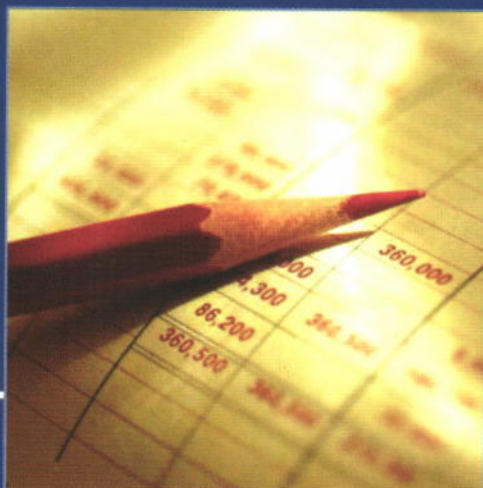


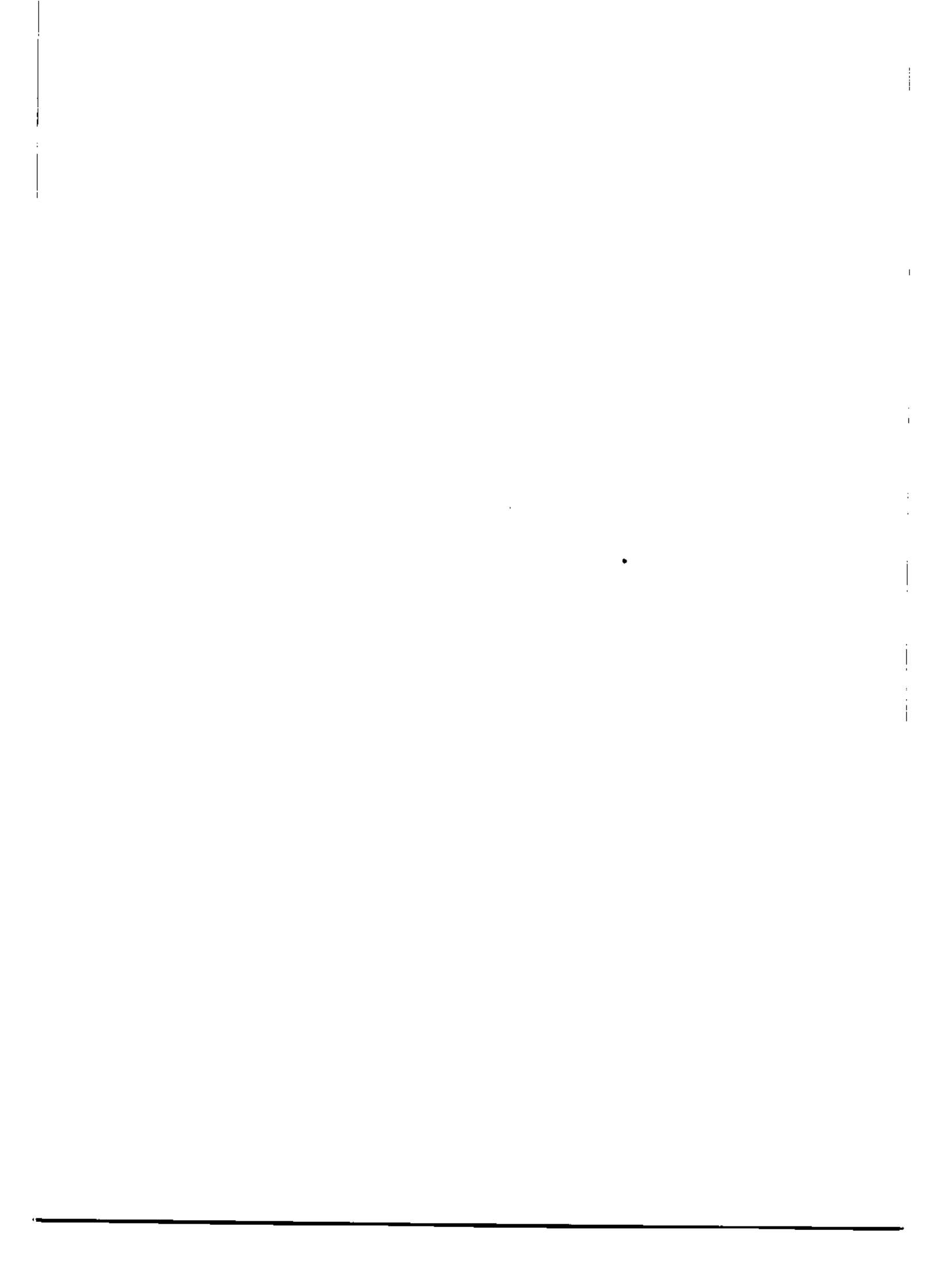


annual report 2006



IPDC

your trusted wealth builder



annual report

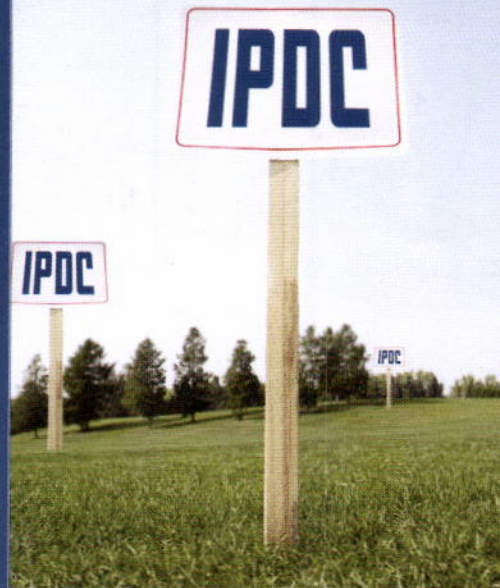
2006



a proud legacy

For the last two and a half decades
the name IPDC
has been synonymous with excellence,
quality, integrity, innovation and
a pioneering spirit.
These are the traits that we
at IPDC
continuously aspire
to live up to.
As a company
that has inherited
a rich legacy
of technical know how,
engineering expertise,
managerial and financial acumen,
and, above all,
the goodwill and loyalty
of employees, shareholders,
business associates and
hundreds of customers,
we continue
to build our business
on the ethics and values innate in IPDC.

landmark projects



IPDC has been a partner in a number of milestone projects that were the first of its kind in Bangladesh.

Citycell

The pioneer private telecom firm in Bangladesh



Holcim-Bangladesh, subsidiary of Holcim
one of the world's largest cement manufacturers



GMG

The market leader in private aviation in Bangladesh



Fantasy Kingdom

The country's first theme park



Summit Group

Leader in Independent Power Producer (IPP)



Scholastica

First institutional funding to private sector education



IDLC

The first leasing company in Bangladesh



National Housing and Finance Company

Pioneer in house mortgage financing



.....and many more



milestones

The Company in 1981 became the first private sector development Financial Institution in Bangladesh. IPDC takes pride in being recognised today as a premier development financier providing high quality financial services to its clients for their investment needs.

IPDC was established by a distinguished multilateral team of shareholders.

The founding shareholders:

The Government of The People's Republic of Bangladesh (GOB)



The Aga Khan Fund for Economic Development (AKFED)



Commonwealth Development Corporation (CDC), The United Kingdom



German Investment and Development Company (DEG), Germany



International Finance Corporation (IFC) an affiliate of the World Bank



Incorporation of the Company	: 1981
Sponsoring the establishment of the first leasing company of Bangladesh (IDLC)	: 1984
First institutional funding to private sector education (Scholastica School)	: 1998
Financing the first private sector cellular telecom company in Bangladesh (Citycell)	: 1998
Issuance of Cumulative Redeemable Preference Share-Pioneer among the Financial Institutions	: 2001
Financing the first theme park in Bangladesh (Fantasy Kingdom)	: 2002
Issuance of Zero Coupon Bond through Asset-Backed Securitization	: 2004
Introduction of Retail Deposit Products	: 2006
Public issuance of shares	: 2006
Trading of shares on Dhaka Stock Exchange and Chittagong Stock Exchange	: 2006



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notice of the 25Th Annual General Meeting

Notice is hereby given that the Twenty Fifth Annual General Meeting of the shareholders of Industrial Promotion and Development Company of Bangladesh Limited will be held at BDR Darbar Hall, Dhaka on Tuesday, 22 May 2007 at 10.00 a.m. to transact the following business:

1. To receive and adopt the Directors' Report, Auditors' Report and Audited Financial Statements for the year ended 31 December 2006
2. To declare Dividend for the year ended 31 December 2006
3. To appoint the Auditors of the Company for the year 2007 and to fix their remuneration
4. To elect/re-elect Directors
5. To transact any other business with the permission of the Chair

By Order of the Board



A.K.M. Anwarul Kabir FCA ACS
Company Secretary

Dated : Dhaka
25 April 2007

Notes :

1. A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his/her stead. The proxy form must be affixed with a revenue stamp of Tk. 8.00 and submitted to the Registered Office of the Company no later than 48 hours before the day of the Annual General Meeting.
2. 22 April 2007 is the Record Date.
3. The shareholder whose name appear in the Register of Members of the Company on the Record Date shall be entitled to dividend.
4. Change of address , if any, should be notified to the related Depository Participant on or before 22 April 2007.



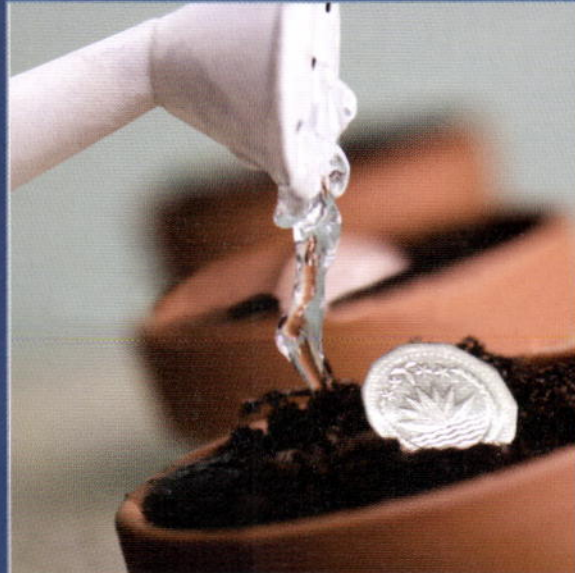
our vision

To be the most respected and innovative financial institution of the country



our mission

To be the brand of quality and integrity for delivering innovative and tailored financial solutions to a diverse client base



objectives

To ensure maximum returns on investment

Profitability is key to achieving superior returns, building our capital and motivating and retaining our best people.

To ensure steady sustainable growth in business

Our increasing corporate profits since inception have been manifestations of our steady growth. Amidst a competitive environment, our goal is now to take the organization forward with excellence in all our operations. We shall harness and use our distinctive competencies to ensure a long term competitive advantage.

To improve the quality of services

Our strength is not in the volume but in the quality of services that we provide. Our clients' interests always come first. We relentlessly strive to anticipate the changing needs of our clients and to develop better solutions to those needs. Our experience tells that if we serve our clients to the best of our ability, our own success follows.

To create innovative product and services

Creativeness and imagination is encouraged in everything we undertake. We pride ourselves in having pioneered many products and services that have become standard in the industry.

To maintain highest level of ethical standard

We are dedicated to comply fully with the spirit of laws, rules and ethical principles that govern us. Our continued success depends upon unwavering adherence to these standards.

core values

We address clients' need promptly, impartially and with utmost importance.

We take great pride in our dedicated teams of staff members and will continue to develop their potential and skills at all levels within our organization by rewarding outstanding performance and promoting from within to develop a climate of high expectation and achievement.

We remain quality-minded and devoted to uphold our corporate culture.

We will retain our position of leadership in this field through our commitment to quality, compliances, services and values.

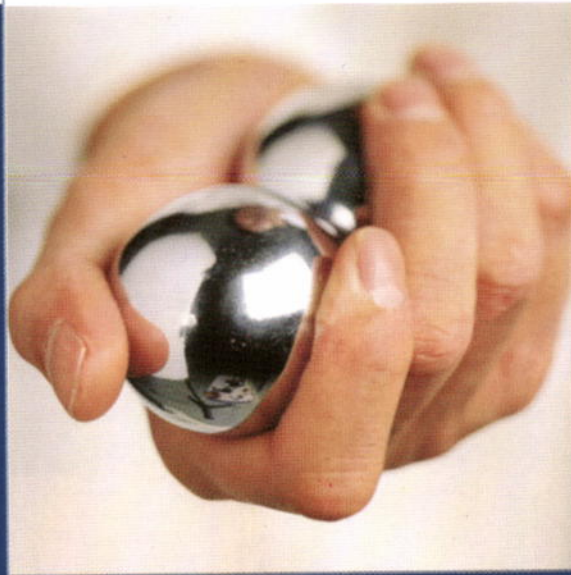
We will continue personal and corporate involvement in activities benefiting the society and nation.

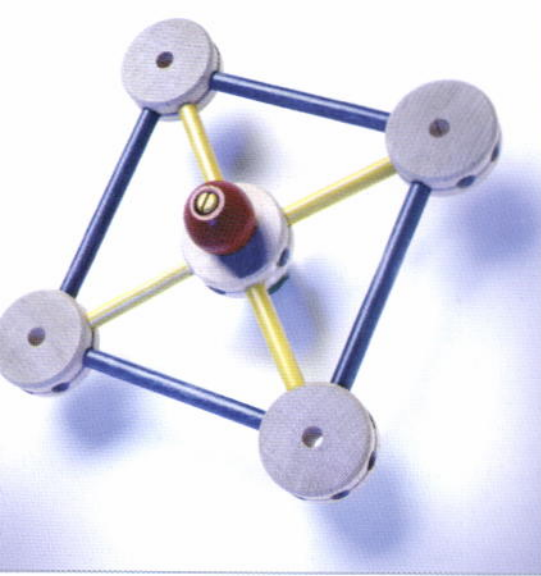
We uphold the values of the communities we are privileged to serve by honoring their traditions and preserving the environment.

We pledge to remain alert to economic changes which affect our businesses and to respond to ever-changing market demands.

We will continue to confront all challenges through planning, balanced diversification and orderly growth.

We take our responsibility towards our shareholders very seriously and are committed to be a model for others to follow.





corporate structure

CHAIRMAN

Dr. Md. Nurul Amin
Secretary, Ministry of Industries
(Nominated by the Government of the
People's Republic of Bangladesh)

DIRECTORS

Anwar Poonawala
Shabir Kassam
Altaf Hussain
Sulaiman Ajanee
Kamaluddin A Aziz
Xavier Lucas
Ashraf Ali
(Nominated representatives of Aga Khan
Fund for Economic Development)
Syed Mushtaq
(Nominated representative of The Government
of The People's Republic of Bangladesh)
Shabbir Hashmi
(Independent Director)

MANAGING DIRECTOR & CEO

Shah A Sarwar

CFO & COMPANY SECRETARY

A. K. M. Anwarul Kabir

AUDIT COMMITTEE

Chairman

Xavier Lucas

Members

Shabir Kassam
Sulaiman Ajanee

CREDIT COMMITTEE

Chairman

Altaf Hussain

Members

Shabir Kassam
Syed Mushtaq
Shah A Sarwar

HUMAN RESOURCES COMMITTEE

Chairman

Dr. Md. Nurul Amin

Members

Shabir Kassam
Sulaiman Ajanee





Management committee

Shah A Sarwar
Managing Director & CEO

Mostafa Kamal
Head of Internal Audit

A. K. M. Anwarul Kabir
CFO & Company Secretary

Nabil Mustafizur Rahman
Head of Investment

Syed Mizanur Rahman
Head of Retail Business

Md. Mahmudul Haque
Head of Special Asset Management

Mominul Islam
Head of Operations

Mousumi Yasmin
Head of Legal Affairs

Omiya Ferdous Kabir
Secretary to the Management Committee

corporate information

NAME

Industrial Promotion and Development Company of Bangladesh Limited

DATE OF INCORPORATION

28 November 1981

LEGAL FORM

A public limited company incorporated in Bangladesh under the Companies Act 1913 (Amended as the Companies Act 1994). Listed in Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

REGISTERED OFFICE

Hosna Centre (4th floor), 106 Gulshan Avenue, Dhaka – 1212, Bangladesh

CONTACTS

PABX: (+880 2) 9885533-8, Fax: (+880 2) 9885532, 9885529

E-mail: email@ipdcdb.com, Website: <http://www.ipdcdb.com>

AUDITOR

S. F. Ahmed & Co.

Chartered Accountants

LEGAL ADVISORS

A Hossain & Associates

Lee, Khan and Partners

Dr. Kamal Hossain & Associates

PRINCIPAL BANKERS

Citibank, N.A.

Standard Chartered Bank

Arab Bangladesh Bank Limited

Commercial Bank of Ceylon Limited





capital and shareholding structure

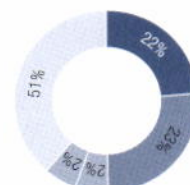
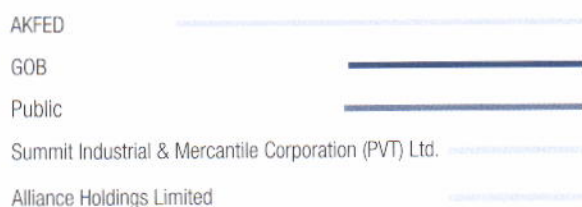
as on 31 December 2006

Share Capital:

Authorized : Tk. 1,000 million
 Issued , Subscribed & Paid Up : Tk. 617 million

a. Shareholding Structure:

Shareholder	No. of Shares	Paid up Capital (Tk.)	Percentage
Government of the People's Republic of Bangladesh (GOB)	1,350,000	135,000,000	22%
Aga Khan Fund of Economic Development (AKFED)	3,149,992	314,999,200	51%
Summit Industrial & Mercantile Corporation (Pvt) Limited	140,070	14,007,000	2%
Alliance Holdings Limited	140,070	14,007,000	2%
Public	1,390,000	139,000,000	23%
Others	8	800	0%
Total	6,170,140	617,014,000	100%





range of products and services

In order to serve the diverse needs of our clients, we offer a range of products and services to individual clients, small businesses & institutions and corporations, organizing the total activities into two business segments – Corporate & Project Finance and Retail Business.

CORPORATE AND PROJECT FINANCE

IPDC specializes in corporate and project financing. Financial engineering and investment solutions prescribed by IPDC are based on project needs. Various segments of the Corporate and Project Finance include –

INVESTMENT PRODUCTS

- Lease Finance • Term Loan • Short Term Finance • Work Order Finance
- Quasi Equity Investment • Equity Investment

CORPORATE SERVICES

- Project Finance Appraisal • Project Loan Syndication • Working Capital Arrangement
- Syndication Services • Corporate Financial Advisory Services • Securitization of Receivables

IPDC RETAIL BUSINESS

With the commencement of the Retail Business in July 2006, IPDC provides the wealth creation opportunity for individuals and investment prospects for institutions. This segment offers wide-ranging liability products for all classes of people.

Within a very short span of time IPDC was able to attract a broad range of individual and institutional clients. The lifeblood of the retail segment is its customers and IPDC offers personal and individual services to its clients. IPDC continuously strives to recognize the clients by anticipating and responding to client needs.

LIABILITY PRODUCTS

- Annual/Quarterly/Monthly Profit Based Scheme
Earn return against fixed deposit in preferable maturity
- Cumulative Profit Scheme
Interest cumulated on principal amount over a period of 2 or 3 years.
- Double Money Deposit Scheme
Deposit amount will be doubled in a specified time period.
- Installment Based Deposit Scheme
Help to build savings with affordable minimum installments.
- Fixed Deposit – Institutional
Secured investment option, which provides maximum value for corporate fund.

ASSET PRODUCTS

In parallel to expanding our range of liability products, IPDC also plans to introduce various asset based retail products in 2007 to serve client needs with maximum possible effort and sincerity.

- Auto Loan • Personal Loan • Home Mortgage Loan • Home Improvement Loans



event highlights



Agreement signing ceremony



Distinguished guests at an IPDC event



Listing of IPDC at Dhaka Stock Exchange



Corporate night



Client gathering at IPDC



Team IPDC



In house get-together



Dear Shareholders, Assalamu Alaikum

It is a great pleasure to welcome you to the 25th Annual General Meeting of your company. Let me express my gratitude to all the shareholders for shaping up this company and making it as a significant contributor to the industrialization of Bangladesh.

Year 2006 was significant for IPDC as it entered into the family of listed companies and recorded a 26.9% growth in profitability compared to last year.

Our prime objective is to add value to the company by doing more and more quality business through delivering superior products and services to the customers, following business ethics, employee orientation and empowerment. We believe, this will ensure sustainable growth which in turn will benefit our shareholders, clients, employees and society at large. While striving for these, the Board and the management is fully committed to corporate values and preserving the organization's image. Setting the highest compliance standards is viewed as the basis for our true competitive advantage and it is our ambition to see IPDC as the industry benchmark in this regard.

In the year 2006, the company made remarkable headway towards implementing corporate governance guidelines, automation of existing processes and optimal utilization of human resources which will continue in 2007 and beyond.

Managing for value will be the instrument for allocating resources, both capital and talent. IPDC is committed to maintain a congenial environment for its employees who will play the pivotal role in leading the company's future.

As a Chairman of this esteemed organization, I am thankful to all valued shareholders for placing confidence in the company. My special thanks to our customers who showed utmost loyalty to us over the past years and to the fellow Directors of the Board for their professional support and cooperation. My special recognition goes to the dedicated employees of the company.

I look forward to the continuous success of IPDC.

May Allah help us.

Dr. Md. Nurul Amin
Chairman



Year 2006 has been a year of both success and challenge for IPDC as it passed through a transition phase. A well focused strategy taken at the beginning of 2006 to re-engineer the organization by way of building capacity, bringing transparency in the processes and the way it conducts business, re-launching the brand and creating new lines of business have yielded significant results.

Financial Performance

In 2006, IPDC made operating profit of Tk. 204 million and profit before tax (after provision) of Tk. 189 million. Net profit after tax has increased by 26.9% to Tk. 170 million in 2006 from Tk. 134 million in 2005. Despite the steep hike of interest rates in the first half of 2006, Management's proactive and determined steps averted negative impact on IPDC's business. The 2006 results highlight the management's continuous commitment to make IPDC the best financial institution in the country.

New lines of Business and Capacity Building

Besides focusing on its key areas of investments, IPDC in 2006 diversified its range of products to suit the growing consumer demand and streamlined major operational activities that have made it a more consumer focused organization.

IPDC reorganized the existing operating structure and business processes and equipped the functional areas with people having relevant knowledge, expertise and mindset to tackle the challenges ahead.

Automation and Management Information System

In 2006 IPDC migrated to a new IT platform which will ensure better control, efficiency and enhanced service to our customers. With the new system the company is now well equipped to provide timely and accurate MIS support for decision making at different levels of the organization.

Initial Public Offering (IPO)

IPDC started the process of public enlistment at the beginning of 2006. The Securities and Exchange Commission approved offering of Tk. 278 million from public through floating of 1,390,000 shares. IPDC is the only financial institution where approval was accorded with 100% premium which reflects its financial strength.

Trading of shares started since 3 December 2006 both at DSE and CSE.

Internal Control and Compliance

Management at IPDC is continuously working to bring transparency in its business and setting accountability for its day to day operations. IPDC ensures that all its activities are carried out complying regulatory policies and guidelines, maintaining ethical standards and to the best interest of all its stakeholders.

On behalf of the management team, I express my sincere appreciation and gratitude to our shareholders, customers, regulators, members of the Board of Directors, well-wishers and to my colleagues for their whole hearted support, timely advice and full cooperation.

Shah A Sarwar
Managing Director & CEO

Dear Shareholders:

The Directors of your Company have the pleasure in submitting Annual Report on the business activities along with the Audited Accounts of the Company for the year ended 31 December 2006.

WORLD ECONOMY

Year 2006 had been turbulent and vibrant for the world economy which had been growing rapidly for the past 4 years. However, it is expected to advance at slower pace in 2007, as some leading developed economies, including USA, began to slide during the last half of the year. International Monetary Fund (IMF) estimated that the global economy has grown 5.1% in 2006, higher than 4.9% in 2005, making the past four years the fastest-growing period since 1970s. The robust growth was mainly attributed to vigorous expansion of developed economies in the first half of the year and the sustained fast growth of China, India and other such major developing economies.

NATIONAL ECONOMY

Growth in GDP has steadied up in recent years, reaching 6.7% in FY2006, driven by improved domestic and external demand. This performance was reflected in a steady expansion in industry and continued services buoyancy. GDP growth has been accompanied by a marked reduction in poverty.

In FY2006 on the expenditure side, private consumption propelled growth. Investment rose by 0.5% to 25% of GDP, bolstered by a rise in private investment. Gross national savings increased by 0.8% to 26.6% of GDP, lifted by a rise in workers' remittances. Inflation moved up steadily to average 7.2%.

Despite attempts to tighten monetary policy, both money and credit aggregates expanded rapidly in FY2006. Private sector credit grew sharply due to rising credit demand in support of domestic economic activity, while the public sector borrowed in excess of the credit target, mainly to finance the high cost of imports by state-owned Bangladesh Petroleum Corporation (BPC).

The exchange rate came under increasing pressure during much of FY2006, because of slowing financial account inflows and higher import prices for oil and some other products. The currency stabilized in the last quarter of the fiscal year.

Import growth fell sharply to 12.1% in FY2006 from 20.6% in FY2005 as administrative controls on letters of credit were imposed to discourage unproductive imports. Export growth surged to 21.6% from 14%, reflecting robust performance of knitwear and woven garments. A decline in the trade deficit and a steep rise in remittances (24.8%) turned the current account balance from a deficit of 0.9% of GDP to a surplus of 0.9%. Foreign exchange reserves rose to \$3.5 billion at end-June 2006 from \$2.9 billion a year earlier and remained close to \$4 billion at the end of 2006.

Financial sector reforms to strengthen the regulatory and supervisory framework for banks made headway in 2006, though at a slower than expected pace. The health of the banking system has improved since 2002, as seen in the declines in gross nonperforming loans (NPLs) from 28% to 14% and in net NPLs (i.e. less provisions) from 21% to 8%. This led to significant rise in profitability ratios.

Unlike many other bourses in Asia, the Dhaka Stock Exchange has not recorded significant gains. Still, as indicated by the low 7.5% Market Capitalization-to-GDP ratio, the equity market remains underdeveloped, largely because of weak corporate governance, lack of high-quality share listings and a dearth of large institutional investors.

INDUSTRY SCENARIO

Central Bank increased the minimum capital requirement of the Financial Institutions (FI's) to Tk. 250 million in 2005 for bringing improvement to their capital Adequacy Ratio. As a result, the amount of paid up capital and reserves of FI's increased to Tk. 15.04 billion as of June 2006. Central Bank further imposed restriction on FI's on the ceiling of call money borrowing to 15 % of their net assets to minimize excessive dependency on short term fund.

Total investment by the FIs was Tk. 73.14 billion at the end of June 2006, which is 20.1 % higher than the previous year. As of June 2006, classified loans and leases of the FIs in aggregate were 7.2% (1.61% after deduction of provision and interest suspense).

Year 2006 was a challenging period for the FI's as the overall business activity in Financial Institutions slowed down due to two major reasons- (1) rise in interest rates and non availability of fund from traditional banking system during the first half of the year and (2) uncertain business condition in the country. The result of these odds is 20% growth in 2006 as compared to 30% in 2005.

Diversification of business activities including consumer financing, merchant banking, brokerage operations, corporate advisory services and SME financing hold the key for future growth for FIs. These potential areas also pose substantial challenges as commercial banks have already made foray in these arenas and FI's need to tread with calculated and determined strategies.

IPDC PERFORMANCE

IPDC followed selective investment policy and concentrated more on consolidation in the face of unfavorable business climate which prevailed in the financial sector during 2006. The revised business strategy paid dividends and resulted in a Profit after Tax of Tk. 170 million registering a 26.9% growth over the last year. Weighted Average Earning Per Share in 2006 increased to Tk. 34.74 from Tk. 28.06 in 2005.

The financial results of the Company are summarized below:

(Taka in million)

	2006	2005	% Change
Total Revenue	1,049	1,120	(6.27)
Total Expenses	838	873	(4.01)
Profit before Provision & Tax	211	247	(14.57)
Provisions	22	208	(89.42)
Profit before Tax	189	38	397.37
Provision for Tax	18	(96)	-
Profit after Tax	170	134	26.87
Weighted Average Earning Per Share (EPS)	34.74	28.06	23.81

APPROPRIATIONS (RECOMMENDED)

Taking into consideration the profit earned during 2006 and other business and regulatory issues, the Board recommended the following appropriations:

(Taka in million)

Retained Earning Brought Forward	501.23	
Prior Years' Adjustment – Income tax	78.17	
Net Profit after Tax - 2006	<u>170.09</u>	
Profit Available for Appropriation		749.49
Appropriations:		
Transferred to Statutory Reserve (20% of net profit after tax)		34.02
Proposed Cash Dividend- @ Tk. 10 per share	61.70	
Proposed Bonus Share @ 5% of Paid-up Capital	<u>30.85</u>	
		<u>92.55</u>
		<u>126.57</u>
Balance Retained Earning		<u><u>622.92</u></u>

PLAN FOR UTILIZATION OF UNDISTRIBUTED PROFIT

The undistributed profit will be invested into the business and will be used to meet contingencies in future as authorized under regulation 100 of the Schedule I of the Companies Act 1994.

STATUTORY PAYMENTS

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

CAPITAL EXPENDITURE

A sum of Tk. 14.11 million has been incurred on acquisition of office equipment and vehicle during the year 2006. The amount is reflected in the Fixed Assets Schedule in the Notes to the Financial Statements.

HUMAN RESOURCES

IPDC always believes that its team of professionals is the cornerstone for its development and growth. It is their dedication, commitment and innovative spirit that propels the organization. Business processes and functions within IPDC have been streamlined in 2006. Major activities have been identified, segmented and reorganized. A good number of new executives with appropriate expertise and career aspiration have been recruited to strengthen different functional areas. The recruitment process has received enthusiastic response from the job market.

Proper training and job rotation program have also been initiated at IPDC for capacity building and enhanced efficiency which is a fundamental requirement for the professional development of the employees.

IPDC believes in equal employment opportunities to attract, retain, develop and promote the most qualified employees regardless of race, origin, religion, gender, age, disability or any other characteristics.

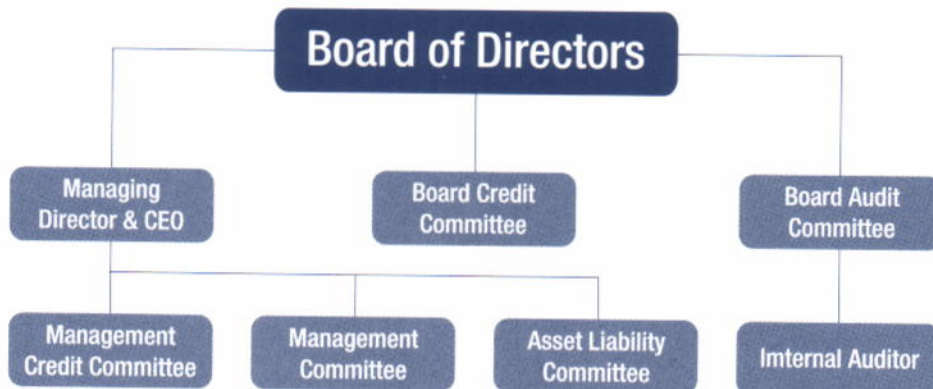
INFORMATION TECHNOLOGY

In order to ensure quality services to the clients and to meet the information requirements of management and other stakeholders, IPDC has revisited its IT requirements and implemented a new integrated Management Information System. The core processes have been reengineered to reassure optimal level of resource deployment, productivity, accuracy, process efficiency, service quality and control.

RISK MANAGEMENT

Risk is the primary concern of every financial institution. IPDC always strives to maximize its value through optimum trade-off between risk and return. Risk management framework at IPDC encompasses the scope of risks to be managed, the processes/systems to manage these risks and the role and responsibility of individuals engaged in different activities. IPDC has an effective organization structure and functional committees with well defined authority, responsibility and segregation of duties for management of risks.

The Board of Directors take long term strategic decisions, set delegated authorities for organization and ensure regulatory compliance issues.



IPDC has an independent Credit Risk Management department to assist in building a quality portfolio and to maximize return on investment. Credit Risk is controlled through Credit Policy Manual which outlines the credit sanction criteria (e.g. single borrower exposure limit, group exposure limit, core security requirement etc.), disbursement criteria, recovery and classification and delegation of approval authority. Based on the amount of credit exposure, followings are the approval levels:

- **Board of Directors**
- **Board Credit Committee**
- **Management Credit Committee**

In order to ensure proper Segregation of duties between revenue generating functions from transaction processing and controlling functions, IPDC has implemented separated front and back offices. The overall Operational Risks are monitored by the Internal Auditor through the Audit Committee of the Board of Directors. The Internal Auditor undertakes a risk based audit approach for identifying risks inherent in the organization and reports to appropriate channels for mitigation. IPDC, through Asset Liability Committee (ALCO), reviews the maturity profile of assets and liabilities and takes steps to reduce any gap while also managing the interest rate and currency risks.

CORPORATE GOVERNANCE

The Corporate Governance is embedded in the underlying principles of fairness, transparency, responsibility and accountability ensuring minimum acceptable corporate behavior. IPDC always emphasizes the compliances of all the rules, regulations and guidelines of Securities and Exchange Commission, Bangladesh Bank and other regulatory bodies.

The Board of Directors ensures that the activities of IPDC are conducted with highest ethical standards and in the best interest of all its stakeholders. These objectives are achieved through various committees including Board Audit Committee, Board Credit Committee, Management Committee, ALCO etc. The Internal Auditor is independent of management reporting directly to the Audit Committee.

CORPORATE SOCIAL RESPONSIBILITY

Since its inception in 1981, IPDC's prime agendum had been the development of the country's industrial sector which, besides other benefits, also generating new employment opportunities. IPDC has contributed significantly in the development of the Health, Education and Agro-based Industries in Bangladesh.

Sustainable economic development maintaining ecological balance is key focus at IPDC. IPDC ensures that environmental, health and safety regulations and guidelines are observed while making any lending decision. Several steps have also been taken at IPDC such as declaring the office premises as 'Smoking Free' area to maintain organizational health and safety.

CONTRIBUTION TO NATIONAL EXCHEQUER

IPDC has contributed to the Government efforts in building up the revenues. In compliance with NBR requirement IPDC deducts Income Taxes at source and VAT from various payments and services and deposit these with National Exchequer. This contribution is of course in addition to the tax IPDC pays to the Government on its income.

DIRECTORS' MEETINGS

As per Section 96 of the Companies Act 1994 the Company must have one meeting in each quarter. In other words, there shall be at least 4(four) meetings of Directors in a year. During the year 2006 the Board of Directors of IPDC had 7 meetings. Directors' attendance in the Board meetings is given below:

Board Meeting No.	Date	No. of Directors Attended
88	23.01.2006	7
89	23.03.2006	7
90	16.04.2006	7
91	17.05.2006	7
92	19.08.2006	7
93	01.10.2006	6
94	02.12.2006	10

GOING CONCERN

The Directors have made an assessment of the Company's ability to continue as a going concern and they are convinced that the Company has adequate resources to continue its operation in the foreseeable future. While preparing the Financial Statements the going concern concept was a basis.

SUBSTANTIAL SHAREHOLDING

The following shareholders were holding 1% or more than 1% of the Company's ordinary share capital as on 31 December 2006:

	No. of shares	Paid up Capital (Tk.)	Percentage
Government of the People's Republic of Bangladesh (GOB)	1,350,000	135,000,000	22%
Aga Khan Fund for Economic Development (AKFED)	3,149,992	314,999,200	51%
Summit Industrial & Mercantile Corporation (Pvt) Limited	140,070	14,007,000	2%
Alliance Holdings Limited	140,070	14,007,000	2%

In addition to the above the Public is holding 1,390,000 shares for an amount of TK. 139,000,000 (23% of the paid-up capital).

ELECTION OF DIRECTORS

As per Section 91(2) and Regulation 79 of 1st Schedule of the Companies Act 1994 and Article 100 & Article 101 of Articles of Association of IPDC, one third of the total number of Directors of the Company shall retire at every successive Annual General Meeting. The Director(s) to retire at Annual General Meeting should be those most senior in office. However, the Managing Director shall not be subject to retirement by rotation (Regulation 73). The directors to retire will be eligible for re-election (Regulation 81).

Total number of Directors of IPDC is 10 (excluding the Managing Director). Consequently 3 Directors are required to retire by seniority namely:

1. Sulaiman Ajanee
2. Shabir Kassam
3. Anwar Poonawala

The above retiring Directors are eligible for re-election.

APPOINTMENT OF AUDITORS

S. F. Ahmed & Co. Chartered Accountants were originally appointed as auditors in the 23rd AGM and were re-appointed in 24th AGM. Being eligible under Section 212 of the Companies Act 1994, they have expressed their willingness for re-appointment for the year 2007.

ADDITIONAL STATEMENTS

The Board of Directors confirms compliance of the following:

- The Financial Statements prepared by the Management of IPDC presents fairly its state of affairs, the result of operations, cash flows and changes in equity.
- Proper Books of Accounts have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statement and accounting estimates are based on reasonable and prudent judgement.
- International accounting standard as applicable in Bangladesh have been followed in preparation of the financial statements.
- The system of Internal Control is sound in design and has been effectively implemented and monitored.

OUTLOOK 2007

The remarkable consolidation of business made in 2006 has certainly better positioned IPDC to achieve its near-term and long-term financial targets. IPDC will accelerate growth of its core business i.e. project financing in 2007 while actively looking for diversification of its products and services in potential avenues. Simultaneously, the continual effort to improve the asset quality will again be a priority in 2007.

To mitigate the Liquidity Risk, IPDC took initiative in 2006 to reduce dependency on bank borrowing. IPDC introduced its retail deposit schemes as an alternative source for fund in the middle of the year 2006. This year the source of fund diversification effort will be further strengthened with attractive deposit schemes under the wealth management solutions where the high net worth individuals would be targeted. IPDC wishes to broaden its retail business by introducing consumer financing products in 2007. IPDC envisages the need for adequate product and service delivery channels to support the retail business. It has planned to open branches in prime locations of Dhaka and Chittagong to cater to its retail customers. The company also plans to set up alternate sales and service channels like Internet, Call Center and SMS.

For the last two and half decades IPDC had been pioneer in introducing new products in the financial industry. The spree for innovation is embedded in the culture of IPDC and IPDC will always look beyond the boundary to come up with innovative products and services to meet and exceed the changing customer needs of the country.

ACKNOWLEDGEMENTS

The Board of Directors also places on record its deep appreciation and gratitude to the valued shareholders, clients, lenders, regulators and other stakeholders for their outstanding co-operation and support. Above all, the Board would like to thank the employees for their dedication, hard work and commitment.

For and on behalf of the Board of Directors



Dr. Md. Nurul Amin
Chairman



Plan for Utilization of Undistributed Profit

SCHEDULE

Plan for

Utilization of Undistributed Profit

(Pursuant to SEC Directive SEC/CFD-71/2001/Admin/02/05 dated January 3, 2002)

The undistributed profit will be utilized to :

- Meet contingencies as authorized under Sec 100 of the Schedule I of the Companies Act 1994.
- Disburse funds for additional financing.



corporate governance compliance report

Status of compliance with the conditions imposed by the Securities and Exchange Commission's Notification No. SEC/CMRRDCD/2006/158/Admin/02-08 dated 20 February 2006 issued under Section 2CC of the Securities and Exchange Commission Ordinance 1969:

Condition No.	Title	Compliance Status		Explanation for non compliance
		Complied	Not Complied	
1.1	Board's Size	Yes		
1.2(i)	Appointment of Independent Director	Yes		
1.3	Chairman of the Board and CEO	Yes		
1.4	Directors' Report to Shareholders to include declarations on:			
1.4(a)	Fairness of Financial Statements	Yes		
1.4(b)	Proper Books of Accounts	Yes		
1.4(c)	Accounting Policies	Yes		
1.4(d)	IAS Applicable in Bangladesh	Yes		
1.4(e)	System of Internal Control	Yes		
1.4(f)	Going Concern	Yes		
1.4(g)	Deviations from Last Year's Operating Results			No Deviation
1.4(h)	Key Operating & Financial Data	Yes		
1.4(i)	Declaration of Dividend	Yes		
1.4(j)	Number of Board Meeting	Yes		
1.4(k)	Pattern of Shareholding	Yes		
2.1	Appointment of CFO, Head of Internal Audit & Company Secretary	Yes		

Condition No.	Title	Compliance Status		Explanation for non compliance
		Complied	Not Complied	
2.2	Board Meetings Attendance	Yes		
3.00	Audit Committee:			
3.1(i)	Composition of Audit Committee	Yes		
3.1(ii)	Appointment of Audit Committee Members	Yes		
3.1(iii)	Service & Tenure of Audit Committee Members	Yes		
3.2(i)	Chairman of the Audit Committee	Yes		
3.2(ii)	Qualification of the Chairman of the Audit Committee	Yes		
3.3.1 (i)	Reporting of Audit Committee	Yes		
3.3.1 (ii) (a)	Report on conflict of interest			No such incidence
3.3.1 (ii) (b)	Defect in the Internal Control System			No such incidence
3.3.1 (ii) (c)	Suspected Infringement of Laws			No such incidence
3.3.1 (ii) (d)	Any Other Matter			No such incidence
3.3.2	Reporting to Authorities			No such incidence
3.4	Reporting to Shareholders			No such incidence
4.00	External/Statutory Auditors:			
4.00(i)	Appraisal or Valuation Services	Yes		
4.00(ii)	Financial Information System	Yes		
4.00(iii)	Book keeping or Other Services	Yes		
4.00(iv)	Broker-Dealer Services	Yes		
4.00(v)	Actuarial Services	Yes		
4.00(vi)	Internal Audit Services	Yes		
4.00(vii)	Any Other Services	Yes		

financial highlights

(Taka in million)

A. Financial Performance

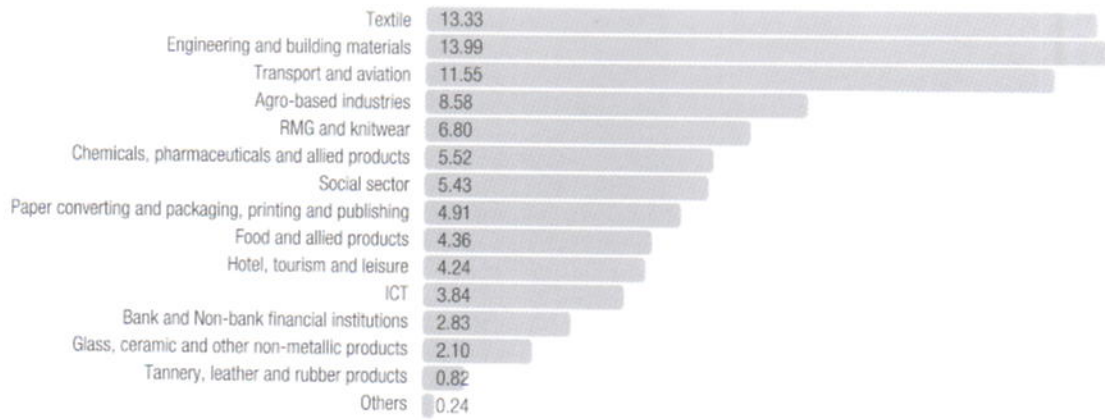
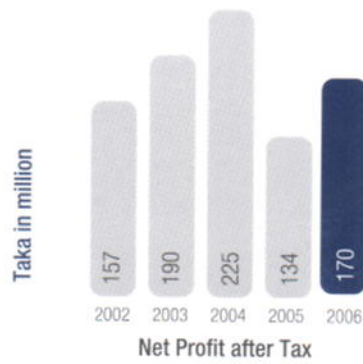
Operating Income
 Operating Expenses
 Financial Expenses
 General and Administrative Expenses
 Profit Before Taxes
 Provision for Taxes
 Net Profit After Taxes

	2006	2005	2004	2003	2002
Operating Income	1,042	1,119	896	809	844
Operating Expenses	838	873	646	600	659
Financial Expenses	767	811	561	476	353
General and Administrative Expenses	71	62	55	43	39
Profit Before Taxes	189	38	250	208	185
Provision for Taxes	18	(96)	25	18	28
Net Profit After Taxes	170	134	225	190	157

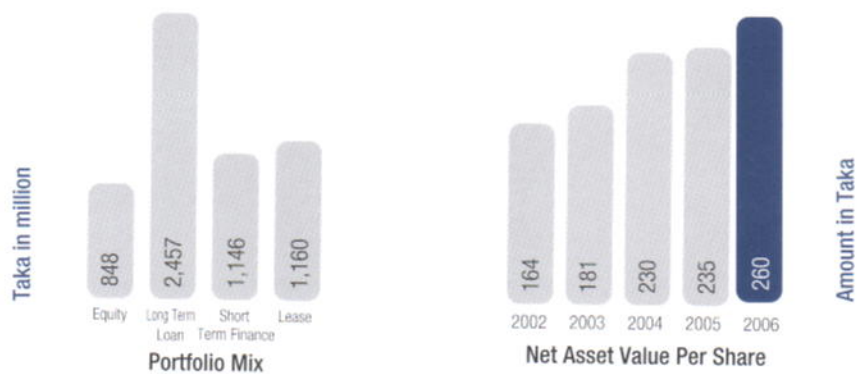
B. Financial Ratios

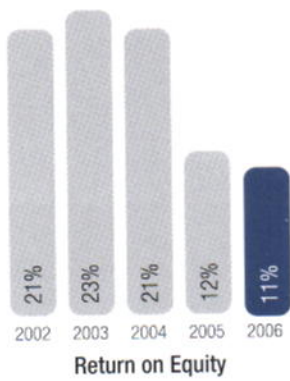
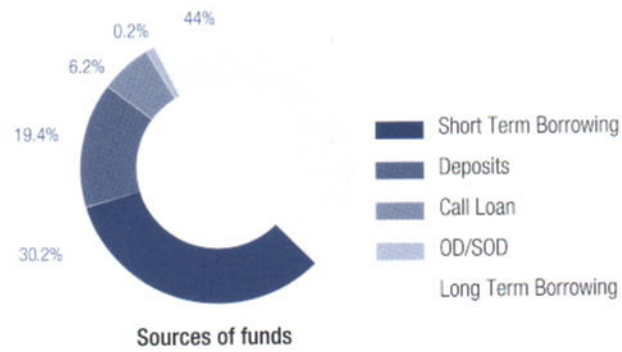
Weighted Average Earnings Per Share (Tk.)
 Dividend Per Share (Tk.)
 Net Asset Value Per Share (Tk.)
 Financial Expenses Coverage (Times)
 Profit Margin (before taxes)
 Profit Margin (after taxes)
 Return on Equity
 Return on Assets
 Current Ratio
 Debt Equity Ratio

Weighted Average Earnings Per Share (Tk.)	34.74	28.06	47.13	42.32	34.87
Dividend Per Share (Tk.)	15	10	25	22	20
Net Asset Value Per Share (Tk.)	260	235	230	181	164
Financial Expenses Coverage (Times)	1.25	1.05	1.45	1.44	1.52
Profit Margin (before taxes)	18%	3%	28%	26%	22%
Profit Margin (after taxes)	16%	12%	25%	24%	19%
Return on Equity	11%	12%	21%	23%	21%
Return on Assets	2%	1%	1%	2%	2%
Current Ratio	0.97:1	1.11:1	1.10:1	1.13:1	1.11:1
Debt Equity Ratio	3.44	9.63	13.69	10.73	9.88



Sectoral Portfolio (%) as of December 31, 2006.







recognition

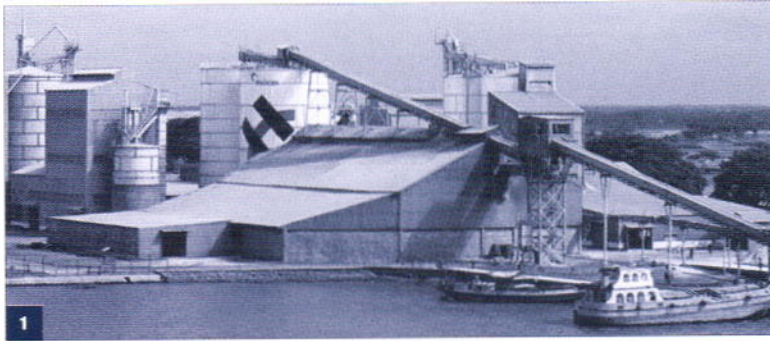
IPDC has been rated "A" in the long term and High Grade - "ST-2" in short term by Credit Rating Information and Services Limited (CRISL), a famous rating house in Bangladesh. Financial Institutions rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile.

ST-2, on the other hand, indicates high certainty of timely payment. Liquidity factors are strong, and supported by good fundamental protection factors. Risk factors are very small.

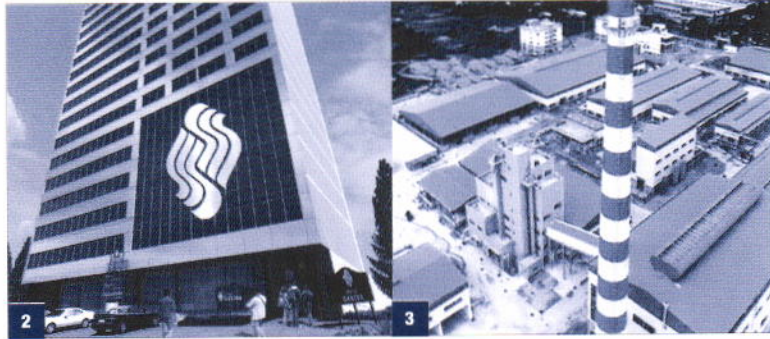
The rating has been done based on some fundamentals like profitability, liquidity, managements quality, IT infrastructure etc.



project highlights



1 Engineering and Building Materials

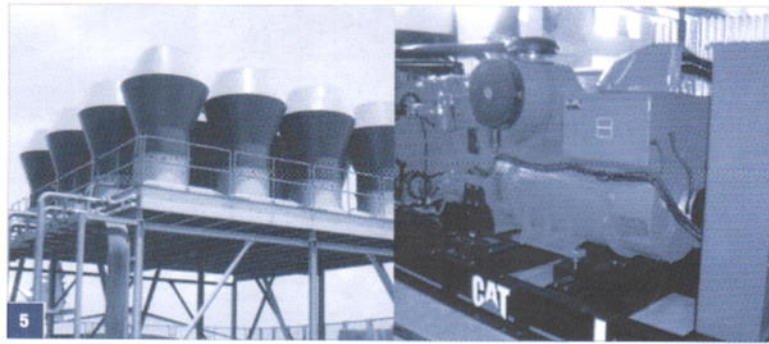


2 Hotel and Tourism

3 Glass, Ceramic and other Non-metallic product



4 Transport and Aviation



5 Power and Energy



6 Health Care



7 Agro-Based Industries



8 Food and Allied Products

9 Textile and RMG

.....and many more.



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 2006 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 2006 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.

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 Profit & Loss Account dealt with by the report are in agreement with the books of accounts.

Dated, Dhaka
20 March 2007

S. F. Ahmed & Co.

S. F. Ahmed & Co.
Chartered Accountants

Industrial Promotion and Development Company of Bangladesh Limited

Balance Sheet

as at 31 December 2006

Amount in Taka

	Notes	2006	2005
Source of fund			
Shareholders' equity			
Share capital	3	617,014,000	478,014,000
Share premium	3.2	167,014,000	28,014,000
Statutory reserve	4	78,966,896	44,949,704
Revaluation reserve - office premises	8.1	23,627,792	23,627,792
Proposed dividend		61,701,400	47,801,400
Proposed bonus share		30,850,700	-
Retained earnings		622,918,511	501,234,825
		1,602,093,299	1,123,641,721
Loan fund (unsecured)			
Long term loans (unsecured)	5	1,113,906,349	3,233,626,882
Deferred interest (IDA)	6	941,872	3,899,939
		1,114,848,221	3,237,526,821
Deferred liabilities			
	7	55,776,278	73,324,066
		2,772,717,798	4,434,492,608
Application of fund			
Tangible assets			
Fixed assets at cost less accumulated depreciation	8	101,371,130	97,225,305
Deferred tax assets	9	163,142,857	149,621,752
Investments - net of provisions	10	2,621,144,421	3,324,706,434

Industrial Promotion and Development Company of Bangladesh Limited

Balance Sheet

as at 31 December 2006

Amount in Taka

	Notes	2006	2005
Current assets:			
Current portion of investments	11	2,467,343,814	3,414,941,191
Accounts receivable	12	872,045,476	690,189,206
Advances, deposits and prepayments	13	160,488,563	239,544,285
Cash and bank balances	14	723,761,581	4,030,238,684
		4,223,639,434	8,374,913,366
Current liabilities and provisions:			
Call loan		300,000,000	650,000,000
Bank overdraft		10,138,854	990,348,457
Short term loan		1,465,000,000	4,301,300,000
Deposit		940,298,590	459,952,860
Current portion of lines of credit	5	1,013,240,430	662,209,366
Accounts payable	15	552,060,940	346,134,171
Provision for tax	16	55,841,230	102,029,395
		4,336,580,044	7,511,974,249
Net current assets		(112,940,610)	862,939,117
		2,772,717,798	4,434,492,608

The annexed notes 1 to 25 form an integral part of these financial statements.



Company Secretary




Managing Director



Chairman

As per our report of even date.

Dated, Dhaka
20 March 2007



S. F. Ahmed & Co.
Chartered Accountants

Industrial Promotion and Development Company of Bangladesh Limited

Profit and Loss Account

for the year ended 31 December 2006

Amount in Taka

	Notes	2006	2005
Operating revenue			
Dividend on investment in shares		144,473,739	116,488,015
Profit on sale of shares		103,077,924	45,386,074
Interest on loans		367,334,570	321,209,425
Lease income		207,091,843	215,603,032
Interest on short term finance		207,895,666	294,672,603
Supervision fees		482,829	112,092
Appraisal and feasibility studies fees		175,000	1,060,000
Syndication fees		-	392,859
Commitment fees		38,062	566,316
Documentation fees		110,000	150,000
Restructure/Renewal fees		1,015,000	-
Securitization Trust 2004-A Income		12,345,835	-
Other fees		889,835	1,321,073
Exchange gain		(2,824,405)	122,463,045
		1,042,105,898	1,119,424,534
Less: Operating expenses			
General and administrative expenses	17	71,485,146	62,069,829
Finance cost-net of interest on bank deposit	18	766,783,379	810,699,457
		838,268,525	872,769,286
		203,837,373	246,655,248
Income from operations			
Non-operating Income			
Other income		6,899,262	103,772
		210,736,635	246,759,020
Profit before provision and tax			
Provisions	19.1	22,192,927	208,272,533
		188,543,708	38,486,487
Net profit before tax			
Provision for tax:			
Current tax	16	31,978,853	19,175,060
Deferred tax	9	(13,521,105)	(114,814,655)
		18,457,748	(95,639,595)
		170,085,960	134,126,082
Net profit after tax			
Retained earnings brought forward		501,234,825	414,910,143
Prior years' adjustment-income tax		78,167,018	-
Profit available for appropriation		749,487,803	549,036,225

Industrial Promotion and Development Company of Bangladesh Limited

Profit and Loss Account

for the year ended 31 December 2006

Amount in Taka			
	Notes	2006	2005
Appropriations:			
Statutory reserve		34,017,192	-
Proposed dividend at Tk 10 (2005: Tk 10 per share of Tk 100 each)		61,701,400	47,801,400
Proposed bonus share		30,850,700	-
		126,569,292	47,801,400
Retained earnings carried forward		622,918,511	501,234,825
Earnings per share of Tk 100 each:	20		
Weighted average basis		34.74	28.06
Outstanding basis		27.57	28.06

The annexed notes 1 to 25 form an integral part of these financial statements.



Company Secretary



Managing Director



Chairman

As per our report of even date.

Dated, Dhaka
20 March 2007



S. F. Ahmed & Co.
Chartered Accountants

Industrial Promotion and Development Company of Bangladesh Limited

Cash Flow Statement

for the year ended 31 December 2006

Amount in Taka

	2006	2005
Cash flows from operating activities:		
Operational & non-operational revenue	1,049,005,160	1,119,528,306
Payments for operational expenses	(828,588,427)	(868,090,357)
Payments of corporate income tax	(33,881,822)	(60,135,640)
(Increase)/decrease in accounts receivables and advances	(78,929,384)	(84,358,451)
Increase/(decrease) in accrued expenses and payables	202,968,701	119,844,543
Net cash flows from operating activities	310,574,228	226,788,401
Cash flows from investing activities:		
Acquisition of fixed assets	(14,111,044)	(70,933,895)
Disposal of fixed assets	26,910	-
Investments made	(814,983,161)	(2,673,032,221)
Recovery of loan and short term finance	2,019,306,385	2,149,681,552
Investment of equity	434,653,901	182,873,828
Receipts against lease	(17,289,580)	2,291,386
Net cash used in investing activities	1,607,603,411	(409,119,350)
Cash flows from financing activities:		
Receipts from issue of shares	139,000,000	-
Receipts from share premium	139,000,000	-
Receipts from lines of credit	337,368,197	2,589,469,644
Repayment of lines of credit	(2,106,057,666)	(2,640,013,090)
Receipts from short term loan	(2,355,954,270)	(206,246,040)
(Payments)/receipts from call loan and overdraft	(1,330,209,603)	(4,040,972,511)
Payment of dividend	(47,801,400)	(131,453,850)
Net cash flows from financing activities	(5,224,654,742)	(4,429,215,847)
Net increase/(decrease) in cash and cash equivalents	(3,306,477,103)	(4,611,546,796)
Cash and cash equivalents at the beginning of the year	4,030,238,684	8,641,785,480
Cash and cash equivalents at the end of the year	723,761,581	4,030,238,684

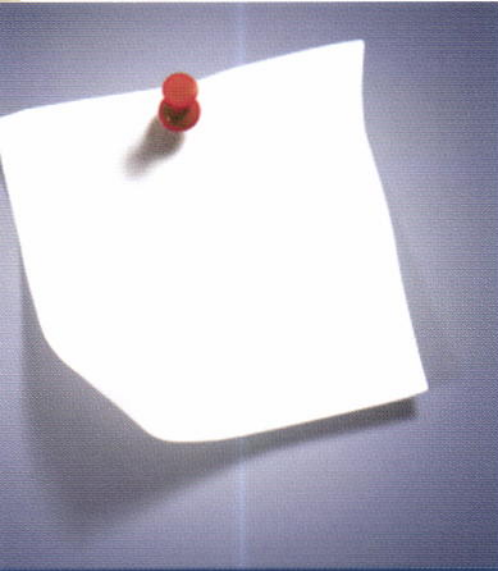
Cash and cash equivalents at the end of the year represent cash and bank balances.

Industrial Promotion and Development Company of Bangladesh Limited

Statement of Changes in Shareholders' Equity

for the year ended 31 December 2006

	Amount in Taka								
	Share capital	Share Premium	Statutory reserve	Proposed dividend	Dividend distribution tax	Proposed bonus share	Revaluation reserve	Revenue reserve	Total
Balance as 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
Changes during the year 2005									
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)	-
Balance as 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
Balance as at 1 January 2006	478,014,000	28,014,000	44,949,704	47,801,400	-	-	23,627,792	501,234,825	1,123,641,721
Changes during the year 2006									
Shares issued during the year 2006	139,000,000	139,000,000	-	-	-	-	-	-	278,000,000
Statutory reserve	-	-	34,017,192	-	-	-	-	(34,017,192)	-
Net profit after tax for the year	-	-	-	-	-	-	-	170,085,960	170,085,960
Dividend payment	-	-	-	(47,801,400)	-	-	-	-	(47,801,400)
Proposed bonus share	-	-	-	-	-	30,850,700	-	(30,850,700)	-
Proposed dividend	-	-	-	61,701,400	-	-	-	(61,701,400)	-
Prior year's adjustment	-	-	-	-	-	-	-	78,167,018	78,167,018
Balance as at 31 December 2006	617,014,000	167,014,000	78,966,896	61,701,400	-	30,850,700	23,627,792	622,918,511	1,602,093,299



notes to the financial statements

for the year ended 31 December 2006

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 Company also registered itself as a financial institution under the Financial Institutions Act 1993. The registered office of the company is situated at Hosna Center (4th Floor), 106 Gulshan Avenue, Dhaka, Bangladesh. The Company became a listed Company in December 3, 2006 in both the Stock Exchanges in 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 Basis of Accounting

The Financial Statements have been prepared under historical cost convention following accrual basis of accounting in compliance with the provisions of the Companies Act 1994, Bangladesh Accounting Standards (BAS), Securities and Exchange Rules 1987 and Financial Institutions Act 1993.

Lease Financing

The Company follows the finance lease method for accounting of lease incomes in compliance with BAS 17. Interests are recognized as and when interest/incomes are accrued. Lease interests outstanding over 2 months are not recognized as revenue, and used to keep under interest suspense account. As per BAS 17 the aggregate lease receivables including unguaranteed residual value throughout the lease term is recognized as gross receivable and the excess of gross receivable over the total acquisition cost is treated as unearned lease income.

2.3 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.

2.4 Revenue Recognition

General : As per BAS 18, 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.

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 an accrual basis over the terms of the lease. However, lease income is not recognized as revenue if the capital or interest is in arrears for more than two months.

Dividend Income and Profit or Loss on Sale of Shares: Dividend income is recognized on an accrual basis in the period in which the dividend is declared whereas the profit or loss arising from sale of shares is accounted for on cash basis

Interest on Term Loans and short term finance: Interest on term loans and short term finance are recognized as revenue on accrual basis and interest income on term loan is not recognized where any portion of interest is in arrear for more than two months.

Fee Based Income : Fee based revenues are recognized as income on cash basis

Interest Suspense Account: Lease income earned and interest on term finance overdue beyond two months period are not recognized as revenue and credited to interest suspense account.

2.5 Fixed Assets

Owned 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.

Leasehold Assets: Leasehold assets are accounted for as finance lease and capitalized at the inception of the lease at fair value of the leased property or at the present value of the minimum lease payment whichever is lower. The corresponding principal amount payable to the lessor is shown as liability.

Subsequent Expenditure on Fixed Assets: Subsequent expenditure is capitalized only when it increases the future economic benefit from the assets. All other expenditures are recognized as an expense when these are incurred.

Intangible Assets: Costs incurred to procure software are shown as intangible assets which are amortized on a straight-line basis over a period of three years.

Borrowing Costs : Borrowing costs are capitalized for the period from the dates of respective disbursement to the date of execution of leases. On execution of leases, advance including capitalized borrowing cost is transferred to the gross lease receivables. All other borrowing costs are recognized as expenses in the period in which they are incurred in accordance with BAS 23.

Provision and Accrued Expenses: 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.

2.6 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.

2.7 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. Investment in non marketable shares has been valued at cost.

2.8 Provision for Income Tax

Provision for current tax has been made on the basis of the profit of the year as adjusted for taxation purposes in accordance with the provisions of the Income Tax Ordinance, 1984.

2.9 Deferred Taxation

The Company accounts for deferred tax as per BAS 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.

2.10 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, leases.

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 314,155,140 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 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.

2.12 Employees Benefits

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 partly from the permanent employees and partly from Company at a rate of 10%. The contributions are invested to generate maximum return to the employees.

Defined Benefit Plan: The Company operates an unfunded gratuity scheme for its permanent employees. Employees are entitled to gratuity benefit after completion of minimum five years of service in the Company. The gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service. No actuarial valuation has been carried out for the company's gratuity liabilities.

Other Employees Benefit Obligation: The Company operates a Group Insurance Scheme for its permanent employees.

2.13 Provision for Liabilities

Provision for all material liabilities has been included in the financial statements.

2.14 Related Party Disclosure

As per BAS 24 parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. During the year under audit no related transaction took place in IPDC.

2.15 Cash and Cash Equivalent

Cash and cash equivalents comprise 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.

Amount in Taka

	No. of shares	%	2006	2005
3 Share capital				
Authorised:				
10,000,000 Ordinary shares of Tk 100 each			1,000,000,000	1,000,000,000
Issued, subscribed and paid up:				
6,170,140 Ordinary shares of Tk 100 each			617,014,000	478,014,000

Paid up capital is made up of 2,570,140 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:

Foreign:				
Aga Khan Fund for Economic Development (AKFED)	3,149,992	51	314,999,200	314,999,400
Domestic				
Government of the People's Republic of Bangladesh (The Govt.)	1,350,000	22	135,000,000	135,000,000
Alliance Holdings Ltd.	140,070	2	14,007,000	-
Summit Industrial & Mercantile Corporation	140,070	2	14,007,000	-
Associates of IPDC	-	-	-	28,014,000
Others	8	-	800	600
Other Shareholders				
Public	1,390,000	23	139,000,000	-
	6,170,140	100	617,014,000	478,014,000

3.1 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	500	25,000	0.40%
501 to 5,000 shares	4,500	225,000	3.65%
5,001 to 10,000 shares	5,000	254,750	4.13%
10,001 to 20,000 shares	1,128	885,250	14.35%
20,001 to 30,000 shares	-	-	0.00%
30,001 to 40,000 shares	-	-	0.00%
40,001 to 50,000 shares	-	-	0.00%
50,001 to 1,00,000 shares	-	-	0.00%
1,00,001 to 1,000,000 shares	2	280,140	4.54%
over 1,000,000	2	4,500,000	72.93%
	11,132	6,170,140	100%

The shares were listed in the Dhaka Stock Exchange Ltd. & Chittagong Stock Exchange Ltd. from December 03, 2006 and traded at Tk. 395.25 at the close of 31.12.2006 in Dhaka Stock Exchange Ltd.

Amount in Taka

	2006	2005
3.2 Share premium		
Share premium of Tk 167,014,000 is made up of 280,140 shares issued in 2004 for Tk 200 per share in which Tk 100 was premium per share and 1,390,000 shares issued in 2006 as initial public offering in which Tk. 100 was premium per share.		
4. Statutory reserve		
This comprises of 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.		
Balance as at 1 January	44,949,704	44,949,704
Transferred during the year	34,017,192	-
Balance as at 31 December	78,966,896	44,949,704
5. Long term loans (unsecured)		
Balance as at 1 January	3,895,836,248	3,946,379,694
Add: Addition during the year:	337,368,197	2,589,469,644
Less: Repayment during the year	2,106,057,666	2,640,013,090
Total Long term loans (Note 5.1)	2,127,146,779	3,895,836,248
Less: Transfer to current liabilities being current maturity	1,013,240,430	662,209,366
Balance as at 31 December	1,113,906,349	3,233,626,882
5.1 Break up is as follows:		
Arab Bangladesh Bank Ltd	-	200,000,000
BRAC Bond	180,000,000	180,000,000
Commercial Bank of Ceylon Ltd	133,333,333	150,000,000
CBSF	328,868,955	427,819,326
Dhaka Bank Ltd.	-	200,000,000
DEG	240,559,517	343,562,895
Eastern Bank Ltd.	-	200,000,000
IDA line of credit	39,004,180	89,656,194
IFC line of credit	170,750,000	250,687,500
Jamuna Bank Ltd.	-	100,000,000
Janata Bank Ltd.	200,000,000	200,000,000
OPEC line of credit	124,182,035	182,318,334
Prime Bank Ltd	289,074,148	350,000,000
Standard Chartered Bank	-	349,999,999
Southeast Bank Ltd	-	52,292,000
Social Investment Bank Ltd	-	150,000,000
Trust Bank Ltd.	200,000,000	200,000,000
Uttara Bank Ltd.	203,221,611	210,300,000
Uttara Apparels Limited	-	30,000,000
Uttara Automobiles Limited	-	15,000,000
Mr. Habib	3,964,000	7,600,000
Ms. Aminah	1,635,000	6,000,000
Ms. Lee	654,000	600,000
Mr. Sayeed	5,000,000	-
Ms. Gulzar	900,000	-
Ms. Zareen	5,000,000	-
Mr. A Haque	1,000,000	-
	2,127,146,779	3,895,836,248

Amount in Taka

	2006	2005
6. Deferred interest (IDA)		
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	3,899,939	1,553,488
Add: Provision made during the year	3,107,145	17,305,593
	<u>7,007,084</u>	<u>18,859,081</u>
Less: Repayment during the year	6,065,212	14,959,142
Balance as at 31 December	<u>941,872</u>	<u>3,899,939</u>
7. Deferred liabilities		
Gratuity (Note 7.1)	2,254,080	2,512,288
Receipts against lease (Note 7.2)	53,522,198	70,811,778
	<u>55,776,278</u>	<u>73,324,066</u>
7.1 Gratuity		
This liability represents provision for staff gratuity upto 31 December 2006. Provision is made at the rate of one month's basic salary for each completed year of service.		
Balance as at 1 January	2,512,288	1,815,234
Add: Provision made during the year	1,082,460	10,218,907
	<u>3,594,748</u>	<u>12,034,141</u>
Less: Payment during the year	1,340,668	9,521,853
Balance as at 31 December	<u>2,254,080</u>	<u>2,512,288</u>
7.2 Receipts against lease		
This liability represents receipts from lessees as lease deposit and security deposit:		
Balance as at 1 January	70,811,778	68,520,392
Add: Receipts during the year	8,603,740	8,858,026
	<u>79,415,518</u>	<u>77,378,418</u>
Less: Adjusted during the year	25,893,320	6,566,640
Balance as at 31 December	<u>53,522,198</u>	<u>70,811,778</u>

Amount in Taka

	Office premises	Motor vehicles	Furniture and fixtures	Equipment and appliances	Total 2006	Total 2005
8. Fixed assets						
Cost:						
Balance as at 1 January	68,441,292	11,692,300	18,618,913	15,621,957	114,374,462	20,838,824
Addition during the year	-	7,409,974	1,645,375	5,055,695	14,111,044	96,701,925
Disposal during the year	-	(2,892,860)	-	(26,910)	(2,919,770)	(3,166,287)
Balance as at 31 December	68,441,292	16,209,414	20,264,288	20,650,742	125,565,736	114,374,462
Depreciation:						
Rate	5%	20% to 33.3%	12.5%	20%	-	-
Balance as at 1 January	746,892	7,572,621	2,147,902	6,681,742	17,149,157	14,193,331
Charged for the year	3,126,717	1,995,848	2,323,637	2,492,104	9,938,306	3,981,875
Adjustment during the year	-	(2,892,857)	-	-	(2,892,857)	(1,026,049)
Balance as at 31 December	3,873,609	6,675,612	4,471,539	9,173,846	24,194,606	17,149,157
Written down value:						
As at 31 December 2006	64,567,683	9,533,802	15,792,749	11,476,896	101,371,130	73,597,513
Revaluation adjustment	-	-	-	-	-	23,627,792
	64,567,683	9,533,802	15,792,749	11,476,896	101,371,130	97,225,305
As at 31 December 2005	67,694,400	4,119,679	16,471,011	8,940,215	97,225,305	

8.1 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 as at December 31, 2005.

9. Deferred tax-assets

	2006	2005
Balance as at 1 January	149,621,752	34,807,097
Add. Addition during the year	13,521,105	114,814,655
Balance as at 31 December	163,142,857	149,621,752

Amount in Taka

	Notes	2006			2005		
		Book value	Provision	Net balance	Book value	Provision	Net balance
10. Investments							
Item-wise net book value of investments together with related provision for doubtful investments are as follows:							
Equity	10.1	847,661,048	106,719,265	740,941,783	1,282,314,949	120,549,056	1,161,765,893
Long term loan	10.2	2,456,843,035	169,343,115	2,287,499,920	2,768,256,710	127,578,938	2,640,677,772
Lease	10.3	1,131,111,983	135,588,606	995,523,377	1,201,947,107	119,753,987	1,082,193,120
Short term finance	10.4	1,145,737,438	110,122,283	1,035,615,155	1,792,048,244	139,602,006	1,652,446,238
Advances for lease	10.5	29,200,000	292,000	28,908,000	204,963,615	2,399,013	202,564,602
		5,610,553,504	522,065,269	5,088,488,235	7,249,530,625	509,883,000	6,739,647,625
Less: Current portion		(2,467,343,814)	-	(2,467,343,814)	(3,414,941,191)	-	(3,414,941,191)
		3,143,209,690	522,065,269	2,621,144,421	3,834,589,434	509,883,000	3,324,706,434

10.1 Equity

	Balance as at 1 Jan 2006	Addition during the year	Sold/redeemed during the year	Balance as at 31 Dec 2006
Ordinary shares:				
Listed companies	61,542,919	-	(8,146,761)	53,396,158
Unlisted companies	147,593,340	-	(57,593,340)	90,000,000
Preference shares:				
Unlisted companies	1,073,178,690	-	(368,913,800)	704,264,890
	1,282,314,949	-	(434,653,901)	847,661,048
Previous year	1,179,126,308	286,062,469	(182,873,828)	1,282,314,949

Market value of ordinary shares with listed companies as at 31 December 2006 was Tk 23,949,031. Necessary provisions for loss in value have been made. See note 10.

10.2 Long term loan

	Balance as at 1 Jan 2006	Addition during the year	Repayment during the year	Balance as at 31 Dec 2006	Due within next 12 months	Net balance at 31 Dec 2006
Local currency loan	2,546,480,637	426,371,800	(678,336,876)	2,294,515,561	(772,008,591)	1,522,506,970
Foreign currency loan	174,276,073	3,898,654	(38,647,253)	139,527,474	(23,631,800)	115,895,674
Underwriting -cum-advances	47,500,000	-	(24,700,000)	22,800,000	(22,800,000)	-
	2,768,256,710	430,270,454	(741,684,129)	2,456,843,035	(818,440,391)	1,638,402,644
Previous year	2,158,021,587	1,134,168,356	(523,933,233)	2,768,256,710	(754,182,629)	2,014,074,081

Amount in Taka

	2006			2005		
	Current receivable	Non-current receivable	Total receivable	Current receivable	Non-current receivable	Total receivable
10.3 Lease receivables						
Gross lease receivables	523,199,292	971,231,462	1,494,430,754	643,988,063	887,087,478	1,531,075,541
Unearned income	(168,281,404)	(195,037,367)	(363,318,771)	(197,477,060)	(131,651,374)	(329,128,434)
Net lease receivables	354,917,888	776,194,095	1,131,111,983	446,511,003	755,436,104	1,201,947,107

10.4 Short term finance

Amount in Taka

	Notes	2006	2005
Balance as at 1 January		1,792,048,244	2,082,912,836
Add: Addition during the year		253,470,590	807,783,061
		<u>2,045,518,834</u>	<u>2,890,695,897</u>
Less : Recovered during the year		899,781,396	1,098,647,653
Balance as at 31 December		1,145,737,438	1,792,048,244

10.5 Advances against lease

Balance as at 1 January		204,963,615	460,004,386
Add: Advances during the year		131,242,118	445,018,335
		<u>336,205,733</u>	<u>905,022,721</u>
Less : Executed during the year		307,005,733	700,059,106
Balance as at 31 December		29,200,000	204,963,615

11. Current portion of investments

Short term investments:			
Short term finance	10	1,035,615,155	1,652,446,238
Advances against lease	10	28,908,000	202,564,602
		<u>1,064,523,155</u>	<u>1,855,010,840</u>
Current portion of long term investments:			
Local currency loan	10.2	772,008,591	679,299,446
Foreign currency loan	10.2	23,631,800	52,083,183
Underwriting -cum-advances	10.2	22,800,000	22,800,000
Quasi Equity		176,066,222	297,693,800
Equity Listed		53,396,158	61,542,919
Leases	10.3	354,917,888	446,511,003
		<u>1,402,820,659</u>	<u>1,559,930,351</u>
		2,467,343,814	3,414,941,191

12. Accounts receivable

Interest accrued on bank deposit		4,270,155	86,988,068
Receivables from projects		862,775,321	599,777,650
Securitisation receivable		5,000,000	2,761,704
Others		-	661,784
		<u>872,045,476</u>	<u>690,189,206</u>

Amount in Taka

	2006	2005
13. Advances, deposits and prepayments		
Advance payment of tax	141,109,284	107,227,461
Advance to IPDC Trust-2004-A (net off provision)	7,093,640	6,846,424
Other advances	9,379,892	120,573,339
Deposits	449,953	426,794
Prepayments	2,455,794	4,470,267
	160,488,563	239,544,285
14. Cash and bank balances		
Foreign currency:		
STD Account	52,135,606	-
Fixed deposits	542,999,348	1,722,221,451
	595,134,954	1,722,221,451
Local currency:		
Cash in hand	19,990	895
Current Account	34,724,649	15,608,180
Fixed deposits (1-12 months)	59,514,809	2,279,514,809
Special notice deposit	34,367,179	12,893,349
	128,626,627	2,308,017,233
	723,761,581	4,030,238,684
15. Accounts payable		
Interest on line of credit/Deposits	178,164,338	286,462,539
Special accounts	97,195,528	26,503,615
Securitisation Trust 2004-A	13,440,657	10,869,056
Interest on call loan	68,889	141,669
Staff provident fund	11,048,979	5,051,029
Interest on security deposit	4,653,028	10,323,053
Interest suspense	237,148,483	-
Other payables	10,341,038	6,783,210
	552,060,940	346,134,171
16. Provision for tax - Current		
Balance as at 1 January	102,029,395	123,728,659
Add: Provision made during the year	31,978,853	19,175,060
	134,008,248	142,903,719
Less: Adjustment due to final assessment	78,167,018	40,874,324
Balance as at 31 December	55,841,230	102,029,395

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

Amount in Taka

	2006	2005
17. General and administration expenses		
Pay and allowances	35,953,663	38,259,473
Staff housing	106,016	785,681
Vehicles running cost	2,046,477	1,885,766
Office rent	165,527	2,799,534
Office repair and maintenance	740,714	1,388,536
Monitoring, documentation, etc.	302,168	665,239
Sundry office expenses	1,402,245	1,239,139
Electricity, Gas and Water	1,331,937	-
Stationery, printing etc.	1,107,436	657,935
Subscription	193,434	131,232
Telephone, fax, postage, etc.	1,414,639	925,847
Publication and periodicals	29,459	25,076
Audit fees	150,000	150,000
Legal fees	3,206,422	1,251,877
Directors' fees and expenses (Note 17.1)	4,867,411	2,208,717
Other professional fees	1,723,234	1,834,108
Recruitment expenses	2,448,661	75,205
Insurance	621,715	246,599
Travel and hotel expenses	755,591	959,944
Publicity expenses	2,917,097	1,202,548
Entertainment	38,544	89,818
Depreciation - fixed assets	9,938,306	3,981,875
Lease assets (Lease Rental)	24,450	1,305,680
	71,485,146	62,069,829
17.1 Directors' fees expenses		
Directors' remuneration	261,250	54,000
Travel, hotel and other expenses	4,606,161	2,154,717
	4,867,411	2,208,717
18. Finance cost		
Interest on lines of credit	713,130,046	993,951,333
Interest on deposit, call loan, overdraft etc.	242,948,379	257,348,389
	956,078,425	1,251,299,722
Less : Interest income on bank deposits	189,295,046	440,600,265
	766,783,379	810,699,457
19. Provisions		
Balance as at 1 January	509,883,000	301,610,467
Add: Provision during the year (Note 19.1)	22,192,927	208,272,533
	532,075,927	509,883,000
Balance as at 31 December	532,075,927	509,883,000
19.1 Provision during the year		
Provision during the year for investment	12,182,269	208,272,533
Provision during the year for securitisations	10,010,658	-
	22,192,927	208,272,533

Amount in Taka

	2006	2005
20. 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:		
20.1 Weighted Average Basis		
(a) Net profit after taxation	170,085,960	134,126,082
(b) Weighted average number of shares for the year	4,895,973	4,780,140
(c) Basic EPS (a/b)	34.74	28.06
20.2 Outstanding Basis		
(a) Net profit after taxation	170,085,960	134,126,082
(b) Number of shares outstanding for the year	6,170,140	4,780,140
(c) Basic EPS (a/b)	27.57	28.06
21. Transactions in foreign currency		
21.1 Receipts		
Bank interest	45,836,954	35,065,783
Loan interest	18,230,932	41,654,379
	64,067,886	76,720,162
21.2 Payments		
Loan interest	55,626,085	66,170,692
Credit lines	287,051,438	241,755,872
	342,677,523	307,926,564
21.3 Dividend paid		
1 foreign shareholder (Aga Khan Fund for Economic Development)	31,500,000	119,503,500
22. Auditors' remuneration		
Audit service	150,000	150,000
Taxation service	150,000	150,000
	300,000	300,000
23. Employee details		
23.1 During the year under review there were 30 employees employed for the full year and 32 employees less than full year at a remuneration of Taka 3,000 per month and above.		
23.2 At the end of the year, there were 49 employees in the company.		

24. 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 date.

25. Rounding off and rearrangement of figures

Figures have been rounded off to the nearest Taka and 2005 figures have been rearranged to conform to current presentation.



Company Secretary



Managing Director



Chairman





your trusted wealth builder

Industrial Promotion and Development Company of Bangladesh Limited

Proxy form

I/We _____ of _____ being member of IPDC of Bangladesh Ltd. and entitled to vote, hereby appoint Mr/Mrs/Miss _____ of _____

as my proxy to attend and vote for me/us and on behalf at the 25th Annual General Meeting of the Company to be held on Tuesday, 22 May 2007 at 10 a.m. at BDR Darbar Hall, Dhaka or at any adjustment thereof.

Signed this _____ day of _____ 2007.

Signature of Proxy _____



Signature of Shareholder

BO ID: [Grid]

No. of Shares _____

N.B. Important

- 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.
- Signature of the Shareholders should agree with the Specimen Signature registered with the Company.



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Industrial Promotion and Development Company of Bangladesh Limited

Attendance Slip

I hereby record my attendance at the 25th Annual General Meeting of the Company being held on Tuesday, 22 May 2007 at 10 a.m. at BDR Darbar Hall, Dhaka.

Name of Member/Proxy _____

BO ID: [Grid]

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 entrance of the meeting hall.



IPDC

your trusted wealth builder

Industrial Promotion and Development Company of Bangladesh Limited

Hosna Centre (4th Floor), 106 Gulshan Avenue, Dhaka-1212, Bangladesh

Tel: (880-2) 9885533-8, Fax: (880-2) 9885529

E-mail: email@ipdcbd.com, Website: <http://www.ipdcbd.com>