104,339,235	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	6,325	763,898	0.73%
501 to 5,000 shares	3,674	5,443,791	5.22%
5,001 to 10,000 shares	302	2,171,506	2.08%
10,001 to 20,000 shares	136	1,874,347	1.80%
20,001 to 30,000 shares	54	1,340,773	1.29%
30,001 to 40,000 shares	17	608,497	0.58%
40,001 to 50,000 shares	12	528,068	0.51%
50,001 to 1,00,000 shares	29	2,001,299	1.92%
1,00,001 to 1,000,000 shares	29	9,315,228	8.93%
over 1,000,000	4	80,291,828	76.95%
Total	10,582	104,339,235	100.00%

The shares of the company are listed in the Stock Exchanges of Bangladesh since 03 December 2006 and traded at Tk. 20.00 at the close of 31 December 2013 in both of Dhaka and Chittagong Stock Exchange Ltd.

15.5 Capital adequacy ratio

In accordance with the Financial Institutions Regulations 1994 and Bangladesh Bank's DFIM circular no. 05 dated 24 July 2011 every Non Bank Financial Institution which is registered in Bangladesh as a company has to increase its paid up capital to Tk. 1,000 million within 30 June 2012, the Company fulfilled this condition within the stipulated time and as at 31 December 2013, total capital of the company was Tk. 2,064.97 million out of which paid up capital is Tk. 1,043.39 million.

In accordance with Bangladesh Bank's DFIM Circular no. 14 dated 28 December 2011 the Financial Institutions are required to maintain at least 10% Capital Adequacy Ratio (CAR) in line with the guidelines on Capital Adequacy and Market Discipline (CAMD) for Financial Institutions, which has come fully into force from 1 January 2012. As of 31 December 2013 the CAR of the Company is 24.36% against the required CAR of 10%. Details are as follows:

As at 31 December	2013	2012
Tier -1 Capital	2,051,384,835	2,013,740,160
Tier -2 Capital	94,499,717	57,304,538
Eligible capital	2,145,884,552	2,071,044,698
Total risk weighted assets	8,809,779,155	8,519,234,889
Capital adequacy ratio	24.36%	24.31%
Minimum capital requirement	880,977,916	851,923,489
Capital surplus	1,264,906,637	1,219,121,209
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 2013 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 the cumulative balance of statutory reserve as required by section 9 of the Financial Institutions Act, 1993 and regulation 4(d) and 6 of the Financial Institutions Regulations, 1994.

Opening balance	223,222,211	197,501,563
Add: Transferred from profit during the year	28,396,782	25,720,648
Closing balance	251,618,993	223,222,211
18. Assets revaluation reserve	13,585,980	13,585,980

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

19. Retained earnings

Opening balance	580,111,599	572,082,855
Add: Post tax profit for the year	141,983,910	128,603,242
Balance available for distribution	722,095,509	700,686,097
Less: Transfer to statutory reserve	28,396,782	25,720,648
Less: 10% cash dividend for the year 2012	104,339,235	-
Less: Issuance of bonus shares	-	94,853,850
	132,736,017	120,574,498
Closing balance	589,359,492	580,111,599

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 in favor of Habib Bank Limited, against Titas Gas Transmission and Distribution Company Limited on account of M/s Hossain & Sons.

As at and for the year ended 31 December	Note	2013	2012
21. (Increase)/decrease of other assets			
<i>Closing other assets</i>			
Stationery, stamps, printing materials in stock		97,715	52,825
Advance rent and advertisement		7,552,593	4,079,432
Security deposit		716,160	716,160
Other assets		11,064,159	9,019,239
		19,430,627	13,867,656
<i>Opening other assets</i>			
Stationery, stamps, printing materials in stock		52,825	53,105
Advance rent and advertisement		4,079,432	5,835,236
Security deposit		716,160	716,160
Other assets		9,019,239	8,876,777
		13,867,656	15,481,278
		(5,562,971)	1,613,622
22. Increase/(decrease) of other liabilities			
<i>Closing other liabilities</i>			
Provision for current tax		225,220,631	126,791,790
Withholding tax, VAT and excise duty		7,761,895	6,991,938
Others		58,511,532	43,617,102
		291,494,058	177,400,830
<i>Opening other liabilities</i>			
Provision for current tax		126,791,790	119,003,508
Withholding tax, VAT and excise duty		6,991,938	4,026,155
Others		43,617,102	44,897,829
		177,400,830	167,927,492
		114,093,228	9,473,338
23. Cash and cash equivalents			
Cash in hand		50,542	68,533
Balance with Bangladesh Bank and its agent bank(s)		154,996,460	94,246,168
Balance with other banks and financial institutions		546,533,211	433,650,776
		701,580,213	527,965,477
24. Particulars of profit and loss account			
<i>Income</i>			
Interest, discount and other similar income	25	932,008,095	791,167,557
Dividend income	27	31,045,048	38,941,411
Fees, commission and brokerage	28	9,247,360	7,134,733
Gains less losses arising from dealing securities	27	56,197,965	31,300,315
Gains less losses arising from dealing in foreign currencies	28	-	-
Other operating income	29	77,472,120	25,245,938
Profit less losses on interest rate changes		-	-
		1,105,970,588	893,789,954
<i>Expenses</i>			
Interest, fee and commission	26	627,680,621	554,659,236
Losses on loans and leases		-	-
Administrative expenses	30	138,685,556	115,502,252
Depreciation on fixed assets	39.1	14,496,926	16,127,730
		780,863,103	686,289,218
Profit before provision		325,107,485	207,500,736

For the year ended 31 December	Note	2013	2012
25. Interest income			
<i>Interest income on loans, leases and advances</i>			
Interest on lease finance		266,153,757	212,540,794
Interest on long term finance		472,251,694	418,842,237
Interest on short term finance		50,290,239	27,182,282
Interest on channel finance		22,673,216	10,095,418
Interest on mortgage finance		6,739,705	2,607,366
Interest on secured finance		24,805,564	15,552,837
Interest on auto loan		25,090,769	13,566,921
Interest income on staff loan		1,778,689	1,758,715
		869,783,633	702,146,570
<i>Interest income on balance with other banks and financial institutions</i>			
Interest on fixed deposits		40,343,206	20,112,522
Interest on overnight and treasury placements		20,427,569	68,397,556
Interest on STD accounts		1,453,687	510,909
		62,224,462	89,020,987
		932,008,095	791,167,557
26. Interest paid on deposits and borrowings etc.			
Interest expenses on term deposits		603,676,091	529,656,332
Interest expenses on borrowings	26.1	24,004,530	25,002,904
		627,680,621	554,659,236
26.1 Interest expenses on borrowings			
Interest expenses on long term loan		3,148,364	4,046,272
Interest expenses on call loan borrowing		16,637,110	1,955,377
Interest expenses on bank overdrafts		244,741	5,170,570
Interest expenses on Repo borrowings		3,974,315	13,830,685
		24,004,530	25,002,904
The Company does not have any foreign borrowings.			
27. Investment income			
<i>Dividend income</i>			
Dividend income on cumulative preference shares		30,742,052	38,788,914
Dividend income on listed shares		2,996	-
Dividend income on un-listed shares		300,000	152,497
		31,045,048	38,941,411
<i>Income on treasury bills, bonds and debentures</i>			
Income on Govt. treasury bonds		38,020,210	13,275,657
Income on corporate bonds		17,975,478	18,024,658
		55,995,688	31,300,315
Capital gain on sale of listed shares		202,277	-
		56,197,965	31,300,315
		87,243,013	70,241,726
28. Commission, exchange and brokerage			
Fees and commission income	28.1	9,247,360	7,134,733
Exchange income		-	-
		9,247,360	7,134,733
28.1 Fees and commission income			
<i>Fees income</i>			
Appraisal, feasibility study and documentation fees		9,217,360	7,077,733
Restructuring/renewal fees		30,000	50,000
		9,247,360	7,127,733
Commission		-	7,000
		9,247,360	7,134,733

For the year ended 31 December	Note	2013	2012
29. Other operating income			
Transfer price/sale of leased assets		475,112	413,184
Other earnings		181,951	20,349
Loan loss recovery		75,738,172	24,304,828
Gain/(loss) on sale of fixed assets	29.1	1,076,885	507,577
		77,472,120	25,245,938
29.1 Gain/(loss) on sale of fixed asset			
Cost price of the sold items		14,467,607	1,756,953
Less: Accumulated depreciation		12,098,492	1,317,587
Written down value		2,369,115	439,366
Sale proceeds		3,446,000	946,943
Gain on sale of fixed assets		1,076,885	507,577
30. Administrative expenses			
Salary and allowances	31	76,520,759	60,549,462
Rent, taxes, insurance, electricity, etc.	32	12,064,232	10,769,111
Legal expenses	33	7,772,088	8,252,369
Postage, stamp, telecommunications, etc.	34	2,911,842	2,443,879
Stationery, printings, advertisements etc.	35	8,918,246	6,306,120
Managing Director's salary and allowances	36	6,879,996	7,167,045
Directors' fees	37	3,174,589	3,823,212
Auditors' fees	38	442,750	365,750
Repair and maintenance	39.2	6,227,494	5,158,688
Other expenses	40	13,773,560	10,666,616
		138,685,556	115,502,252
31. Salary and allowances			
Basic salary		30,473,172	24,338,357
House rent allowance		9,256,571	7,575,822
Medical allowance		4,702,242	4,135,382
Bonus		11,012,036	9,119,397
Leave fare assistance		5,087,188	3,890,809
Other allowances		3,517,005	1,997,048
Company's contribution to provident fund		2,329,545	1,901,439
Gratuity		2,226,676	2,416,670
Contractual staffs		7,916,324	5,174,538
		76,520,759	60,549,462
31.1 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 107 at the end of 2013 as against 95 in 2012.			
32. Rent, taxes, insurance, electricity, etc.			
Office rent		5,740,822	5,324,298
Rates and taxes		249,225	228,605
Insurance		2,170,744	1,938,867
Utilities - electricity, gas, water etc		3,903,441	3,277,341
		12,064,232	10,769,111
33. Legal expenses			
Professional fees		4,783,454	5,068,229
Legal document, court fees etc.		2,988,634	3,184,140
		7,772,088	8,252,369

For the year ended 31 December	Note	2013	2012
34. Postage, stamp, telecommunications, etc.			
Postage, stamps etc.		466,244	328,168
Telephone		741,598	411,711
Internet expenses		1,704,000	1,704,000
		2,911,842	2,443,879
35. Stationery, printing, advertisements etc.			
Printing and stationery		1,344,009	1,105,149
Publicity and advertisement		7,574,237	5,200,971
		8,918,246	6,306,120
36. 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
Bonus		700,000	700,000
Leave fare assistance		699,996	698,415
Company's contribution to provident fund		420,000	420,000
Gratuity		350,000	638,630
		6,879,996	7,167,045
37. Directors' fees			
Honorarium for attending meeting		581,500	517,500
Incidental expenses for attending meeting		2,593,089	3,305,712
		3,174,589	3,823,212
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.			
38. Auditors' fees		442,750	365,750
Auditors' fees included 15% VAT as per VAT Act 1991 (Year 2012: 4.5%)			
39. Depreciation and repair on fixed assets			
Depreciation	39.1	14,496,926	16,127,730
Repair and maintenance	39.2	6,227,494	5,158,688
		20,724,420	21,286,418
39.1 Depreciation			
Office premises		3,925,081	3,824,457
Motor vehicles		3,160,077	4,462,750
Furniture and fixtures		2,804,735	3,623,923
Equipment and appliances		4,207,658	4,083,475
Accounting software		399,375	133,125
		14,496,926	16,127,730
Detailed depreciation is shown in Annexure-A			
39.2 Repair and maintenance			
Office premises		480,189	212,486
Vehicles		4,397,835	3,489,457
Office equipments		1,349,470	1,456,745
		6,227,494	5,158,688

For the year ended 31 December	Note	2013	2012
40. Other expenses			
Staff training		2,232,729	780,246
Membership fees, subscription and donations	40.1	1,554,885	681,545
News papers, periodicals, learning materials etc.		81,144	63,115
Recruitment expenses		88,703	110,000
Traveling, conveyance and hotel expenses		2,046,279	1,768,650
Entertainment and public relation		993,588	679,836
AGM expenses		2,475,015	2,321,166
Security and cleaning services		2,479,414	1,969,378
Sundry office maintenance		1,555,395	2,158,770
Other operational expenses		266,408	133,910
		13,773,560	10,666,616
40.1 Membership fees, subscription and donations			
Membership fees		686,504	681,545
CSR activities		868,381	-
		1,554,885	681,545
41. Provision for loans, advances, leases and investment			
Bad debts written off	14.1	136,691,039	197,023,735
Fully provided debt written off during the year	14.1	(136,691,039)	(197,023,735)
Provision for classified loans, leases and advances	14.1	91,500,755	111,686,108
Provision for unclassified loans, leases and advances	14.1	8,678,283	(46,646,986)
Provision for loans, leases and advances		100,179,038	65,039,122
Provision for investment in shares	14.1	(19,902,026)	-
Marking to market provision on Govt. securities	14.1	3,052,900	8,465,789
Provision for investment		(16,849,126)	8,465,789
		83,329,912	73,504,911
42. Deferred tax expense/(income)			
Expense/(income) on deductible temporary differences	10.1.2	(948,038)	(1,210,315)
Expense/(income) on taxable temporary differences	14.9	2,312,860	(1,185,384)
		1,364,822	(2,395,699)
43. Earnings per share (EPS)			
Earnings per share (EPS) as shown in the face of the Profit and Loss Account is calculated in accordance with Bangladesh Accounting Standard (BAS) 33: <i>Earnings per share</i> .			
Net profit after tax		141,983,910	128,603,242
Weighted average number of outstanding shares		104,339,235	104,339,235
Basic earning per share		1.36	1.23
Diluted earnings per share (DEPS)			
Diluted earnings per share is not applicable as there is no dilutive potential ordinary share during year.			
44. Receipts from other operating activities			
Transfer price/sale of lease assets		475,112	413,184
Securities income		55,995,688	34,156,234
Income from other operating activities		181,951	20,349
		56,652,751	34,589,767
45. Receivable from Director			
Receivables from directors are furnished in note number 50 of these financial statements.			
46. Board meetings			
During the year 2013 a total of 5 (five) Board Meetings were held (2012: 5).			

47. Events after the reporting period

47.1 Proposed dividend

The Board of Directors of the Company in its 136th meeting held on 16 March 2014 recommended 5% (five percent) cash dividend and 10% (ten percent) stock dividend i.e 1 share for every 10 shares for the year ended 31 December 2013 which is subject to approval of the shareholders in the upcoming 32nd Annual General Meeting scheduled to be held on 15 May 2014.

47.2 Others

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

48. General

48.1 Previous year's figure have been rearranged/reclassified where necessary to conform current year's presentation.

49. Disclosure on Audit Committee of the Company

49.1 Particular of Audit Committee

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

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

The Company Secretary acts as Secretary to the Audit Committee.

49.2 Meeting held by the Audit Committee during the year

The Audit Committee meeting held 5 (five) times during the year 2013 to carry out the followings:

- The Committee reviewed of the periodical inspection reports on operational, financial procedure and branch operations of the Company conducted and submitted by the Internal Auditors and gave necessary instructions to the management for proper and prompt resolution of the irregularities/objections stated therein;
- The Committee reviewed internal audit plan for the year 2014;
- The Committee reviewed the draft financial statements for the year 2012 and after discussion with the external auditors, recommended it to the Board of Directors for its approval;
- The committee reviewed the Certificate on Corporate Governance issued by the auditors for the year ended 31 December 2012.
- The Committee reviewed the management letter issued by the external auditors for the year ended 2012 and management action plan against thereof;
- The Committee reviewed first quarter, half-year and third quarter ended financial statements for the year 2013 and recommended to the Board;
- The Committee reviewed and ascertained that the effectiveness of internal control system including financial & operational controls, accounting system and reporting structure;

- h) The Committee reviewed the actions taken by the management against the observations and issues deliberated in Audit Committee meetings;
- i) The Committee reviewed the inspection report for the year ended 31 December 2012 issued by Bangladesh Bank and management action plan against thereof
- j) The Committee recommended for re-appointment of external auditors of the Company for the year 2013 considering their capability and global acceptability;
- k) The Committee reviewed revised Treasury Policy of the company and recommended to the Board for approval.
- l) The committee placed its report regularly to the Board for review and monitoring the activities with recommendations on internal control system and regulatory compliances.

50. 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 anything other than a normal risk.

Detail of the related parties transactions are as follows:

Figures in Taka				
Related party	Relationship	Nature of transaction	Outstanding balance	
			2013	2012
Aga Khan Education Service, Bangladesh	This is a part of Aga Khan Development Network - AKDN	Term Deposit Receipt	233,547,506	259,965,997
Aga Khan Foundation, Bangladesh	This is a part of Aga Khan Development Network - AKDN	Term Deposit Receipt	254,760,000	224,000,000
Industrial Promotion Services (Bangladesh) Ltd.	This is a part of Aga Khan Fund for Economic Development - AKFED	Term Deposit Receipt	19,708,745	17,472,852
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	22,042,797	20,921,248
Ms. Nurjahan Ajanee	Spouse of Mr. Sulaiman Ajanee - Chairman of IPDC	Term Deposit Receipt	1,177,150	560,000
World Com. Ltd.	Mr. Sulaiman Ajanee is the Managing Director of World Com. Ltd	Term Deposit Receipt	32,375,420	28,765,915
Ms. Ashraf Ali	Nominee Director of IPDC	Term Deposit Receipt	3,600,000	3,600,000
Mr. Nizar Ali	Spouse of Ms. Ashraf Ali - Nominee Director of IPDC	Term Deposit Receipt	500,000	500,000
Mr. Alauddin A. Majid	Independent Director	Term Deposit Receipt	3,000,000	-
		Secured Loan	251,361	-
Mr. Mominul Islam	Managing Director & CEO	Term Deposit Receipt	1,375,628	1,167,853
		Home Loan	10,268,247	10,770,851
		Employee Loan	377,728	341,641
		Secured Loan	1,017,136	769,999

50.1 Name of the Directors and the entities in which they have interest as at 31 December 2013

Name	Status with 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
			Standard Finis Oil Company.	Managing Partner
			World Com Ltd.	Managing Director
Ms. Afroza Khan	Director	GoB	Training Institutes for Chemical Industries (TICI).	Director
Mr. Jalal Ahmed	Director	GoB	Bangladesh Submarine Cable Ltd.	Director
			Bangladesh Tele-Communication Co. Ltd.	Director
			Bangladesh Services Ltd.	Director
			Arms Forces Medical College.	Director
			IFIC Bank Ltd.	Director
			National Housing Finance and Investment Ltd.	Director
			British American Tobacco (BD) Ltd.	Director
Mr. Md. Nazrul Huda	Independent Director	N/A	BRAC Bank Ltd.	Advisor
			Securities and Investment Company Ltd.	Director
Mr. Altaf Ramzi	Director	AKFED	Ismailia Co-operative Society.	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. Alauddin A Majid	Independent Director	N/A	Bangladesh Krishi Bank.	Chairman
			Shakti Foundation	Member
			Data Edge Ltd.	Chairman
			Enterprise Development Co. Ltd.	Director
Mr. Altaf Hussain	Director	AKFED	None	N/A
Mr. Shaffiq Dharamshi	Director	AKFED	Aga Khan Fund for Economic Development (AKFED)	Head of Banking
Ms. Ashraf Ali	Director	AKFED	Form Icon Limited	Advisor
Mr. Mominul Islam	Managing Director & CEO	Ex-officio	None	N/A

50.2 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

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

50.4 Nature, type and elements of transactions with the related party. Note no. 50

50.5 Lending policies in respect of related party:

- | | |
|--|-------------|
| a) Amount of transactions regarding loans and advances, deposits, guarantees and commitment. | Note no. 50 |
| 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 |

50.6 Investments in securities of the Directors and their related concerns. None

Fixed assets including premises, furniture and fixtures

Figures in Taka

Category of asset	Cost				Depreciation				Carrying amount as at 31 Dec 2013		
	Balance as at 1 Jan 2013	Addition during the year	Adjustment during the year	Disposal during the year	Balance as at 31 Dec 2013	Rate	Balance as at 1 Jan 2013	Charged during the year		Adjustment during the year	Balance as at 31 Dec 2013
Office premises	75,684,163	-	-	-	75,684,163	5.00%	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	20.00%	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	12.50%	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	20.00%	20,734,073	4,207,658	1,393,082	23,548,649	14,042,796
Accounting software	2,398,750	-	-	-	2,398,750	50.00%	1,733,124	399,375	-	2,132,499	266,251
	161,650,287	25,112,988	10,164,024	-	176,599,251		85,441,261	14,496,926	10,139,371	89,798,816	86,800,435
*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
	-	21,026,860	-	-	21,026,860	-	-	-	-	-	21,026,860
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
*Capital work in progress (both hardware & software) represents the amount paid for procuring and implementing new core banking software.											

Category of asset	Cost				Depreciation					Carrying amount as at 31 Dec 2012
	Balance as at 1 Jan 2012	Addition during the year	Adjustment during the year	Disposal during the year	Balance as at 31 Dec 2012	Rate	Balance as at 1 Jan 2012	Charged during the year	Adjustment during the year	
Office premises	75,684,163	-	-	-	75,684,163	5.00%	22,142,016	3,824,457	-	25,966,473
Motor vehicles	17,678,729	4,990,000	-	1,756,953	20,911,776	20%&33.33%	13,751,080	4,462,750	1,317,587	16,896,243
Furniture and fixtures	28,840,320	401,455	-	-	29,241,775	12.50%	16,487,425	3,623,923	-	20,111,348
Equipment and appliances	30,347,888	7,907,818	4,303,583	538,300	33,413,823	20.00%	19,148,021	4,083,475	2,497,423	20,734,073
Accounting software	1,600,000	798,750	-	-	2,398,750	50.00%	1,599,999	133,125	-	1,733,124
Balance as at 31 December 2012	154,151,100	14,098,023	4,303,583	2,295,253	161,650,287		73,128,541	16,127,730	3,815,010	85,441,261
										76,209,026

Revaluation of office premises

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

Highlights on the overall activities of the Company for the years 2013 and 2012

Figures in Taka

Serial no.	Particulars	2013	2012
1	Paid up capital	1,043,392,350	1,043,392,350
2	Total capital	2,064,970,815	2,027,326,140
3	Capital surplus	1,264,906,637	1,219,121,209
4	Total assets	7,758,923,855	7,114,507,241
5	Total deposits	4,427,093,408	4,208,012,043
6	Total loans and advances	5,745,510,743	5,585,644,010
7	Total contingent liabilities and commitments	5,590,000	5,590,000
8	Credit deposit ratio	1.30:1	1.33:1
9	Percentage of classified loans against total loans, advances & lease receivables	5.95%	9.66%
10	Net profit after tax and provision	141,983,910	128,603,242
11	Amount of classified loans and advances at the end of the year	342,072,882	539,363,199
12	Provisions kept against classified loan	54,819,779	100,010,062
13	Provisions surplus/(deficit)	49,338,005	43,383,084
14	Cost of fund	13.51%	13.43%
15	Interest earning assets	7,213,014,823	6,683,573,345
16	Non-interest earning assets	545,909,032	430,933,896
17	Return on investment (RoI)	6.94%	6.55%
18	Return on asset (RoA)	1.91%	1.85%
19	Income from investment	87,243,013	70,241,726
20	Earning per share (Taka)	1.36	1.23
21	Net income per share (Taka)	1.36	1.23
22	Price earning ratio (Times)	14.70	14.60

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:

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

A) Scope of Application

Qualitative Disclosures

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 of as per 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	1,043.39
Non repayable share premium account	167.01
Statutory Reserve	251.62
General Reserve	-
Retained Earnings	589.36
Total Tier - I capital	2,051.38
Total amount of Tier - II Capital	94.50
Other deductions from capital	-
Total eligible capital	2,145.88

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	810.05
Capital requirement for Market Risk	16.78
Capital requirement for Operational Risk	54.16
<i>Total and Tier I capital ratio - For stand alone</i>	
CAR on Total Capital basis (%)	24.36
CAR on Tier - I Capital basis (%)	23.29

D) Credit Risk

Qualitative 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 Mention 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 loan, leases	1%
General provision on unclassified SME loan, leases	0.25%
General provision on special mention account	5%
Specific provision on substandard loan, leases	20%
Specific provision on doubtful loan, leases	50%
Specific provision on bad/loss loan, leases	100%

▪ *Discussion of the Company's credit risk management policy*

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

Credit policies and procedures: The Credit Policy Manual contains the core principles for identifying, measuring, approving and managing credit risk in the Company. These policies are established by the Board of Directors 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	1,741.02
Term loans and advances	3,473.52
Mortgage finance	48.65
Channel finance	163.60
Retail loan	318.72
Total	5,745.51

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

Particulars	Taka in million
Dhaka Division	4,858.08
Chittagong Division	848.68
Khulna Division	19.88
Rangpur Division	8.96
Rajshahi Division	7.53
Sylhet Division	2.38
Total	5,745.51

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

Particulars	Taka in million
Agro-based industries	549.10
Banks and non-banking financial institutions	346.32
Chemicals, pharmaceuticals and allied products	438.05
Engineering and building materials	454.56
Food and allied products	524.53
Glass, ceramic and other non-metallic products	7.42
Hotel, tourism and leisure	86.03
Information and communication technologies	91.50
Paper converting and packaging, printing and publishing	242.11
Ready made garments and knitwear	151.95
Social sector	386.91
Tannery, leather and rubber products	73.68
Textile	759.54
Transport and aviation	185.67
Others	1,448.14
Total	5,745.51

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	201.97
More than one month but less than three months	487.39
More than three months but less than one year	2,277.64
More than one year but less than five years	2,351.44
More than five years	427.07
Total	5,745.51

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)	342.07
NPAs to gross loans and advances (in %)	5.95%

- Specific and general provisions

Particulars	Taka in million
Provision for unclassified loans and advances	99.08
Provision for classified loans and advances	54.82
Provision for off-balance sheet exposures	-
Total	153.90

- 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	539.36
Additions	91.21
Reductions	288.50
Closing balance	342.07

Movement of specific provisions for NPAs

Particulars	Taka in million
Opening balance	100.01
Provisions made during the period	91.50
Write-off	136.69
Write-back of excess provisions	-
Closing balance	54.82

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/(decrease) 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	6months- 1 Yr
Total Rate Sensitive Liabilities	295.70	301.90	369.00	522.00	1,327.00
Total Rate Sensitive Assets	410.60	371.70	460.60	671.70	1,678.60
Mismatch	114.90	69.80	91.60	149.70	351.60
Cumulative Mismatch	114.90	184.70	276.30	426.00	777.60
Mismatch (in %)	38.86%	23.12%	24.82%	28.68%	26.50%

Interest Rate Risk - Increase in Interest Rate

Particulars	Minor	Moderate	Major
	2%	4%	6%
Change in the Value of Bond Portfolio	(47.20)	(94.40)	(141.60)
Net Interest Income	15.60	31.10	46.70
Revised Regulatory Capital	2,114.20	2,082.60	2,050.90
Risk Weighted Assets	8,809.80	8,809.80	8,809.80
Revised CAP (in %)	24.00%	23.64%	23.28%

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	15.92
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 2015. 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	54.16



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 32nd Annual General Meeting of the Company to be held on
Thursday, May 15, 2014 at 10:00 a.m. in Conference Hall No. 3 of BRAC-CDM, Rajendrapur, Gazipur or at any adjustment
thereof.

Signed this.....
Day of.....2014

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 32nd Annual General Meeting of the Company being held on Thursday, May 15, 2014 at
10:00 a.m. in Conference Hall No. 3 of BRAC-CDM, Rajendrapur, Gazipur.

Name of Member/Proxy.....

BO ID:

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

Signature.....

Date.....

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