



revid

Rahman Rahman Huq
Chartered Accountants
9 Mohakhali C/A (11th Floor)
Dhaka 1212
Bangladesh

Telephone +880 (2) 988 6450-2
Telefax +880 (2) 988 6449
E-mail rrh@citechco.net
Internet www.rahman-rahman-huq.com

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

Report and financial statements
for the year ended 31 December 2004



**Auditors' Report to the Shareholders
of
Industrial Promotion and Development Company of Bangladesh Limited**

We have audited the accompanying balance sheet of the Industrial Promotion and Development Company of Bangladesh Limited as of 31 December 2004 and the related profit and loss account, cash flow statement and statement of changes in shareholders' equity for the year then ended. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Bangladesh Accounting Standard (BAS) no. 21: "The Effects of Changes in Foreign Exchange Rates", requires revaluation of all foreign currency monetary assets and liabilities as at the balance sheet date, using exchange rates prevailing on that date. The resultant difference is required to be charged/credited to the earnings of the year. As at 31 December 2004, IPDC only partially revalued such items, leaving a net revaluation gain of Tk 72,675,974 not accounted for.

Except for the above, in our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the company's affairs as of 31 December 2004 and of the results of its operations and its cash flows for the year then ended and comply with the Financial Institutions Act 1993, the Companies Act 1994, the Securities and Exchange Rules 1987, the rules and regulations issued by the Bangladesh Bank, and other applicable laws and regulations.

Subject to the above, we also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion proper books of accounts as required by law have been kept by the company so far as it appeared from our examination of those books;
- (c) the financial statements have been prepared in accordance with generally accepted accounting principles in Bangladesh;
- (d) the financial statements have been drawn up in conformity with the rules and regulations issued by Bangladesh Bank to the extent applicable to the company;
- (e) the expenditure incurred and payments made were for the purpose of the company's business;
- (f) the information and explanations required by us have been received and found satisfactory;



Fahman Rahman Huq
Chartered Accountants

- (g) adequate provision has been made for leases and advances considered to be doubtful;
- (h) the company has followed the instructions issued by Bangladesh Bank in matters of lease/advance classification, provisioning and suspension of interest; and
- (i) the company has complied with the relevant laws pertaining to reserves and maintenance of liquid assets.

Dhaka, 24 April 2005



Industrial Promotion and Development Company of Bangladesh Limited

Balance Sheet at 31 December 2004

<u>Source of fund</u>	<u>Notes</u>	<u>2004</u> <u>Taka</u>	<u>2003</u> <u>Taka</u>
Shareholders' equity:			
Share capital	3	478,014,000	450,000,000
Share premium	3.1	28,014,000	-
Statutory reserve	4	44,949,704	44,949,704
Proposed dividend		119,503,500	101,250,000
Dividend distribution tax		11,950,350	10,125,000
Revenue reserve		414,910,143	321,059,945
		<u>1,097,341,697</u>	<u>927,384,649</u>
Loan funds (unsecured):			
Lines of credit	5	3,946,379,694	4,084,149,775
Less : Current portion of lines of credit		(721,313,546)	(958,054,793)
		<u>3,225,066,148</u>	<u>3,126,094,982</u>
IDA line of credit - deferred interest	6	-	4,506,006
		<u>3,225,066,148</u>	<u>3,130,600,988</u>
Deferred liabilities	7	70,335,626	93,826,332
Deferred tax liabilities	8	-	61,059,445
		<u>4,392,743,471</u>	<u>4,212,871,414</u>
Application of fund			
Tangible assets			
Fixed assets at cost less accumulated depreciation	9	7,772,852	9,332,112
Deferred tax assets	8	34,807,097	-
Investments - net of provisions:	10		
Equity		1,095,589,726	931,249,702
Long term loans		2,009,586,465	1,963,671,446
Net lease receivable		1,001,278,561	1,298,374,385
Short term finance		2,045,584,223	790,215,060
Advances against lease		455,404,342	259,386,771
		<u>6,607,443,317</u>	<u>5,242,897,364</u>
Less: Current portion of investments	11	(3,411,601,080)	(1,886,494,864)
		<u>3,195,842,237</u>	<u>3,356,402,500</u>



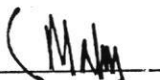
Rahman Rahman Huq
Chartered Accountants

	<u>Notes</u>	<u>2004</u> <u>Taka</u>	<u>2003</u> <u>Taka</u>
Current assets:			
Current portion of investments	11	3,411,601,080	1,886,494,864
Accounts receivable	12	671,875,781	414,383,454
Advances, deposits and prepayments	13	154,237,943	117,720,827
Cash and bank balances	14	8,641,785,480	5,092,233,490
		12,879,500,284	7,510,832,635
Current liabilities and provisions:			
Call loan		4,320,000,000	1,986,500,000
Bank overdraft		1,361,320,968	1,006,315,618
Short term loan		4,967,498,900	2,555,500,000
Current portion of lines of credit		721,313,546	958,054,793
Accounts payable	15	230,189,567	150,728,156
Obligation under finance lease		1,127,359	3,731,750
Provision for tax	16	123,728,659	2,865,516
		11,725,178,999	6,663,695,833
Net current assets		1,154,321,285	847,136,802
		4,392,743,471	4,212,871,414

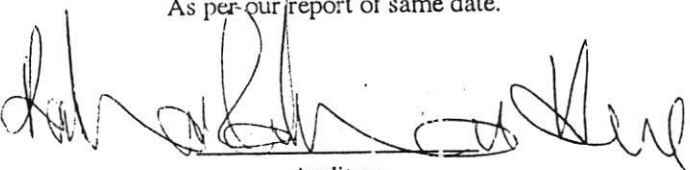
The annexed notes 1 to 28 form an integral part of these financial statements.


Director


Director


Managing Director

As per our report of same date.


Auditors

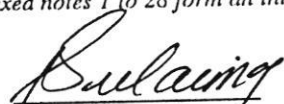
Dhaka, 24 April 2005

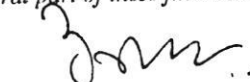
Industrial Promotion and Development Company of Bangladesh Limited

Profit and Loss Account
for the year ended 31 December 2004

	Notes	2004 Taka	2003 Taka
Operating revenue:			
Dividend on investment in shares	1	91,077,592	93,164,151
Profit on sale of shares	2	31,123,092	43,498,116
Interest on loans	3	291,314,020	264,729,970
Lease income	4	258,381,792	258,222,893
Interest on short term finance	5	181,875,649	94,625,525
Supervision fees		2,005,140	6,941,419
Appraisal and feasibility studies fees		1,755,000	6,135,000
Syndication fees		2,600,000	-
Commitment fees		752,542	1,334,669
Documentation fees		505,000	1,620,000
Other fees		4,453,047	2,011,272
Exchange gain		30,000,000	36,270,000
		895,842,574	808,553,015
Less: Operating expenses:			
General and administrative expenses	17	54,908,356	42,514,849
Finance cost - net of interest on bank deposit	18	560,783,368	476,216,394
Provision for doubtful investments	19	30,000,000	81,500,000
		645,692,224	600,231,243
Income from operations		250,150,350	208,321,772
Non-operating income:			
Other income		149,999	-
Net profit before tax		250,300,649	208,321,772
Provision for tax:			
Current tax	13	120,863,143	-
Deferred tax	8	(95,866,542)	17,879,397
		24,996,601	17,879,397
Net profit after tax		225,304,048	190,442,375
Retained earnings brought forward		321,059,945	241,992,570
Profit available for appropriation		546,363,993	432,434,945
Appropriations:			
Final dividend at Tk 25 (2003: Tk 22.5) per share of Tk 100 each		119,503,500	101,250,000
Dividend distribution tax (10%)		11,950,350	10,125,000
		131,453,850	111,375,000
Retained earnings, carried forward		414,910,143	321,059,945
Earning per share of Tk 100	20	49.30	42.32

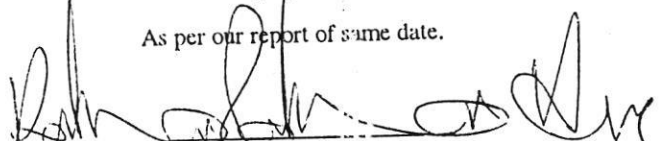
The annexed notes 1 to 28 form an integral part of these financial statements.


Director


Director


Managing Director

As per our report of same date.


Auditors

Dhaka, 24 April 2005



Rahman Rahman Huq
Chartered Accountants

Industrial Promotion and Development Company of Bangladesh Limited

Cash Flow Statement for the year ended 31 December 2004

	<u>2004</u> <u>Taka</u>	<u>2003</u> <u>Taka</u>
Cash flows from operating activities:		
Net profit before tax	250,300,649	208,321,772
Adjustment for:		
Depreciation	4,926,782	5,341,459
Provision for doubtful investments	30,000,000	81,500,000
Provision for gratuity	2,250,000	1,875,000
	37,176,782	88,716,459
<i>Operating profit before working capital changes</i>	287,477,431	297,038,231
(Increase)/decrease in current assets:		
Advances, deposits and prepayments	(9,433,614)	(30,244,140)
Accounts receivables	(257,492,328)	(177,630,806)
Increase/(decrease) in current liabilities:		
Accounts payable	76,288,514	28,049,575
	(190,637,428)	(179,825,371)
<i>Cash generated from operations</i>	96,840,003	117,212,860
Payment of income tax	(27,083,502)	(26,160,272)
Payment of gratuity	(7,930,254)	(383,888)
<i>Net cash flows from operating activities</i>	61,826,247	90,668,700
Cash flows from investing activities		
Acquisition of fixed assets	(3,367,523)	(1,633,230)
Investments made	(3,075,083,471)	(2,259,271,209)
Recovery of loan and short term finance	1,601,411,125	1,007,685,154
Divestment of equity	79,126,354	88,891,238
Receipts against lease	(17,810,452)	21,204,436
<i>Net cash used in investing activities</i>	(1,415,723,926)	(1,143,123,611)
Cash flows from financing activities:		
Receipts from issue of shares	28,014,000	-
Receipts from share premium	28,014,000	-
Receipts from lines of credit	993,500,000	1,722,076,330
Repayment of lines of credit	(1,131,270,081)	(589,302,514)
Receipts from short term loan	2,411,998,900	1,755,500,000
(Payments)/receipts from call loan and overdraft	2,688,505,350	(249,494,993)
Payment of dividend	(115,312,500)	(18,562,500)
<i>Net cash flows from financing activities</i>	4,903,449,669	2,620,216,323
Net increase in cash and cash equivalents	3,549,551,990	1,567,761,412
Cash and cash equivalents at the beginning of the year	5,092,233,490	3,524,472,078
Cash and cash equivalents at the end of the year	8,641,785,480	5,092,233,490

Cash and cash equivalents at the end of the year represents cash and bank balances.



Rahman Rahman Huq
Chartered Accountants

Industrial Promotion and Development Company of Bangladesh Limited

**Statement of Changes in Shareholders' Equity
for the year ended 31 December 2004**

	<u>Share capital Taka</u>	<u>Share premium Taka</u>	<u>Statutory reserve Taka</u>	<u>Proposed dividend Taka</u>	<u>Dividend distribution tax Taka</u>	<u>Revenue reserve Taka</u>	<u>Total Taka</u>
Balance at 1 January 2004	450,000,000	-	44,949,704	101,250,000	10,125,000	321,059,945	927,384,649
Shares issued during the year 2004	28,014,000	28,014,000	-	-	-	-	56,028,000
Net profit after tax for the year	-	-	-	-	-	225,304,048	225,304,048
Dividend paid for the year 2003	-	-	-	(101,250,000)	-	-	(101,250,000)
Dividend distribution tax paid for the year 2003	-	-	-	-	(10,125,000)	-	(10,125,000)
Proposed dividend	-	-	-	119,503,500	-	(119,503,500)	-
Dividend distribution tax	-	-	-	-	11,950,350	(11,950,350)	-
Balance at 31 December 2004	<u>478,014,000</u>	<u>28,014,000</u>	<u>44,949,704</u>	<u>119,503,500</u>	<u>11,950,350</u>	<u>414,910,143</u>	<u>1,097,341,697</u>



Industrial Promotion and Development Company of Bangladesh Limited

Notes to the financial statements for the year ended 31 December 2004

1. Background and objectives of the company

1.1 Legal status

Established with a mandate to promote economic growth in the country, Industrial Promotion and Development Company of Bangladesh Limited (IPDC) was incorporated in Bangladesh in 1981 as the premier private sector long term lending institution with the Registrar of Joint Stock Companies, Dhaka. The registered office of the company is situated at BRAC Center (8th Floor), 75 Mohakhali, Dhaka, Bangladesh.

1.2 Nature of business

IPDC mainly specializes in providing long term and short term investment financing, lease financing, equity participation, asset backed securitization through zero-coupon bond and related consultancies to both local and foreign private investments in Bangladesh.

2. Significant Accounting Policies

2.1 Measurement bases used in preparing the Financial Statements

The elements of financial statements have been measured on historical cost basis on generally accepted accounting principles in Bangladesh, including Bangladesh Accounting Standards.

2.2 Accounting for direct finance

Direct finance operation consists of short-term finance, long-term finance and equity participation, books of account for which are maintained based on the accrual method of accounting. Outstanding loans for short-term finance, and unrealized principal for long-term finance and equity participation are accounted for as direct finance assets of the Company. Interest earnings are recognized as operational revenue periodically.

2.3 Accounting for leases

From the very beginning lease transactions were accounted for under operating method where lease assets which were under the possession of the lessees, were accounted for as assets of the company and depreciation charged on those assets under principal recovery method. With the adoption of BAS 17: Leases from 1 January 2004, all the lease transactions are accounted for under direct financing method. The aggregate lease receivables including unguaranteed residual value throughout the lease term are recorded as gross lease receivables while the excess of gross lease receivables over the total acquisition cost including interest during the period of acquiring the lease equipment constitutes the unearned lease income. Initial direct costs in respect of lease are expensed in the year in which such costs are incurred.



2.4 Depreciation on fixed assets

Depreciation on fixed assets acquired for Company's own use is charged on straight-line method at rates varying from 12.5% to 33.3% throughout the estimated useful life of the assets. Depreciation is charged on the tenure of lease assets.

2.5 Investment in shares

Investment in ordinary shares has been shown at cost or market price, whichever is lower. Full provision for diminution in value of shares as on closing of the year has been taken into account.

2.6 Taxation

Provision for taxation has been made at best estimate as per Income Tax Ordinance 1984.

2.7 Deferred taxation

With effect from 2002, the company accounts for deferred tax as per Bangladesh Accounting Standard (BAS) no. 12. Deferred tax is provided using the asset/liability method for all temporary timing differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. Tax rate prevailing at the balance sheet date is used to determine deferred tax.

2.8 Foreign currency

Foreign currency transactions are translated into Taka at the rates ruling on the transaction dates. All monetary assets and liabilities are restated at exchange rate on Balance Sheet date. Differences are charged/credited to income. US\$ 2 million received earlier as share capital from foreign shareholders has been revalued at the rate prevailing on 31 December 2004 but only a portion of the resulting exchange gain has been recognized as income.

2.9 Revenue recognition

Revenue recognition is on accrual basis but revenue recognition in relation to loan interest and supervision fee is suspended where significant uncertainty as to collectibility is apparent.

The excess of aggregate rentals receivable over the cost of the leased asset constitute the total unearned lease income. The unearned lease income is recognised as revenue on the accrual basis over the term of the lease.

Accordingly, loan interest, supervision fee and recovery of principal on non-performing loans which are recorded as accounts receivable prior to establishment of a loan as non-performing, are transferred from accounts receivable to other receivables after these turn to be non-performing.

From the date of declaration of a loan as non-performing, loan interest and supervision fee are recorded as a memorandum entry only in the accounting records of other receivables and not disclosed in the financial statements as income, while recoveries due are recorded and reflected in the balance sheet as other receivables.



2.10 Provision for doubtful investment

Provision has been made as per provisioning policy of the company. Specific provision is made against investments when the recovery is in doubt or its value is considered impaired. In addition, 1% general provision has been made against loans, quasi equity investment and 5% against equity investment. Above provisions have also taken into account as per requirements of Bangladesh Bank (Central Bank) FID circular No. 08 dated 03 August 2002.

2.11 Securitization of loans and leases

During 2004, 8 long term loan accounts amounting to Tk 202,575,106 and 3 leases amounting to Tk 111,580,034, totaling Tk 314,155,141 have been securitized and transferred out from the books of IPDC to IPDC Securitization Trust 2004-A, the Special Purpose Vehicle (SPV) created for securitization and issue of Zero Coupon Bonds. IPDC Securitization Trust 2004-A has not been consolidated with these financial statements. IPDC received Tk 311,393,435 against transfer of these receivables. The difference for Tk 2,761,706 is shown as Securitization Receivable to be adjusted against future receivable of Servicing Fee and Residual Value estimated at a total amount of Tk 18,346,287. The amount will be received over a period of more than 5 years.

IPDC will continue to service the loans and leases on behalf of SPV and it will receive servicing fee @ .25 % per annum on outstanding face value of bonds, the amount of such fee is estimated at Tk 1,562,917. It will also receive all the residual interest after full payments to bondholders, the amount of such residual value is estimated at Tk 16,783,370.

IPDC has also issued a limited guarantee to SPV for any shortfall in payment to bondholders for a maximum amount of Tk 35,858,000 at any point of time. Based on past recovery trend of the securitized loans and leases, management considers that there is little possibility that the guarantee would be converted into actual liability. As a result, there is certainty beyond any reasonable doubt that the receivable from servicing fee and residual value would more than offset the securitization receivable for Tk 2,761,706.

2.12 Gratuity scheme

The company operates an unfunded gratuity scheme for its permanent employees, provision for which is made on the basis of latest applicable salary and period of employment with the company.

No actuarial valuation has been carried out for the company's gratuity liabilities as at the Balance Sheet date to ensure application of principles laid down by Bangladesh Accounting Standard (BAS) no. 19: Employee Benefits. As the members of the scheme have drawn out most of their entitlement in 2004, to acquire shares in the company, the actuarially calculated liability would not be significantly different from the liability already provided in the accounts.

2.13 Liabilities and provisions

All material liabilities and provisions have been included in the financial statements.

2.14 Earnings per Share (EPS)

The Company calculates earnings per share (EPS) in accordance with Bangladesh Accounting Standard 33 which has been shown on the face of Income Statement and the computation of EPS is stated in note 20.



3. Share capital

	<u>2004</u> <u>Taka</u>	<u>2003</u> <u>Taka</u>
Authorised:		
10,000,000 Ordinary shares of Tk 100 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up:		
4,780,140 (2003: 4,500,000) Ordinary shares of Tk 100 each	<u>478,014,000</u>	<u>450,000,000</u>

Paid up capital is made up of 1,180,140 (2003: 900,000) shares paid up in cash and 3,600,000 shares through issuance of bonus shares.

Paid up capital of the company is held as follows:

	<u>2004</u>		<u>2003</u>	
	<u>No. of shares</u>	<u>Value (Taka)</u>	<u>No. of shares</u>	<u>Value (Taka)</u>
Government of the People's Republic of Bangladesh (The Govt.) - 28%	1,350,000	135,000,000	1,350,000	135,000,000
Aga Khan Fund for Economic Development (AKFED) - 66%	3,149,994	314,999,400	787,500	78,750,000
International Finance Corporation (IFC)	-	-	787,500	78,750,000
German Investment and Development Company (DEG)	-	-	787,500	78,750,000
Commonwealth Development Corporation (CDC)	-	-	787,498	78,749,800
Associates of IPDC - 6%	280,140	28,014,000	-	-
Others	<u>6</u>	<u>600</u>	<u>2</u>	<u>200</u>
	<u>4,780,140</u>	<u>478,014,000</u>	<u>4,500,000</u>	<u>450,000,000</u>

3.1 Share premium

Share premium of Tk 28,014,000 is made up of 280,140 shares issued in 2004 for Tk 200 per share in which Tk 100 was premium per share.



4. Statutory reserve

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

	<u>2004</u> <u>Taka</u>	<u>2003</u> <u>Taka</u>
Balance at 1 January	44,949,704	44,949,704
Transferred during the year	-	-
Balance as at 31 December	<u>44,949,704</u>	<u>44,949,704</u>

5. Lines of credit

Balance as at 1 January	4,084,149,775	2,951,375,963
-------------------------	---------------	---------------

Add: Addition during the year:

CBSF credit line - 2	-	132,326,329
Eastern Bank FDR	-	100,000,000
Trust Bank FDR	-	400,000,000
BRAC Bank FDR	-	100,000,000
Jamuna Bank FDR	-	150,000,000
SCB credit line - 4	-	200,000,000
Mercantile Bank FDR	-	200,000,000
HSBC credit line - 2	-	150,000,000
DEG line of credit - 2	-	289,750,000
Uttara Apparels Limited-FDR	30,000,000	-
Uttara Automobiles Limited-FDR	15,000,000	-
Trust Bank Limited-3-FDR	200,000,000	-
Dutch Bangla Bank Limited-FDR	140,000,000	-
BRAC Bank Limited-2-FDR	200,000,000	-
BRAC Bank Limited-3-FDR	100,000,000	-
Southeast Bank Limited - line of credit	300,000,000	-
Others	8,500,000	-
	<u>993,500,000</u>	<u>1,722,076,329</u>
	5,077,649,775	4,673,452,292
Less: Repayment during the year	<u>1,151,270,081</u>	<u>589,302,517</u>
Note 5.1	3,945,579,694	4,084,149,775
Less: Current portion	<u>721,313,546</u>	<u>958,054,793</u>
Balance as at 31 December	<u>3,224,066,148</u>	<u>3,126,094,982</u>



5.1 Credit line-wise total amount comprises:

	<u>2004</u> <u>Taka</u>	<u>2003</u> <u>Taka</u>
IDA line of credit	134,203,670	200,919,184
IFC line of credit	286,106,250	350,118,750
SCB line of credit	-	20,000,000
DEG line of credit	149,540,364	179,525,076
SEBL line of credit	300,000,000	20,000,000
CBSF line of credit	74,349,532	83,370,997
PBL line of credit	-	81,438,108
DBL line of credit	-	201,266,210
BRAC bond	80,000,000	80,000,000
OPEC line of credit	205,454,621	256,818,207
BRAC bond -2	100,000,000	100,000,000
BRAC bond -3	-	100,000,000
CBSF credit line -2	84,548,783	142,503,243
SCB credit line -2	50,000,000	75,000,000
SCB credit line -3	195,510,000	223,440,000
HSBC credit line	-	80,000,000
Janata Bank FDR	300,000,000	300,000,000
Eastern Bank FDR	100,000,000	100,000,000
Trust Bank FDR	400,000,000	400,000,000
BRAC Bank FDR	100,000,000	100,000,000
Jamuna Bank FDR	150,000,000	150,000,000
SCB credit line - 4	150,000,000	200,000,000
Mercantile Bank FDR	200,000,000	200,000,000
HSBC credit line - 2	-	150,000,000
DEG line of credit - 2	193,166,474	289,750,000
Uttara Apparels Limited-FDR	30,000,000	-
Uttara Automobiles Limited-FDR	15,000,000	-
Trust Bank Limited-3-FDR	200,000,000	-
Dutch Bangla bank Limited-FDR	140,000,000	-
BRAC Bank Limited-2-FDR	200,000,000	-
BRAC Bank Limited-3-FDR	100,000,000	-
Others	8,500,000	-
	<u>3,946,379,694</u>	<u>4,084,149,775</u>

6. IDA line of credit - Deferred interest

This represents interest accrued during the grace period of 4 years on IDA line of credit repayable in equal installments over the loan period as shown below:

Balance as at 1 January	15,596,594	37,364,469
Add: Provision made during the year	13,197,721	16,499,893
	<u>28,794,315</u>	<u>53,864,362</u>
Less: Repayment during the year	27,240,827	38,267,768
	<u>1,553,488</u>	<u>15,596,594</u>
Less: Current portion	1,553,488	11,090,588
Balance as at 31 December	<u>-</u>	<u>4,506,006</u>



7. Deferred liabilities

	<u>2004</u>	<u>2003</u>
	<u>Taka</u>	<u>Taka</u>
Gratuity (Note 7.1)	1,815,234	7,495,488
Receipts against lease (Note 7.2)	68,520,392	86,330,844
	<u>70,335,626</u>	<u>93,826,332</u>

7.1 Gratuity

This liability represents provision for staff gratuity upto 31 December 2004. Provision is made at the rate of one month's basic salary for each completed year of service.

Balance as at 1 January	7,495,488	6,004,376
Add: Provision made during the year	2,250,000	1,875,000
	<u>9,745,488</u>	<u>7,879,376</u>
Less: Payment during the year	7,930,254	383,888
Balance as at 31 December	<u>1,815,234</u>	<u>7,495,488</u>

7.2 Receipts against lease

This liability represents receipts from lessees as lease deposit and security deposit:

Balance as at 1 January	86,330,844	65,126,408
Add: Receipts during the year	2,291,388	26,083,498
	<u>88,622,232</u>	<u>91,209,906</u>
Less: Adjusted during the year	20,101,840	4,879,062
Balance as at 31 December	<u>68,520,392</u>	<u>86,330,844</u>

8. Provision for deferred tax (assets)/liabilities

Balance as at 1 January	61,059,445	43,180,048
Less: Asset created during the year	95,866,542	-
	<u>(34,807,097)</u>	<u>43,180,048</u>
Add: Charge during the year	-	17,879,397
Balance as at 31 December	<u>(34,807,097)</u>	<u>61,059,445</u>

The deferred tax asset is primarily the result of excluding vehicles from deferred tax calculations. As per current tax laws, vehicles plying for hire are taxed on a presumptive basis at point of registration.

9. Fixed assets

	2004			2003
	Motor vehicles Taka	Furniture and fixtures Taka	Equipment and appliances Taka	Total Taka
Own assets				
Cost:				
Balance at 1 January	9,575,740	2,185,431	6,571,320	18,332,491
Addition during the year	3,241,453	203,500	590,820	4,035,773
Disposal during the year	(1,529,440)	-	-	(1,529,440)
Balance at 31 December	11,287,753	2,388,931	7,162,140	20,838,824
Depreciation:				
Balance at 1 January	5,667,658	1,218,869	5,845,602	12,732,129
Charged for the year	1,755,215	194,965	372,211	2,322,391
Adjustment during the year	(861,189)	-	-	(861,189)
Balance at 31 December	6,561,684	1,413,834	6,217,813	14,193,331
Lease assets				
Cost:				
Balance at 1 January	-	7,932,225	4,890,000	12,822,225
Addition during the year	-	-	-	-
Disposal during the year	-	-	-	-
Balance at 31 December	-	7,932,225	4,890,000	12,822,225
Depreciation:				
Balance at 1 January	-	6,088,043	3,002,432	9,090,475
Charged for the year	-	1,691,152	913,239	2,604,391
Adjustment during the year	-	-	-	-
Balance at 31 December	-	7,779,195	3,915,671	11,694,866
Total fixed assets				
Cost	11,287,753	10,321,156	12,052,140	33,661,049
Depreciation	6,561,684	9,193,029	10,133,484	25,888,197
Written down value at 31 Dec 2004	4,726,069	1,128,127	1,918,656	7,772,852
Written down value at 31 Dec 2003	3,908,082	966,562	725,718	5,600,362

10.- Investments

Item-wise net book value of investments together with related provision for doubtful investments are as follows:

	Notes	2004			2003		
		Book value Taka	Provision Taka	Net balance Taka	Book value Taka	Provision Taka	Net balance Taka
Equity	10.1	1,179,126,308	83,536,582	1,095,589,726	983,441,702	52,192,000	931,249,702
Long term loan	10.2	2,158,021,587	148,435,122	2,009,586,465	2,100,582,706	136,911,260	1,963,671,446
Lease receivable	10.3	1,028,988,668	27,710,107	1,001,278,561	1,356,874,416	58,500,031	1,298,374,385
Short term finance	10.4	2,082,912,836	37,328,613	2,045,584,223	811,602,168	21,387,108	790,215,060
Advances for lease	10.5	460,004,386	4,600,044	455,404,342	262,006,842	2,620,071	259,386,771
		6,909,053,785	301,610,468	6,607,443,317	5,514,507,834	271,610,470	5,242,897,364
Less: Current portion		(3,411,601,080)	-	(3,411,601,080)	1,886,494,864	-	1,886,494,864
		3,497,452,705	301,610,468	3,195,842,237	3,628,012,970	271,610,470	3,356,402,500



Rahman Rahman Huq
Chartered Accountants

10.1 Equity (at cost)

	Balance as at 1 Jan. 2004 Taka	Addition during the year Taka	Sold during the year Taka	Balance as at 31 Dec. 2004 Taka
Ordinary shares:				
Listed companies	55,715,432	23,311,000	(2,319,274)	76,707,158
Unlisted companies	185,293,340	17,000,000	(42,200,000)	160,093,340
Preference shares:				
Unlisted companies	742,432,930	234,500,000	(34,607,120)	942,325,810
	<u>983,441,702</u>	<u>274,811,000</u>	<u>(79,126,394)</u>	<u>1,179,126,308</u>
Previous year	<u>800,501,210</u>	<u>271,831,730</u>	<u>(88,891,238)</u>	<u>983,441,702</u>

Market value of ordinary shares with listed companies as at 31 December 2004 was Tk 42,892,728. Necessary provisions for loss in value have been made. See note 10.

10.2 Long term loan

	Balance as at 1 Jan. 2004 Taka	Addition during the year Taka	*Repayment during the year Taka	Balance as at 31 Dec. 2004 Taka	Due within next 12 months Taka	Net balance at 31 Dec. 2004 Taka
Local currency loan	1,778,763,305	854,836,562	(728,367,892)	1,905,231,975	(413,853,010)	1,491,378,965
Foreign currency loan	252,466,460		(55,426,848)	197,039,612	(66,897,240)	130,142,372
Underwriting-cum-advances	69,352,941		(13,602,941)	55,750,000	(55,750,000)	-
	<u>2,100,582,706</u>	<u>854,836,562</u>	<u>(797,397,681)</u>	<u>2,158,021,587</u>	<u>(536,500,250)</u>	<u>1,621,521,337</u>
Previous year	<u>1,800,030,956</u>	<u>893,518,431</u>	<u>(592,966,681)</u>	<u>2,100,582,706</u>	<u>(526,729,679)</u>	<u>1,573,853,027</u>

*Included here is an amount of Tk 202,575,106 was transferred to IPDC Securitisation Trust 2004-A for securitisation of eight long term investments.



10.3 Lease receivables

	2004			2003		
	Current	Non current	Total	Current	Non current	Total
	<u>receivable</u>	<u>receivable</u>	<u>receivable</u>	<u>receivable</u>	<u>receivable</u>	<u>receivable</u>
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Gross lease rentals receivable	567,835,818	794,583,045	1,362,418,863	643,988,063	1,147,984,710	1,791,972,773
Unearned income	(193,723,553)	(139,706,642)	(333,430,195)	(333,824,709)	(101,273,648)	(435,098,357)
Net lease rentals receivable	<u>374,112,265</u>	<u>654,876,403</u>	<u>1,028,988,668</u>	<u>310,163,354</u>	<u>1,046,711,062</u>	<u>1,356,874,416</u>

10.4 Short term finance

Balance as at 1 January	811,602,168	447,549,824
Add: Addition during the year	<u>1,678,687,351</u>	<u>497,659,036</u>
	2,490,289,519	945,208,860
Less : Recovered during the year	<u>407,376,683</u>	<u>133,606,692</u>
Balance as at 31 December	<u>2,082,912,836</u>	<u>811,602,168</u>

10.5 Advances against lease

Balance as at 1 January	262,006,842	171,999,193
Add: Advances during the year	<u>429,159,044</u>	<u>626,636,803</u>
	691,165,886	798,635,996
Less : Executed during the year	<u>231,161,500</u>	<u>536,629,154</u>
Balance as at 31 December	<u>460,004,386</u>	<u>262,006,842</u>



11. Current portion of investments

	Notes	<u>2004</u> <u>Taka</u>	<u>2003</u> <u>Taka</u>
Short term investments:			
Short term finance	10	2,045,584,223	790,215,060
Advances against lease	10	455,404,342	259,386,771
		<u>2,500,988,565</u>	<u>1,049,601,831</u>
Current portion of long term investments:			
Local currency loan	10.2	413,853,010	448,136,551
Foreign currency loan	10.2	66,897,240	75,063,716
Underwriting -cum-advances	10.2	55,750,000	3,529,412
Leases	10.3	374,112,265	310,163,354
		<u>910,612,515</u>	<u>836,893,033</u>
		<u>3,411,601,080</u>	<u>1,886,494,864</u>

12. Accounts receivable

Interest accrued on bank deposit	199,577,053	68,992,487
Receivables from projects	469,307,185	321,269,672
Securitisation receivable	2,761,706	-
Others	7,837	24,121,295
	<u>671,355,781</u>	<u>414,383,454</u>

13. Advances, deposits and prepayments

Advance payment of tax	87,966,145	60,882,643
Advance to Satata enterprise for new office	45,043,490	43,813,500
Advance to Dhaka Stock Exchange (DSE)	4,000,000	-
Advance to IPDC Trust-2004-A	1,892,461	-
Other advances	8,311,770	3,182,608
Deposits	406,794	356,794
Prepayments	6,617,283	9,485,282
	<u>154,237,943</u>	<u>117,720,827</u>

14. Cash and bank balances

Foreign currency:		
Current Account	24,759,310	289,846,024
Fixed deposits - 1 month	1,493,065,927	1,400,597,696
	<u>1,517,825,237</u>	<u>1,690,443,720</u>
Local currency:		
Cash in hand	11,114	20,000
Current Account	5,719,455	465,321
Fixed deposits- 1 - 12 months	7,100,000,000	3,400,000,000
Special notice deposit	18,229,674	1,304,449
	<u>7,123,960,243</u>	<u>3,401,789,770</u>
	<u>8,641,785,480</u>	<u>5,092,233,490</u>



15. Accounts payable

	<u>2004</u>	<u>2003</u>
	<u>Taka</u>	<u>Taka</u>
Interest on line of credit	162,609,955	86,013,067
Special accounts	21,862,215	32,594,532
Securitisation Trust 2004-A	17,493,532	-
Interest on call loan	8,153,473	5,858,195
Staff provident fund	8,377,555	3,121,340
Interest on security deposit	4,588,820	3,004,487
Finance cost- current portion of interest on IDA line of credit	1,553,488	11,090,588
Other payables	5,550,529	9,045,947
	<u>230,189,567</u>	<u>150,728,156</u>

16. Provision for tax - Current

Balance as at 1 January	2,865,516	28,000,000
Add: Provision made during the year	120,863,143	-
	<u>123,728,659</u>	<u>28,000,000</u>
Less: Adjustment due to final assessment of tax payment	-	25,134,484
Balance as at 31 December	<u>123,728,659</u>	<u>2,865,516</u>

Assessment upto assessment year 2004-2005 (income year 2003) has been finalised and settled.

17. General and administration expenses

Pay and allowances	29,659,767	20,736,906
Staff housing	2,453,152	1,541,202
Medical	763,499	407,141
Staff training	718,117	221,660
Vehicles running cost	1,790,538	1,205,478
Finance charge	411,569	794,298
Office rent	3,321,484	3,326,484
Office repair and maintenance	485,496	194,516
Monitoring, documentation, etc.	336,752	910,536
Sundry office expenses	1,017,177	1,032,506
Stationery, printing etc.	421,766	287,308
Subscription	155,408	131,115
Telephone, fax, postage, etc.	861,375	594,758
Publication and periodicals	37,656	33,476
Audit fees	130,625	113,000
Legal fees	515,554	649,156
Directors' fees and expenses	2,152,986	1,744,181
Other professional fees	299,475	307,400
Recruitment expenses	1,274,975	146,970
Insurance	269,268	182,208
Travel and hotel expenses	1,300,236	993,280
Publicity expenses	1,539,497	1,460,295
Entertainment	60,202	159,516
Depreciation - fixed assets	2,322,391	3,119,797
Depreciation - lease assets	2,604,391	2,221,662
	<u>54,908,356</u>	<u>42,514,849</u>



18. Finance cost

	<u>2004</u> <u>Taka</u>	<u>2003</u> <u>Taka</u>
Interest on lines of credit	698,330,479	308,914,827
Interest on call loan, overdraft etc.	280,358,330	462,840,071
	<u>978,638,809</u>	<u>771,754,898</u>
Less : Interest income on bank deposits	417,904,941	295,538,504
	<u>560,783,868</u>	<u>476,216,394</u>

19. Provision for doubtful investments

Balance as at 1 January	271,610,467	190,110,467
Add: Provision during the year	30,000,000	81,500,000
	<u>301,610,467</u>	<u>271,610,467</u>
Less: Adjusted during the year		-
Balance as at 31 December	<u>301,610,467</u>	<u>271,610,467</u>

20. Basic Earnings Per Share (EPS)

The following summary reflects the income and share data used in the basic earnings per share computation for each of the reporting year:

(a) Net profit after taxation	225,304,048	190,442,375
(b) Weighted average number of shares for the year	4,570,035	4,500,000
(c) Basic EPS (a/b)	<u>49.30</u>	<u>42.32</u>

21. Directors' fees and expenses

Directors' fees	76,000	91,000
Travel, hotel and other expenses	2,076,986	1,653,181
	<u>2,152,986</u>	<u>1,744,181</u>

22. Transactions in foreign currency

22.1 Receipts

Bank interest	14,313,195	26,472,710
Loan interest	18,146,884	24,713,002
Credit lines	-	289,750,000
Loan	-	15,469,940
	<u>32,460,079</u>	<u>356,405,652</u>



22.2 Payments

	<u>2004</u> <u>Taka</u>	<u>2003</u> <u>Taka</u>
Loan interest	66,884,425	67,547,533
Credit lines	241,944,324	87,672,755
	<u>308,828,749</u>	<u>155,220,288</u>

22.3 Dividend paid

1 foreign shareholder holding 3,149,994 shares	<u>105,187,500</u>	<u>11,812,500</u>
--	--------------------	-------------------

23. Auditors' remuneration

Audit service	130,625	115,000
Taxation service	120,000	100,000
Other services	22,125	20,950
	<u>272,750</u>	<u>235,950</u>

24. Capital expenditure commitment

The company has an amount of Tk 75.54 million for disbursement of lease as capital expenditure commitment at the balance sheet date.

25. Employee details

25.1 During the year under review there were 26 employees employed for the full year and 10 employees less than full year at a remuneration of Taka 3,000 per month and above.

25.2 At the end of the year, there were 34 employees in the company.

26. Post balance sheet events

No material events occurred after the Balance Sheet date, which would significantly affect the financial position of the company as at the balance sheet.

27. Contingent liabilities

- The company has outstanding guarantee for Tk 10,250,000 on the Balance Sheet date. The company has another outstanding guarantee for Tk 35,858,000 on account of IPDC Securitisation Trust 2004-A (Note-2.11).

28. Rounding off and rearrangement of figures

Figures have been rounded off to the nearest Taka and 2003 figures have been rearranged to conform to current presentation.