

Industrial Development Bank of Pakistan
Statement of Financial Position
As at June 30, 2011

	Note	2011 Rupees in '000	2010
ASSETS			
Cash and balances with treasury banks	8	137,589	150,299
Balances with other banks	9	59,750	64,681
Lendings to financial institutions	10	75,567	108,802
Investments - net	11	2,864,998	3,015,975
Advances - net	12	102,122	108,392
Operating fixed assets	13	59,364	123,390
Deferred tax asset		-	-
Other assets	14	953,414	701,760
Assets in respect of Bangladesh	15	891,661	884,654
		5,144,465	5,157,953
LIABILITIES			
Bills payable	16	20,096	13,717
Borrowings	17	22,553,874	22,466,356
Deposits and other accounts	18	3,274,523	3,313,563
Sub-ordinated loans	19	201,137	201,137
Other liabilities	20	6,104,354	6,242,312
Liabilities in respect of Bangladesh	21	891,661	884,655
		33,045,645	33,121,740
NET ASSETS		(27,901,180)	(27,963,787)
REPRESENTED BY:			
Share capital	22	157,000	157,000
Reserves	23	750,548	750,548
Accumulated losses		(28,581,065)	(28,616,693)
		(27,673,517)	(27,709,145)
Deficit on revaluation of assets	24	(236,807)	(263,786)
Special Development Assistance Fund	25	9,144	9,144
		(27,901,180)	(27,963,787)
CONTINGENCIES AND COMMITMENTS	26		

The annexed notes from 1 to 49 and Annexure - I form an integral part of these financial statements.

Chairman and Managing Director

Director

Director

Director

Industrial Development Bank of Pakistan
Profit and Loss account
For the year ended June 30, 2011

	Note	2011 Rupees in '000	2010
Mark-up / return / interest earned	27	300,466	284,378
Mark-up / return / interest expensed	28	(586,866)	(537,511)
Net mark-up / interest expense		(286,400)	(253,133)
Reversal of provision against non-performing loans and advances:			
- principal	12.5	67,884	58,252
- interest / mark-up	14.3	28,381	6,964
Bad debts written off directly - Interest / Mark-up		(46)	(2)
Provision for diminution in the value of investments - net		5	50
		96,224	65,264
Net mark-up / interest (loss) after provision		(190,176)	(187,869)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		12,786	6,588
Dividend income		95,480	54,660
Income from dealing in foreign currencies		759	963
Gain on sale of investments - net		6,132	14,781
Other income	29	107,977	400,301
Total non-markup / interest income		223,134	477,293
		32,958	289,424
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	30	(187,125)	(196,798)
Voluntary Separation Scheme expenses		-	(2,320)
Reversal of provision against retirement benefits	31	91,854	6,856
Reversal of provision against other assets		60,311	924
Other charges	32	(1,007)	(666)
Total non-markup / interest expenses		(35,967)	(192,004)
(LOSS) / PROFIT BEFORE TAXATION		(3,009)	97,420
Taxation			
- Current		(3,551)	(1,955)
- Prior years		42,188	-
- Deferred		-	-
	33	38,637	(1,955)
PROFIT AFTER TAXATION		35,628	95,465
Accumulated loss brought forward		(28,616,693)	(28,712,158)
Accumulated loss carried forward		(28,581,065)	(28,616,693)
Basic and diluted earnings per share	34	22.69	60.81

The annexed notes from 1 to 49 and Annexure - I form an integral part of these financial statements.

Chairman and Managing Director

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Industrial Development Bank of Pakistan
Statement of Comprehensive Income
For the year ended June 30, 2011

	2011	2010
	Rupees in '000	
Profit after taxation	35,628	95,465
Other comprehensive income	-	-
Comprehensive income transferred to equity	<u>35,628</u>	<u>95,465</u>
Components of comprehensive income not reflected in equity		
Surplus on revaluation of available for sale investments	26,979	116,049
Other comprehensive income not reflected in equity	<u>26,979</u>	<u>116,049</u>

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Chairman and Managing Director

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Industrial Development Bank of Pakistan
Cash Flow Statement
For the year ended June 30, 2011

	Note	2011 Rupees in '000	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit before taxation		(3,009)	97,420
Less: Dividend income		(95,480)	(54,660)
		(98,489)	42,760
Adjustments:			
Depreciation		4,122	4,955
Amortization		667	667
Amortization of premium on purchase of securities		34,371	58,660
Bad debts written off directly		46	2
Reversal of provision against non-performing advances-net			
- Principal		(67,884)	(58,252)
- Interest / mark-up		(28,381)	(6,964)
Reversal of provision against other assets		(60,316)	(973)
Reversal of provision against retirement benefits		(91,854)	(6,856)
Liabilities no longer required written back		(102,399)	(385,158)
Gain on sale of fixed assets		(321)	(306)
		(311,949)	(394,225)
		(410,438)	(351,465)
(Increase) / Decrease in operating assets			
Lendings to financial institutions		33,235	372,467
Advances		74,154	92,042
Other assets		(23,018)	90,668
		84,371	555,177
Increase / (Decrease) in operating liabilities			
Bills payable		6,379	(24,895)
Borrowings from financial institutions and Government of Pakistan		87,518	161,038
Deposits		(39,040)	(483,234)
Other liabilities		(23,344)	(135,494)
		31,513	(482,585)
		(294,554)	(278,873)
Income tax refund / (paid)		38,637	(1,954)
Net cash flows used in operating activities		(255,917)	(280,827)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		143,586	15,086
Net investment in held-to-maturity securities		-	200,000
Dividend income received		95,480	54,660
Investments in operating fixed assets		(1,116)	(8,485)
Sale proceeds of assets disposed - off		326	348
Net cash flows from investing activities		238,276	261,609
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
Decrease in cash and cash equivalent during the year		(17,641)	(19,218)
Cash and cash equivalents at beginning of the year		214,980	234,198
Cash and cash equivalents at end of the year	35	197,339	214,980

The annexed notes from 1 to 49 and Annexure - I form an integral part of these financial statements.

Chairman and Managing Director

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Industrial Development Bank of Pakistan
Statement of changes in Equity
For the year ended June 30, 2011

	Share Capital	Reserves			Accumulated loss	Total
		Capital	Statutory	Revenue		
----- Rupees in '000 -----						
Balance as at July 1, 2009	157,000	157,601	4,668	588,279	750,548	(28,712,158) (27,804,610)
Net profit for the year	-	-	-	-	-	95,465 95,465
Other comprehensive income	-	-	-	-	-	- -
Total comprehensive income for the year						95,465 95,465
Transfer to statutory reserves	-	-	-	-	-	- -
Balance as at June 30, 2010	157,000	157,601	4,668	588,279	750,548	(28,616,693) (27,709,145)
Net profit for the year	-	-	-	-	-	35,628 35,628
Other comprehensive income	-	-	-	-	-	- -
Total comprehensive income for the year						35,628 35,628
Transfer to statutory reserves	-	-	-	-	-	- -
Balance as at June 30, 2011	157,000	157,601	4,668	588,279	750,548	(28,581,065) (27,673,517)

Capital reserve has been created under section 23 (1) (ix) of the repealed Income Tax Ordinance, 1979. However, the said clause has been omitted by the Finance Ordinance, 2000.

Statutory reserve has been created under the provision of Banking Companies Ordinance, 1962 (LVII of 1962).

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Chairman and Managing Director

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Industrial Development Bank of Pakistan

Notes to the Financial Statements

For the year ended June 30, 2011

1 STATUS AND NATURE OF BUSINESS

Industrial Development Bank of Pakistan (the Bank), a scheduled bank, was established in Pakistan under the Industrial Development Bank of Pakistan Ordinance 1961 (XXXI of 1961). 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 14 branches (2010: 15) in Pakistan.

The Federal Government sanctioned the Scheme of amalgamation of Investment Corporation of Pakistan (ICP) with and into Industrial Development Bank of Pakistan under section 47(8) of the Banking Companies Ordinance, 1962 with effect from December 27, 2006. In terms of the Scheme the assets and liabilities of ICP (defunct) were transferred to and vested in the Bank from that date. The Bank as per provisions of the Scheme, converted the net assets value of the ICP (defunct) as of the effective date into the credit balance of ex-shareholders of ICP (defunct) in its books. These financial statements therefore reflect merged position of IDBP and ICP (defunct).

2 GOING CONCERN

These financial statements have been prepared on a going concern assumption for the reasoning that 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 public 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) has been incorporated on April 10, 2007 under the Companies Ordinance 1984. However, issuance of vesting order by the Federal Government ascribing the value of assets and liabilities to be transferred to IDBL is pending. 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 become an Act on May 14, 2011. Moreover, as at June 30, 2011, the total liabilities of the Bank amounted to Rs.33,046 million (2010: Rs.33,122 million) as against total assets of Rs.5,151 million (2010 Rs.5,158 million). The negative shareholders equity as at June 30, 2011 is Rs. 27,901 million (2010: Rs.27,964 million). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the banks ability to continue as a going concern and bank may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements have been prepared on going concern basis for the reason that the new entity, which will be the successor of the bank, will be taking over whole of the assets and liabilities and operations of the IDBP under restructuring scheme.

3 BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No.04, dated 17 February 2006.

Industrial Development Bank of Pakistan
Notes to the Financial Statements
For the year ended June 30, 2011

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related mode of financing comprises the purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

4 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, requirements of the Industrial Development Bank of Pakistan Ordinance, 1961 (XXXI of 1961), Banking Companies Ordinance, 1962 (LVII of 1962), Companies Ordinance 1984 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) or the SBP. Wherever the requirements of Industrial Development Bank of Pakistan Ordinance, 1961 (XXXI of 1961), Banking Companies Ordinance, 1962 (LVII of 1962) and the directives issued by the SECP or the SBP differs with the requirements of these IFRS, the requirements of Industrial Development Bank of Pakistan Ordinance (XXXI of 1961), Banking Companies Ordinance, 1962 (LVII of 1962) or the directives issued by the SECP and the SBP take precedence.

The State Bank of Pakistan as per BSD Circular No 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for Banking Companies till further instructions. Further, according to the notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

5 STANDARDS, AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING

Application of new and revised International Financial Reporting Standards (IFRSs)

The following standards (revised or amended) and interpretations became effective for the current financial period or early adopted, but are either not relevant or do not have any material effect on the financial statements of the bank:

- IFRS 2 (Amendments) "Share-based Payments - Group cash-settled share-based payment transactions"
- IFRS 3 (Revised) Business Combinations
- IFRS 5 (Amendments) "Non-current Assets Held for Sale and Discontinued Operations"
- Amendments to IAS 1 "Presentation of Financial Statements"
- Amendments to IAS 7 "Statement of Cash Flows"
- IAS 27 (Amended) "Consolidated and Separate Financial Statements"
- IAS 28 (as revised in 2008) "Investments in Associates"

Industrial Development Bank of Pakistan
Notes to the Financial Statements
For the year ended June 30, 2011

- IAS 32 (Amendment) 'Financial Instruments: Presentation'
- IFRIC 15 "Agreements for Construction of Real Estate"
- IFRIC 16 "Hedges of a net investment in a foreign operation"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

The application of improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in these financial statements.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2011 or

- IFRS 9 'Financial instruments' introduces new requirements for the classification and measurement of financial assets and financial liabilities and for their derecognition. While the International Accounting Standards Board has prescribed the effective date period beginning on or after January 1, 2013 with earlier application permitted, the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan have still not notified its effective date for adoption locally. As a result, there will be no impact on the bank's financial statement till IFRS 9 is notified.
- IAS 12 'Deferred Tax': Tax Recovery of Underlying Assets (Amendments to IAS 12). The amendment to IAS 12 is effective for annual periods beginning on or after January 01, 2012. Earlier application is permitted. The limited scope amendments are relevant only when an entity elects to use the fair value model for measurement in IAS 40 'Investment Property'. The amendments introduce a rebuttable presumption that in such circumstances, an investment property is recovered entirely through sale. As IAS 40 is not applicable for the bank, therefore, there is no impact on the bank's financial statements.
- IAS 24 (Revised), 'Related party disclosures' (effective for annual periods beginning on or after January 01, 2011) - The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This amendment will result in some changes in disclosures.
- IFRIC 13 (Amendment) 'Customer Loyalty Programmes' (effective from annual periods on or after January 01, 2011). The amendment clarifies that the fair value of award credits take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. This amendment will have no impact on the bank's financial statements.
- Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 01, 2011. The amendments include list of events or transactions that require disclosure in the financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

6 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.

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.

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 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.

7.2 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 cost.

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 of Pakistan
Notes to the Financial Statements
For the year ended June 30, 2011

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 balance sheet date and surplus or deficit as the case may be is taken to "Surplus/deficit on revaluation of securities" account shown in the balance sheet 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.

7.3 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 (objective 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.

7.4 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.

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.

Industrial Development Bank of Pakistan
Notes to the Financial Statements
For the year ended June 30, 2011

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.

7.5 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.

7.6 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.

Industrial Development Bank of Pakistan
Notes to the Financial Statements
For the year ended June 30, 2011

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.

7.7 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, 2011 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.

7.7.1 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, 2011 using Projected Unit Credit Actuarial Cost method. Actuarial gains / losses are recognised in the profit and loss account.

7.7.2 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.

7.7.3 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.

7.8 Impairment

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

7.9 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.

7.10 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.

7.11 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.

7.12 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 balance sheet date. 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.

7.13 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 from the SBP are recognized on receipt basis.

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.

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.

7.14 Financial instruments

7.14.1 Financial assets and liabilities

Financial instruments carried on the balance sheet 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.

7.14.2 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.

7.15 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.

7.16 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.

7.17 Contingent liabilities and Commitments

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

7.18 Transactions with related parties

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

7.19 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.

7.20 Business segments

7.20.1 Trading and sales

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

7.20.2 Retail banking

It includes retail lending and deposits and banking services.

7.20.3 Commercial banking

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

7.20.4 Geographical segments

The Bank operates through out the Pakistan.

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	Note	2011 Rupees in '000	2010
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- Local currency including cash in transit Rs. Nil (2010: Rs. 2.5 million)		23,448	30,174
- Foreign currency		823	845
With State Bank of Pakistan in	8.1		
- Local currency current account		84,930	95,735
- Foreign currency current account		2,671	2,656
- Foreign currency deposit account		12,140	12,076
With National Bank of Pakistan in			
- Local currency current account		13,577	8,813
		<u>137,589</u>	<u>150,299</u>
8.1 Includes deposits with State Bank of Pakistan maintained in respect of Statutory Liquidity Reserves (SLR), Cash Reserves Requirements (CRR) and FE-25 in accordance with the requirements of SBP issued from time to time.			
	Note	2011 Rupees in '000	2010
9 BALANCES WITH OTHER BANKS			
In Pakistan			
- On current account		43,939	16,320
- On deposit account		878	918
Outside Pakistan			
- On current account		-	-
- On deposit account	9.1	14,933	47,443
		<u>59,750</u>	<u>64,681</u>
9.1 These represent various foreign currency placements with foreign banks at the rate of interest ranging between 0% to 0.549% (2010: Nil).			
	Note	2011 Rupees in '000	2010
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending		-	20,000
Placement by agreement	10.2	75,567	88,802
		<u>75,567</u>	<u>108,802</u>
10.1 Particular of lendings			
In local currency		75,567	108,802
In foreign currency		-	-
		<u>75,567</u>	<u>108,802</u>

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10.2 This represents amount placed by the Bank with the United Bank Limited as the security deposit at a negotiable profit rate by agreement for sub-membership of NIFT carrying markup ranging between 7% to 9% (2010: 7% to 9%) per annum.

	Note	2011			2010		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		-----Rupees in '000-----			-----Rupees in '000-----		
11 INVESTMENTS-NET							
11.1 Investments by type							
Available-for-sale securities							
Pakistan Investment Bonds	11.7	458,207	2,373,000	2,831,207	910,716	2,079,862	2,990,578
Fully paid-up ordinary shares / units- listed	11.4	338,365	-	338,365	339,460	-	339,460
Fully paid-up ordinary shares - unlisted	11.5	13,871	-	13,871	13,871	-	13,871
National Investment Trust - units		-	-	-	17,495	-	17,495
		810,443	2,373,000	3,183,443	1,281,542	2,079,862	3,361,404
Held-to-maturity securities							
Debentures	11.6	222	-	222	222	-	222
Subsidiary							
Pakistan Industrial Development Financial Services (Private) Limited - wholly owned		2,500	-	2,500	2,500	-	2,500
Investments at cost		813,165	2,373,000	3,186,165	1,284,264	2,079,862	3,364,126
<i>Provision for diminution in value of investments</i>	11.3	(84,360)	-	(84,360)	(84,365)	-	(84,365)
Investments (net of provision)		728,805	2,373,000	3,101,805	1,199,899	2,079,862	3,279,761
<i>Deficit on revaluation of Available-for-sale securities</i>	24	(236,807)	-	(236,807)	(263,786)	-	(263,786)
Total Investments		491,998	2,373,000	2,864,998	936,113	2,079,862	3,015,975

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	Note	2011 Rupees in '000	2010
11.2 Investments by segments:			
<i>Federal/Provincial Government Securities:</i>			
Pakistan Investment Bonds	11.7	2,831,207	2,990,578
<i>Fully paid-up ordinary shares / units:</i>			
Listed companies	11.4	338,365	339,460
Unlisted companies	11.5	13,871	13,871
National Investment Trust Units		-	17,495
		352,236	370,826
<i>Debentures</i>	11.6	222	222
<i>Subsidiaries</i>			
Pakistan Industrial Development Financial Services (Private) Limited - wholly owned Investments at cost		2,500	2,500
		3,186,165	3,364,126
<i>Provision for diminution in value of investments</i>	11.3	(84,360)	(84,365)
Investments (net of provision)		3,101,805	3,279,761
<i>Deficit on revaluation of Available-for-sale securities</i>	24	(236,807)	(263,786)
Total Investments		2,864,998	3,015,975
11.3 Particulars of provision for diminution in value of investments			
Opening balance		84,365	84,415
Charge for the year		-	-
Reversals/Adjustments		(5)	(50)
		(5)	(50)
Closing balance		84,360	84,365
11.3.1 Particulars of provision in respect of type and segment			
Available-for-sale securities			
Listed companies		77,616	77,622
Unlisted companies		4,022	4,022
		81,638	81,644
Held-to-maturity securities			
Debentures		222	222
Subsidiary			
		2,500	2,500
		84,360	84,366

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11.4 Particulars of investments held in listed Companies

(Number of shares / units / certificates)			Rupees in '000	
2011	2010		2011	2010
<u>OPEN END MUTUAL FUNDS</u>				
5,293	5,293	Pakistan Capital Market Fund	64	64
<u>OIL & GAS PRODUCERS</u>				
14,875	14,875	Attock Refinery Limited	-	-
58	58	Pakistan Oilfield Limited	-	-
3,059	3,059	Pakistan Refinery Limited	4	4
1,065,886	1,065,886	Pakistan State Oil Company Limited	191,875	191,875
8,609	8,609	Oil and Gas Development Company Limited	1,279	1,279
6,214	6,214	Pakistan Oilfield Limited	1,836	1,836
4,459	3,716	Pakistan Petroleum Limited	674	674
400	400	Eastern Refinery	-	-
			195,668	195,668
<u>CHEMICALS</u>				
112	28	Dawood Hercules Chemicals Limited	-	-
100	-	Dewan Salman Fibre	-	-
11,699	9,354	Engro Corporation Limited	597	597
400	400	Gatron (Industries) Limited	15	15
100	100	Pak Fibre Industries Limited	-	-
14,405	14,405	Sind Alkalis Limited	160	160
3,665	3,665	Boc Pakistan Limited	517	517
16,028	16,028	Fauji Fertilizer Bin Qasim	445	446
77,512	78,370	Fauji Fertilizer Company	5,424	6,871
7,065	7,065	Lotte Pakistan PTA Limited	40	40
1,110,000	1,110,000	Pak PVC	1,943	1,943
73	73	Chemical Industries Pakistan	-	-
134,895	134,895	Chemphar Pakistan	-	-
2,100	2,100	Hub Petro Chemicals	18	18
7,154	7,154	Synthetic Chemicals	-	-
			9,159	10,607
<u>FORESTRY AND PAPER</u>				
1,000	1,000	Abson Industries Limited	3	3
90,489	90,489	Adamjee Paper Board	222	222
50	50	Allied Paper Industries	-	-
150	150	Chilya C. Board	-	-
50	50	Eagle Box Carton	-	-
400	400	Karnaphuli Paper	-	-
542,909	542,909	Pakistan Pap Corporation	-	-
			225	225
<u>INDUSTRIAL METALS AND MINING</u>				
134	64	Crescent Steel & Allied Products Limited	-	-
1,504	1,504	Huffaz Seamless Pipe Industries Limited	25	25
1,349	108	International Industries Limited	-	-
			25	25

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(Number of shares / units / certificates)			Rupees in '000	
2011	2010		2011	2010
<u>CONSTRUCTION AND MATERIALS</u>				
1,015	720	Berger Paints	7	7
100	100	Central Forest Products Limited	-	-
356	356	Cherat Cement Company Limited	6	6
786	-	D.G. Khan Cement	8	-
25	25	Dadabhoy Cement Industries Limited	1	1
100	100	Dadabhoy Constr. Tech Limited (Pak Germen)	-	-
100	100	Javedan Cement Limited	1	1
100	100	Kausar Paints Limited	-	-
750	300	Kohat Cement Company Limited	-	-
5,137	5,137	Maple Leaf Cement Factory Limited	64	64
7,300	7,300	Mineral Grinding Mills Limited	6	6
15	15	Mustehkam Cement Limited	-	-
8,903	8,903	Pioneer Cement Limited	82	82
4,683	4,613	Shabbir Tiles & Ceramics Limited	50	50
13,800	13,800	Dadabhoy Cement Industries Limited	97	97
4,190	4,190	Fauji Cement Company	85	85
6,851	5,874	Lucky Cement Limited	615	615
			1,022	1,014
<u>GENERAL INDUSTRIALS</u>				
547	-	Ecopak Limited	-	-
362	175	Ghani Glass	-	-
3,660	3,050	Thal Limited (Thal Jute Mills)	-	-
			-	-
<u>INDUSTRIAL ENGINEERING</u>				
38	20	Millat Tractors Limited	-	-
128,220	128,220	Pakistan Engineering Company Limited	1,041	1,041
149,034	149,034	Baluchistan Foundry	-	-
742	742	Nowshera Engineering	-	-
93,073	93,073	Rcd Ball Bearing	-	-
55	55	Sartaj Engineer	-	-
			1,041	1,041
<u>INDUSTRIAL TRANSPORTATION</u>				
4,302	2,158	Pakistan National Shipping Corporation	4	4
306	306	The Pan Islamic Steamship Company Limited	8	8
1,349,750	1,349,750	Tri-Star Shipping Lines Limited	12,652	12,652
10	10	K.R.T.C.	-	-
			12,664	12,664
<u>AUTOMOBILE AND PARTS</u>				
472	53	Atlas Battery Limited	-	-
125	-	Atlas Honda Limited	-	-
44,705	44,705	Bela Engineers Limited	366	366
1,172	1,172	Ghandhara Nissan Limited	-	-
850	850	Honda Atlas Cars (Pakistan) Limited	9	9
300	300	Indus Motor Company Limited	16	16
22	-	Pak Suzuki Motor Company Limited	-	-

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(Number of shares / units / certificates)			Rupees in '000	
2011	2010		2011	2010
600	600	Taga Pakistan Limited	1	1
2,000	2,000	Transmission Engineering Industries	13	13
			405	405
<u>BEVERAGES</u>				
260	122	Murree Brewery Company Limited	-	-
<u>FOOD PRODUCERS</u>				
45,801	45,801	Ansari Sugar Mills Limited	148	148
200	200	Chashma Sugar Mills Limited	2	2
200	-	Clover Pakistan Limited	-	-
6,000	6,000	Data Agro Limited	5	5
20,465	20,465	Fazal Vegetable Ghee Mills Limited	606	606
15	15	Kohinoor Sugar Mills Limited	-	-
1,000	1,000	Mian Mohammed Sugar Mills Limited	1	1
6,666	6,666	Morafco Industries Limited	122	122
5,000	5,000	Muslim Ghee Mills Limited	10	10
1,886	1,886	Noon Pakistan Limited	-	-
91	-	Noon Sugar Mills Limited	-	-
36	-	Punjab Oil Mills	-	-
700	700	Pakistan Dairies Limited	2	2
2,002	2,002	Suraj Ghee Industries Limited	23	23
10,000	10,000	Universal Oil &Vegetable Ghee Mills	249	249
3,500	3,500	Bawany Sugar Mills	22	22
31,940	31,940	Colony Sugar Mills Limited	-	-
4,396	4,396	Mirza Sugar Mills	12	12
9,500	9,500	Sakrand Sugar Mills	29	29
9,000	9,000	Baker Food Industries	2	2
300	300	Benz Industries Limited	4	4
13,600	13,600	Sarhad Ghee Mill	159	159
			1,396	1,396
<u>HOUSEHOLD GOODS</u>				
84,900	84,900	Cass Pak Industries Limited	260	260
2,310	2,310	Hala Enterprises Limited	4	4
90,000	90,000	Myfip Video Industries Limited	495	495
1,404	525	Pak Elektron Limited	-	-
11,491	11,491	Regal Ceramics Limited	103	103
27,308	-	Tariq Glass	344	-
14,000	14,000	Turbo Tec Limited	13	13
367	367	Refrigerators Manufacturing company	-	-
4,500	4,500	Aslo Electrical	-	-
38,524	38,524	Automotive Equipment	1	1
2,900	2,900	Electric Lamp	4	4
5,000	5,000	Greaves Aircondition	23	23
171,300	171,300	Hyderabad Electronic	642	642
400	400	Punjab Lamp Works	1	1
500	500	Rex Baren Batteries	6	6

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(Number of shares / units / certificates)			Rupees in '000	
2011	2010		2011	2010
27,968	27,968	Prince Glass Works	751	751
1,569	1,569	Usmania Glass Sheet	-	-
			2,647	2,303
<u>PERSONAL GOODS</u>				
100,250	100,250	Alif Textile Industries Limited	439	439
6,400	6,400	Al-Qaim Textile Mills Limited	9	9
15,500	15,500	Amazai Textile Mills Limited	40	40
500	500	Apex Fabrics Limited	-	-
51,000	51,000	Asim Textile Mills Limited	190	190
28,800	28,800	Awan Textile Mills Limited	46	46
48,300	48,300	Ayaz Textile Mills Limited	68	68
100	100	Azam Textile Mills Limited	-	-
2,299	2,299	Azmat Textile Mills Limited	4	4
1,200	1,200	Blessed Textiles Limited	45	45
790	-	Chenab Limited	-	-
44	44	Colony Woollen Mills Limited	-	-
6	6	Crescent Jute Products Limited	-	-
33,143	33,143	Crescent Spinning Mills Limited	271	271
128	111	Dawood Lawrencepur Limited	-	-
120	88	Dewan Mushtaq Textile Mills Limited	-	-
940	900	Din Textile Mills Limited	22	22
1,100	1,100	Faisal Spinning Mills Limited	29	29
5,286	5,286	Fatima Enterprises Limited	37	37
6	-	Fazal Cloth	-	-
19,900	19,900	Fawad Textile Mills Limited	111	111
100	100	Ghani Value Glass	1	1
3,200	3,200	Ghulam Muhammed Dadabhoy Limited	6	6
304	304	Harnai Woollen Mills Limited	1	1
1,300	1,300	Ideal Spinning Mills Limited	12	12
631	631	Ittefaq Textile Mills Limited	29	29
10,400	10,400	Itti Textiles Limited	20	20
7,400	7,400	Junaid Cotton Mills Limited	17	17
22,989	22,989	Karim Cotton Mills Limited	46	46
1,381	1,381	Karim Silk Mills Limited	1	1
31	31	Khyber Textile Mills Limited (F.P.)	2	-
25,600	25,600	Kohinoor Looms Limited	58	58
1,631	-	Kohinoor Textile	-	-
572	320	Kohinoor Mills Limited	-	-
100	100	Libaas Textile Limited	1	1
256	256	Liberty Mills Limited	-	-
1,050	1,050	Masood Textile Mills Limited	15	15
313,758	313,758	Mehran Jute Mills Limited	926	926
124,719	124,719	Mohib Exports Limited	1,231	1,231
3,000	3,000	N. P. Spinning Mills Limited	-	-
5,200	5,200	National Fibres Limited	187	187
9,284	9,284	Nishat Mills Limited	275	275

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(Number of shares / units / certificates)			Rupees in '000	
2011	2010		2011	2010
823	423	Nishat(Chunian) Limited	4	4
100	100	Norrie Textile Mills Limited	-	-
789	717	Paramount Spinning Mills Limited	7	7
700	700	Prosperity Weaving Mills Limited	-	-
100	100	Qayyum Spinning Mills Limited	-	-
212	212	Quality Textile Mills Limited	-	-
292	-	Reliance Weaving Mills	-	-
1,795	-	Salfi Textile	-	-
16,180	16,180	Schon Textiles Limited	111	111
300	300	Service Fabrics Limited	2	2
75	-	Shahtaj Textile	-	-
400	400	Taj Textile Mills Limited	4	4
853	285	Tata Textile Mills Limited	-	-
610,706	610,706	Tawakkal Garment Industries Limited	3,232	3,232
165,240	165,240	Tawakkal Limited	498	498
182,936	182,936	Tawakkal Polyester Industries Limited	450	450
1,049	1,049	The Bahawalpur Textile Mills Limited	2	2
2,392,251	2,392,251	Zahur Textile Mills Limited	22,902	22,902
13,482	13,482	Brothers Textile Mills	40	40
148,610	148,610	Colony Mills Limited	1,263	1,263
389,025	389,025	Haji Muhammad Ismail Mills	3,704	3,704
6,100	6,100	Khurshid Spinning Mills	12	12
9,345	9,345	Kohinoor Industries Limited	125	125
4,139	4,139	Mohammad Farooq Textile	27	27
428,337	428,337	Mehmood Textle	2,254	2,254
2,277	2,277	Pakistan Synthetics	18	18
147,400	147,400	Redco Textile	1,474	1,474
10,808	10,808	Sahrish Textile Mills	19	19
100,000	100,000	Sind Fine Textile	300	300
144,270	144,270	Sun Shine Cotton	1,472	1,472
4,500	4,500	Taj Textile Mills Limited	12	12
2,184	2,182	Yousaf Weaving Mills	13	13
200	200	Adamjee Jute Mills	-	-
246	246	Amin Jute Mills	-	-
670	670	Chandpur Jute	-	-
600	600	Chittagong Jute Mfg	-	-
100	100	Jessore Jute Ord	-	-
100	100	Jessore Jute Pref.	-	-
500	500	Latif Bawany Jute	-	-
1,550	1,550	Meghna Jute	-	-
1,712	1,712	Pak Jute Mills	-	-
850	850	R. R. Jute	-	-
375	375	R.R.Textiles	-	-
2,500	2,500	United Jute Mills	2	2
9,703	9,703	H.M.Silk Mills Limited	-	-
20	20	Nilom Nylon Mills	-	-
100	100	Akber Cotton Mills	-	-

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(Number of shares / units / certificates)			Rupees in '000	
2011	2010		2011	2010
34,000	34,000	Al-Amin Textile	-	-
5,100	5,100	Calico Cotton	22	22
55,241	55,241	Central Cotton	279	279
16,000	16,000	Crown Textile	25	25
24,200	24,200	Dawood Fibre Mills Limited (Aisha Cotton)	41	41
1,277	1,277	Kohinoor Cotton	-	-
543,185	543,185	Mohib Textile	15,199	15,199
338,700	338,700	Nusrat Textile	1,844	1,844
73,242	73,242	Shahyar OE Textile	356	356
21,711	21,711	Shahyar Textile Mills	-	-
35,100	35,100	Sunrise Textile	28	28
200	200	Tangail Cotton	-	-
20	20	Universal Textile	-	-
1,249	1,249	Zafar Textile (Unit Cotton)	2	2
3,500	3,500	Naveed Textile	23	23
12,899	12,899	Afsar Textile Mills	-	-
520	520	Ahmed Bawany	-	-
335	335	Akbar Textile Mills	-	-
5,204	5,204	Allied Tex Mills	-	-
148	148	Amin Textiles	-	-
67,579	67,579	Baluchistan Textile	-	-
12,300	12,300	Dannemann Fabrics	18	18
200	200	Ghafur Textile	-	-
2,200	2,200	Karanaphuli Rayon	-	-
200	200	Khairpur Textile	-	-
6,800	6,800	Marr Fabrics	21	21
200	200	Noor Textile Limited	-	-
247,300	247,300	Pearl Fabric	734	734
1,440	1,440	Satrang Textile Mill	-	-
329,350	329,350	Sunshine Cloth	3,306	3,306
50	50	Zeenat Textile Mill	-	-
500	500	Fatima Textile Mills	-	-
			63,984	63,982
		<u>HEALTH CARE EQUIPMENT AND SERVICES</u>		
400	400	Medi Glass Limited	1	1
		<u>PHARMA AND BIO TECH</u>		
2,226	1,012	Abbott Laboratories (Pakistan) Limited	-	-
3,013	2,277	Ferozsons Laboratories Limited	-	-
31	-	Highnoon Laboratories	-	-
88	55	Glaxosmithkline Pakistan Limited	-	-
			-	-
		<u>FIXED LINE TELECOMMUNICATION</u>		
33,697	33,697	Pakistan Telecommunication Company	1,496	1,496
10,060	10,060	Worldcall Telecom Limited	38	38
			1,534	1,534

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(Number of shares / units / certificates)			Rupees in '000	
2011	2010		2011	2010
<u>ELECTRICITY</u>				
1,000	1,000	Genertech Pakistan Limited	14	14
43,708	43,708	The Hub Power Company Limited	1,189	1,189
500	500	Tri-Star Power Limited	-	-
8,000	8,000	Kot Addu Power Company	344	344
11,171	11,171	Southern Electric Power	67	67
			1,614	1,614
<u>GAS WATER AND MULTIUTILITIES</u>				
277,171	277,171	Sui Northern Gas Pipelines Limited	7,998	7,998
<u>BANKS</u>				
49	44	Allied Bank Limited	-	-
48,624	44,204	Askari Bank Limited	1,302	1,302
1,593	1,327	Bank Al Habib Limited	2	2
6,143	6,143	Bank Alfalah Limited	147	148
25,843	24,630	Bank of Punjab	1,275	1,275
36,620	34,863	Faysal Bank Limited	1,635	1,315
157	65	Habib Metroplition Bank Limited	-	-
5,467	2,227	JS Bank Limited	22	22
1,457	1,457	KASB Bank Limited (Platinum Bank)	12	12
14,246	12,773	MCB Bank Limited	2,456	2,455
1,047	1,047	Mybank Limited (Bolan Bank)	10	10
16,327	13,062	National Bank Of Pakistan	1,972	1,972
89,716	75,123	NIB Bank Limited (NDLC-LFIC Bank)	528	380
2,666	2,666	Silk Bank (Saudi Pak Commercial)	50	50
15,814	15,814	Soneri Bank Limited	43	192
2,964	5,116	Summit Bank Limited	46	46
470	470	Royal Bank Of Scotland	-	-
5,685	-	Royal Bank (Abn A/Prime Comm)	-	321
			9,500	9,502
<u>NON-LIFE INSURANCE</u>				
71	21	Adamjee Insurance Company Limited	-	-
210	91	Atlas Insurance Limited	-	-
1,000	1,000	Business & Industrial Insurance Company	2	2
518	303	Century Insurance Company Limited	-	-
357	181	Central Insurance Company Limited	-	-
4,000	4,000	Delta Insurance Company Limited	30	30
596	414	Habib Insurance Company Limited	-	-
36	24	New Jubilee Insurance Company Limited	-	-
2,558	2,558	Pakistan Northern Insurance Company Limited.	3	3
325	-	Premier Insurance Limited	-	-
15	13	Reliance Insurance Company	-	-
85	-	Silver Star Insurance Company Limited	-	-
200	200	Standard Insurance Company Limited	4	4
4	-	United Insurance Company of Pakistan	-	-
			39	39

Industrial Development Bank of Pakistan
Notes to the Financial Statements
For the year ended June 30, 2011

(Number of shares / units / certificates)			Rupees in '000	
2011	2010		2011	2010
<u>LIFE INSURANCE</u>				
39	10	EFU Life Insurance	-	-
<u>FINANCIAL SERVICES</u>				
18,958	18,958	Dadabhoy Leasing Company Limited	41	41
100	100	English Leasing Limited	1	1
2,722	1,623	First Capital Securities Corporation Limited	-	-
59	59	First Dawood Investment Bank	1	1
2,554	2,296	IGI Investment Bank Limited	21	21
150	-	Natover Lease & Refinance Limited	-	-
150	-	Saudi Pak Leaseing	-	-
675	-	Standard Chartered Leasing	-	-
1,723	1,466	Trust Investment Bank	-	-
440,625	440,625	Capital Assets	3,750	3,750
13,477	13,477	Escort Investment Bank	228	228
250,000	250,000	Interasia	2,500	2,500
662	662	Innovative Investment Bank Limited	735	735
69,030	69,030	Bankers Equity Limited	325	325
3,200	3,200	Indus Bank Limited	3	3
15	15	Commerce Bank Limited	-	-
			7,605	7,605
<u>EQUITY INVESTMENT INSTRUMENTS</u>				
1,108	1,108	B.R.R. Guardian Modaraba	6	6
250,000	250,000	First Dadabhoy Modaraba	2,211	2,211
496	496	First Habib Bank Modaraba	4	4
1	1	First Interfund Modaraba	-	-
265,500	265,500	First Tawakkal Modaraba	111	111
12,502	12,502	Golden Arrow Selected Stocked Fund	-	-
2,212	2,212	Investec Ist Modarba	2	2
69,654	5,746	JS Growth Fund	-	-
2,346	1,080	JS Value Fund Limited	-	-
351,176	351,176	Long Term Venture Capital Modaraba	1,039	1,039
12,694	12,694	PICIC Investment Fund Limited	-	-
14,970	14,970	Pakistan Premier Fund	167	167
26,277	25,377	PICIC Growth Fund	829	829
13,797	13,797	PICIC Investment Fund	206	206
566	566	Standard Chartered Modaraba	8	8
1,158,662	1,134,154	Golden Arrow	3,380	3,380
190	190	Trust Modaraba	2	2
600	600	Unicap Modaraba	-	-
1,000,000	1,000,000	Unity Modaraba	10,000	10,000
22,679	22,679	JS Growth Fund (UTP Growth Fund)	318	318
133,178	133,178	L.T.V. Redeemable Capital Certificates	3,070	3,070
9,600	9,600	Premier Modaraba 1st	19	19
			21,372	21,371

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(Number of shares / units / certificates)			Rupees in '000	
2011	2010		2011	2010
		<u>MISCELLANEOUS</u>		
11,000	11,000	Adamjee Flooring	27	27
5,344	5,344	Adamjee Industries	-	-
4,000	4,000	Al-Hussany Industries	9	9
100	100	Amin Agencies 1947	-	-
53,800	53,800	Arag Industries Pref	-	-
10,472	10,472	Arag Industries	-	-
39,200	39,200	Aswan Tentage Canvas	39	39
1,272	1,272	Atlas Epak	-	-
125	125	East Pak Cold Storag	-	-
7,362	7,362	Fulbrite Pak Limited	-	-
100	100	Galfra Habib	-	-
40	40	Gammon East Pakistan	-	-
2,999	2,999	Gillenders Arbuthnot	-	-
1,600	1,600	Grace Industries	-	-
256	256	Gulberg Textile	-	-
5,100	5,100	Gypsum Corporation	-	-
6,562	6,562	Haji Sheikh Muhammad Hussain company	-	-
19,550	19,550	Hamraz Industries	95	95
50,059	50,059	I.P.S. of Pakistan	-	-
13,900	13,900	Karachi Pipe Mills	136	136
4,500	4,500	Kaytex Mills Limited	45	45
17,500	17,500	Multipole Industries	41	41
200	200	Nat. Match Factory	-	-
1,390	1,390	Pak Chorome Mines	8	8
310	310	Pak Industrial Gas	-	-
220	220	Pakistan Rope Works	-	-
3,685	3,685	Punjab Building Limited	2	2
50	50	Ralli Pakistan Limited	-	-
25	25	Saifee Development Corporation	-	-
23,044	23,044	Sun Publication	-	-
730	730	Burmah Eastern	-	-
			402	402
			338,365	339,460

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Notes to the Financial Statements
For the year ended June 30, 2011

11.4.1 Quoted equity securities

The above includes an amount of Rs. 77.037 million (2010: Rs. 76.926 million) representing investment in companies which have either been placed on the defaulter counter or which have been de-listed / suspended by the Stock Exchanges as on June 30, 2011. Adequate provision is maintained in the books of the ICP (defunct) in respect of such investments.

It also includes 848,691 ordinary shares of Pakistan State Oil Company Limited (PSO), 276,989 shares of Sui Northern Gas Pipelines Limited (SNGPL), 120,861 shares of Pakistan Engineering Company which are frozen/blocked on the basis of Government of Pakistan's (GoP) directives / agreement, as the same form part of the strategic shareholding under the control of the GoP. Further, the ICP (defunct)'s Board of Directors in its meeting held on April 17, 2006 had approved to give irrevocable consent to the Privatization Commission of Pakistan (PCC) for sale of the ICP (defunct)'s 6,656 shares of Morafco Industries Limited through PCC subject to the condition that privatization expenses including golden handshake / voluntary severance scheme payments made to the employees of the company to be deducted from the sale proceeds of the ICP (defunct)'s shares shall not exceed 50% of the sale proceeds. The ICP (defunct) vide its letter dated April 29, 2006 had conveyed the approval of the Board of Directors to PCC. However, no response has been received from the PCC till to date.

As a result, the ICP (defunct) is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in above shares, including any future bonus / right shares in respect thereof.

11.4.2 The following categories of shares are held by the ICP (defunct) in respect of investors' schemes / unclaimed pools but not recorded in the accounting books (as the same are not owned by the ICP (defunct)):

Particulars	----- 2011 -----		----- 2010 -----	
	Holding (Number of shares)	Market Value Rupees in '000	Holding (Number of shares)	Market Value Rupees in '000
-On behalf of Pakistani Dormant Account Holders	2,024,316	24	2,024,316	23
-On behalf of Ex-Account Holders under Litigation	11,678	33	11,678	43
-On behalf of ICP Account Holders (Former East Pakistan)	83,619	231	83,819	294
-Shareholding in Former East Pakistani Companies	1,398,441	-	1,398,441	-
-Unclaimed Bonus Shares (Received on shares sold)	313,387	10,872	384,800	9,645
-Unclaimed Duplicate Shares	171,866	1,820	171,866	1,698
	4,003,307	12,980	4,074,920	11,703

11.5 Particulars of investments held in unlisted Companies

2011 (Number of shares)	2010		2011 Rupees in '000	2010
2,500,000	2,500,000	Central Depository Company Chief Executive: Mr. Hanif Jakhura Break-up value per share: Rs. 32.26 Period of financial statements: June 30, 2011 Percentage of Holding: 5%	5,000	5,000
100,000	100,000	Crescent Capital Management (Private) Limited Chief Executive: N/A Break-up value per share: N/A Period of financial statements: N/A Percentage of Holding: N/A	1,000	1,000

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2011 (Number of shares)	2010		2011 Rupees in '000	2010
25,000	25,000	Equity Participation Fund Chief Executive: Mr. Shabahat Hussain Break-up value per share: Rs. 296 Period of financial statements: June 30, 2011 Percentage of Holding: 3.23%	2,500	2,500
100,000	100,000	First Investment Management Services Limited Chief Executive: N/A Break-up value per share: N/A Period of financial statements: N/A Percentage of Holding: N/A	774	774
286,146	286,146	SME Bank Limited Chief Executive: Mr. R.A. Chughtai Break-up value per share: Rs. 8.11 Period of financial statements: June 30, 2010 Percentage of Holding: 0.59%	2,146	2,146
247,700	247,700	National Woolen Mills Chief Executive: N/A Break-up value per share: N/A Period of financial statements: N/A Percentage of Holding: N/A	248	248
200,000	200,000	General Refractories Chief Executive: N/A Break-up value per share: N/A Period of financial statements: N/A Percentage of Holding: N/A	2,000	2,000
158,400	158,400	National Investment Trust Limited Chief Executive: Mr. Wazir Ali Khoja Break-up value per share: Rs. 14,404 Period of financial statements: June 30, 2011 Percentage of Holding: 16.67%	200	200
25	25	State Bank of Pakistan Governor: Mr. Yaseen Anwer Break-up value per share: Rs. 416.05 Period of financial statements: June 30, 2010 Percentage of Holding: 0.12%	3	3
			13,871	13,871
11.6	Particulars of Debentures	Note		
	Northern Foundry and Engineering Works Limited	11.6.1	118	118
	Chilya Corrugated Board Mill	11.6.2	104	104
			222	222
11.6.1	These debentures carry interest at the rate of 14% (2010: 14%) semi-annually. Terms of redemption includes repayment of principal and markup on semi-annual basis. However, the Bank has made full provisions against these debentures.			
11.6.2	These debentures do not carry interest. Terms of redemption includes repayment of principal on semi-annual basis. However, the Bank has made full provisions against these debentures.			
11.7	Pakistan Investment Bonds includes Rs. 2,373 million as at June 30, 2011 (2010: 2,079.86 million) pledged with National Bank of Pakistan and State Bank of Pakistan against borrowings.			

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Notes to the Financial Statements
For the year ended June 30, 2011

12.4 Advances include an amount of Rs. 6,226.954 million (2010: Rs. 6,158.107 million) which have been placed under non-performing status as detailed below:

Category of Classification	2011					2010				
	Domestic	Overseas	Total	Provision Required	Provision Held	Domestic	Overseas	Total	Provision Required	Provision Held
	----- Rupees in '000 -----					----- Rupees in '000 -----				
Other Assets Especially Mentioned	-	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-	-
Doubtful	41,557	-	41,557	6,812	6,812	-	-	-	-	-
Loss	6,185,397	-	6,185,397	6,185,397	6,185,397	6,158,107	-	6,158,107	6,158,107	6,158,107
	6,226,954	-	6,226,954	6,192,209	6,192,209	6,158,107	-	6,158,107	6,158,107	6,158,107

12.5 Particulars of provision against non-performing advances

Note	2011			2010		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	6,158,107	-	6,158,107	6,269,695	-	6,269,695
Exchange adjustments	105,269	-	105,269	(51,140)	-	(51,140)
Charge for the year	6,812	-	6,812	627	-	627
Amount written off	(248)	-	(248)	(2,197)	-	(2,197)
Reversals	(74,696)	-	(74,696)	(58,878)	-	(58,878)
	(68,132)	-	(68,132)	(60,448)	-	(60,448)
Others	(3,035)	-	(3,035)	-	-	-
Closing balance	6,192,209	-	6,192,209	6,158,107	-	6,158,107

12.6 Particular of provision against non-performing loans and advances

In local currency	5,527,282	-	5,527,282	5,598,449	-	5,598,449
In foreign currency	664,927	-	664,927	559,658	-	559,658
	6,192,209	-	6,192,209	6,158,107	-	6,158,107

Industrial Development Bank of Pakistan**Notes to the Financial Statements****For the year ended June 30, 2011**

12.6.1 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

12.7 Particulars of write offs	Note	2011	2010
		Rupees in '000	
12.7.1 Against provisions	12.5	248	2,197
Directly charged to Profit and Loss account		46	2
		294	2,199
12.7.2 Write offs of Rs. 500,000 and above	12.8	-	2,045
Write offs of below Rs. 500,000		294	154
		294	2,199

12.8 Details of loan write off of Rs. 500,000 - and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 (LVII of 1962) the Statement, in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended June 30, 2011 is given in Annexure-1. However, these write offs do not affect the Bank's right to recover the debt from the customer.

12.9 East Pakistan Displaced Persons Cases

The above loan portfolio includes outstanding loans amounting to Rs. 56.184 million (2010: Rs. 56.184 million) (interest outstanding thereon aggregating to Rs. 218.751(2010: Rs. 218.751) million shown under "income/mark-up accrued in local currency" in other assets) granted by the bank under a scheme introduced by the Federal Government of Pakistan for East Pakistan Displaced Persons (EPDP) vide circular No.4(14)73-EPO of 1973. Under the provisions of the above circular, the Federal government has provided a continuous guarantee to the extent of 75% of losses, including principal, interest and other charges, suffered by the bank on account of the administration and advancing of the loans under the said scheme as may be assessed by the State Bank of Pakistan. However, the Bank, as a matter of prudence, has made 100% provision against non-performing loans under the said scheme. Further, as per Government of Pakistan decision, no interest has to be accrued on East Pakistan Displaced Persons loans after June 30, 1994.

12.10 Particulars of loans and advances to directors and executives

	2011	2010
	Rupees in '000	
Debts due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons		
Balance at beginning of year	7,567	7,656
Loans granted during the year	2,565	400
Recoveries during the year	(1,524)	(489)
Balance at end of year	8,608	7,567

Industrial Development Bank of Pakistan
Notes to the Financial Statements
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13 OPERATING FIXED ASSETS

	Note	2011 Rupees in '000	2010
Property and equipments	13.1	58,698	122,057
Intangible assets	13.2	666	1,333
		59,364	123,390

13.1 Property and equipment

	Note	COST		DEPRECIATION			Book value as at June 30, 2011	Rate of depreciation % (per annum)
		As at July 1, 2010	Additions/ (Deletions) / *(Transfer)	As at June 30, 2011	As at July 1, 2010	Charge for the year /(deletions)/ *(Transfer)		
-----Rupees in '000-----								
Free hold land	13.3	48,985	-	48,985	-	-	48,985	-
Lease hold land	13.4	60,795	-	303	-	-	303	-
		*	(60,492)		*	-		
Building on free hold land		35,220	-	35,220	28,856	1,591	4,773	5-10
Building on lease hold land		9,038	-	9,038	9,038	-	-	5
Furniture, fixtures and office equipment		33,789	950	33,798	28,934	1,551	4,249	10-20
			(941)			(936)		
Vehicles		9,509	28	9,534	9,342	89	106	20
			(3)			(3)		
Computers		21,617	138	21,581	20,582	891	282	20-33
			(174)			(174)		
		218,953	1,116	158,459	96,752	4,122	58,698	
		*	(60,492)		*	-		
			(1,118)			(1,113)		

* Transfer represents transfer of plot of land to other assets due to non-transfer of ownership and possession of plot of land against which Rs. 60.492 million has been given by the Bank as advance.

13.2 Intangible assets

	COST		AMORTIZATION			Book value as at June 30, 2011	Rate of Amortization % (per annum)
	As at July 1, 2010	Additions/ (Deletions)	As at June 30, 2011	As at July 1, 2010	Charge for the year		
-----Rupees in '000-----							
Computer software	2,000	-	2,000	667	667	1,334	33.33
	2,000	-	2,000	667	667	1,334	666

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Property and equipments

Note	COST			DEPRECIATION			Book value as at June 30, 2010	Rate of depreciation % (per annum)	
	As at July 1, 2009	Additions/ (Deletions)	As at June 30, 2010	As at July 1, 2009	Charge for the year / (deletions)	As at June 30, 2010			
-----Rupees in '000-----									
Free hold land	13.3	48,985	-	48,985	-	-	-	48,985	-
Lease hold land	13.4	60,795	-	60,795	144	-	144	60,651	-
Building on free hold land		35,220	-	35,220	27,264	1,592	28,856	6,364	5-10
Building on lease hold land		9,038	-	9,038	9,038	-	9,038	-	5
Furniture, fixtures and office equipment		29,948	5,428 (1,587)	33,789	28,492	1,986 (1,544)	28,934	4,855	10-20
Vehicles		9,517	- (8)	9,509	9,266	83 (7)	9,342	167	20
Computers		21,067	1,057 (507)	21,617	19,795	1,294 (507)	20,582	1,035	20-33
		214,570	6,485 (2,102)	218,953	93,999	4,955 (2,058)	96,896	122,057	

INTANGIBLE ASSETS

	COST			AMORTIZATION			Book value as at June 30, 2010	Rate of Amortization %
	As at July 1, 2009	Additions	As at June 30, 2010	As at July 1, 2009	Charge for the year	As at June 30, 2010		
-----Rupees in '000-----								
Computer software	-	2,000	2,000	-	667	667	1,333	33.33
	-	2,000	2,000	-	667	667	1,333	

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13.3 Included therein is a sum of Rs. 1.893 million (2010: Rs. 1.893 million) pertaining to a plot of land in Lahore, measuring 4 Kanals, possession of which was taken by the Bank in 1976 from the Lahore Development Authority. The title of this land is being disputed by the Pakistan Telecommunication Company Limited. Member Settlement Commission/Notified Officer of Board of Revenue vide its order dated 27-08-2007 has already acknowledged IDBP ownership of above Plot of Land The matter was referred to the Supreme Court which has remanded the case to the Settlement Commissioner of Punjab in the last hearing held on 23-06-2011. Settlement of the case is still pending and the same has been classified as freehold land.

13.4 Included therein is a sum of Rs.60.492 million (2010: Rs.60.492 million) pertaining to a plot of land at Karachi, possession of which was taken over by the Bank on January 14, 1993 from the Pakistan Railways. The Bank also received an indemnity from the Pakistan Railway for the full refund of amount in the event of their failure to transfer, mutate and register the said plot by means of conveyance of sale deed in the name of the Bank.

The bank had received a letter dated September 4, 1993 from the General Manager - Land Management Pakistan Railways Lahore, stating that Government of Sindh has objected to the sale of Railways land in the market and has taken the issue to the Council of Common Interest and Inter-Provincial Co-ordination Division in the Cabinet Secretariat and that the sale deed will be executed and registered after the issue is decided by the relevant forum. In view of the above situation, the Bank filed a suit in the Honorable High Court of Sindh, Karachi against Pakistan Railways for declaration, injunction and specific performance which was decided in favour of the Bank. However, sale deed for the same has not been executed by the end of the current year. Pending finalization, the said land has been re-classified as other assets.

Section officer for Secretary to Government of Sindh vide letter # 02-74-03/SO-1/283 dated February 20, 2006 That the provincial cabinet has approved the ratio of 60% : 40% (60% for Federal Government and 40% for Provincial Government). Hence , till the payment of 40% share of the total sale proceedings is made to the Government of Sindh, the request for allowing execution of Sale Deed cannot be considered. In order for earlier settlement of the Management of bank has referred the matter to Chief Secretary , Govt. of Sindh for his intervention by issuing instructions to the respective officials to convey their acceptance to IDBP for depositing the amount to Govt. of Sindh being 40% of the total sale consideration of subject plot so that the sale deed executed.

13.5 Disposal

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
	----- Rupees in '000 -----					
Furniture, office equipment and computers						
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000	-	-	-	-	-	-
Vehicles						
Items having book value of more than Rs. 250,000 or cost of more than Rs.1,000,000	-	-	-	-	-	-
Land and premises						
Items having book value of more than Rs. 250,000 or cost more than Rs. 1,000,000	-	-	-	-	-	-
June 30, 2011	-	-	-	-		
June 30, 2010	-	-	-	-		

Industrial Development Bank of Pakistan
Notes to the Financial Statements
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	2011	2010
Note	Rupees in '000	
14 OTHER ASSETS		
Income / mark-up accrued in local currency	1,534,718	1,586,807
Income / mark-up accrued in foreign currencies	3,808,200	3,749,497
Advances, deposits and other prepayments	4,985	4,686
Advance against purchase of Railway Plot-ICP	14.1 60,255	60,255
Advance against purchase of Railway Plot-IDBP	14.2 60,492	-
Advance taxation (payments less provision)	384,764	343,433
Branch adjustment account	9,122	291
Incorporation expenses of IDBL	10,795	10,789
Suspense account	127	198
Stationery and stamps on hand	3,616	3,806
NWFP Equity Investment Fund	71,343	71,343
Receivable from:		
Employees' Provident Fund	1,771	5,112
Pension Fund	37.3 249,978	247,265
Benevolent Fund-Officers	37.5 31,487	1,676
Benevolent Fund-Staff	37.6 42,931	-
Due in respect of exchange differential from:		
Government of Pakistan	60,859	60,859
State Bank of Pakistan	33,855	33,855
Excise duty recoverable	51,313	49,446
IDA Managed Fund	29,718	29,718
Legal and Professional charges recoverable	5,407	4,994
Others	53,183	36,067
	6,508,919	6,300,097
Less: Provision held against other assets	14.3	
Accrued mark-up	(5,270,304)	(5,252,642)
Advance against purchase of Railway Plot	-	(60,255)
IDBP Modaraba current account	(3,135)	(3,787)
Due in respect of exchange differential from:		
Government of Pakistan	(60,859)	(60,859)
State Bank of Pakistan	(33,855)	(33,855)
NWFP equity account	(71,343)	(71,343)
Excise Duty Recoverable	(49,473)	(49,473)
IDA Managed fund	(29,718)	(29,718)
Legal and Professional charges recoverable	(5,407)	(4,994)
Others	(31,411)	(31,411)
	(5,555,505)	(5,598,337)
	953,414	701,760

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Notes to the Financial Statements

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14.1 Advance against purchase of Railway Plot-ICP

This includes an amount of Rs. 60.255 (2010: Rs.60.255) million paid by the ICP (defunct) to Pakistan Railways in respect of a plot of land at Karachi. The possession of the plot was taken by the ICP (defunct) on November 30, 1992, however registration is pending.

In respect of the above, the ICP (defunct) had also obtained indemnity from Pakistan Railways for the full refund of the amount paid by the ICP (defunct) in the event of the failure to transfer, mutate and register the said plot by means of conveyance of sale deed before the concerned Registrar in the name of the ICP (defunct). The ICP (defunct) had written to the Pakistan Railways for obtaining refund of the amounts paid to them, as the transfer of title has not been executed to date.

A proposal for the refund of the above amount was submitted to the Cabinet. The Cabinet did not approve the proposal and instead asked the Minister for Defence to resolve the matter in respect of registration of the sale deeds by the Sindh Provincial Government.

Subsequently, upon the instructions of the Ministry for Defence, the matter was referred to the Law and Justice Division which gave the opinion that the Ministry of Railways has already filed a reference in the Supreme Court of Pakistan in its original side under Article 184 of the Constitution against the four provinces. In view of the pendency of the said reference, the matter of disposal of surplus land including transfer of it to any other Government department has been deferred.

The Chief Secretary, Government of Sindh, in a meeting held on March 10, 2005 with the Managing Director of the ICP (defunct) informed him that the decision for sharing of proceeds of the plot between the Government of Sindh and Pakistan Railways was made by the President of Pakistan. This matter was also discussed in the Sindh Cabinet, which approved the President's decision.

Land Utilization Department, Government of Sindh, vide letter dated February 20, 2006 informed the ICP (defunct) that the Provincial Cabinet has approved the ratio of 60:40 (60 percent for Federal Government and 40 percent for Government of Sindh). Hence, till the payment of 40 percent share of the total sale proceeds is made to the Government of Sindh, the request for allowing execution of sale deed cannot be considered. The Finance Division, Government of Sindh vide letter dated March 25, 2006 impressed upon the Ministry of Railways to remit 40 percent share of Government of Sindh out of the sale proceeds paid to them by the ICP (defunct) so that the sale deed may be executed in favour of the ICP (defunct). In the meantime, the ICP (defunct) has transferred the cost of the land from fixed assets to other receivables and the amount was provided in the earlier year has now been reversed for the reason that the seller Pakistan Railways has provided indemnity for the refund of full amount if legal transfer is not materialized.

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Section officer for Secretary to Government of Sindh vide letter # 02-74-03/SO-1/283 dated February 20, 2006 which states that the provincial cabinet has approved the ratio of 60% : 40% (60% for Federal Government and 40% for Provincial Government). Hence , till the payment of 40% share of the total sale proceeds is made to the Government of Sindh, the request for allowing execution of Sale Deed cannot be considered. In order for earlier settlement, the IDBP's has referred the matter to the Chief Secretary , Govt. of Sindh for his intervention by issuing instructions to the respective officials to convey their acceptance to IDBP for depositing the amount to Govt. of Sindh being 40% of the total sale consideration of subject plot so that the sale deed executed.

14.2 Advance against purchase of Railway Plot-IDBP

Included therein is a sum of Rs. 60.492 million (2010: Rs. 60.492) million pertaining to a plot of land in Karachi, measuring 2,166.67 square yards, possession of which was taken over by the Bank on January 14, 1993 from the Pakistan Railways. The Bank also received an indemnity from the Pakistan Railway for the full refund of amount in the event of their failure to transfer, mutata and register the said plot by means of conveyance of sale deed in the name of the Bank.

The bank had received a letter dated September 4, 1993 from the General Manager - Land Management Pakistan Railways Lahore, stating that Government of Sindh has objected to the sale of Railways land in the market and has taken the issue to the Council of Common Interest and Inter-Provincial Co-ordination Division in the Cabinet Secretariat and that the sale deed will be executed and registered after the issue is decided by the relevant forum. In view of the above situation, the Bank filed a suit in the Honorable High Court of Sindh, Karachi against Pakistan Railways for declaration, injunction and specific performance which was decided in favour of the Bank. However, sale deed for the same has not been executed by the end of the current year. Pending finalization, the said land has been re-classified as Other Assets.

Section officer for Secretary to Government of Sindh vide letter # 02-74-03/SO-1/283 dated February 20, 2006 That the provincial cabinet has approved the ratio of 60% : 40% (60% for Federal Government and 40% for Provincial Government). Hence , till the payment of 40% share of the total sale proceedings is made to the Government of Sindh, the request for allowing execution of Sale Deed cannot be considered. In order for earlier settlement of the Management of bank has referred the matter to Chief Secretary , Govt. of Sindh for his intervention by issuing instructions to the respective officials to convey their acceptance to IDBP for depositing the amount to Govt. of Sindh being 40% of the total sale consideration of subject plot so that the sale deed executed.

14.3 Provision against other assets

	2011	2010
	Rupees in '000	
Opening balance	5,598,337	5,656,240
Exchange adjustments	53,765	(21,113)
Charge for the year	7,480	8,751
Reversals	(35,861)	(15,716)
	(28,381)	(6,965)
Amount written off	(10,757)	(28,901)
Others	(57,459)	(924)
Closing balance	<u>5,555,505</u>	<u>5,598,337</u>

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	Note	2011 Rupees in '000	2010
15 ASSETS IN RESPECT OF BANGLADESH			
These are represented by the following items:			
Cash and bank balances		79,670	79,670
Investments in Central and Provincial Government securities		996	996
Advances			
Local currency		310,893	310,893
Foreign currency		214,049	214,049
		524,942	524,942
Fixed Assets			
Premises at cost less depreciation		1,606	1,606
Furniture, fitting and equipment less depreciation		1,144	1,144
		2,750	2,750
Other assets			
Stationery, stamps and suspense account		1,847	1,847
Adjusting account, interest, commission and other charges	15.1	273,469	266,462
		275,316	268,309
Acceptances and guarantees		7,987	7,987
		891,661	884,654
15.1 These represents interest on deposits ranging between 6% to 6.25% (2010: 6% to 6.25%) per annum.			
16 BILLS PAYABLE			
In Pakistan		20,096	13,717
Outside Pakistan		-	-
		20,096	13,717
17 BORROWINGS			
In Pakistan		22,553,874	22,466,356
Outside Pakistan		-	-
		22,553,874	22,466,356
17.1 Particulars of borrowings with respect to currencies			
In local currency		22,553,874	22,466,356
In foreign currencies		-	-
		22,553,874	22,466,356

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	Note	2011 Rupees in '000	2010
17.2	Details of borrowings secured / unsecured		
	<i>Secured</i>		
	Borrowings from SBP		
	Under export refinance scheme	17.2.1.1 20,000	32,500
	Locally Manufactured Machinery (LMM)	17.2.1.2 1,054,285	1,054,285
	SBP Credit Line (Guaranteed by GoP)	17.2.1.3 13,000,000	13,000,000
	Financial assistance for Golden Hand Shake (GHS)	17.2.1.4 340,783	340,783
		14,415,068	14,427,568
	Repurchase agreement borrowings-secured	17.2.1.5 2,179,880	2,079,862
		16,594,948	16,507,430
	<i>Un-secured</i>		
	Borrowings from Government of Pakistan		
	Financial assistance for Voluntary Separation Scheme (VSS)	20.2 1,200,000	1,200,000
	Rupee borrowings from the Government of Pakistan (GoP)	17.2.2 4,258,926	4,258,926
	Foreign currency borrowings repayable in local currency	17.2.3 -	-
	Organization of the Petroleum Exporting Countries (OPEC), International Bank for Reconstruction & Development (IBRD) and Asian Development Bank (ADB) Credit-Small Industrial Refinance Scheme	17.2.4 -	-
	Banking sector adjustment loan	17.2.6 500,000	500,000
		5,958,926	5,958,926
		22,553,874	22,466,356

17.2.1 Borrowings from SBP

17.2.1.1 Export refinance scheme carries interest ranging between 8.5% to 10% (2010: 7.5%) per annum.

17.2.1.2 State Bank of Pakistan (SBP), through Memorandum of Understanding (MOU) signed between SBP & the Bank has converted various credit lines already extended to the Bank by SBP (under old LMM Scheme on Profit and Loss basis) into one loan aggregating to Rs. 1,054.285 million, to be remunerated on service charges basis, which has been fixed at no markup. The revised terms and conditions of agreement are effective from July 01, 2005.

17.2.1.3 SBP credit line is interest free and is secured on the guarantee of Federal Government.

17.2.1.4 Financial assistance for GHS is subject to remuneration (service charges), ranging from 6% to 8% per annum (2010: 6% to 8% per annum) and is secured by pledge of Pakistan Investment Bonds of Rs.341 million (2010: Rs. 341 million). In terms of the proposed restructuring plan of the Bank, LMM loans, SBP credit line and financial assistance for GHS/VSS are to be converted into the equity / sub-ordinated debt of the Bank, however, formal approval for the same is still awaited.

17.2.1.5 These represent borrowings from financial institutions and are secured against PIBs and carries markup rates ranging between 10% to 14% (2010: 10% to 14%) per annum, with maturities upto 3 to 6 months.

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17.2.2 Rupee borrowings from GoP

Loans	Rate of interest % per annum	Deemed to relate to Pakistan	Deemed to relate to Bangladesh	Total 2011	Total 2010
----- (Rupees in '000) -----					
1	9	114,000	-	114,000	114,000
2	0	-	24,650	24,650	24,650
3	6	37,137	49,174	86,311	86,311
4	6.25	-	64,900	64,900	64,900
5	5	50,000	-	50,000	50,000
6	11	-	-	-	-
7	11	4,258,926	-	4,258,926	4,258,926
		<u>4,460,063</u>	<u>138,724</u>	<u>4,598,787</u>	<u>4,598,787</u>

Loans 1 to 5 are subordinated loans shown separately (2009: Rs. 201.137 million)

(201,137)
4,258,926

17.2.2.2 Repayment of loan 2, portion of loan 3 to the extent of Rs.49.174 million and loan 4, all deemed relating to Bangladesh, are subject to the condition stated in note 7.5.

17.2.2.3 The loan 1, 3 and 5 which were allowed by GoP to the bank is to be shown as subordinated debt, as per letter No.INVII/82, and the repayment of such loans commenced from July 1998, September 1998 and July 1999 respectively. Entire amount in respect of such loans have become due as per existing repayment schedule.

17.2.2.4 The principle followed in apportioning the loans between those relating to Pakistan and Bangladesh has been outlined in note 7.5.

17.2.3 Foreign currency borrowings repayable in rupees

Foreign currency borrowings repayable in rupees are subject to interest rate of 5.5% to 8.5% per annum (2010: 5.5% to 8.5% per annum).

17.2.4 OPEC, IBRD and ADB Credit-Small Industries Refinance Scheme

OPEC, IBRD and ADB Credit-Small Industries Refinance Schemes are subject to a interest rate of 8.25% to 11.7% per annum (2010: 8.25% to 11.7% per annum).

17.2.5 In respect of Loans 6 and 7 (note 17.2.2), foreign currency borrowing (note 17.2.3) and OPEC, IBRD and ADB credit Small Industries refinance Scheme (note 17.2.4) principal and interest accrued upto June 2011 aggregating to Rs.3.986 billion (June 2010: 4.077 billion) has transferred to other liabilities on the basis of existing repayment schedule. In terms of proposed restructuring plan of the Bank, those borrowings are to be converted into equity / sub-ordinated debt of the Bank, however, former approval for the same is still awaited.

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17.2.6 Banking sector adjustment loan

Banking sector adjustment loan is interest free and has been provided to the Bank to improve its liquidity. Formal agreement defining the terms and conditions of the loan is pending with the GoP.

17.2.7 Since the borrowings from Government of Pakistan and State Bank of Pakistan (other than export refinance) under the restructuring proposal are to be converted into equity / sub-ordinated debt of the Bank, therefore, the Bank has discontinued accruing mark-up / interest on these borrowings with effect from July 1, 2001. Had the Bank continued to accrue interest on these borrowings, net loss for the current year would have increased by Rs. 437.496 million (Rs. 414.270 million on Government of Pakistan borrowings and Rs. 23.226 million on State Bank of Pakistan borrowings). Cumulative amounts since July 1, 2001 aggregating to Rs. 4,208.214 million, (Rs. 3,635.626 million pertains to Government of Pakistan borrowings and Rs. 572.588 million is on State Bank of Pakistan borrowings).

18 DEPOSITS AND OTHER ACCOUNTS

	2011	2010
	Rupees in '000	
Customers		
Fixed deposits	1,587,882	1,541,511
Saving deposits	1,017,658	1,071,785
Current accounts - non-remunerative	78,385	68,983
Others	94,933	155,276
	2,778,858	2,837,555
Financial Institutions		
Remunerative deposits	495,663	476,006
Non-remunerative deposits	2	2
	495,665	476,008
	3,274,523	3,313,563

18.1 It includes amount of Rs.502.505 (2010: 482.653) million maintained with the Bank in respect of related parties.

	2011	2010
	Rupees in '000	
18.2 Particulars of deposits		
In local currency	3,270,306	3,307,820
In foreign currencies	4,217	5,743
	3,274,523	3,313,563

19 SUB-ORDINATED LOANS

GoP Loan-I	114,000	114,000
Mark up 9 % (2010: 9%) per annum		
GoP Loan-III	37,137	37,137
Mark up 6 % (2010: 6%) per annum		
GoP Loan-V	50,000	50,000
Mark up 5 % (2010: 5%) per annum		
	201,137	201,137

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	Note	2011 Rupees in '000	2010
20 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		188,868	207,740
Payable to GoP	20.1	3,985,745	4,077,386
Payable under VSS	20.2	17,034	20,501
Payable to GoP - Suppliers credit rescheduled under			
Paris club agreement	20.3	1,265,083	1,265,083
Payable under counter guarantee arrangements	20.4	484,025	484,025
Payable to Ex- Creditors of ICP (defunct)	20.5	22,592	22,592
Accrued expenses		12,832	17,657
Tax deducted at source		265	3,909
Unclaimed deposits and dividends		57,635	57,676
Employees benefit			
Benevolent Fund		-	5,066
Post retirement medical benefit	37.4	13,374	26,260
Compensated absences		4,885	4,396
Others		52,016	50,021
		6,104,354	6,242,312

20.1 Represents current overdue position of various loans payable to GoP as explained in note 17.2.2 to 17.2.6. During the year amount of relent loans have reconciled with records of Ministry of Finance (GOP) and the balance excess liability is adjusted to Profit and Loss account.

20.2 Represents amount payable to employees opted under VSS. Financial assistance for VSS amounting to Rs. 1,200 million (2010: Rs. 1,200 million) is interest free loan received through SBP, out of which payments to the extent of Rs.1,223.183 million (2010: Rs. 1,222.867 million) has been made to employees (optees) upto June 30, 2011.

20.3 Number of suppliers credit were obtained by borrowers through the Bank under counter guarantee arrangements in the past. These suppliers credits had been rescheduled under Paris club agreement and the liability of repayment to the lenders is assumed by the Government of Pakistan. A subsidiary loan agreement containing necessary terms and conditions regarding repayment of these loans had been signed between the Bank and Economic Affairs Division (Debt Management Wing) Government of Pakistan, in order to implement the decision of ECC.

Since the supplier credit liability has also become payable to Government of Pakistan as per Supplementary Loan Agreement, therefore, in accordance with the decision taken, in the meeting held on November 28, 2001, under the chairmanship of the finance minister, that GOP/SBP borrowing would be converted into equity/ subordinated loan . Based on the fact, the Bank is not accruing markup on this loan and additional markup of 2% for late repayment. Had the Bank continued to accrue interest on these borrowings, net loss for the current year would have been increased by **Rs. 179.699** million (2010: 64.569 million).

20.4 Certain beneficiaries of counter guarantees have defaulted on their repayment obligations, the liability in respect of installments falling due for payment till maturity has also been recorded.

20.5 The federal government had sanctioned the scheme of amalgamation of ICP with and into IDBP under section 47(8) of the Banking Companies Ordinance 1962. Resultantly, ICP was amalgamated with and into IDBP as on December 27, 2006 and shareholders of ICP were converted into creditors of ICP (Defunct) from effective date i.e. December 27, 2006 and a maximum amount of Rs. 246.989 million being credit balance was payable to them in two year period subject to terms and conditions mentioned in clause 6.04 of scheme.

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In order to ascertain the realizations against the assets in accordance with terms and conditions of clause 6.04 of the scheme of amalgamation a special audit (under agreed upon procedure) was carried out by M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants. Considering the provisions mentioned in clause 6.04 of the scheme net distributable amount available for distribution among the creditors of ICP (Defunct) was arrived at Rs. 147.861 million. In order to distribute the subject amount letters (without prejudice) have been sent to all the creditors of ICP (Defunct) to obtain their concurrence.

Those creditors who have given their concurrence in writing and surrendered original share certificates their respective share has been paid. On receipt of concurrence from remaining creditors their respective shares of Rs. 22.592 million in net distributable amount of Rs.147.861 million will be paid accordingly.

21 LIABILITIES IN RESPECT OF BANGLADESH	Note	2011	2010
		Rupees in '000	
These comprised of the following:			
Deposits and other accounts	15.1	355,998	348,992
Borrowings from banks			
- State Bank of Pakistan		29,500	29,500
- Other banks		30,972	30,972
		60,472	60,472
Other borrowings			
Federal Government	17.2.2	138,724	138,724
Others		27,438	27,438
		166,162	166,162
Foreign currency borrowings		214,049	214,049
Bills payable		183	183
Other liabilities		4,344	4,344
Acceptance and guarantees		7,987	7,987
		809,195	802,189
Loans disbursed by GoP		82,466	82,466
		891,661	884,655

22 SHARE CAPITAL

22.1 Authorized capital

	2011	2010		2011	2010
	Number of Shares				
1,570,000	1,570,000		Ordinary shares of Rs. 100 each	157,000	157,000

22.2 Issued, subscribed and paid up capital

1,570,000	1,570,000	Ordinary shares of Rs. 100 each issued for cash including 888,541 (2010: 888,541) shares held by the Joint Secretary, Finance Division, GoP.	157,000	157,000
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22.3 The Bank as more fully explained in Note 2 to the financial statements is not in a position to comply with the requirement of maintaining a minimum paid-up capital of Rs. 8 billion as laid down in SBP's BSD Circular No.07 dated April 15, 2009.

23 RESERVES	Capital Note 23.1	Statutory Note 23.2	Revenue	Total 2011	Total 2010
----- (Rupees in '000) -----					
As at the beginning of year	157,601	4,668	588,279	750,548	750,548
Transferred during the year	-	-	-	-	-
As at the end of year	<u>157,601</u>	<u>4,668</u>	<u>588,279</u>	<u>750,548</u>	<u>750,548</u>

23.1 Capital reserve has been created under section 23(1)(ix) of the repealed Income Tax Ordinance, 1979. However, the said clause has been omitted by the Finance Ordinance, 2000.

23.2 Statutory reserve has been created under the provision of Banking Companies Ordinance, 1962 (LVII of 1962).

24 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS

	2011	2010
On available for sale securities	Rupees in '000	
Pakistan Investment Bonds	(346,360)	(381,142)
Quoted Shares	109,553	116,049
NIT Units	-	1,307
	<u>(236,807)</u>	<u>(263,786)</u>

25 SPECIAL DEVELOPMENT ASSISTANCE FUND

This represents the amount of dividend payable on Government of Pakistan's holding and interest on loans given to the bank, which were waived and allowed as grant to meet the contingencies arising due to shortfall in the provision for bad and doubtful debts relating to the less developed regions of the country.

26 CONTINGENCIES AND COMMITMENTS	2011	2010
	Rupees in '000	

(a) IDBP

26.1 Direct Credit Substitutes

- Guarantees in favour of Government	<u>124,546</u>	<u>126,854</u>
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26.2 Transactions-related Contingent Liabilities

- Guarantees in favour of Government	<u>17,513</u>	<u>14,916</u>
- Letters of credit in favour of others	<u>-</u>	<u>200</u>

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26.3 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 been provided through State Bank of Pakistan as appearing in note 20.2. 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, 2011.

- 26.4** The Assistant Collector of Central Excise - City Division, through an order passed on December 28, 1998, raised a demand of Rs. 41.814 million in respect of Central Excise Duty. The Bank has filed an appeal before the Central Excise and Sales Tax Tribunal (Tribunal) against the said order after paying Rs. 20.80 million. The said order has been set-aside by the Tribunal and remanded back to the Collector Central Excise for a fresh decision and the same has been disallowed by the Collector Central Excise on July 15, 2006. The said amount has been adjusted against Income tax refunds pending before the Commissioner Income tax (Enforcement and Collection) Large Taxpayer Unit. Provision has been made in these financial statements for the balance amount of Rs.21.014 million. The tax authorities has demanded further Rs. 95.420 million as additional duty and surcharge. The management is contesting the levy of the additional duty and surcharge. The legal council is of the view that the amount of additional duty is wrongly calculated by Deputy Collector Recovery, Large tax payer unit and in any case maximum amount of additional penalty may not exceed Rs.0.570 million and on the same ground they advised the bank to not make any provisions against the additional duty.
- 26.5** 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, Appraisalment (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.
- 26.6** 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.
- 26.7** 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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26.8 The Bank had lodged claim with The State Bank of Pakistan, duly supported with audited statements, for the refund of Rs. 561.310 million on account of share in loss (PLS basis) in respect of various LMM borrowings for the year ended 30-06-1998 to 30-06-2004. The claim has been worked out in line with sanction letter of various credit lines made available to the bank during the period. The accrual of the said amount has not been made on the understanding given by The State Bank of Pakistan vide their letter # BPD/PU-41/21(4)/13764/2002-5561 dated 5th October, 2002 that the matter will be settled at time of finalization of restructuring plan of the Bank which is already under consideration of SBP and GOP.

Taxation - IDBP

Disallowances of various expenses having no financial implications for the bank

26.9 Various appeals have been filed by the bank and the Income Tax Department before appropriate appellate forum against decisions of sub-ordinate judicial forum for disallowing / allowing provisions against non-performing loans and advances, special reserves, various other expenses, etc. in assessment years 1989-90 to 1992-93, 1995-96, 1996-97, 2000-2001 and 2002-03 and in tax years 2003 to 2006 that are pending decisions. All of the above referred appeals have no financial implications for the bank in view of the continuous tax losses.

26.10 Further, the Taxation Officer has issued notices for tax years 2007 and 2008 showing his intention to disallow provision against non-performing loans and advances, leased and other assets, financial and administrative expenses. The intended disallowances have no financial implication for the bank in view of continuous tax losses.

26.11 In the assessment year 2000-2001 (corresponding to the income year ended June 30, 2000), the assessing officer had levied additional tax of Rs.1.623 million for delay in filling the return of income. The CIT(A) has set-aside the said order and has directed the DCIT to re-adjudicate the matter.

26.12 In the assessment year 1999-2000 (corresponding to the income year ended June 30, 1999), the assessing officer had demanded additional levy of Rs.0.667 million for delay in filing the return of income. The ITAT has maintained this disallowance. The Bank's miscellaneous application for rectification of order has been rejected by ITAT and appeal is being filed with the High Court.

26.13 The Income tax authorities had raised a demand of Rs. 15.4 million for the accounting year ended June 30, 1971 against which the bank has provided Rs.12.604 million. As the bank has disputed this demand and the question of its validity can only be determined after the Government takes a decision on the treatment to be accorded to the assets and liabilities to Bangladesh, no provision has been made for the shortfall of Rs. 2.796 million.

26.14 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 years 2003 to 2010 filed by the Bank are deemed to be assessments made under section 120 of the Income Tax Ordinance, 2001.

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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)

26.15 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 (June 2010: 37.370 million) which have not yet been acknowledged by the management.

26.16 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. Income tax assessment relating to the ICP (defunct)'s income earned in Azad Kashmir have been finalized up to and including the assessment year 2002-2003. Return of total income for the tax years 2003, 2004 and 2005 have been filed which are considered as deemed assessment order as per section 120 of the income tax ordinance, 2001.

In respect of the tax assessment of the ICP (defunct) relating to Azad Kashmir, the ICP (defunct) has filed reference before High Court against the order of the Tribunal for the assessment year 1988-89 and 1989-90. The ICP (defunct) has also filed appeal before the Tribunal against the order of the Commissioner of Income Tax (Appeals) relating to assessment year 1996-97. The decision of this reference / appeal is pending.

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

27 MARK-UP / RETURN / INTEREST EARNED	2011	2010
	Rupees in '000	
On loans and advances to:		
Customers	62,788	47,028
Financial institutions	76	13,676
On Investment in:		
Available for sale securities	230,711	213,003
On deposits with financial institutions	6,891	10,671
	<u>300,466</u>	<u>284,378</u>

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	Note	2011 Rupees in '000	2010
28 MARK-UP / RETURN / INTEREST EXPENSED			
On deposits		304,053	299,420
On securities sold under repurchase agreements		280,363	237,042
On other short term borrowings		2,450	1,049
		<u>586,866</u>	<u>537,511</u>
29 OTHER INCOME			
Gain on sale of assets		321	306
Liabilities no longer required written back	29.1	102,399	385,158
Others		5,257	14,837
		<u>107,977</u>	<u>400,301</u>
29.1	Includes Rs. 89.249 (2010: Rs. 385.158) million payable to GOP as mentioned in note 20.1.		
30 ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.		114,317	117,267
Charge for benevolent fund		-	20
Non-executive director's fees, allowances and other expenses		531	1,055
Rent, taxes, insurance, electricity, etc.		36,925	42,580
Legal and professional charges		2,896	1,381
Communications		2,332	2,464
Repair and maintenance		1,257	2,043
Stationery and printing		1,834	1,910
Advertisement and publicity		126	250
Auditors' remuneration	30.1	1,430	1,906
Depreciation	13.1	4,122	4,955
Amortization	13.2	667	667
Traveling and motor car expenses		6,481	7,065
Others		14,207	13,235
		<u>187,125</u>	<u>196,798</u>

30.1 AUDITORS' REMUNERATION

	2011				2010			
	Anjum Asim Shahid Rahman	Hyder Bhimji & Co.	Others	Total	Hyder Bhimji & Co.	Riaz Ahmed Saqib Gohar & Co.	Others	Total
	----- Rupees in '000 -----							
Audit fees	396	396	-	792	396	396	350	1,142
Half yearly review fees	264	264	-	528	264	264	-	528
Tax Services	-	-	-	-	-	-	-	-
Special certifications / examinations and sundry advisory services	-	-	50	50	-	-	150	150
Out of pocket expenses	20	20	20	60	33	33	20	86
	<u>680</u>	<u>680</u>	<u>70</u>	<u>1,430</u>	<u>693</u>	<u>693</u>	<u>520</u>	<u>1,906</u>

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	Note	2011 Rupees in '000	2010
31 (REVERSAL OF PROVISION AGAINST) / CHARGE FOR RETIREMENT BENEFITS			
Reversal of provision against pension fund scheme	37.3	(1,885)	(10,781)
(Reversal) /charge for medical benefit scheme	37.4	(12,703)	2,374
Charge for leave encashment		489	1,551
Reversal of provision against benevolent fund scheme		(77,755)	-
		<u>(91,854)</u>	<u>(6,856)</u>
32 OTHER CHARGES			
Penalties imposed by SBP		-	25
CDC charges		46	49
Others		961	592
		<u>1,007</u>	<u>666</u>
33 TAXATION			
Current year		3,551	1,955
Prior years	33.2	(42,188)	-
		<u>(38,637)</u>	<u>1,955</u>

33.1 Tax losses available for set off against future taxable profits aggregating Rs. 2,384.617 million (2010: Rs. 4,208.789 million) of which Rs. 1,175.547 million (2010: Rs. 4,186.205 million) represent losses assessed in the assessment years upto 2006 and losses deemed to have been assessed upto tax years 2010. Tax losses for the assessment years 1997-98 to 2000-2001, can be carried forward for a period of ten years whereas, losses of assessment year 2001-2002 onwards, can be carried forward for a period of six years for set off against future taxable profits. No deferred tax assets in respect of such losses has been recognized.

Unabsorbed depreciation included in above losses aggregating Rs. 114.032 million (2010: Rs. 74.748 million) can be carried forward and set off against future taxable profits until fully absorbed. In view of the continuous losses, no deferred tax assets has been recognized in these accounts as it is not probable that taxable profits will be available against which the unrealized tax losses can be utilized.

33.2 This represents reversal of provision against assessed refunds and orders set aside against which provision was previously charged by the bank pertaining to Azad Kashmir operations of the Bank.

33.3 Relationship between tax expense and accounting profit

Current taxation represents the minimum tax under section 113 of the Income Tax Ordinance, 2001. Therefore relationship between tax expense and accounting profit has not been disclosed.

	2011	2010
34 BASIC / DILUTED EARNINGS PER SHARE		
Profit after taxation for the year - Rupees in '000	35,628	95,465
Weighted average number of ordinary shares - numbers	1,570,000	1,570,000
Basic and diluted earnings per share - Rupees	<u>22.69</u>	<u>60.81</u>

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

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	2011	2010
	Rupees in '000	
35 CASH AND CASH EQUIVALENTS		
Cash and balance with treasury banks	137,589	150,299
Balance with other banks	59,750	64,681
	<u>197,339</u>	<u>214,980</u>

	Numbers	
36 STAFF STRENGTH		
Permanent	102	105
Temporary / on contractual basis	103	111
Total Staff Strength	<u>205</u>	<u>216</u>

37 DEFINED BENEFIT PLANS

37.1 General description

General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 7.7 to the financial statements.

37.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at June 30, 2011. The "Projected Unit Credit Method" using the following significant assumptions was used for valuation purposes:

	2011	2010
	% per annum	
- Discount rate	14.5	13
- Expected rate of return on plan assets	14.5	11
- Expected rate of increase in salary levels	12	12
- Rate of increase in pension	9.5	9

	2011	2010
	Rupees in '000	
37.3 Reconciliation of (receivable) from pension fund		
Present value of defined benefit obligations	35,835	39,580
Fair value of plan assets	(189,856)	(154,078)
	<u>(154,021)</u>	<u>(114,498)</u>
Net actuarial losses not recognized	(95,957)	(132,767)
	<u>(249,978)</u>	<u>(247,265)</u>

Movement in (receivable) from pension fund

Opening balance	(247,265)	(353,812)
Charge for the year	(1,885)	(10,781)
Contribution to fund made during the year	(828)	(5,315)
Payments made by the fund to the Bank	-	122,643
Closing balance	<u>(249,978)</u>	<u>(247,265)</u>

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	2011	2010
	Rupees in '000	
Charge for defined pension plan		
Current service cost	1,186	725
Interest cost	5,169	2,533
Expected return on plan assets	(19,976)	(23,673)
Amortization of actuarial (gain) / loss	11,736	9,634
	<u>(1,885)</u>	<u>(10,781)</u>

Movement of present value of defined benefit obligation

Opening present value of defined benefit obligation	39,580	26,611
Current service cost	1,186	725
Interest cost	5,169	2,533
Benefits paid	(828)	(5,315)
Actuarial (gain) / loss on obligation	(9,272)	15,026
Closing present value of defined benefit obligation	<u>35,835</u>	<u>39,580</u>

Movement in fair value of plan assets

Opening fair value of plan assets	154,078	249,495
Expected return on plan assets	19,976	23,673
Payments made by the fund to the Bank	-	(122,643)
Actuarial gain / (loss) on assets	15,802	3,553
Closing fair value of plan assets	<u>189,856</u>	<u>154,078</u>
Actual return on plan assets	<u>(3,810)</u>	<u>(42,178)</u>

37.4 Reconciliation of payable to defined post retirement medical plan

Present value of defined benefit obligation	13,374	23,465
Unrecognized actuarial gain	-	2,795
Liability recognized	<u>13,374</u>	<u>26,260</u>

Movement in payable to defined post retirement medical plan

Opening balance	26,260	24,109
Charge for the year	3,722	2,374
Benefits paid during the year	(183)	(223)
Actuarial gain recognized	(16,425)	-
Closing balance	<u>13,374</u>	<u>26,260</u>

Charge for post retirement medical plan

Current service cost	687	505
Interest cost	3,080	2,176
Actuarial gain recognized	(16,470)	(307)
	<u>(12,703)</u>	<u>2,374</u>

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	2011	2010
	Rupees in '000	
Movement of present value of defined benefit obligation		
Opening present value of defined benefit obligation	23,465	18,846
Current service cost	687	505
Interest cost	3,080	2,176
Benefit paid	(183)	(223)
Actuarial (gain) / loss on obligation	(13,675)	2,161
Closing present value of defined benefit obligation	<u>13,374</u>	<u>23,465</u>

37.5 Reconciliation of (receivable) from benevolent fund officers / executive

Present value of defined benefit obligation	1,153	1,394
Fair value of plan assets	<u>(33,396)</u>	<u>(31,007)</u>
	(32,243)	(29,613)
Net actuarial gains not recognized	756	2,045
	<u>(31,487)</u>	<u>(27,568)</u>

Movement in (receivable) from benevolent fund officers / executive

Opening balance	(27,568)	(25,099)
Charge for the year	(3,846)	(2,404)
Contribution paid during the year	(73)	(65)
Closing balance	<u>(31,487)</u>	<u>(27,568)</u>

Charge for benevolent fund officers / executive

Current service cost	32	34
Interest cost	177	167
Expected return on plan assets	(4,025)	(2,575)
Actuarial gains recognized	-	-
Member's contribution	(30)	(30)
	<u>(3,846)</u>	<u>(2,404)</u>

Movement of present value of defined benefit obligation

Opening present value of defined benefit obligation	1,394	1,478
Current service cost	32	34
Interest cost	177	167
Benefits paid	(73)	(95)
Actuarial (gain) / loss on obligation	(377)	(190)
Closing present value of defined benefit obligation	<u>1,153</u>	<u>1,394</u>

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	2011	2010
	Rupees in '000	
Movement in fair value of plan assets		
Opening fair value of plan assets	31,007	27,151
Expected return on plan assets	4,025	2,575
Contributions	30	95
Benefits paid	-	(95)
Actuarial gain / (loss) on assets	(1,666)	1,281
Closing fair value of plan assets	<u>33,396</u>	<u>31,007</u>
Actual return on plan assets	<u>2,359</u>	<u>3,856</u>
37.6 Reconciliation of (receivable) from benevolent fund staff		
Present value of defined benefit obligation	69	58
Fair value of plan assets	(42,597)	(38,440)
	<u>(42,528)</u>	<u>(38,382)</u>
Net actuarial gains / (losses) not recognized	(403)	448
	<u>(42,931)</u>	<u>(37,934)</u>
Movement in (receivable) from benevolent fund staff		
Opening balance	(37,934)	(34,651)
Charge for the year	(4,997)	(3,283)
Closing balance	<u>(42,931)</u>	<u>(37,934)</u>
Charge for benevolent fund staff		
Current service cost	3	6
Interest cost	8	11
Expected return on plan assets	(4,997)	(3,289)
Member's contribution	(11)	(11)
	<u>(4,997)</u>	<u>(3,283)</u>
Movement of present value of defined benefit obligation		
Opening present value of defined benefit obligation	58	95
Current service cost	3	6
Interest cost	8	11
Actuarial (gain) / loss on obligation	-	(54)
Closing present value of defined benefit obligation	<u>69</u>	<u>58</u>
Movement in fair value of plan assets		
Opening fair value of plan assets	38,440	34,619
Expected return on plan assets	4,997	3,289
Contributions	11	11
Actuarial gain / (loss) on assets	(851)	521
Closing fair value of plan assets	<u>42,597</u>	<u>38,440</u>
Actual return on plan assets	<u>4,146</u>	<u>3,810</u>

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38 REMUNERATION OF DIRECTORS AND EXECUTIVES

	<u>Managing Director / Chairman</u>		<u>Directors</u>		<u>Executives</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	----- Rupees in '000 -----					
Fees	-	-	230	365	-	-
Managerial remuneration	1,819	728	-	-	10,747	-
Rent and house maintenance	627	456	-	-	7,168	-
Utilities	207	207	-	-	1,469	-
Medical	384	273	-	-	1,797	-
Conveyance	476	453	-	-	3,712	-
Others	262	247	-	-	1,059	-
	<u>3,775</u>	<u>2,364</u>	<u>230</u>	<u>365</u>	<u>25,952</u>	<u>-</u>
Number of Persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>5</u>	<u>11</u>	<u>-</u>

38.1 The Managing Director and some of the executives are provided bank's maintained car. Moreover, nominee directors are paid meeting attendance fee as per bank's practice.

Upto 2010, there were no Executives other than Chief Executive whose basic salary exceeds five hundred thousand rupees in a financial year.

39 TRUST ACTIVITIES

Vide an agreement dated February 1, 1974 with the GoP, the Bank has been appointed as an agent to manage a fund created through an agreement between GOP and International Development Association. The fund so created is to be utilized by the Bank in sub-loans and investment projects on behalf of GoP. In consideration of the services to be rendered, the Bank is entitled to a management fee of 1.75% per annum based on the amount of sub-loans and investments outstanding at the end of each half year.

40 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). The details of investments in subsidiary company is stated in note 11 to these financial statements.

Transactions with related parties

	2011	2010
	Rupees in '000	
Pakistan Industrial Development Financial Services		
Deposit	6,989	6,989
Profit on deposit	960	163
	<u>7,949</u>	<u>7,152</u>
Equity Participation Fund		
Deposit	495,516	475,664
Profit on deposit	23,362	31,174
	<u>518,878</u>	<u>506,838</u>

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

Bank is exempted from the compliance of IRAF vide SBP letter No.OSED/OSE-Div-3/SEU-9/205/577/2007 dated 30.03.2007, implementation BASEL-II as per SBP letter No.BSD/SU-17/720/4063/2005 dated 08.07.2005, Stress Testing vide SBP letter No.BSD/RAD/1035/2009 dated 03.11.2009, Internal Credit Rating System vide SBP letter No.BSD/BAI-4/1152/392/2008 dated 02.04.2008 and Internal Control Reporting System vide SBP letter No. HO/FIN.CON/APP-XII/2010/1203 dated May-03-2011 till its financial restructuring. Therefore, information relevant to these segments and activities has not been disclosed in the financial statements.

42 Segmental Information

42.1 Segment by class of business

	2011					
	Advances		Deposits		Contingencies & Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	1,107,617	17.60	4,458	0.14	-	-
Agribusiness	-	-	164	0.01	-	-
Textile spinning	684,363	10.87	661	0.02	9,076	6.39
Textile weaving	587,032	9.33	-	-	8,086	5.69
Textile composite	1,314,262	20.88	-	-	-	-
Cement	223,342	3.55	16	0.00	-	-
Sugar	317,055	5.04	21	0.00	-	-
Shoes and leather garments	95,399	1.52	204	0.01	-	-
Automobile and transportation equipmen	99,521	1.58	27	0.00	-	-
Financial	-	-	495,665	15.14	-	-
Insurance	-	-	4,923	0.15	-	-
Electronics and electrical appliances	40,148	0.64	2,284	0.07	-	-
Production and transmission of energy	-	-	14,911	0.46	-	-
Individuals	19,779	0.31	1,308,738	39.95	250	0.18
Others	1,805,813	28.68	1,442,451	44.05	124,647	87.74
	6,294,331	100	3,274,523	100	142,059	100

Segment by sector

Public / Government	329,763	5	739,537	23	142,059	1.00
Private	5,964,568	94.76	2,534,986	77.42	-	-
Total	6,294,331	100	3,274,523	100	142,059	1.00

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Segment by class of business

	2010					
	Advances		Deposits		Contingencies & Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and Pharmaceuticals	1,108,576	17.69	4,501	0.14	-	-
Agribusiness	-	-	239	0.01	-	-
Textile Spinning	715,484	11.42	778	0.02	7,576	5.34
Textile Weaving	587,033	9.37	-	-	36,351	25.60
Textile Composite	1,211,011	19.33	-	-	-	-
Cement	250,147	3.99	17	0.00	11,966	8.43
Sugar	316,759	5.05	21	0.00	-	-
Shoes and leather garments	94,612	1.51	198	0.01	-	-
Automobile and transportation equipmen	100,720	1.61	194	0.01	-	-
Financial	-	-	476,008	14.37	-	-
Insurance	-	-	3,678	0.11	-	-
Electronics and electrical appliances	47,708	0.76	17,377	0.52	-	-
Production and transmission of energy	1,863	0.03	4	0.00	-	-
Individuals	22,851	0.36	1,611,079	48.62	250	0.18
Others	1,809,735	28.88	1,199,469	36.20	85,827	60.45
	<u>6,266,499</u>	<u>100</u>	<u>3,313,563</u>	<u>100</u>	<u>141,970</u>	<u>100</u>

Segment by sector

Public / Government	329,763	5.26	739,537	22.32	141,770	99.86
Private	5,936,736	94.74	2,574,026	77.68	200	0.14
Total	<u>6,266,499</u>	<u>100</u>	<u>3,313,563</u>	<u>100</u>	<u>141,970</u>	<u>100</u>

42.2 As per IFRS-8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Managing Director of the Bank with the approval of its Board of Directors, Ministry of Finance and State Bank of Pakistan, as the case may be, has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Managing Director is responsible for Bank's entire portfolio and considers the business to have a single operating segment. The Bank's assets allocation decisions are based on a single integrated corporate strategy and the Bank's performance is evaluated on an overall basis.

The internal reporting provided to the Managing Director for the Bank's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan. The Bank is domiciled in Pakistan. All of the Bank's income is derived from activities in Pakistan.

The Bank's entire shareholding is owned directly or indirectly by Government of Pakistan and the State Bank of Pakistan, which directly held 92.9% shareholding in the Bank (2010: 92.9%).

Bank's revenue for the year ended June 30, 2011 was derived from various customers where the quantum from the single customer did not exceed 10% of total revenue.

43 GEOGRAPHICAL SEGMENT ANALYSIS

	-----2011-----				-----2010-----			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies & Commitments	Profit before taxation	Total assets employed	Net assets employed	Contingencies & Commitments
	-----Rupees in '000 -----							
Pakistan	(3,009)	5,144,465	(27,901,180)	142,059	97,420	5,157,953	(27,963,787)	141,970
Others	-	-	-	-	-	-	-	-
	<u>(3,009)</u>	<u>5,144,465</u>	<u>(27,901,180)</u>	<u>142,059</u>	<u>97,420</u>	<u>5,157,953</u>	<u>(27,963,787)</u>	<u>141,970</u>

45 YIELD / INTEREST RATE RISK

Effective Yield / Interest rate	Total	2011				Not exposed to yield/ interest risk
		Exposed to Yield/Interest risk				
		Upto three months	Over three months to one year	Over one year to five years	Over five years	

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks	-	137,589	-	-	-	-	137,589
Balance with other banks	0 to 0.55	59,750	14,933	-	-	-	44,817
Lendings to financial institutions	7 to 12	75,567	75,567	-	-	-	-
Investments - net	7 to 14	2,864,998	-	2,864,998	-	-	-
Advances - net	5 to 13	102,122	-	102,122	-	-	-
Other assets	-	953,414	-	-	-	-	953,414
		4,193,440	90,500	2,967,120	-	-	1,135,820

Liabilities

Bills payable	-	20,096	-	-	-	-	20,096
Borrowings	8.5 to 14	22,553,874	2,199,880	-	-	-	20,353,994
Deposits and other accounts	7.6 to 9.5	3,274,523	1,385,738	1,542,650	229,046	117,089	-
Sub-ordinated loans	-	201,137	-	-	-	-	201,137
Other liabilities	7.6 to 9.5	6,104,354	188,868	-	-	-	5,915,486
		32,153,984	3,774,486	1,542,650	229,046	117,089	26,490,713

On balance sheet gap

	(27,960,544)	(3,683,986)	1,424,470	(229,046)	(117,089)	(25,354,893)
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Off balance sheet financial instruments

	-	-	-	-	-	-
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Effective Yield / Interest rate	Total	2010				Not exposed to yield/ interest risk
		Exposed to Yield/Interest risk				
		Upto three months	Over three months to one year	Over one year to five years	Over five years	

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks	-	150,299	-	-	-	-	150,299
Balance with other banks	-	64,681	-	-	-	-	64,681
Lendings to financial institutions	7 to 12	108,802	108,802	-	-	-	-
Investments - net	7 to 14	3,015,975	3,015,975	-	-	-	-
Advances - net	5 to 13	108,392	-	108,392	-	-	-
Other assets	-	701,760	-	-	-	-	701,760
		4,149,909	3,124,777	108,392	-	-	916,740

Liabilities

Bills payable	-	13,717	-	-	-	-	13,717
Borrowings	10 to 14	22,466,356	2,079,862	-	-	-	20,386,494
Deposits and other accounts	7.6 to 9.0	3,313,563	1,409,211	1,395,044	403,121	106,187	-
Sub-ordinated loans	-	201,137	-	-	-	-	201,137
Other liabilities	7.6 to 9.0	6,242,312	207,741	1,265,083	-	1,265,083	3,504,405
		32,237,085	3,696,814	2,660,127	403,121	1,371,270	24,105,753

On balance sheet gap

	(28,087,176)	(572,037)	(2,551,735)	(403,121)	(1,371,270)	(23,189,013)
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Off balance sheet financial instruments

	-	-	-	-	-	-
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Industrial Development Bank of Pakistan
Notes to the Financial Statements
For the year ended June 30, 2011

46 FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Banks foreign exchange exposure comprises foreign currency loans, foreign currency cash in hand, balance with banks abroad, foreign currency deposits and foreign currency placements with the SBP. Focus of the Banks foreign exchange activities is on catering to the needs of the customers.

Foreign exchange risk exposures of the Bank are controlled through appropriate policies. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities with in strict limit. The net open position in any single currency and the over all foreign exchange exposure are both managed within the statutory limits as prescribed by the SBP as well as the internal limits set by the Bank itself.

47 CURRENCY RISK

	2011				2010			
	Assets (gross of provision)	Liabilities	Off- balance sheet	Net currency exposure	Assets (gross of provision)	Liabilities	Off- balance sheet	Net currency exposure
----- Rupees in '000 -----								
Pakistan rupee	15,885,581	33,041,430	142,259	(17,298,108)	16,035,137	33,115,999	141,970	-17,222,832
United States dollar	100,254	4,199	-	96,055	131,752	5,630	-	126,122
Great Britain pound	3,952	16	-	3,936	3,500	113	-	3,387
Deutsche mark	966,229	-	-	966,229	808,940	-	-	808,940
Japanese Yen	20,597	-	-	20,597	18,601	-	-	18,601
	16,976,613	33,045,645	142,259	(16,211,291)	16,997,930	33,121,742	141,970	-16,265,782

48 RECLASSIFICATION

For the correct presentations the following comparative figures has been re-arranged and reclassified are as follows:

Reclassification from component	Reclassification to component	Rupees in '000
Leased hold land	Other assets- advance and prepayments	60,492

As the reclassification is not considered to be material, the Bank has not presented the statement of financial position as at the beginning of the earliest comparative period presented (i.e. June 30, 2010) and related notes have also not been presented as of the beginning of the earliest period presented (i.e. June 30, 2010).

49 DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on _____.

Chairman and Managing Director

Director

Director

Director