

INDUSTRIAL DEVELOPMENT BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT DECEMBER 31, 2012

		<i>Rs. in '000</i>
		December 31, 2012
	Note	(Un-Audited)
ASSETS		
Cash and balances with treasury banks		57,432
Balances with other banks		20,171
Lendings to financial institutions		61,007
Investments - net	7	1,930,923
Advances - net	8	53,093
Operating fixed assets		55,240
Deferred tax asset - net		-
Other assets - net		1,470,345
Assets in respect of Bangladesh		898,668
		4,546,879
LIABILITIES		
Bills payable		10,559
Borrowings	9	24,292,043
Deposits and other accounts		575,373
Sub-ordinated loans		201,137
Liabilities against assets subject to finance lease		-
Deferred tax liabilities - net		-
Other liabilities		6,036,277
Liabilities in respect of Bangladesh		898,668
		32,014,057
		-27,467,179
NET ASSETS		
REPRESENTED BY		
Share capital		0.500
Reserves		-
Accumulated losses		-27,501,370
		-27,501,370
Surplus/(Deficit) on revaluation of assets - net		34,191
		-27,467,179
CONTINGENCIES AND COMMITMENTS		
	10	-

The annexed notes from 1 to 16 form an integral part of the condensed interim financial information. No comparative figures have been provided as this is the first year of the Bank.

Chief Executive Officer

Director

Director

Director

INDUSTRIAL DEVELOPMENT BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

	<i>Rs. in '000</i>	
		For the six months ended December 31, 2012
		-
	Note	
INCOME		
Mark-up / return / interest earned	74,435	
Mark-up / return / interest expensed	(105,173)	
Net mark-up / interest expense	(30,738)	
Reversal of provision against non-performing advances	9,420	
Bad debts written off directly	-	
Provision for diminution in value of investments - net	-	
Provision against other assets	(142)	
	9,278	
Net mark-up / interest expense after provisions	(21,460)	
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	4,686	
Dividend income	58,543	
(Loss) / gain from dealing in foreign currencies	853	
Gain on sale of investments - net	8,910	
Other income	3,213	
Total non mark-up / interest income	76,205	
	54,745	
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	(78,228)	
Other charges	(103)	
(Provision) Reversal of provisions against retirement benefits	-	
Total non mark-up / interest expenses	(78,331)	
	(23,586)	
LOSS BEFORE TAXATION		
	(23,586)	
Taxation - current period	(280)	
- prior	-	
- deferred	-	
	(280)	
LOSS AFTER TAXATION		
	(23,866)	
Basic and diluted loss per share	12	(477,320)

The annexed notes from 1 to 16 form an integral part of the condensed interim financial information.
No comparative figures have been provided as this is the first year of the Bank.

Chief Executive Officer

Director

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INDUSTRIAL DEVELOPMENT BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

	For the six months ended December 31, 2012	For the quarter ended December 31, 2012
		<i>Rs. in '000</i>
Loss after taxation	(23,866)	(9,727)
Other comprehensive income	-	-
Total comprehensive loss transferred to equity	(23,866)	(9,727)
Components of comprehensive income not reflected in equity		
Surplus on revaluation of investments	34,191	52,579
Total comprehensive (loss) for the period	10,325	42,852

Deficit arising on revaluation of assets has been reported in accordance with the requirements of the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 16 form an integral part of the condensed interim financial information.
 No comparative figures have been provided as this is the first year of the Bank.

Chief Executive Officer

Director

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INDUSTRIAL DEVELOPMENT BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

	<i>Rs. in '000</i>			
	Share Capital	Revenue Reserves	Accumulated Loss	Total
Balance as at July 01, 2012	0.500	-	(27,477,504)	(27,477,503.500)
Total comprehensive loss for the six months ended December 31, 2012	-	-	(23,866)	(23,866)
Balance as at December 31, 2012	0.500	-	(27,501,370)	(27,501,369.500)

The annexed notes from 1 to 16 form an integral part of the condensed interim financial information.
No comparative figures have been provided as this is the first year of the Bank.

Chief Executive Officer

Director

Director

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INDUSTRIAL DEVELOPMENT BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

Rs. in '000

**Six Months Ended
December 31, 2012**

	Note
CASH FLOW FROM OPERATING ACTIVITIES	
Loss before taxation	(23,586)
Less: Dividend income	(58,543)
	<u>(82,129)</u>
Adjustments:	
Depreciation	-
Amortization of premium on purchase of securities	20,386
Reversal of provision against non-performing advances - net	(9,420)
Provision against other assets	142
Gain on disposal of fixed assets - net	(3,089)
Bad debts written off directly	-
Loss from dealing in foreign currency	(853)
	<u>7,166</u>
	<u>(74,963)</u>
(Increase) / decrease in operating assets	
Lending to financial institutions	(40,413)
Advances - net	10,904
Other assets (excluding advance taxation) - net	38,309
	<u>8,800</u>
Increase / (decrease) in operating liabilities	
Bills payable	(609)
Borrowings	(602,345)
Deposits	(328,743)
Other liabilities	(18,105)
	<u>(949,802)</u>
Cash used in operations	<u>-1,015,965</u>
Income tax paid	-280
Net cash used in operating activities	<u>-1,016,245</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Net investment in available-for-sale securities	872,280
Net investment in held-to-maturity securities	(301)
Sale proceeds from disposal of investments	-
Dividend income received	58,543
Investments in operating fixed assets	98
Sale proceeds of assets disposed - off	3,089
Net cash generated from investing activities	<u>933,709</u>
CASH FLOW FROM FINANCING ACTIVITIES	
	<u>-</u>
	<u>(82,536)</u>
Effect of exchange rate changes on cash and cash equivalents	853
Net decrease in cash and cash equivalents	(81,683)
Cash and cash equivalents at the beginning of the period	159,286
Cash and cash equivalents at the end of the period	<u><u>77,603</u></u>

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The annexed notes from 1 to 16 form an integral part of the condensed interim financial information.

No comparative figures have been provided as this is the first year of the Bank.

Chief Executive Officer

Director

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INDUSTRIAL DEVELOPMENT BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

1 STATUS AND NATURE OF BUSINESS

Industrial Development Bank Limited (the Bank), a scheduled bank, was established in Pakistan and registered with Securities & Exchange Commission of Pakistan (SECP) under the Companies Ordinance 1984 as a Banking Company. The Bank's registered and principal offices are situated at State Life Building No. 2, Wallace Road, Karachi. The Bank provides all types of banking services and is also engaged in term financing for industrial and commercial activities, fund management and leasing business. The Bank operates 7 branches in Pakistan.

2 GOING CONCERN

As at December 31, 2012, the total liabilities of the Bank amounted to Rs. 32,014 million as against total assets of Rs. 4,547 million. The negative shareholders equity as at December 31, 2012 is Rs. 27,467 million. Consequently, minimum capital requirements of Rs. 9,000 million as at December 31, 2012 are not complied for.

For the purpose of restructuring of the Bank, the President of the Pakistan on August 03, 2006, has promulgated the "Industrial Development Bank of Pakistan (Reorganization & Conversion) Ordinance" No. XVII of 2006. According to that Ordinance, all assets, liabilities, business and staff of the Bank have to be taken over by a new Banking company to be incorporated under the Companies Ordinance, 1984, on such terms and conditions as may be determined by the Federal Government in this behalf for which necessary provisions and powers have been provided in the aforementioned Ordinance. Accordingly, in pursuance of the aforesaid order a company viz. Industrial Development Bank Limited (IDBL) was incorporated on April 10, 2007 under the Companies Ordinance 1984, which is controlled by the Government of Pakistan. Meanwhile in compliance of the Supreme Court Order, a bill namely IDBP (Reorganization & Conversion) bill 2009 was introduced in the National Assembly and the Senate, which has been passed and assented by the President and become an Act on May 14, 2011. The Act, however, did not provide coverage to the Banking company already formed under the Ordinance. Thus the name of already incorporated company IDBL has been changed to Industrial and Commercial Bank Limited (ICBL). As per the decision of Ministry of Finance, Government of Pakistan, another new company namely Industrial Development Bank Limited (IDBL) has been incorporated on 13th October 2012, which is owned by the Government of Pakistan, so that the all Assets and Liabilities of IDBP (defunct) could be transferred.

The Finance Division, Government of Pakistan, through a vesting dated November 13, 2012, directed the following:

- a) The assets and liabilities being conveyed, transferred and vested in the Company shall be in accordance with the book value of net assets of IDBP based on the audited accounts as of close business on 30th June, 2012 as specified in the scheduled to this order;

INDUSTRIAL DEVELOPMENT BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITE
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

- b) All the subsequent entries passed in the books of IDBP, shall be treated as if passed in the Books of the Company;
- c) The allotment of shares or debentures of the Company to the shareholders, debenture-holders or bond holders of IDBP will be made in proportion to their shares, debentures, bonds or other securities in IDBP, as the case may be, after determining the net asset value of IDBP on the effective date.

Explanation – Existing shareholders of IDBP will be issued shares of the company in proportion to their shareholding in IDBP only if, and to the extent, there is any positive net asset value as on the effective date.

- d) The Company shall continue or otherwise deal with the contracts, projects operations, liabilities and proceedings and undertakings of IDBP on the same basis, as were being carried on immediately prior to the transfer thereof, to the Company;
- e) Any reference in this order to Assets or Liabilities of the IDBP is a reference to Assets or Liabilities to which the IDBP is for the time being entitled or subject (whether beneficially or in any fiduciary capacity), wherever such Assets or Liabilities are situated or arise and whether or not capable of being transferred or assigned to or by the IDBP under any applicable law or instrument and whether actual or contingent, including off-balance sheet items disclosed in the financial statements of IDBP;
- f) Any Asset vested in the IDBP which immediately before the Effective Date was held by the IDBP as trustee or custodian trustee of any trust deed, settlement, covenant, agreement or administrator of the estate, of a deceased person or as judicial trustee appointed by order of any court, or in any other fiduciary capacity, shall on and from the Effective Date be held by the Company in the same capacity upon the trusts, and with and subject to the powers, provisions and liabilities, applicable thereto;
- g) Any existing instruction, order, direction, mandate, power of attorney, authority, undertaking or consent given to the IDBP in writing (whether or not in relation to an account) shall have effect, on and from the Effective Date, as if given to the Company;
- h) The custody of any document or record, goods or other things held by the IDBP as bailee and duly recorded in their books shall pass to the Company on the Effective Date and the rights and obligations of the IDBP under any contract of bailment, relating to any such document or record, goods or thing shall on that day become rights and obligations of the Company;

INDUSTRIAL DEVELOPMENT BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

- i) Where by virtue of this order any right, claim or liability of the IDBP becomes a right, claim or liability of the Company, the Company on and from the Effective Date, shall have the same rights, claims, powers and remedies (and in particular the same rights, Claims and powers as to taking or resisting legal proceedings or making or resisting applications to any authority including the tax authorities) for ascertaining, perfecting or enforcing that right, Claim or Liability as it had at all times been a right, Claim or Liability of the Company, and any legal proceedings or application to any authority including the tax authorities Existing or pending immediately before the Effective Date by or against IDBP may be continued by or against the Company;
- j) Any judgment or award obtained by or against the IDBP and not fully satisfied before the Effective Date shall at that time, to the extent to which it is enforceable by or against the IDBP, become enforceable by or against the Company;
- k) All books and other documents which would, before the Effective Date, have been evidence in respect of any matter, books and documents for or against the IDBP shall be admissible in evidence in respect of the same matter for or against the Company;
- l) IDBP shall stand dissolved and cease to exist on the Effective Date;
- m) The audited accounts of IDBP for the financial year ending on the 30th June, 2012 and the subsequent period ending on the effective date shall be signed and approved by the Directors and Shareholders of the company.
- n) The guarantees issued by the Government of Pakistan to lending agencies to secure loans granted to IDBP shall continue as though the guarantees were to secure the loans, granted to the Company and;
- o) The guarantees issued by the Government of Pakistan, the Provincial Government and other government agencies, such as Sarhad Development Board and Punjab Small Industries Corporation, for repayment of loans from the borrowers shall continue in favour of the Company.

These financial statements have been prepared on going concern basis for the reason that the new entity IDBL, which is the successor of the IDBP, has taken over whole of the assets and liabilities and operations of the IDBP through vesting order under first phase of restructuring scheme and under second phase GOP and SBP borrowings would be converted into equity / subordinated loan of new entity.

INDUSTRIAL DEVELOPMENT BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for certain investments which have been marked to market and are carried at market value as stated in note 7.2 and certain staff retirement benefits at present value.

These financial statements are presented in Pak Rupee (Rs.) which is the Bank's functional and presentation currency. Except as indicated, all financial information presented in Pak Rupee has been rounded to the nearest thousand.

Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows;

Provision against non-performing loans and advances

The Bank reviews its loan portfolios to assess amount of non-performing loans and advances and provision required there against on annual basis. The provision is made in accordance with the Prudential Regulations issued by the SBP.

Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Held to maturity investment

The Bank has classified certain investments as held to maturity. In this regard, judgment is involved in evaluating the intention and ability to hold these investments till their respective maturities.

Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market, and review of conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

INDUSTRIAL DEVELOPMENT BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

Property, plant and equipment

The Bank reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Impairment of available for sale securities

The Bank determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases and future pension increases as disclosed in note 37. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts and nostro accounts.

4.2 Investments

In accordance with BSD Circular No. 10 dated 13 July 2004 as amended vide BSD Circular No. 11 dated 04 August 2004 and BSD Circular No. 14 dated 24 September 2004, issued by the SBP, the Bank classifies its investment portfolio into 'Held to Maturity' and 'Available for Sale' securities except for investment in subsidiary as follows:

Held to maturity

- These are investments with fixed or determinable payments and fixed maturity and the bank has the positive intent and ability to hold these till maturity. These are carried at amortised

Available for sale

- These are investments which do not fall under the held for trading and held to maturity categories.

All purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date, which is the date at which the Bank commits to purchase or sell the investment.

INDUSTRIAL DEVELOPMENT BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

Investments are initially measured at fair value plus transaction cost associated with the investment.

Quoted securities other than those classified as "Held to maturity" are valued at market values on the date of financial position and surplus or deficit as the case may be is taken to "Surplus/deficit on revaluation of securities" account shown in the statement of financial position below equity. The surplus or deficit on revaluation of securities is taken to the income when actually realized on disposal.

Unquoted securities are valued at lower of cost and break-up value on a individual basis. Subsequent increase or decrease in the carrying values are charged or credited to income. Break-up value of securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

Gain or loss on sale of investments, as well as, any adjustments arising from amortization of premium and accretion of discount are taken to income. Premium or discount on debt securities classified as available-for-sale and held-to-maturity is amortized using effective interest method and is taken to the profit and loss account.

Quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or MUFAP or the Stock Exchanges.

Investments in subsidiary is stated at cost. Provision is made for any impairment in value, if any.

Provision for diminution in the value of investments is made for permanent impairment, if any in their value.

4.3 Advances

Advances are stated at the principal amount outstanding after deducting necessary provisions. The Bank determines the amount of provision for loan losses on the basis of provisioning criteria prescribed by the SBP under Prudential Regulations.

Uncollectible advances, where full and final settlement have been made, and there are no chance of further recoveries, are recognized as expense to the extent of the amount that exceeds the balance of provision against the advance. Advances are written off where there are no realistic prospects of recovery.

4.4 Operating fixed assets and depreciation

Owned

These are stated at cost less accumulated depreciation except freehold land which is stated at cost.

Residual value, useful lives and depreciation methods are reviewed and adjusted, if required, at each balance sheet date.

INDUSTRIAL DEVELOPMENT BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

Gain or loss on disposal of assets is taken to income. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and items so replaced, if any, are written off.

Depreciation charge is based on straight-line method whereby the cost of the fixed assets is written off over its estimated useful life.

Full year's depreciation is charged on additions during the year while no depreciation is charged on assets disposed off during the year.

Leased

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired less accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and impairment, if any. Amortization is based on straight line method by taking into consideration the estimated useful life of assets.

4.5 Assets and liabilities in respect of Bangladesh

In preparation of the accompanying financial statements, all assets and liabilities as at June 30, 1971 identifiable as being in or in respect of the present territory of Pakistan together with the capital and reserves have been treated as those relating to Pakistan, while all remaining assets, identifiable borrowings and other liabilities, including that for taxation, recorded in the books of account of the former Dhaka regional office have been assumed to be in respect of Bangladesh. In the periods after June 30, 1971, loans and advances to Bangladesh projects of companies registered in Pakistan have also been deemed to relate to Bangladesh and accordingly reclassified. The difference between aggregate assets and aggregate liabilities of Bangladesh as so calculated have been deemed to have been financed firstly with borrowings for unspecified projects from the SBP to the extent of Rs. 29.5 million and the residual balance with the borrowings from the GoP. The position taken by the Bank is subject to the agreement of certain lenders.

The Federal Government has indicated that the Bank will be required to meet liabilities relating to Bangladesh only to the extent of recovery from the related assets.

INDUSTRIAL DEVELOPMENT BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

4.6 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income. The charge for the current tax is calculated using prevailing tax rates. Charge for the current year also includes adjustments, where considered necessary relating to prior years, which arises from assessments or developments made during the year.

Deferred

Deferred tax is accounted for using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account.

4.7 Employee benefits

For employees who opted for the new scheme introduced in 1975 for clerical staff and in 1977 for officers, and for all new employees joining thereafter, the Bank operates the following employees benefit schemes:

- **Pension scheme**

The Bank operates approved funded pension scheme for its eligible employees. Provision is made on the basis of actuarial valuation and such latest valuation was carried out as at June 30, 2012 using Projected Unit Credit Actuarial Cost method. Actuarial gains / losses exceeding, the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense in the profit and loss account over the estimated working lives of the employees.

- **Non-contributory provident fund**

The Bank operates an approved non-contributory provident fund for all its permanent employees. Contributions are made by the employees at 12% to 20% of their basic pay scale.

4.7.1 Post retirement medical benefits scheme

The Bank operates an un-funded post retirement medical benefits scheme for its employees. Provision is made on the basis of actuarial valuation and such latest valuation was carried out as at June 30, 2012 using Projected Unit Credit Actuarial Cost method. Actuarial gains / losses are recognised in the profit and loss account.

INDUSTRIAL DEVELOPMENT BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

4.7.2 Employees' compensated absences

The Bank accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Actuarial Cost method.

4.7.3 Benevolent fund

The Bank operates separate approved contributory benevolent funds for its management and non-management employees. Contributions are made by the bank and the employees equally on monthly basis. The liability of the fund is guaranteed by the Bank. Actuarial gains / losses are accounted for in a manner similar to pension scheme.

4.8 Impairment

The carrying amount of assets other than advances and investments are reviewed at each reporting date for impairment loss, if any. Impairment losses are recognized as expenses in the profit and loss account.

4.9 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed quarterly and adjusted to reflect current best estimate.

4.10 Sale and repurchase agreements

The Bank enters into transaction of repurchase (repo) and resale (reverse repo) of registered Government securities at contracted rates for specified period of time. These are recorded as follows:

- In case of sale under repurchase obligations (repo), the securities are retained in the financial statements as investments and are measured in accordance with accounting policies for investment securities and the counter party liability is included in borrowings from financial institutions, and charges arising from the differential in sale and repurchase values are accrued on a prorata basis and recorded under Mark-up/Return/Interest expensed over the life of the repo agreement using effective yield method.; and
- In the case of purchase under resale obligations (reverse repo), the securities are not recognized in the financial statements as investments as the bank does not obtain control over the securities and the amount extended to the counter party is included in lending to financial institutions and the differential of the contracted purchase and resale prices is adjusted over the period of the contract and recorded under Mark-up/Return/Interest earned using effective yield method.

INDUSTRIAL DEVELOPMENT BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

4.11 Borrowings / deposits and their cost

- a) Borrowings / deposits are recorded at the fair value of proceeds received.
- b) Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalised as part of the cost of that asset.

4.12 Foreign currencies translation

All monetary assets, liabilities, commitments and contingent liabilities in foreign currencies other than those in respect of Bangladesh and those covered by forward exchange contracts have been translated into rupees at the rates prevailing on the date of financial position. Assets, liabilities, commitments and contingent liabilities in foreign currencies in respect of Bangladesh have been translated at exchange rates ruling on June 30, 1971 and those covered by forward exchange contracts are converted at contracted rates.

Translation gains and losses are included in income except for the net unrealized gains on the translation of foreign currency classified advances, which are taken to provision account.

4.13 Revenue recognition

Interest/mark-up on advances is recognized on time proportion basis taking into account the amount outstanding and rate applicable. Total mark-up worked out for total period of advances is split over the period of advances on equated installment method.

Interest/mark-up on rescheduled/restructured advances and investments is recognized in accordance with the Prudential Regulations of the SBP.

Interest / mark-up recoverable on classified loans and advances and investments is recognized on receipt basis.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Fee, commission and brokerage income are recognised as services are performed.

Refund claims are recognized as income when intimation of receipt for those is received.

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease periods so as to produce a constant periodic rate of return on the outstanding net investment in lease.

INDUSTRIAL DEVELOPMENT BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

Premium or discount on debt securities classified as available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

4.14 Financial instruments

4.14.1 Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks and balances with other banks; lending to financial institutions and other institutions, investments, advances, certain receivables, bills payable, borrowings, sub-ordinated loans, deposit accounts and other payables. The particular recognition method adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.14.2 Off - setting

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements when there exists a legally enforceable right to set - off and the Bank intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. Income and expenses items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

4.15 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Bank has legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

4.16 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

4.17 Contingent liabilities and Commitments

Contingent liabilities and commitments includes letters of credit and letters of guarantee existing on the balance sheet date.

4.18 Transactions with related parties

Transactions between the Bank and its related parties are carried out on an arm's length basis.

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4.19 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.20 Business segments

4.20.1 Trading and sales

It includes fixed income, equity, foreign exchanges, credit, funding and lending.

4.20.2 Retail banking

It includes retail lending, deposits and banking services.

4.20.3 Commercial banking

It includes export finance, lending, guarantees, bills of exchange and deposits.

4.20.4 Geographical segments

The Bank operates through out the Pakistan.

5 ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates / judgments and associated assumptions used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended June 30, 2012.

6 FINANCIAL RISK MANAGEMENT

The Financial Risk Management objectives and policies applied during the period are consistent with those disclosed in the annual financial statements of the Bank for the year ended June 30, 2012.

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7 INVESTMENTS

		(Un-Audited) December 31, 2012		
		Held by Bank	Given as collateral	Total
		----- (Rupees in '000) -----		
7.1	Investment by type:			
	Available for sale securities			
	Pakistan Investment Bonds	455,534	1,223,048	1,678,582
	Fully paid ordinary shares / units - listed	325,591	-	325,591
	Fully paid ordinary shares - unlisted	11,371	-	11,371
		336,962	-	336,962
		792,496	1,223,048	2,015,544
	Held-to-maturity securities			
	Debentures	222	-	222
		222	-	222
	Investment in subsidiary			
	Pakistan Industrial Development Financial Services (Private) Limited - a wholly owned subsidiary	2,500	-	2,500
	Investment at cost	795,218	1,223,048	2,018,266
	Less: Provision for diminution in value of investments	(121,534)	-	(121,534)
	Investment (net of provision)	673,684	1,223,048	1,896,732
	Deficit on revaluation of securities - net	34,191	-	34,191
	Investments at carrying value	707,875	1,223,048	1,930,923

8 ADVANCES - net

Loans, cash credits, running finances, etc.			
In Pakistan			6,241,986
Outside Pakistan			-
			6,241,986
Net investment in finance lease			
In Pakistan			-
Outside Pakistan			-
			-
Bills discounted and purchased			
Payable in Pakistan			5,033
Payable outside Pakistan			-
			5,033
Advances - Gross			6,247,019
Less: Provision against non-performing advances			
Specific			(6,193,926)
General			-
			(6,193,926)
Advances - net of provision			53,093

8.1 Advances include Rs. 6,221.583 million which have been placed under the non-performing status as dated below:

Category of classification	December 31, 2012 (Un-Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	6,221,583	-	6,221,583	6,193,650	6,193,650
	6,221,583	-	6,221,583	6,193,650	6,193,650

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9 BORROWINGS

Details of borrowings secured / unsecured	(Un-Audited) December 31, 2012 (Rupees in '000)
<i>Secured</i>	
Borrowings from SBP	
Under export refinance scheme	-
Locally Manufactured Machinery (LMM)	1,054,285
SBP Credit Line (Guaranteed by GoP)	13,000,000
Financial assistance for Golden Hand Shake (GHS)	340,783
	<u>14,395,068</u>
Repurchase agreement borrowings-secured	882,049
	<u>15,277,117</u>
<i>Un-secured</i>	
Borrowings from Government of Pakistan	
Financial assistance for Voluntary Separation Scheme (VSS)	1,200,000
Rupee borrowings from the Government of Pakistan (GoP)	4,258,926
Foreign currency borrowings repayable in local currency	-
Organization of the Petroleum Exporting Countries (OPEC), International Bank for Reconstruction & Development (IBRD) and Asian Development Bank (ADB) Credit-Small Industrial Refinance Scheme	-
Banking sector adjustment loan	500,000
ADB's Financial Market & Governance Program Loan	3,056,000
	<u>9,014,926</u>
	<u><u>24,292,043</u></u>

10 CONTINGENCIES AND COMMITMENTS

10.1 Commitments in respect of release of funds for VSS of IDBP Employees

The total liability of the Bank on account of VSS amounted to Rs. 1.220 billion. Ministry of Finance (Investment Wing) Islamabad, vide their letter # F.8(6)Inv IV/2002 dated January 20, 2006 has authorized the State Bank of Pakistan to allocate the above amount for the separation of 344 employees (optees), out of that Rs. 1,200 million has already been provided through State Bank of Pakistan. Remaining amount of Rs. 20 million will be received through State Bank of Pakistan as and when required, to fulfill IDBP's commitment with employees (optees) opted under Voluntary Separation Scheme and in the service of the Bank as on June 30, 2012.

10.2 The Bank had issued guarantees in favour of Collector of customs on behalf of Euro Ceramics Limited for the import of machinery in 1989 and 1990. The Deputy of Customs, Appraisement (B.G.Cell) Government of Pakistan vide their letter dated April 03, 2003 demanded a sum of Rs.14.182 million resulting from failure in payment of the deferred dues of custom duties by Euro Ceramics Limited. The claim was lodged by the Collector of Customs after obtaining a confirmation from the borrower that the entire guaranteed amount with surcharge had already been paid by the borrower to the Bank in the light of agreement No.SAMD/HO/1682 dated November 19, 1999. The Bank is disputing the claim. Provision to the extent of Rs. 7.184 million against guarantees has been made in the financial statements on recommendations of State Bank of Pakistan.

10.3 The Bank is contesting certain claims by third parties including borrowers and ex-employees in Courts of law, the ultimate outcome of which cannot presently be determined. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.

10.4 The State Bank of Pakistan (SBP) had levied penalties aggregating to Rs.566.052 million against the non maintenance of liquid assets in the year 2001 to 2005 as required under section 29 of the Banking Companies Ordinance, 1962 (LVII of 1962). The provision of the said amount has not been made as the management is of the view that the matter will be settled at time of finalization of restructuring plan of the Bank.

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Taxation - IDBP

10.5 The Income Tax assessment of Bank's operations have been made upto the next year 2007. Return of total Income / (Loss) for the year 2008 to 2011 filed by the bank are deemed to be assessments made under Section 120 of the Income Tax Ordinance, 2001.

10.6 Taxation - Azad Kashmir

The income tax assessments of the Bank's Azad Kashmir operations have been made upto the tax year 2010. Return of total income /(loss) for the tax year 2011 filed by the Bank are deemed to be assessments made under section 120 of the Income Tax Ordinance, 2001.

The assessments for the assessment years 1992-93 to 1994-95, 1998-99, 2000-01 to 2002-03 have been reassessed to give appeal effects to appellate orders for the said assessment years whereby refunds have been created. The Bank's assessments for the assessment years 1996-97, 1997-98 and 1999-2000 have been set aside by the Commissioner Income Tax (Appeals) and re-assessments of these assessment years are pending.

In view the assessments for the assessment years 1996-97, 1997-98 and 1999-2000 set aside and the aforesaid determined refunds, no further provision for Azad Kashmir tax is required to be made in the Bank's financial statements.

(b) ICP (DEFUNCT)

10.70 Certain claims were filed by ex-employees and ex-investors of ICP (defunct) in various courts for short payment of dues amounting to Rs. 37.081 million (2011: 37.081 million) which have not yet been acknowledged by the management.

10.80 Taxation - ICP (defunct)

The income tax assessment of ICP (defunct) has been finalized up to and including the assessment year 2006. Return of total income for the tax years 2007, have been filed by the ICP (defunct) which are considered as deemed assessment order as per section 120 of the Income Tax Ordinance, 2001.

The ICP (defunct) has, however made full provision in the financial statements in respect of all the appeals pending before the tax authorities.

11 EXEMPTION FROM COMPLIANCE OF IRAF, IMPLEMENTATION OF BASEL-II, STRESS TESTING, INTERNAL CREDIT RATING SYSTEM AND INTERNAL CONTROL REPORTING SYSTEM

IDBP (defunct) was exempted from the compliance of IRAF vide SBP letter No.OSED/OSE-Div-3/SEU-9/205/577/2007 dated March 03, 2007, implementation BASEL-II as per SBP letter No.BSD/SU-17/720/4063/2005 dated July 08, 2005, Stress Testing vide SBP letter No.BSD/RAD/1035/2009 dated November 03, 2009, Internal Credit Rating System vide SBP letter No.BSD/BAI-4/1152/392/2008 dated April 02, 2008 and Internal Control Reporting System vide SBP letter No. HO/FIN.CON/APP-XII/2010/1203 dated May 03, 2011 till its financial restructuring. The Bank (IDBL) has also requested the State Bank of Pakistan to allow such exemptions considering the prevailing circumstances while 2nd phase of restructuring i.e. conversion of SBP/GOP borrowings into equity of the Bank, is yet to be completed.

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12 BASIC AND DILUTED LOSS PER SHARE

	For six months ended		For the quarter ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	------(Rs. In '000)-----			
Loss after taxation	(23,866)	-	(9,727)	-
	-----Number of Shares-----			
Weighted average number of ordinary shares outstanding	50	-	50	-
	----- Rupees -----			
Basic loss per share	-477,320	-	-194,540	-

There is no dilutive effect on the basic loss per share of the Bank.

13 RELATED PARTY TRANSACTIONS

Parties are considered to related if one party has the ability to control the other party or exercise the significant influence over the other party in making financial and operational decisions and include major shareholders, subsidiary company, associated companies with or without common directors, retirement benefits funds directors and key management personnel and their close family members. The Bank has related party relationship with its subsidiary company, employee benefit plans and its key management personnel (including their associates).

Transactions and balances with related parties are as under:

(Un-Audited)
December 31,
2012
(Rupees in '000)

Transactions with related parties are as under:

Nature of transaction	Name of related party	
Profit on deposit	Pakistan Industrial Development Financial Services	<u><u>961</u></u>

Balances with related parties are as under:

Nature of account	Name of related party	
Deposit	Pakistan Industrial Development Financial Services	<u><u>8,084</u></u>

14 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	57,432
Balances with other banks	20,171
	<u><u>77,603</u></u>

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15 DATE OF AUTHORIZATION FOR ISSUE

The condensed interim financial information was authorized for issue on _____ by the Board of Directors of the Bank.

16 GENERAL

16.1 Figures have been rounded-off to the nearest thousand rupees.

Chief Executive Officer

Director

Director

Director