

ANNUAL REPORT 2003



Industrial and Infrastructure Development Finance Company Limited

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Industrial and Infrastructure Development
Finance Company Limited

Chamber Building (6th Floor), 122-124, Motijheel C/A, Dhaka-1000, Bangladesh
Tel : 9559311-12, 9553387, 9553254, Fax : 9568987

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NOTICE OF THE 3RD ANNUAL GENERAL MEETING

Notice is hereby given that the 3rd Annual General Meeting of **Industrial and Infrastructure Development Finance Company Limited** will be held on Wednesday, 24 March 2004, at 11.00 a.m. at the Company's Registered Office, Chamber Building (6th floor), 122-124 Motijheel C/A, Dhaka-1000, Bangladesh to discuss the following businesses:

1. To Confirm the proceedings of the 2nd Annual General Meeting held on Wednesday, 19 March 2003
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31 December 2003 and Auditors' Report & Directors' Report thereon.
3. To declare dividend for the year 2003
4. To elect Directors of the Company
5. To appoint auditors for the year 2004 and to fix their remuneration
6. To transact any other business with the permission of the Chair

By order of the Board

Dated, Dhaka
01 March 2004


Nandan Kumar Paul
Company Secretary

NOTES

1. The Register of Members and Share Transfer Book of the Company will remain closed from 11 March 2004 to 24 March 2004 (both days inclusive). During the period no transfer will be effective. The transfer is subject to approval of Bangladesh Bank.
2. Members holding shares on the date of the Annual General Meeting will be entitled to the Dividend to be declared in that Annual General Meeting.
3. A member entitled to attend & vote at the Annual General Meeting may appoint a proxy to attend and vote in his/her behalf. The proxy form duly filled in & stamped, must be deposited at least 48 hours before the time scheduled for holding the Annual General Meeting. (A PROXY-FORM is available in the Annual Report)
4. Members are requested to notify change of address, if any, to the Company.

Enclosed :

1. Proceedings of the 2nd Annual General Meeting
2. Annual Report 2003

MS

SHAREHOLDING STRUCTURE

Public Sector (21.2766%)

Janata Bank (7.0922%)

Sonali Bank (7.0922%)

Investment Corporation of Bangladesh (7.0922%)

Private Sector (78.7234%)

Arab Bangladesh Bank Limited (7.0922%)

Bank Asia Limited (7.0922%)

BRAC Bank Limited (7.0922%)

The City Bank Limited (7.0922%)

Mutual Trust Bank Limited (7.0922%)

National Bank Limited (7.0922%)

ONE Bank Limited (7.0922%)

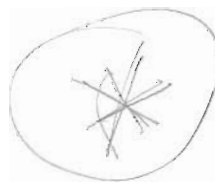
Southeast Bank Limited (7.0922%)

Eastland Insurance Co. Limited (7.0922%)

National Life Insurance Co. Limited (7.0922%)

Pragati Insurance Limited (7.0922%)

Md. Matiul Islam (0.7092%)



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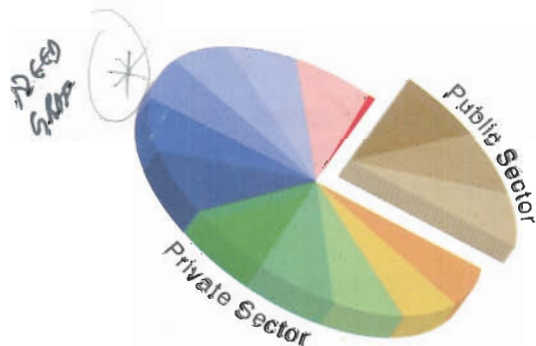
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Eastland Insurance Co. Limited (7.0922%)

National Life Insurance Co. Limited (7.0922%)

Pragati Insurance Limited (7.0922%)

Md. Matiul Islam (0.7092%)





BOARD OF DIRECTORS

Chairman

Mr. Md. Matiul Islam

Vice Chairman

Mr. M. Syeduzzaman, Bank Asia Limited

Directors

Mr. Yussuf Abdullah Harun, Southeast Bank Limited

Mr. Fazle Hasan Abed, BRAC Bank Limited

Mr. Syed Manzur Elahi, Mutual Trust Bank Limited

Mr. Deen Mohammad, The City Bank Limited

Mr. M. A. Mazid Khan, National Bank Limited

Mr. Abu Haniff Khan, Arab Bangladesh Bank Limited

Mr. Robiul Hussain, Sonali Bank

Mr. Murshid Kuli Khan, Janata Bank

Mr. Syed Nurul Amin, ONE Bank Limited

Mr. Md. Ziaul Haque Khondker, Investment Corporation of Bangladesh

Mr. M. Haider Chowdhury, National Life Insurance Co. Limited

Mr. Moazzam Hossain, Pragati Insurance Limited

Mr. Ghulam Rahman, Eastland Insurance Co. Limited

Managing Director

Mr. AKM Nozmul Haque

Company Secretary

Mr. Nandan Kumar Paul



A meeting of the Board of Directors

MANAGEMENT

Mr. AKM Nozmul Haque, Managing Director
Mr. Nandan Kumar Paul, VP and Company Secretary
Mr. Proshanta K. Halder, VP – Operations
Mr. Sameer Ahmed, AVP – Structured Finance
Mr. Khandaker Shafiqur Rahman, AVP – Operations
Mr. Mohammad Monir Uddin, Senior Executive – Operations
Mr. Syed Abed Hasan, Executive – Accounts
Ms. Zufa Mehrubeen Huq, Junior Executive – Accounts
Ms. Eishita Alam, Junior Executive – Operations
Mr. Kazi Zahurul Ashik, Junior Executive – Operations
Mr. Mazrukh Ahmed Rohan, Junior Executive – Operations
Ms. Mehfuza Murshed, Office Secretary
Ms. Doly Paul, Receptionist



Registered Office

Chamber Building (6th floor)
122-124, Motijheel C/A
Dhaka-1000
Tel.: 9559311-12, 9553254
Fax: 880-2-9568987

Business Hours

9.00 a.m. to 4.00 p.m.
Saturday to Wednesday
9.00 a.m. to 2.00 p.m.
Thursday only

Auditors

M/S S. F. Ahmed & Co.
Chartered Accountants
House # 25, Road # 13A, Block # D
Banani, Dhaka-1213

Legal Advisors

M/S Lee, Khan & Partners
Barristers, Attorney & Advocates
City Heart, Suite # 5/8
67, Naya Paltan (4th floor)
Dhaka-1000

AS

BANKERS



Arab Bangladesh Bank Limited

Principal Branch, Dhaka-1000

Bank Asia Limited

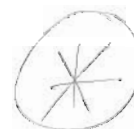
Principal Office, Dhaka-1000

The City Bank Limited

Principal Office, Dhaka-1000

CitiBank N.A.

Dhaka Branch, Dhaka-1000



Dhaka Bank Limited

Local office, Dhaka-1000

Janata Bank

Janata Bhaban Corp. Br. Motijheel, Dhaka-1000

Mutual Trust Bank Limited

Principal Branch, Dhaka-1000

National Bank Limited

Principal Branch, Dhaka-1000

ONE Bank Limited

Principal Branch, Dhaka-1000

Sonali Bank

Local Office, Dhaka-1000

A. Lease Finance : Lease Financing for industrial equipment, machinery, infrastructure and other productive assets

B. Term Lending : Medium to Long Term Loans to Financially viable industrial undertaking and infrastructure projects in the power and telecommunication sector, oil & gas exploration, roads & highways, bridges, river and air transport etc.

Short Term Finance to successful industrial enterprises.

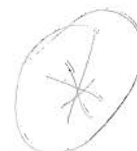
C. Equity Support : Equity Support either directly or through equity fund administered by Bangladesh Bank to financially viable & approved projects.

D. Financial Packages : Financial Packaging for acquisition or taking over of public sector enterprises, financial or otherwise, slated for privatization. Bill re-discounting, assets securitization & purchase order financing etc.

E. Merchant Banking (Subject to SEC permission) :

Issue management
Underwriting/Bridge financing
Mutual fund

IIDFC offers a competitive price considering the market conditions, financial and political risks and other relevant factors. The company follows flexible policies in this respect.



DIRECTORS' REPORT

The Treasury Operation of IIDFC, an active player in the Money Market, also was a strong in this product segment. Net profit in treasury operations from 2002 to 2003 increased significantly through prudent and efficient interest rate risk and asset/liability management. Our exposure and risks are evaluated on a daily basis and decisions collectively taken keeping in view the market trends and interest rate movements.

In 2003, IIDFC established itself as a leading innovator in the financial market by successfully introducing a new financial instrument, namely, the 3-year Zero Coupon Bonds for the first time in Bangladesh. This innovative product pioneered by IIDFC opened up a new avenue for financial institutions to mobilize resources at a cheaper rate directly from the money market. In FY 2003, we marketed 3-year Zero Coupon Bonds of the face value of Tk 423.42 million.

We are in an advanced stage of introducing rediscounting facilities for Bankers acceptances and securitization of short term assets of commercial banks to help them to better manage their liquidity as well as balance sheet. This product provides much needed liquidity to commercial banks allowing them to offload short-term obligations to other financial institutions. We expect that this product will open up a vibrant secondary market for the trading of Bankers Acceptances in the near future.

Financial Performance

The Directors take pleasure in summarizing below the financial results of the Company dealt with in detail with explanations in the enclosed audited Financial Statements:



DIRECTORS' REPORT

Particulars	2003 Taka	2002 Taka
Profit after tax	49,638,118	19,712,398
Add: Retained earnings brought forward	1,414,530	1,441,705
Profit available for appropriation	51,052,648	21,154,103
Less: Appropriations		
Statutory reserve	10,500,000	4,139,573
General reserve	10,000,000	1,500,000
Proposed dividend	30,083,760	14,100,000
	50,583,760	19,739,573
Retained earnings transferred to Reserve & Surplus	468,888	1,414,530

Dividend

The directors recommend a 15% dividend as bonus shares for the year ended 31st December, 2003. In terms of Bangladesh Banks guidelines the Company is required to have a equity base of Tk 250 million by June 2005. In order to achieve this target the Board of Directors earlier decided to forego cash dividend until the capitalization requirement is met.

The proposed dividend is based on the break-up value of the shares as per the guidelines issued by the Securities and Exchange Commission. Of the total amount provided, Tk 21,150,000 is on account

of 15% dividend on the face value of the shares and the balance of Tk 8,933,760 is on account of Share Premium.

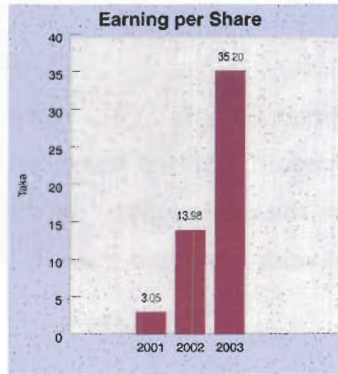
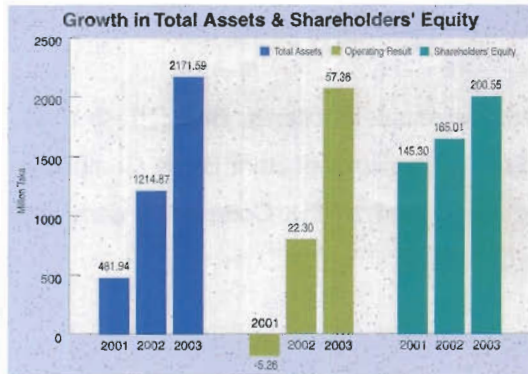


2nd Annual General Meeting

Retirement and re-election of Directors:

In terms of Article 99 of the Company's Articles of Association, the following Directors of the Company retire from office at this 3rd Annual General Meeting and being eligible offer themselves for re-election:

DIRECTORS' REPORT



Name

Mr. Abu Haniiff Khan

Mr. Deen Mohammad

Mr. Rabiul Hussain

Mr. M. Haider Chowdhury

Mr. Moazzam Hossain

Representing

Arab Bangladesh Bank Ltd.

The City Bank Ltd.

Sonali Bank

National Life Insurance Co. Ltd.

Pragati Insurance Ltd.

As per FID Circular No. 09 dated: 11 September 2002 the number of Directors in Non-Banking Financial Institutions are required to be limited to 11 (eleven). The company has represented to Bangladesh Bank for an exemption. The matter is still under their consideration.

Auditors

M/S S.F. Ahmed & Co., Chartered Accountants, House # 25, Road # 13A, Block – D, Banani, Dhaka-1213 who have rendered satisfactory service, retire in this 3rd Annual General Meeting and as per FID Circular # 03, Dated: 02 March 1999. They are, however, not eligible for re-appointment.

M/S Hoda Vasi Chowdhury & Co., Chartered Accountants, Ispahani Building (3rd Floor), 14-15, Motijheel C/A, Dhaka-1000, Bangladesh has intimated their interest to be the auditors of the Company.



Chairman (Cimbish Rado)

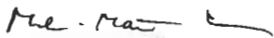
DIRECTORS' REPORT

Appreciation

We would like to express our grateful thanks to our esteemed shareholders, clients, Bangladesh Bank, Securities and Exchange Commission, National Board of Revenue, Registrar of Joint Stock Companies and other regulatory bodies for the co-operation extended to us and to the Company's dedicated management team for their hard work and commitment to the Company.

Thank you,

On behalf of Board of Directors



Md. Matiul Islam
Chairman

*to the shareholders*

We have audited the accompanying Balance Sheet of INDUSTRIAL AND INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED as of 31 December 2003, the related Profit and Loss Statement and Cash Flow Statement along with the explanatory notes thereto 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 International Standards on Auditing as adopted in Bangladesh. 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 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 International Accounting Standards as adopted in Bangladesh, give a true and fair view of the state of the company's affairs as of 31 December 2003 and of the results of its operations and its Cash Flow for the period then ended and comply with the Companies Act, 1994 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 account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- (c) the company's Balance Sheet and Profit and Loss Statement dealt with by the report are in agreement with the books of account.

House # 25, Road # 13A
Block-D, Banani, Dhaka
Bangladesh

Date, Dhaka
09 February, 2004

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

BALANCE SHEET as at 31 December 2003

	Note	2003 Taka	2002 Taka
SOURCES OF FUNDS			
Shareholders' Fund			
Share capital	3	141,000,000	141,000,000
Reserves & surplus	4	29,468,888	9,914,530
Proposed dividend		30,083,760	14,100,000
		200,552,648	165,014,530
Reserve for doubtful debts		11,200,000	4,250,000
Revenue Suspension	5	262,707	130,378
Deferred Liability		—	157,600
Long-term Liabilities- Net of current maturity			
Term Loan	6	128,211,750	—
Zero Coupon Bonds	7	334,097,452	—
Lease rental deposit	8	38,751,593	20,541,260
Security deposit & term deposit	9	37,481,540	3,481,540
		538,542,335	24,022,800
Capital Employed		750,557,690	193,575,308
APPLICATION OF FUNDS			
Fixed Assets- at cost less accumulated depreciation	10	2,209,024	1,189,908
Leased Assets- net of current maturity			
Leased assets-at cost less accumulated depreciation	11	559,754,730	264,735,245
Advances for leased assets	12	37,025,534	11,190,315
		596,780,264	275,925,560
Direct Finance	13	113,042,974	70,853,589
Investment in shares	14	2,877,500	—
Current Assets			
Current portion of lease assets		190,206,019	67,684,890
Current portion of direct finance		12,028,758	9,599,392
Advances, deposits & prepayments	15	10,635,215	2,799,324
Sundry receivables	16	64,983,101	11,471,904
Call & term placement	17	230,000,000	150,000,000
Cash & cash equivalents	18	948,835,329	625,341,911
		1,456,688,422	866,897,421
Less: Current Liabilities			
Current maturity of long-term loans		31,867,659	—
Current portion of lease rental deposits		3,040,355	—
Term deposit	19	350,000,000	350,000,000
Short-term & call loan	20	999,349,109	650,000,000
Liabilities for expenses	21	30,893,959	20,454,201
Liabilities for other finance	22	3,389,412	712,274
Provision for deferred tax	23	2,500,000	124,695
		1,421,040,494	1,021,291,170
Net surplus / (deficit) in current assets		35,647,928	(154,393,749)
Net Assets		750,557,690	193,575,308

See Annexed Notes

For Industrial and Infrastructure Development Finance Company Limited

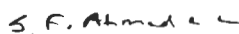

Md. Matul Islam
Chairman


AKM Nozmul Haque
Managing Director


Nandan Kumar Paul
Company Secretary

Signed in terms of our Report of even date annexed

Dated, Dhaka
09 February 2004


S. F. Ahmed & Co.
Chartered Accountants

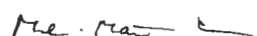
PROFIT & LOSS STATEMENT for the year ended 31 December 2003



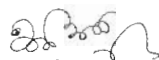
	Note	2003 Taka	2002 Taka
A Operational Revenue:			
Lease Rental		210,819,831	65,486,238
Income from lending operations		24,306,099	11,233,298
Income from treasury operations		124,732,728	32,670,768
Other operational income		1,320,595	2,096,924
		361,179,253	111,487,228
B Operational Expenses:			
General & administrative expenses	24	13,898,363	10,265,452
Depreciation on leased assets		122,011,447	34,001,598
Depreciation on own-used assets		692,364	360,242
Financial expenses		167,218,110	44,558,356
		303,820,284	89,185,648
C Operating Profit (A-B)		57,358,969	22,301,580
Less: Provision for bad & doubtful debts		6,950,000	4,033,870
Profit before other income		50,408,969	18,267,710
Add: Non-operational Income			
Profit from sale of shares		1,017,440	1,187,279
Miscellaneous income		629,967	257,409
		1,647,407	1,444,688
Profit Before Taxation		52,056,376	19,712,398
Less: Provision for taxation		—	—
Current Tax		—	—
Deferred Tax		2,418,258	—
		2,418,258	—
Profit after tax		49,638,118	19,712,398
Add: Retained earnings brought forward		1,414,530	1,441,705
Profit available for appropriation		51,052,648	21,154,103
Less: Appropriations			
Statutory reserve		10,500,000	4,139,573
General reserve		10,000,000	1,500,000
Proposed dividend		30,083,760	14,100,000
		50,583,760	19,739,573
Retained earnings transferred to Reserve & Surplus		468,888	1,414,530

See Annexed Notes

For Industrial and Infrastructure Development Finance Company Limited



Md. Matiuul Islam
Chairman

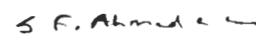


AKM Nozmul Haque
Managing Director

Signed in terms of our Report of even date annexed



Nandan Kumar Paul
Company Secretary



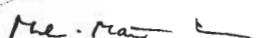
S. F. Ahmed & Co.
Chartered Accountants

Dated, Dhaka
09 February 2004

CASH FLOW STATEMENT for the year ended 31 December 2003

	2003 Taka	2002 Taka
A CASH FLOW FROM OPERATING ACTIVITIES:		
Operational and non-operational revenue	362,958,989	113,062,294
Operational expenses	(165,235,567)	(54,211,732)
Increase in advances, deposits & prepayments	(7,835,891)	(1,978,529)
Increase in sundry receivables	(53,511,197)	(5,861,945)
Increase in liabilities for expenses	10,439,758	17,610,343
Increase in liabilities for other finance	2,677,138	666,902
Increase / (decrease) in deferred liability	(157,600)	157,600
Payment of income tax	(42,953)	(975,305)
Net cash from operating activities	149,292,677	68,469,628
B CASH FLOW FROM FINANCING ACTIVITIES:		
Lease rental deposits	21,250,688	17,499,806
Payment of dividends	(14,100,000)	—
Long-term loan received	160,079,409	—
Proceeds of zero coupon bonds	318,216,546	—
Security & term deposits	34,000,000	203,481,540
Short-term & call loan	349,349,109	320,000,000
Net cash from financing activities	868,795,752	540,981,346
C CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(1,711,480)	(215,400)
Acquisition of leased assets	(539,552,061)	(346,721,733)
Term lending	(44,618,751)	(78,539,957)
Investment in Shares	(2,877,500)	—
Advance for lease assets	(25,835,219)	8,572,969
Call & term placement	(80,000,000)	—
Net cash used in investing activities	(694,595,011)	(416,904,121)
D CASH GENERATED DURING THE YEAR : A+B+C	323,493,418	192,546,853
Add- Opening cash & cash equivalents	625,341,911	432,795,058
Closing cash & cash equivalents	948,835,329	625,341,911

For Industrial and Infrastructure Development Finance Company Limited



Md. Matiul Islam
Chairman



AKM Nozmul Haque
Managing Director



Nandan Kumar Paul
Company Secretary

Signed in terms of our Report of even date annexed

Dated, Dhaka
09 February 2004



S. F. Ahmed & Co.
Chartered Accountants



1. The Company And Its Activities

Industrial and Infrastructure Development Finance Company Limited (IIDFC), a public limited company, was incorporated on the 19th Day of December 2000 as a development financial Institution to boost investment specially in the spectrum of Industrial and Infrastructure Development. It was licensed under the Financial Institutions Act, 1993 by Bangladesh Bank on the 23rd day of January 2001 to start financial business in Bangladesh. The Registered Office of the Company is situated at Chamber Building (6th floor), 122-124 Motijheel C/A. Dhaka-1000, Bangladesh.

IIDFC offers financial services that include promotion and term financing of financially viable industrial undertakings and infrastructure projects, lease financing for all type of machinery and equipment including vehicles for industrial and commercial purposes, financial package for acquisition or taking over of public sector enterprises, financial or otherwise, slated for privatisation.

2. Significant Accounting Policies

2.1 Basis of Preparing Financial Statements

The Financial Statements have been prepared on the basis of going concern concept and basically on accrual method under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP). Accounting principles have been consistently followed.

2.2. Revenue Recognition

2.2.1 Accounting for Lease Finance

The lease agreements are signed as operating nature of lease financing under the umbrella of finance lease term. Accounting for leases is maintained as prescribed and practiced for operating lease financing. According to this practice, leased assets under the possession and use of the lessees are being regularly and consistently accounted for as fixed assets of the Company. Lease rentals receivable periodically are recognized as operational revenue while depreciation on such leased assets is accounted for as operational expenses.

2.2.2 Accounting for Direct Finance

Accounting for direct finance is maintained based on accrual methods of accounting. Outstanding loan along with interest thereon are accounted for as assets of the Company and interest earnings are recognized as operational revenue periodically.

2.2.3 Accounting for Treasury Operations

Income from treasury operations is recognised on accrual basis.

2.2.4 Other Operational Income

Other operational income is recognised as and when received. Such income comprises the following :

- i. appraisal and documentation fee
- ii. commitment fee
- iii. supervision fee
- iv. delinquent charges and
- v. miscellaneous receipts.

2.3 Depreciation on Fixed Assets

Depreciation on fixed assets under the Company's use is charged on straight-line method at rates varying from 10% to 20% throughout the estimated useful life of the assets.

Leased assets in the possession and use of the lessees are depreciated in the books of the Company over lease terms applying interest method with no residual value.

2.4 Provision for Bad & Doubtful Debts

Provision has been made at estimated rates on outstanding exposures based on critical review of possible irrecoverable receivables. The provision is considered adequate to meet possible losses and meet the requirements as per Bangladesh Bank guidelines.

2.5 Employees' Benefit Obligation

The Company started operating from January 2003 an approved contributory provident fund scheme for its employees as per provident fund rules. The fund consists of subscription of all participatory employees and contribution from the Company at a predetermined rate. The fund is administered by a Board of Trustees and invested separately from the Company's assets.

The company started operating from January 2002 an approved gratuity scheme as per gratuity rules which is also administered by a Board of Trustees and invested separately from the Company's assets.

2.6 Liabilities and Provisions

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

2.7 Integral Components of Financial Statements

The Financial Statements of the Company include the following

- i. Balance Sheet as at 31 December 2003
- ii. Profit and Loss Statement for the year ended 31 December 2003
- iii. Cash Flow Statement for the year ended 31 December 2003
- iv. Notes to the Financial Statements for the year ended 31 December 2003

NOTES TO THE FINANCIAL STATEMENTS



SI	Description	2003 Taka	2002 Taka
3. Share Capital			
	Authorised Capital (10,000,000 shares of Tk. 100 each)	<u>1,000,000,000</u>	<u>1,000,000,000</u>
	Subscribed & Paid up Capital : (1,410,000 shares of Tk.100 each, fully paid up in cash)	141,000,000	141,000,000
Paid up share capital as on December 31, 2003 comprises the following			
i. Public Sector	300,000	30,000,000	21.2766
	Sonali Bank	100,000	7.0922
	Janata Bank	100,000	7.0922
	Investment Corporation of Bangladesh	100,000	7.0922
ii. Private Sector	1,110,000	111,000,000	78.7234
	Arab Bangladesh Bank Ltd.	100,000	7.0922
	Bank Asia Ltd.	100,000	7.0922
	BRAC Bank Ltd.	100,000	7.0922
	The City Bank Ltd.	100,000	7.0922
	Mutual Trust Bank Ltd.	100,000	7.0922
	National Bank Ltd.	100,000	7.0922
	ONE Bank Ltd.	100,000	7.0922
	Southeast Bank Ltd.	100,000	7.0922
	Eastland Insurance Co. Ltd.	100,000	7.0922
	National Life Insurance Co. Ltd.	100,000	7.0922
	Pragati Insurance Ltd.	100,000	7.0922
	Mr. Md. Matiul Islam	10,000	0.7092
	Total	<u>1,410,000</u>	<u>100%</u>
4 Reserves & Surplus			
	Statutory Reserve	15,500,000	5,000,000
	General Reserve	13,500,000	3,500,000
	Retained Earnings	468,888	1,414,530
	Total	<u>29,468,888</u>	<u>9,914,530</u>

NOTES TO THE FINANCIAL STATEMENTS

SI	Description	2003 Taka	2002 Taka
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5 Revenue Suspension

The amount of Taka 262,707 represents revenue accrued up to this year (last year-130,378) after issuing legal notice to Multibond Adhesive Co. Ltd., a client for recovery of dues receivable from it. The loan on which revenue has been accrued and suspended is fully secured by mortgage of unencumbered land of a third party arranged by the client and duly registered with the Registrar of Joint stock Companies.

6 Long-term Loans

The Company has received long-term loans from the following financial institutions which are secured by first charge on all present and future movable and immovable assets of the company ranking pari passu amongst the lenders and investors of Zero Coupon Bonds issued by the Company. Loans repayable within next twelve months has been reported as current liabilities. Details are as follows:

The City Bank Ltd.	27,000,000	—
Dhaka Bank Ltd.	95,000,000	—
Bank Asia Ltd.	38,079,409	—
	160,079,409	—
Less: Current Portion:		
The City Bank Ltd.	6,000,000	—
Dhaka Bank Ltd.	20,000,000	—
Bank Asia Ltd.	5,867,659	—
	31,867,659	—
	128,211,750	—

7 Liability for Zero Coupon Bonds (ZCBs)

The Company has issued Zero Coupon Bonds of three years term to different Banks and Financial Institutions which are secured by first charge on all present and future movable and immovable assets of the company ranking pari-passu amongst the investors of Zero Coupon Bonds and long-term lenders of the Company. Investment Corporation of Bangladesh (ICB) has been acting as trustee of the bondholders. Details are as follows:

Zero Coupon Bonds- Issue Price (Note: 7A)	318,216,546	—
Accrual of Redemption Expenses of ZCBs (Note: 7B)	15,880,906	—
	334,097,452	—

7A Zero Coupon Bonds- Issue Price

The City Bank Ltd.	37,565,740	—
Bank Asia Ltd.	50,000,000	—
Arab Bangladesh Bank Ltd.	37,565,000	—
United Commercial Bank Ltd.	37,565,000	—
Mutual Trust Bank Ltd.	37,565,000	—
Delta-Brac Housing Finance Corporation Ltd.	50,337,770	—
Janata Bank	37,565,740	—
Southeast Bank Ltd.	15,026,296	—
BRAC Bank Ltd.	15,026,000	—
	318,216,546	—



SI	Description	2003 Taka	2002 Taka
7B	Accrual of Redemption Expenses of ZCBs		
	The City Bank Ltd.	2,222,048	—
	Bank Asia Ltd.	2,865,602	—
	Arab Bangladesh Bank Ltd.	2,095,362	—
	United Commercial Bank Ltd.	2,072,336	—
	Mutual Trust Bank Ltd.	1,853,589	—
	Delta-Brac Housing Finance Corporation Ltd.	2,807,822	—
	Janata Bank	1,208,886	—
	Southeast Bank Ltd.	469,739	—
	BRAC Bank Ltd.	285,522	—
		15,880,906	—

8 Lease Rental Deposit

The Company takes Rental Deposits from the lessees on signing lease agreement, refundable at the maturity of lease term. Lease Deposits adjustable within next twelve months has been reported as current liabilities of the Company. Balance at 31 December 2003 is as follows:

Opening Balance	20,541,260	3,041,454
Add- Received during the year	21,250,688	17,499,806
	41,791,948	20,541,260
Less: Current Portion (being adjustable within next 12 months)	3,040,355	—
Non-current lease deposits	38,751,593	20,541,260

9 Security & Term Deposit- Long term

This represents the following:

PHP Power Generation Plant Ltd.	1,000,000	1,000,000
PHP NOF Continuous Galvanizing Ltd.	4,000,000	—
S. Alam Luxury Chair Coach Services Ltd.	2,481,540	2,481,540
National Life Insurance Co. Ltd.	30,000,000	—
Total	37,481,540	3,481,540

10 Fixed Assets as of 31 December 2003

Figures in Taka

Sl.	Particulars	COST			DEPRECIATION				Net Book Value
		Opening	Additions	Closing	Rate	Opening	Charges	Closing	
1	Motor Vehicles	1,600,000	1,400,000	3,000,000	20%	640,000	600,000	1,240,000	1,760,000
2	Furniture & Fixture	124,500	49,300	173,800	10%	15,800	17,380	33,180	140,620
3	Office Equipments	54,400	262,180	316,580	18%	9,792	56,984	66,776	249,804
4	Softwares	100,000	—	100,000	18%	23,400	18,000	41,400	58,600
	Total	1,878,900	1,711,480	3,590,380		688,992	692,364	1,381,356	2,209,024
	As at 31 December 2002	1,663,500	215,400	1,878,900	—	328,750	360,242	688,992	1,189,908

NOTES TO THE FINANCIAL STATEMENTS

SI	Description	2003 Taka	2002 Taka
11 Leased Assets			
	Opening balance	366,721,733	20,000,000
	Add- Addition during the year	539,552,061	346,721,733
	Total	906,273,794	366,721,733
	Less: Accumulated Depreciation		
	Opening balance	34,301,598	300,000
	Add- Charged during the year	122,011,447	34,001,598
		156,313,045	34,301,598
	Closing balance	749,960,749	332,420,135
	Less: Current Assets (ammortisation within next twelve months)	190,206,019	67,684,890
	Non-current assets	559,754,730	264,735,245
12 Advances for Leased Assets			
	These represent disbursements for procurement of lease assets which will be transferred to leased assets upon execution of lease agreement(s):		
	Opening balance	11,190,315	19,763,284
	Add: Additions during the year	37,025,534	11,190,315
		48,215,849	30,953,599
	Less: Transfer to Leased Assets	11,190,315	19,763,284
		37,025,534	11,190,315
13 Direct Finance:			
i) Disbursed during the year			
	Opening balance	85,013,682	2,000,000
	Add- Disbursed during the year	54,476,604	83,013,682
		139,490,286	85,013,682
ii) Realised during the year			
	Opening balance	4,560,701	86,976
	Add- Realised during the year	9,857,853	4,473,725
		14,418,554	4,560,701
		125,071,732	80,452,981
	Less: Current Liabilities (maturity within next twelve months)	12,028,758	9,599,392
	Non-current assets	113,042,974	70,853,589
14 Investment in Shares			
Name of Company	No. of Shares	Taka	Taka
Bank Asia Ltd.	4,900	490,000	—
Mercantile Bank Ltd.	7,800	780,000	—
Mutual Trust Bank Ltd.	8,300	1,037,500	—
ONE Bank Ltd.	5,700	570,000	—
	Total	2,877,500	—
15 Advances, Deposits and Prepayments			
	Advance against advertisement expenses	—	11,200
	Advance against salaries	65,000	—
	Advance for Supplies	5,000	—
	Deposits With AKTEL	5,000	5,000
	Insurance premium	96,367	33,738
	Tax deducted at source from interest	10,463,848	2,749,386
	Total	10,635,215	2,799,324

NOTES TO THE FINANCIAL STATEMENTS



SI	Description	2003 Taka	2002 Taka
16	Sundry Receivables		
	Accounts Receivables (Note: 16A)	26,385,528	2,554,881
	Other Receivables (Note: 16B)	38,597,573	8,917,023
	Total	64,983,101	11,471,904
16A	Accounts Receivables		
	Anudip Autos Ltd.	1,667,530	—
	Arkay Multimedia Ltd.	1,369,517	—
	Automan Steel Building Systems Ltd.	332,580	—
	Cab Bangla Ltd.	2,270,688	—
	Cab Express Ltd.	410,000	—
	Dredge Bangla (Pvt.) Ltd.	4,879,216	—
	Hamid Fabrics Ltd.	895,816	—
	International Leasing & Financial Services Ltd.	160,650	—
	Karim Textiles Ltd.	52,386	—
	Khaleque Knitting & Garments Ind. Ltd.	4,253,085	850,617
	Multibond Adhesive Co. Ltd.	1,165,348	381,889
	Navana Ltd.	1,189,890	237,975
	Shetu International Ltd.	5,697,665	1,084,400
	Sonargaon Textiles Ltd.	1,985,557	—
	Wahid Omar	55,600	—
	Total	26,385,528	2,554,881
16B	Other Receivables		
	Interest Accrued (Note: 16BB)	32,372,674	7,987,513
	IDCP Receivable (Note: 16BBB)	6,152,927	838,052
	Expenses Reimbursement Receivable (Note: 16BBBB)	71,972	91,458
	Total	38,597,573	8,917,023
16BB	Interest Accrued		
	Bank Asia Ltd.	1,007,732	3,563,908
	Dutch-Bangla Bank Ltd.	—	122,431
	EXIM Bank Ltd.	3,018,750	35,208
	First Security Bank Ltd.	6,108,333	50,000
	International Leasing and Financial Services Ltd.	2,923,993	1,437,562
	Jamuna Bank Ltd.	6,513,667	—
	Mutual Trust Bank Ltd.	—	908,057
	Oman Bangladesh Finance & Investments Ltd.	238,958	—
	ONE Bank Ltd.	205,663	229,375
	Prime Finance & Investments Ltd.	4,680,822	—
	Social Investment Bank Ltd.	2,986,806	—
	Sonali Bank	—	52,083
	Standard Bank Ltd.	2,378,924	—
	Uttara Finance and Investments Ltd.	746,527	1,588,889
	VANIK Bangladesh Ltd.	1,562,499	—
	Total	32,372,674	7,987,513

NOTES TO THE FINANCIAL STATEMENTS

SI	Description	2003 Taka	2002 Taka
16BBB	Interest During Construction Period (IDCP) Receivables		
	Arkey Febrics Ltd.	340,217	—
	Aspen Sweaters Ltd.	3,660	
	Fair & Frame Knitting & Finishing Ltd.	69,641	
	Globe Soft Drinks Ltd.	259,510	—
	Hamid Fabrics Ltd.	125,355	23,926
	Mir Ceramic Ltd.	3,851,568	—
	Shetu International Ltd.	727,976	—
	Sonargoan Textiles Ltd.	—	39,126
	Spectrum Sweater Industries Ltd.	775,000	775,000
	Total	6,152,927	838,052
16BBBB	Expenses Reimbursement Receivable		
	National Housing Finance & Investments Ltd.	6,392	25,878
	Investment Corporation of Bangladesh	21,860	21,860
	Janata Bank	21,860	21,860
	Sonali Bank	21,860	21,860
	Total	71,972	91,458
17	Call & Term Placement		
	International Leasing & Financial Services Ltd.	50,000,000	50,000,000
	Uttara Leasing and Financial Services Ltd.	50,000,000	100,000,000
	VANIK Bangladesh Ltd.	50,000,000	—
	Prime Finance & Investments Ltd.	50,000,000	—
	Oman Bangladesh Finance & Investments Ltd.	30,000,000	—
	Total	230,000,000	150,000,000
18	Cash & Cash Equivalents		
	Cash on Hand	1,879,038	1,191,143
	Cash At Banks (Note: 18A)	22,457,477	11,017,893
	Fixed Term Deposits (Note:18B)	924,498,814	613,132,875
	Total	948,835,329	625,341,911
18A	Cash at Banks		
	Bangladesh Bank Current Account	11,613,838	7,266,181
	Arab Bangladesh Bank Ltd.	1,229,330	96
	Bank Asia Ltd.	8,053,557	3,729,702
	CitiBank N.A.	97,292	—
	City Bank Ltd.,The	547,680	64
	Dhaka Bank Ltd.	44,600	—
	Janata Bank	70,236	19,759
	Mutual Trust Bank Ltd.	23	23
	National Bank Ltd.	100,792	—
	ONE Bank Ltd.	638,483	376
	Sonali Bank	51,646	1,688
	Southeast Bank Ltd.	—	4
	Standard Bank Ltd.	10,000	—
	Total	22,457,477	11,017,893

NOTES TO THE FINANCIAL STATEMENTS



SI	Description	2003 Taka	2002 Taka
18B	Fixed Term Deposits		
	Bank Asia Ltd.	55,392,154	381,169,125
	Dutch-Bangla Bank Ltd.	—	10,000,000
	EXIM Bank Ltd.	50,000,000	10,000,000
	First Security Bank Ltd.	250,000,000	50,000,000
	Jamuna Bank Ltd.	324,343,328	—
	Mutual Trust Bank Ltd.	—	81,963,750
	ONE Bank Ltd.	86,833,107	80,000,000
	Social Investment Bank Ltd.	50,000,000	—
	Standard Bank Limited	107,930,225	—
	Total	924,498,814	613,132,875
19	Term Deposits		
	BRAC	—	100,000,000
	BRAC Bank Ltd.	—	50,000,000
	Eastern Bank Ltd.	50,000,000	50,000,000
	Jamuna Bank Ltd.	150,000,000	—
	Janata Bank	50,000,000	50,000,000
	Sonali Bank	100,000,000	100,000,000
	Total	350,000,000	350,000,000
20	Short Term and Call Loan		
	Arab Bangladesh Bank Limited	249,349,109	70,000,000
	Bank Asia Ltd.	—	50,000,000
	First Security Bank Ltd.	260,000,000	180,000,000
	Jamuna Bank Ltd.	345,000,000	100,000,000
	Janata Bank	90,000,000	100,000,000
	Sonali Bank	50,000,000	50,000,000
	Southeast Bank Ltd.	—	100,000,000
	Standard Bank Ltd.	5,000,000	—
	Total	999,349,109	650,000,000
21	Liabilities for Expenses		
	Creditors for Expenses (Note: 21A)	72,700	73,100
	Provision for Expenses (Note: 21B)	30,821,259	20,381,101
	Total	30,893,959	20,454,201
21A	Creditors for Expenses		
	Lee, Khan and Partners	22,700	7,500
	S.F. Ahmed & Co.	50,000	40,000
	Mhadi Enterprise	—	6,600
	Link3 Technologies Ltd.	—	10,000
	Technoheaven Associates	—	3,000
	Ali Reza Khan	—	6,000
	Total	72,700	73,100

NOTES TO THE FINANCIAL STATEMENTS

SI	Description	2003 Taka	2002 Taka
21B	Provision for Expenses		
	Employee Benefits	1,158,401	625,500
	Communication Expenses	20,000	15,400
	Utilities Expenses	60,000	22,733
	Car Running & Maintenance Expenses	33,193	12,015
	Meeting Expenses	150,000	159,005
	Books and Periodicals Expenses	—	1,650
	Financial Charges Accrued (Note: 21BB)	29,399,665	19,544,798
	Total	30,821,259	20,381,101
21BB	Financial Charges Accrued		
	Arab Bangladesh Bank Limited	3,039,074	—
	Bank Asia Ltd.	—	1,297,975
	BRAC	—	7,461,643
	BRAC Bank Limited	—	686,806
	Eastern Bank Limited	870,833	910,417
	First Security Bank Ltd.	3,196,111	—
	Jamuna Bank Limited	11,383,750	91,867
	Janata Bank	800,000	750,000
	National Life Insurance Co. Ltd.	2,822,203	—
	PHP NOF Cont. Gulv. Ltd.	275,998	—
	PHP Power Generation Plant Limited	186,904	66,904
	Sonali Bank	6,648,630	6,598,630
	Southeast Bank Limited	—	1,680,556
	Standard Bank Limited	176,162	—
	Total	29,399,665	19,544,798
22	Liabilities for Other Finance		
	L/C Margin Received in Advance	332,520	411,636
	Liability As Lead Manager (Note: 22A)	257,040	257,040
	Liability for AIT Deductions (Note: 22B)	2,402	37,520
	Liability for VAT Deductions (Note: 22C)	—	6,078
	Miscellaneous Liabilities	2,797,450	—
	Total	3,389,412	712,274
22A	Liability As Lead Manager		
	ONE Bank Ltd	128,520	128,520
	Sonali Bank	128,520	128,520
	Total	257,040	257,040
22B	Liability for AIT Deductions		
	IIDFC Officers Salary	—	21,202
	Jars Associates	2,402	—
	News Paper & News Agencies	—	640
	Sameer Ahmed	—	678
	TOP Speed	—	15,000
	Total	2,402	37,520



SI	Description	2003 Taka	2002 Taka
22C	Liability for VAT Deductions		
	DHS Motors Ltd.	—	1,225
	Directors' Fee	—	4,853
	Total	—	6,078

23 Provision for Deferred Tax:

Provision for taxation has not been made for the year 2003 since there appears no income tax liability as per computation of taxable income according to income tax laws. But the Company has made a lump sum provision for deferred tax. The balance of excess income tax provision has been transferred to provision for deferred tax.

24 General & Administrative Expenses

Managing Director's Remuneration	1,798,000	1,798,000
Salaries & allowances	2,477,690	2,154,289
Provident fund & Gratuity etc.	411,960	157,600
Medical & Welfare Expenses	682	850
Rent, Rates & Taxes	1,183,051	1,128,418
Printing & Stationery	197,416	141,365
Office Maintenance	608,963	187,180
Utilities Expenses	353,471	264,975
Communications Expenses	356,606	303,853
Travelling & Conveyance	649,287	40,151
Directors' Fee	356,060	381,913
Meeting Expenses	185,466	163,274
Entertainment	76,869	37,465
Car Running & Maintenance Expenses	760,149	377,112
Bank Charge & Excise Duty	152,109	98,052
Lease Rental	2,032,520	1,770,249
Legal & Professional Fee	686,261	550,826
Training Expenses	50,000	10,000
Subscription	177,310	60,510
Advertisement & Business Development Exp.	1,211,410	517,571
Books & Periodicals	47,411	20,230
Insurance Expenses	125,672	101,569
Total	13,898,363	10,265,452

25 Others

a. Contingent liability

There is no contingent liability other than letter of credit and shipping guarantee outstanding for import of lease equipment amounting to Taka 26,078,150 and corporate guarantee of Taka 19,800,000 in favour of a client at the end of the year 2003. There was no claim that has not been acknowledged as debt at the balance sheet date.

b. Commitment for lease rental expenses

i. The Company has made commitment for paying lease rental for the following assets:

1. Motor car: Taka 3,350,000
2. Computer, Server & Printer: Taka 478,600
3. Office Equipments: Taka 349,225
4. Office Furniture & Fixture: Taka 411,940
5. Communication Equipments: Taka 40,145
6. Interior Decoration: Taka 2,500,000

ii. The lease rentals for the above assets are as follows:

1. 36 installments @ Taka 130,800 each w.e.f. 15-10-01.
2. 48 installments @ Taka 27,500 each w.e.f. 10-09-03.
3. 48 installments @ Taka 27,000 each w.e.f. 15-09-03.
4. 36 installments @ Taka 46,220 each w.e.f. 08-11-03.

C. Commitment for redemption of Zero Coupon Bonds :-

The Company has made commitment for redemption of Zero Coupon Bonds upon maturity. Details are as follows:

Name of investors	Redeemable amount Taka	Redemption Date
The City Bank Ltd.	50,000,000	18 June 2006
Bank Asia Ltd.	66,551,300	24 June 2006
Arab Bangladesh Bank Ltd.	50,000,000	29 June 2006
United Commercial Bank Ltd.	50,000,000	02 July 2006
Mutual Trust Bank Ltd.	50,000,000	20 July 2006
Delta-Brac Housing Finance Corporation Ltd.	67,000,000	29 June 2006
Janata Bank	50,000,000	16 September 2006
Southeast Bank Ltd.	20,000,000	21 September 2006
BRAC Bank Ltd.	20,000,000	30 October 2006
Total	423,551,300	



c. Capital Expenditure Commitment

There was no capital expenditure contracted but not incurred or provided for at 31 December 2003.

d. Contracts and disbursements

During the year the Company contracted and disbursed the following amounts:

	Contracted/Sanctioned	Executed/Disbursed
	Taka	Taka
Lease Finance	688,703,416	565,387,280
Term lending	1,200,000	54,476,604
Total	689,903,416	619,863,884

e. Subsequent events

No material events occurred after the balance sheet date, non-disclosure of which could affect the ability of the users of the financial statements to make proper evaluation and decisions.

f. Emoluments and Number of Employees

During the year the number of employees drawing aggregate amounts of more than Taka 36,000 each was 10 (ten) only. There were only 2 (two) employees employed for less than full year and each of them drew more than Taka 3,000 per month.

g. General

1. Figures have been rounded off to nearest Taka.
- ii. Figures and classifications relating to previous year included in this report have been rearranged and reclassified, wherever considered necessary, to conform to the current year's presentation.

For Industrial and Infrastructure Development Finance Company Limited

Md. Matiul Islam
Chairman

AKM Nozmul Haque
Managing Director

Nandan Kumar Paul
Company Secretary

Change as below

PROXY

Industrial and Infrastructure Development Finance Company Limited Chamber Building (6th Floor), 122-124, Motijheel C/A, Dhaka-1000, Bangladesh

PROXY FORM



I/We

of

being a member of Industrial and Infrastructure Development Finance Company Limited do hereby

appoint Mr. / Ms

of

as proxy to attend and vote for me/us and on my/our behalf at the 3rd Annual General Meeting of the Company to be held on Wednesday, 24 March 2004, at 11.0 am at the Company's Registered Office, Chamber Building (6th floor), 122-124 Motijheel C/A, Dhaka-1000, Bangladesh and any adjournment thereof.

As witness my/our hand this day of 2004

15

Signature of Shareholder

Signature of Proxy

Stamp



IIDFC ANNUAL REPORT 2003