

Industrial Promotion and Development Company of Bangladesh Limited

Auditors' Report and Financial Statements for the year ended 31 December 2005

April 2006



S. F. AHMED & CO.

Chartered Accountants

Representative of ERNST & YOUNG in Bangladesh

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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 2005 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.

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 2005 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;
- (g) adequate provision has been made for investment (Note No. 10) 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;
- (i) the company has complied with the relevant laws pertaining to reserves and maintenance of liquid assets; and
- (j) The company's Balance Sheet and company's Profit & Loss Account dealt with by the report are in agreement with the books of accounts.

Dated, Dhaka
16 April 2006



S. F. Ahmed
S. F. Ahmed & Co.
Chartered Accountants

Industrial Promotion and Development Company of Bangladesh Limited

Balance Sheet

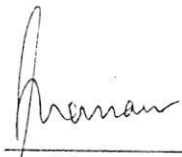
for the year ended 31 December 2005


<u>Source of fund</u>	<u>Notes</u>	2005 <u>Taka</u>	2004 <u>Taka</u>
Shareholders' equity:			
Share capital	3	478,014,000	478,014,000
Share premium	3.1	28,014,000	28,014,000
Statutory reserve	4	44,949,704	44,949,704
Revaluation reserve - office premises	9.1	23,627,792	-
Proposed dividend		47,801,400	119,503,500
Dividend distribution tax		-	11,950,350
Revenue reserve		501,234,825	414,910,143
		1,123,641,721	1,097,341,697
Loan funds (unsecured):			
Lines of credit	5	3,895,836,248	3,946,379,694
Less : Current portion of lines of credit		(662,209,366)	(721,313,546)
		3,233,626,882	3,225,066,148
IDA line of credit - deferred interest	6	3,899,939	-
		3,237,526,821	3,225,066,148
Deferred liabilities	7	73,324,066	70,335,626
		<u>4,434,492,608</u>	<u>4,392,743,471</u>
<u>Application of fund</u>			
Tangible assets			
Fixed assets at cost less accumulated depreciation	9	97,225,305	6,645,493
Lease assets at cost less accumulated depreciation		-	1,127,359
Deferred Tax Assets	8	149,621,752	34,807,097
Investments - net of provisions:			
Equity	10	1,161,765,893	1,095,589,726
Long term loans		2,640,677,772	2,009,586,465
Lease receivables		1,082,193,120	1,001,278,561
Short term finance		1,652,446,238	2,045,584,223
Advances against lease		202,564,602	455,404,342
		6,739,647,625	6,607,443,317
Less: Current portion of investments	11	(3,414,941,191)	(3,411,601,080)
		3,324,706,434	3,195,842,237



	Notes	2005 Taka	2004 Taka
Current assets:			
Current portion of investments	11	3,414,941,191	3,411,601,080
Accounts receivable	12	690,189,206	671,875,781
Advances, deposits and prepayments	13	239,544,285	154,237,943
Cash and bank balances	14	4,030,238,684	8,641,785,480
		8,374,913,366	12,879,500,284
Current liabilities and provisions:			
Call loan		650,000,000	4,320,000,000
Bank overdraft		990,348,457	1,361,320,968
Short term loan		4,301,300,000	4,967,498,900
Deposit		459,952,860	-
Current portion of lines of credit	5	662,209,366	721,313,546
Accounts payable	15	346,134,171	230,189,567
Liability for lease assets		-	1,127,359
Provision for tax	16	102,029,395	123,728,659
		7,511,974,249	11,725,178,999
Net current assets		862,939,117	1,154,321,285
		4,434,492,608	4,392,743,471

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.



Dated, Dhaka
16 April 2006


S. F. Ahmed & Co.
S. F. Ahmed & Co.
Chartered Accountants

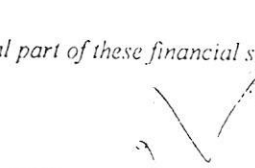
Industrial Promotion and Development Company of Bangladesh Limited

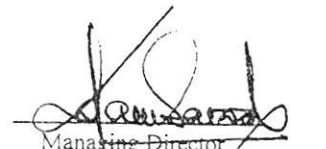
Profit and Loss Account for the year ended 31 December 2005

	Notes	2005 Taka	2004 Taka
Operating revenue:			
Dividend on investment in shares		116,488,015	91,077,592
Profit on sale of shares		45,386,074	31,123,092
Interest on loans		321,209,425	291,314,020
Lease income		215,603,032	258,381,792
Interest on short term finance		294,672,603	181,875,649
Supervision fees		112,092	2,005,140
Appraisal and feasibility studies fees		1,060,000	1,755,000
Syndication fees		392,859	2,600,000
Commitment fees		566,316	752,542
Documentation fees		150,000	505,000
Other fees		1,321,073	4,453,047
Exchange gain		122,463,045	30,000,000
		1,119,424,534	895,842,874
Less: Operating expenses:			
General and administrative expenses	17	62,069,829	54,908,356
Finance cost - net of interest on bank deposit	18	810,699,457	560,783,868
		872,769,286	615,692,224
Income from operations		246,655,248	280,150,650
Non-operating Income			
Other income		103,772	149,999
Profit before provision and tax		246,759,020	280,300,649
Provision for doubtful investments	19	208,272,533	30,000,000
Net profit before tax		38,486,487	250,300,649
Provision for tax:			
Current tax	16	19,175,060	120,863,143
Deferred tax	8	(114,814,655)	(95,866,542)
		(95,639,595)	24,996,601
Net profit after tax		134,126,082	225,304,048
Retained earnings brought forward		414,910,143	321,059,945
Profit available for appropriation		549,036,225	546,363,993
Appropriations:			
Final dividend at (2005: Tk 10, 2004: Tk 25) per share of Tk 100 each		47,801,400	119,503,500
Dividend distribution tax (10%)		-	11,950,350
		47,801,400	131,453,850
Retained earnings, carried forward		501,234,825	414,910,143
Earning per share of Tk 100	20	28.06	49.30

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.



Dated, Dhaka
16 April 2006

S. F. Ahmed & Co.
Chartered Accountants

Industrial Promotion and Development Company of Bangladesh Limited

Cash Flow Statement for the year ended 31 December 2005

	2005 <u>Taka</u>	2004 <u>Taka</u>
Cash flows from operating activities:		
Net profit before tax	38,486,487	250,300,649
Adjustment for:		
Depreciation	3,981,875	4,926,782
Provision for doubtful investments	208,272,533	30,000,000
Provision for gratuity	10,218,907	2,250,000
	<u>222,473,315</u>	<u>37,176,782</u>
<i>Operating profit before working capital changes</i>	260,959,802	287,477,431
(Increase)/decrease in current assets:		
Advances, deposits and prepayments	(66,045,026)	(9,433,614)
Accounts receivables	(18,313,425)	(257,492,328)
Increase/(decrease) in current liabilities:		
Accounts payable	119,844,543	76,288,514
	<u>35,486,091</u>	<u>(190,637,428)</u>
<i>Cash generated from operations</i>	296,445,893	96,840,003
Payment of income tax	(60,135,640)	(27,083,502)
Payment of gratuity	(9,521,853)	(7,930,254)
<i>Net cash flows from operating activities</i>	<u>226,788,400</u>	<u>61,826,247</u>
Cash flows from investing activities		
Acquisition of fixed assets	(70,933,895)	(3,367,523)
Investments made	(2,673,032,221)	(3,075,083,471)
Recovery of loan and short term finance	2,149,681,552	1,601,411,126
Divestment of equity	182,873,828	79,126,394
Receipts against lease	2,291,386	(17,810,452)
<i>Net cash used in investing activities</i>	<u>(409,119,350)</u>	<u>(1,415,723,926)</u>
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	2,589,469,644	993,500,000
Repayment of lines of credit	(2,640,013,090)	(1,131,270,081)
Receipts from short term loan	(206,246,040)	2,411,998,900
(Payments)/receipts from call loan and overdraft	(4,040,972,511)	2,688,505,350
Payment of dividend	(131,453,850)	(115,312,500)
<i>Net cash flows from financing activities</i>	<u>(4,429,215,847)</u>	<u>4,903,449,669</u>
Net increase in cash and cash equivalents	(4,611,546,797)	3,549,551,990
Cash and cash equivalents at the beginning of the year	8,641,785,480	5,092,233,490
Cash and cash equivalents at the end of the year	<u>4,030,238,684</u>	<u>8,641,785,480</u>

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



Industrial Promotion and Development Company of Bangladesh Limited

Statement of Changes in Shareholders' Equity

for the year ended 31 December 2005

	Share capital Taka	Share premium Taka	Statutory reserve Taka	Proposed dividend Taka	Dividend distribution tax Taka	Revaluation reserve Taka	Revenue reserve Taka	Total Taka
Balance at 1 January 2005	478,014,000	28,014,000	44,949,704	119,503,500	11,950,350	-	414,910,143	1,097,341,697
Shares issued during the year 2005	-	-	-	-	-	-	-	-
Revaluation - office premises	-	-	-	-	-	23,627,792	-	23,627,792
Net profit after tax for the year	-	-	-	-	-	-	134,126,082	134,126,082
Dividend payment	-	-	-	(119,503,500)	-	-	-	(119,503,500)
Dividend distribution tax payment	-	-	-	-	(11,950,350)	-	-	(11,950,350)
Proposed dividend	-	-	-	47,801,400	-	-	(47,801,400)	-
Dividend distribution tax	-	-	-	-	-	-	-	-
Balance at 31 December 2005	478,014,000	28,014,000	44,949,704	47,801,400	-	23,627,792	501,234,825	1,123,641,721



Industrial Promotion and Development Company of Bangladesh Limited

Notes to the financial statements

for the year ended 31 December 2005

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 Hosna Center (4th Floor), 106 Gulshan Avenue, 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. However, office premises has been revalued and stated on market price basis.

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

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 Fixed assets

Fixed assets are stated net of accumulated depreciation. 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.

The office premises have been revalued as of December 31, 2005 in line with prevailing market price as on that date.

2.5 Investment in shares

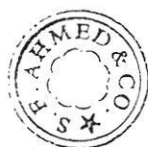
Investment in ordinary shares has been shown at cost or market price, whichever is lower. Full provision for diminution in value of shares as on closing of the year has been taken into account.

2.6 Provision for Income Tax

Provision for taxation has been estimated 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 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 share holders has been revalued at the rate prevailing on 31st December, 2005 and 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 recognized 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 Bangladesh Bank vide FID Circular No. 8 dated 3rd August, 2002. 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 equity investment.

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.

Out of total Tk. 311,393,445 issue price of bond, Tk. 136,606,317 has already been redeemed upto 31st December 2005.

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 Provision for liabilities

Provision for all material liabilities has 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

	2005 <u>Taka</u>	2004 <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 Ordinary shares of Tk 100 each	<u>478,014,000</u>	<u>478,014,000</u>

Paid up capital is made up of 1,180,140 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:

	2005		2004	
	<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	3,149,994	314,999,400
Associates of IPDC - 6%	280,140	28,014,000	280,140	28,014,000
Others	6	600	6	600
	<u>4,780,140</u>	<u>478,014,000</u>	<u>4,780,140</u>	<u>478,014,000</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.

	2005 <u>Taka</u>	2004 <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	2005 <u>Taka</u>	2004 <u>Taka</u>
Balance as at 1 January	3,946,379,694	4,084,149,775
Add: Addition during the year:		
Prime Bank credit line	250,000,000	-
International Development Agency	6,587,745	-
Standard Chartered Bank - 3	408,574,798	-
Mr. Habib	3,600,000	-
Ms. Aminah	1,500,000	-
CBSF credit line - 3	334,550,209	-
Ms. Lee FDR	600,000	-
Janata Bank FDR - 2	200,000,000	-
Uttara Bank Ltd.	150,000,000	-
Commercial Bank of Ceylon	200,000,000	-
Prime Bank credit line -2	100,000,000	-
Dhaka Bank - credit line	200,000,000	-
Uttara Bank Ltd. - 2	100,000,000	-
Social Investment- credit line	150,000,000	-
Eastern Bank Ltd. - 2	100,000,000	-
Arab Bangladesh Bank Ltd.	200,000,000	-
IFC - credit line	60,600,000	-
DEG - credit line	75,451,836	-
OPEC - credit line	28,227,299	-
DEG- credit line -2	19,777,757	-
Uttara Apparels Ltd. - FDR	-	30,000,000
Uttara Automobiles Ltd. - FDR	-	15,000,000
Trust Bank Ltd -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
	2,589,469,644	993,500,000
	6,535,849,338	5,077,649,775
Less: Repayment during the year	2,640,013,090	1,131,270,081
	Note 5.1 3,895,836,248	3,946,379,694
Less: Current portion	662,209,366	721,313,546
Balance as at 31 December	3,233,626,882	3,225,066,148



5.1 Credit line-wise total amount comprises:

	2005 <u>Taka</u>	2004 <u>Taka</u>
IDA line of credit	89,656,194	134,203,670
IFC line of credit	250,687,500	286,106,250
DEG line of credit	195,007,488	149,540,364
SEBL line of credit	52,292,000	300,000,000
CBSF line of credit	44,113,221	74,349,532
PBL line of credit	250,000,000	-
DBL line of credit	200,000,000	-
BRAC bond	80,000,000	80,000,000
OPEC line of credit	182,318,334	205,454,621
BRAC bond -2	100,000,000	100,000,000
CBSF credit line -2	64,528,088	84,548,783
CBSF credit line -3	319,178,017	-
SCB credit line -2	-	50,000,000
SCB credit line -3	349,999,999	195,510,000
UBL credit line	120,200,000	-
CBC credit line	150,000,000	-
PBL credit line-2	100,000,000	-
UBL credit line -2	90,100,000	-
SIBL-credit line	150,000,000	-
ABBL-credit line	200,000,000	-
Janata Bank FDR	-	300,000,000
Janata Bank FDR -2	200,000,000	-
Eastern Bank FDR	100,000,000	100,000,000
Trust Bank FDR	-	400,000,000
BRAC Bank FDR	-	100,000,000
Jamuna Bank FDR	100,000,000	150,000,000
SCB credit line - 4	-	150,000,000
Mercantile Bank FDR	-	200,000,000
DEG line of credit - 2	148,555,407	193,166,474
Uttara Apparels Limited-FDR	30,000,000	30,000,000
Uttara Automobiles Limited-FDR	15,000,000	15,000,000
Mr. Habib-FDR	7,600,000	-
Ms. Aminah - FDR	6,000,000	-
Ms. Lee - FDR	600,000	-
Trust Bank Limited-3-FDR	200,000,000	200,000,000
Eastern Bank FDR-2	100,000,000	-
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>3,895,836,248</u>	<u>3,946,379,694</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:

	2005 Taka	2004 Taka
Balance as at 1 January	1,553,488	15,596,594
Add: Provision made during the year	17,305,593	13,197,721
	18,859,081	28,794,315
Less: Repayment during the year	14,959,142	27,240,827
	3,899,939	1,553,488
Less: Current portion	3,899,939	1,553,488
Balance as at 31 December	-	-

7. Deferred liabilities

Gratuity (Note 7.1)	2,512,288	1,815,234
Receipts against lease (Note 7.2)	70,811,778	68,520,392
	73,324,066	70,335,626

7.1 Gratuity

This liability represents provision for staff gratuity upto 31 December 2005. Provision is made at the rate of one month's basic salary for each completed year of service.

Balance as at 1 January	1,815,234	7,495,488
Add: Provision made during the year	10,218,907	2,250,000
	12,034,141	9,745,488
Less: Payment during the year	9,521,853	7,930,254
Balance as at 31 December	2,512,288	1,815,234

7.2 Receipts against lease

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

Balance as at 1 January	68,520,392	86,330,844
Add: Receipts during the year	8,858,026	2,291,388
	77,378,418	88,622,232
Less: Adjusted during the year	6,566,640	20,101,840
Balance as at 31 December	70,811,778	68,520,392

8. Provision for deferred tax assets/liabilities

Balance as at 1 January	(34,807,097)	61,059,445
Less: Asset created during the year	(114,814,655)	(95,866,542)
	(149,621,752)	(34,807,097)
Add: Charge during the year	-	-
	(149,621,752)	(34,807,097)



9. Fixed assets

	2005				2004	
	Office premises Taka	Motor vehicles Taka	Furniture and fixtures Taka	Equipment and appliances Taka	Total Taka	Total Taka
Cost:						
Balance at 1 January	-	11,287,753	2,388,931	7,162,140	20,838,824	18,332,491
Addition during the year	44,813,500	2,500,000	16,724,416	9,036,217	73,074,133	4,035,773
Disposal during the year	-	(2,095,453)	(494,434)	(576,400)	(3,166,287)	(1,529,440)
Balance at 31 December	44,813,500	11,692,300	18,618,913	15,621,957	90,746,670	20,838,824
Depreciation:						
Balance at 1 January	-	6,561,684	1,413,834	6,217,813	14,193,331	12,732,129
Charged for the year	746,892	1,722,855	1,048,746	463,382	3,981,875	2,322,391
Adjustment during the year	-	(711,918)	(314,678)	547	(1,026,049)	(861,189)
Balance at 31 December	746,892	7,572,621	2,147,902	6,681,742	17,149,157	14,193,331
Written down value:						
At 31 December 2005	44,066,608	4,119,679	16,471,011	8,940,215	73,597,513	6,645,493
Revaluation adjustment	23,627,792	-	-	-	23,627,792	-
	67,694,400	4,119,679	16,471,011	8,940,215	97,225,305	6,645,493
At 31 December 2004	-	4,726,069	1,128,127	1,918,656	7,772,852	-

9.1. Revaluation adjustment

The office premises with proportionate land comprising 11,661 Sft of office space on 4th floor of Hosna Center, 106 Gulshan Avenue, Dhaka-1212, alongwith car parking for 15 cars, have been revalued by the management as of 31st 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. 67,694,400 with a revaluation adjustment of Tk. 23,627,792.

10. Investments

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

	Notes	2005			2004		
		Book value Taka	Provision Taka	Net balance Taka	Book value Taka	Provision Taka	Net balance Taka
Equity	10.1	1,282,314,949	120,549,056	1,161,765,893	1,179,126,308	83,536,582	1,095,589,726
Long term loan	10.2	2,768,256,710	127,578,938	2,640,677,772	2,158,021,587	148,435,122	2,009,586,465
Lease	10.3	1,201,947,107	119,753,987	1,082,193,120	1,028,988,668	27,710,107	1,001,278,561
Short term finance	10.4	1,792,048,244	139,602,006	1,652,446,238	2,082,912,836	37,328,613	2,045,584,223
Advances for lease	10.5	204,963,615	2,399,013	202,564,602	460,004,386	4,600,044	455,404,342
		7,249,530,625	509,883,000	6,739,647,625	6,909,053,785	301,610,468	6,607,443,317
Less: Current portion		(3,414,941,191)	-	(3,414,941,191)	(3,411,601,080)	-	(3,411,601,080)
		3,834,589,434	509,883,000	3,324,706,434	3,497,452,705	301,610,468	3,195,842,237



10.1 Equity (at cost)

	Balance as at 1 Jan. 2005 <u>Taka</u>	Addition during the year <u>Taka</u>	Sold during the year <u>Taka</u>	Balance as at 31 Dec. 2005 <u>Taka</u>
Ordinary shares:				
Listed companies	76,707,158	8,147,469	(23,311,708)	61,542,919
Unlisted companies	160,093,340	28,365,000	(40,865,000)	147,593,340
Preference shares:				
Unlisted companies	942,325,810	249,550,000	(118,697,120)	1,073,178,690
	<u>1,179,126,308</u>	<u>286,062,469</u>	<u>(182,873,828)</u>	<u>1,282,314,949</u>
Previous year	<u>983,441,702</u>	<u>274,811,000</u>	<u>(79,126,394)</u>	<u>1,179,126,308</u>

Market value of ordinary shares with listed companies as at 31 December 2005 was Tk 22,815,933. Necessary provisions for loss in value have been made. See note 10.

10.2 Long term loan

	Balance as at 1 Jan. 2005 <u>Taka</u>	Addition/Conv. during the year <u>Taka</u>	*Repayment during the year <u>Taka</u>	Balance as at 31 Dec. 2005 <u>Taka</u>	Due within next 12 months <u>Taka</u>	Net balance at 31 Dec. 2005 <u>Taka</u>
Local currency loan	1,905,231,975	1,105,538,080	(464,289,418)	2,546,480,637	(679,299,446)	1,867,181,191
Foreign currency loan	197,039,612	28,630,276	(51,393,815)	174,276,073	(52,083,183)	122,192,890
Underwriting-cum-advances	55,750,000	-	(8,250,000)	47,500,000	(22,800,000)	24,700,000
	<u>2,158,021,587</u>	<u>1,134,168,356</u>	<u>(523,933,233)</u>	<u>2,768,256,710</u>	<u>(754,182,629)</u>	<u>2,014,074,081</u>
Previous year	<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>



10.3 Lease receivables

	2005 Taka			2004 Taka		
	Current Receivable	Non-current Receivable	Total Receivable	Current Receivable	Non-current Receivable	Total Receivable
Gross lease receivables	643,988,063	887,087,478	1,531,075,541	567,835,818	794,583,045	1,362,418,863
Unearned income	(197,477,060)	(131,651,374)	(329,128,434)	(193,723,553)	(139,706,642)	(333,430,195)
Net lease receivables	446,511,003	755,436,104	1,201,947,107	374,112,265	654,876,403	1,028,988,668

10.4 Short term finance

Balance as at 1 January	2,082,912,836	811,602,168
Add: Addition during the year	807,783,061	1,678,687,351
	2,890,695,897	2,490,289,519
Less : Recovered during the year	1,098,647,653	407,376,683
Balance as at 31 December	1,792,048,244	2,082,912,836

10.5 Advances against lease

Balance as at 1 January	460,004,386	262,006,842
Add: Advances during the year	445,018,335	429,159,044
	905,022,721	691,165,886
Less : Executed during the year	700,059,106	231,161,500
Balance as at 31 December	204,963,615	460,004,386

11. Current portion of investments

	Notes	2005 Taka	2004 Taka
Short term investments:			
Short term finance	10	1,652,446,238	2,045,584,223
Advances against lease	10	202,564,602	455,404,342
		1,855,010,840	2,500,988,565
Current portion of long term investments:			
Local currency loan	10.2	679,299,446	413,853,010
Foreign currency loan	10.2	52,083,183	66,897,240
Underwriting -cum-advances	10.2	22,800,000	55,750,000
Quasi Equity		297,693,800	-
Equity Listed		61,542,919	-
Leases	10.3	446,511,003	374,112,265
		1,559,930,351	910,612,515
		3,414,941,191	3,411,601,080

12. Accounts receivable

Interest accrued on bank deposit	86,988,068	199,377,053
Receivables from projects	599,777,650	469,007,185
Securitisation receivable	2,761,704	2,761,704
Others	661,784	729,839
	690,189,206	671,875,781



13. Advances, deposits and prepayments

	2005 Taka	2004 Taka
Advance payment of tax	107,227,461	87,966,145
Advance to Satata enterprise for new office	-	45,043,490
Advance to Dhaka Stock Exchange (DSX)	-	4,000,000
Advance to IPDC Trust-2004-A	6,846,424	1,892,461
Other advances	120,573,339	8,311,770
Deposits	426,794	406,794
Prepayments	4,470,267	6,617,283
	<u>239,544,285</u>	<u>154,237,943</u>

14. Cash and bank balances

Foreign currency:

Current Account	-	24,759,310
Fixed deposits - 1 month	1,722,221,451	1,493,065,927
	<u>1,722,221,451</u>	<u>1,517,825,237</u>

Local currency:

Cash in hand	895	11,114
Current Account	15,608,180	5,719,455
Fixed deposits- 1 - 12 months	2,279,514,809	7,100,000,000
Special notice deposit	12,893,349	18,229,674
	<u>2,308,017,234</u>	<u>7,123,960,243</u>
	<u>4,030,238,684</u>	<u>8,641,785,480</u>

15. Accounts payable

Interest on line of credit	286,462,539	162,609,955
Special accounts	26,503,615	21,862,215
Securitisation Trust 2004-A	10,869,056	17,493,532
Interest on call loan	141,669	8,153,473
Staff provident fund	5,051,029	8,377,555
Interest on security deposit	10,323,053	4,588,820
Finance cost- current portion of interest on IDA line of credit		1,553,488
Other payables	6,783,210	5,550,529
	<u>346,134,172</u>	<u>230,189,567</u>

16. Provision for tax - Current

Balance as at 1 January	123,728,659	2,865,516
Add: Provision made during the year	19,175,060	120,863,143
	<u>142,903,719</u>	<u>123,728,659</u>
Less: Adjustment due to final assessment of tax payment (for income year 2002-2003)	40,874,324	-
Balance as at 31 December	<u>102,029,395</u>	<u>123,728,659</u>

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



	2005 <u>Taka</u>	2004 <u>Taka</u>
17. General and administration expenses		
Pay and allowances	36,443,666	29,659,767
Staff housing	1,110,953	2,453,152
Medical	704,854	763,499
Staff training	785,681	718,117
Vehicles running cost	1,885,766	1,790,538
Finance charge	-	411,569
Office rent	2,799,534	3,326,484
Office repair and maintenance	1,388,536	485,496
Monitoring, documentation, etc.	665,239	336,752
Sundry office expenses	1,239,139	1,017,177
Stationery, printing etc.	657,935	421,766
Subscription	131,232	155,408
Telephone, fax, postage, etc.	925,847	861,375
Publication and periodicals	25,076	37,656
Audit fees	150,000	130,625
Legal fees	1,251,877	515,554
Directors' fees and expenses	2,208,717	2,152,986
Other professional fees	1,834,108	299,475
Recruitment expenses	75,205	1,274,975
Insurance	246,599	269,268
Travel and hotel expenses	959,944	1,300,236
Publicity expenses	1,202,548	1,539,497
Entertainment	89,818	60,202
Depreciation - fixed assets	3,981,875	2,322,391
Lease assets (Lease Rental)	1,305,680	2,604,391
	<u>62,069,829</u>	<u>54,908,356</u>

18. Finance cost

Interest on lines of credit	993,951,333	698,330,479
Interest on call loan, overdraft etc.	257,348,389	280,358,330
	<u>1,251,299,722</u>	<u>978,688,809</u>
Less : Interest income on bank deposits	440,600,265	417,904,941
	<u>810,699,457</u>	<u>560,783,868</u>

19. Provision for doubtful investments

Balance as at 1 January	301,610,467	271,610,467
Add: Provision during the year	208,272,533	30,000,000
	<u>509,883,000</u>	<u>301,610,467</u>
Balance as at 31 December	<u>509,883,000</u>	<u>301,610,467</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	134,126,082	225,304,048
(b) Weighted average number of shares for the year	4,780,140	4,570,035
(c) Basic EPS (a/b)	<u>28.06</u>	<u>49.30</u>



	2005 <u>Taka</u>	2004 <u>Taka</u>
21. Directors' fees and expenses		
Directors' fees	54,000	76,000
Travel, hotel and other expenses	<u>2,311,237</u>	<u>2,076,986</u>
	<u>2,365,237</u>	<u>2,152,986</u>
22. Transactions in foreign currency		
22.1 Receipts		
Bank interest	35,065,783	14,313,195
Loan interest	<u>41,654,379</u>	<u>18,146,884</u>
	<u>76,720,162</u>	<u>32,460,079</u>
22.2 Payments		
Loan interest	66,170,692	66,884,425
Credit lines	<u>241,755,872</u>	<u>241,944,324</u>
	<u>307,926,564</u>	<u>308,828,749</u>
22.3 Dividend paid		
1 foreign shareholder holding 3,149,994 shares	<u>119,503,500</u>	<u>105,187,500</u>
23. Auditors' remuneration		
Audit service	150,000	130,625
Taxation service	150,000	120,000
Other services	-	22,125
	<u>300,000</u>	<u>272,750</u>
24. Capital expenditure commitment		
The company has capital expenditure commitment Tk. 1,231,150 on account of computer purchase at the balance sheet date.		
25. Employee details		
25.1	During the year under review there were 27 employees employed for the full year and 17 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 44 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. 138,700,000 on the Balance Sheet date. The company has another outstanding guarantee for Tk 35,858,000 on account of IPDC Securitisation Trust 2004-A.		
28. Rounding off and rearrangement of figures		

Figures have been rounded off to the nearest Taka and 2004 figures have been rearranged to conform to current presentation.

