

INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2010

	Note	2010	2009
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	8	150,299	183,885
Balances with other banks	9	64,681	50,313
Lending to financial institutions	10	108,802	481,269
Investments	11	3,015,974	3,178,546
Advances	12	108,392	135,299
Operating fixed assets	13	123,390	120,568
Other assets	14	701,761	780,595
Assets in respect of Bangladesh	15	884,654	877,648
		5,157,953	5,808,123
LIABILITIES			
Bills payable	16	13,717	38,612
Borrowings from financial institutions and Government of Pakistan	17	22,466,356	22,305,318
Deposits and other accounts	18	3,313,563	3,796,797
Sub-ordinated loans	17.2.2	201,137	201,137
Liabilities against assets subject to finance lease		-	-
Other liabilities	19	6,242,312	6,759,038
Liabilities in respect of Bangladesh	20	884,655	877,648
		33,121,740	33,978,550
NET ASSETS		<u>(27,963,787)</u>	<u>(28,170,427)</u>
REPRESENTED BY:			
Share capital	21	157,000	157,000
Reserves	22	750,548	750,548
Accumulated losses		(28,616,693)	(28,712,158)
		(27,709,145)	(27,804,610)
Deficit on revaluation of assets	23	(263,786)	(374,961)
Special Development Assistance Fund	24	9,144	9,144
		<u>(27,963,787)</u>	<u>(28,170,427)</u>
CONTINGENCIES AND COMMITMENTS	25		

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, 2010

	2010	2009
	(Rupees in '000)	
Mark-up / return / interest earned	284,378	404,055
Mark-up / return / interest expensed	(537,511)	(689,973)
Net mark-up / interest expense	(253,133)	(285,918)
Provision against non-performing loans and advances :		
- principal	58,252	95,415
- interest / mark-up	6,964	63,892
- lease assets	-	-
Bad debts written off directly - Principal	-	(1)
- Interest / Mark-up	(2)	(60)
Provision for diminution in the value of investments - net	50	-
	65,264	159,246
Net mark-up / interest (loss) after provision	(187,869)	(126,672)
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	6,588	8,244
Dividend income	54,660	61,070
Gain on sale of investments - net	14,781	1
Gain on dealing in foreign currencies	963	8,513
Other income	400,301	344,307
Total non-markup / interest income	477,293	422,135
	289,424	295,463
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	(196,798)	(180,890)
Voluntary Separation Scheme expenses	(2,320)	(20,431)
Reversal of provision against retirement benefits	6,856	47,123
Provision against other assets	924	(22)
Other charges	(666)	(997)
Total non-markup / interest expenses	(192,004)	(155,217)
PROFIT / (LOSS) BEFORE TAXATION	97,420	140,246
Taxation - for current year	(1,955)	(2,151)
- for prior years	-	-
	(1,955)	(2,151)
PROFIT / (LOSS) AFTER TAXATION	95,465	138,095
Accumulated loss brought forward	(28,712,158)	(28,850,253)
	(28,616,693)	(28,712,158)
APPROPRIATIONS:		
Transfer to:		
Statutory reserve	-	-
Capital reserve	-	-
Revenue reserve	-	-
Cash dividend Rs. Nil per share (2009 : Nil)	-	-
Others	-	-
	-	-
Accumulated loss carried forward	(28,616,693)	(28,712,158)
Basic and diluted Profit / (loss) per share	60.81	87.96

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
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		97,420	140,246
Less: Dividend income		(54,660)	(61,070)
		42,760	79,176
Adjustment for non-cash charges			
Depreciation		5,621	6,502
Amortization of premium on purchase of securities		58,660	58,660
Bad debts written off directly (principal & mark-up)		2	61
Provision against non-performing advances		-	-
- Principal		(58,252)	(95,415)
- Interest / mark-up		(6,964)	(63,892)
- Other assets		(973)	22
Gain on sale of fixed assets		(306)	(2,126)
		(2,212)	(96,188)
		40,548	(17,012)
(Increase) / decrease in operating assets			
Lending's to financial institutions		372,467	118,731
Advances		92,042	78,010
Other assets (excluding advance taxation)		79,887	535,598
		544,396	732,339
Increase / (decrease) in operating liabilities			
Bills payable		(24,895)	9,141
Borrowings from financial institutions and Government of Pakistan		161,038	(237,503)
Deposits		(483,234)	(840,322)
Other liabilities		(516,726)	(400,751)
		(863,817)	(1,469,435)
		(278,873)	(754,108)
Income tax refunded		-	-
Income tax paid		(1,954)	(2,151)
Net cash flow from operating activities		(280,827)	(756,259)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		15,086	(3,730)
Net investment in held-to-maturity securities		200,000	690,000
Dividend received		54,660	61,070
Investments in operating fixed assets		(8,485)	(2,741)
Sale proceeds of assets disposed - off		348	2,917
Net cash flow from investing activities		261,609	747,516
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of sub-ordinated loan		-	-
Receipts / payments of lease obligations		-	-
Net cash flow from financing activities		-	-
Effects of exchange rate changes on cash and cash equivalents		-	-
Increase / (decrease) in cash and cash equivalent		(19,218)	(8,743)
Cash and cash equivalents at beginning of the year		234,198	242,941
Cash and cash equivalents at end of the year	34	214,980	234,198

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, 2010

	Share Capital	Reserves			Accumulated loss	Total
		Capital	Statutory	Revenue		
----- (Rupees in '000) -----						
Balance as at July 1, 2008	157,000	157,601	4,668	588,279	(28,850,253)	(27,942,705)
Net profit for the year	-	-	-	-	138,095	138,095
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year					138,095	138,095
Transfer to statutory reserves	-	-	-	-	-	-
Balance as at June 30, 2009	157,000	157,601	4,668	588,279	(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	(28,616,693)	(27,709,145)

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 OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010**

(Rupees in '000)

	June 2010	June 2009
Profit after taxation	95,465	138,095
Other comprehensive income	-	-
Comprehensive income transferred to equity	95,465	138,095
Components of comprehensive income not reflected in equity		
Surplus on revaluation of available for sale investments	116,049	52,930
	116,049	52,930

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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 **15 (2009: 17)** branches in Pakistan.

The Federal Government has 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) stand transferred to and vested in the Bank from that date. The Bank as per provisions of the Scheme, has converted the net assets value of the ICP (defunct) as of the effective date into the credit balance of ex-shareholder 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 public company viz. Industrial Development Bank Limited (IDBL) has been incorporated on April 10, 2007 under the Companies Ordinance 1984. However pending issuance of vesting order by the Federal Government ascribing the value of assets and liabilities to be transferred to IDBL. Meanwhile in compliance of the Supreme Court Order, a bill namely IDBP (Re organization & Conversion) bill 2009 has now been introduced in the National Assembly and the Senate, which has been by the National Assembly to its committee for Finance and Revenue. The standing committee has cleared the bill which shall now come-up for adoption in the National Assembly in due course. Moreover as at June 30, 2010, the total liabilities of the bank amounted to Rs. 33,122 million (2009: Rs.33,979 million) as against total assets of Rs.5,158 million (2009 Rs.5,808 million). The negative shareholders equity as at June 30, 2010 is Rs. 27,964 million (2009: Rs.28,170 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 historical cost basis for the reason that the new entity will be the successor of the bank.

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.

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 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 State Bank of Pakistan (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 SBP differs with the requirements of these International Financial Reporting Standards, 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 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. 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 of the format prescribed by the State Bank of Pakistan through various circulars.

5. STANDARDS, AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING

5.1 Standards effective in the year ended June 30, 2010:

The following standards, amendments and International Financial reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2009:

(i) IAS 1 (Revised), 'Presentation of Financial Statements' (effective January 1, 2009)

IAS 1 (Revised) prohibits the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (the statement of comprehensive income and statement of other comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the earliest comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The company has applied IAS 1 (Revised) from July 1, 2009 and elected to present two performance statements (the statement of comprehensive income and statement of other comprehensive income).

(ii) IFRS 7 'Financial instruments - Disclosures' (amendment) (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change only results in additional disclosures, the amendment is not expected to have a significant effect on the company's financial statements as given in note 38, 39, 40, 41 and 42.1 to these financial statements.

(iii) IFRS 8. 'Operating Segments'. IFRS 8 replaces IAS 14. 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Under IFRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, which in the case of Bank is Managing Director with the approval of Board of Directors, Ministry of Finance and State Bank of Pakistan, as the case may be. The management has determined that the Bank has a single reportable segment as the Managing Director views the Bank's operations as one reportable segment. The adoption of this standard has therefore only resulted in some additional entity wide disclosures as given in note 42.3 to these financial statements. There is no impact on earnings per share.

5.2 Adoption of new & revised standards & interpretations:

Standards and interpretation that become effective but not relevant to the company.

The following standards (revised or amended) and interpretation become effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company.

IFRS 3	Business combinations (Revised)
IAS 27	Consolidated and separate financial statements (amendments)
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 17	Distributions of non-cash assets to owners

5.3 Standards, amendments and interpretations issued but not yet effective:

The details of new accounting standards and amendments in the approved accounting standards in so far refer as they are applicable to the Company a given below along with the effective date mentioned there against.

		Effective for periods beginning on or after
IAS 24	Related Party Disclosures (Revised)	January 1, 2011
IAS 32	Financial instruments: Presentation - Amendments Relating to Classification of Rights Issues	February 1, 2010
IFRS 2	Share-based Payment: Amendments relating to Group Cash - Settled Share-based Payment Transactions	January 1, 2010
IFRIC 14	The limit on a Defined benefit Asset, Minimum	January 1, 2011
IAS 19	Funding requirements and their Interaction (Amendments)	
IAS 19	Funding Requirements and their Interaction	July 1, 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact on the Company's financial statements except for increased disclosures.

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 6.2 and certain staff retirement benefits at present value.

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 described in note 45 to these financial statements.

Functional currency and presentation currency

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 Cash and cash equivalents

Cash and cash equivalents include cash and balance with treasury and other banks.

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 State Bank of Pakistan, the Bank classifies its investment portfolio into 'Held to Maturity' and 'Available for Sale' securities 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 them till maturity.

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.

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 portfolio 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 taken to the profit and loss account.

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 including contingency provision referred to in note 7.11. The bank determines the amount of provision for loan losses on the basis of provisioning criteria prescribed by the SBP under Prudential Regulations.

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

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.

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 for owned assets

Depreciation charge, except for furniture, fixture and office equipment, is based on straight-line method whereby the cost of the fixed assets is written off over its estimated useful life. Depreciation charge for furniture, fixture and office equipment is based on diminishing balance method.

Depreciation for 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.

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

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

7.6.1 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.

7.6.2 Deferred

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

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

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 provides post retirement pension scheme to its employees. Provision is made on the basis of actuarial valuation and such latest valuation was carried out as at June 30, 2010 using Projected Unit Credit Method.

- **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 pay

7.7.1 Post retirement medical benefits

The Bank also provides post retirement medical benefits to its employees. Provision is made on the basis of actuarial valuation and such latest valuation was carried out as at June 30, 2010 using Projected Unit Credit method.

7.7.2 Employees' compensated absences

The Bank makes provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees estimated on the basis of actuarial valuation and such latest valuation was carried out as at June 30, 2010.

7.12 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 State Bank of Pakistan

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

Dividend income is recognized on the declaration of dividend.

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

Refund claims from the SBP are recognized on the basis of confirmation received there from.

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.

7.13 Financial instruments

7.13.1 Financial assets & liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks; lending to financial institutions and other institutions, investments, advances, certain receivables, bills payable, borrowings, from financial institutions, 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.

7.13.2 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.

7.14 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, 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.

7.15 Transactions with related parties/associated companies

Transactions between the Bank and its related parties/associated undertakings are carried out on an arm's length basis. These prices are determined in accordance with the methods prescribed in the International Financial Reporting Standards.

Note **2010** **2009**
(Rupees in '000)

8. CASH AND BALANCES WITH TREASURY BANKS

In hand			
- Local currency		27,674	32,723
- Foreign currency		845	703
- Cash In Transit		2,500	-
With State Bank of Pakistan in	8.1		
- Local currency current account		95,735	126,439
- Foreign currency current account		2,656	2,596
- Foreign currency deposit account		12,076	11,056
With National Bank of Pakistan in			
- Local currency current account		8,813	10,368
- Foreign currency current account		-	-
		<u>150,299</u>	<u>183,885</u>

8.1 Includes deposits with State Bank of Pakistan maintained in accordance with the requirements issued from time to time.

9. BALANCES WITH OTHER BANKS

In Pakistan			
- On current account		16,320	6,383
- On deposit account		918	830
Outside Pakistan			
- On current account		-	-
- On deposit account	9.1	47,443	43,100
		<u>64,681</u>	<u>50,313</u>

9.1 These represent various foreign currency placements with foreign banks at the rate of interest 2010: - Nil - (2009: 0.25% to 1.53% per annum).

2010 **2009**
(Rupees in '000)

10. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lending	10.2	20,000	399,498
Placement by agreement	10.3	88,802	81,771
Repurchase agreement lendings		-	-
		108,802	481,269

10.1 Particular of lendings

In local currency		108,802	481,269
In foreign currency		-	-
		108,802	481,269

10.2 This carries markup rate of 12.40% (2009:13.50%) per annum and will mature on 2nd July 2010.

10.3 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.

	2010			2009		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
11. INVESTMENTS						
11.1 Investments by types						
Available-for-sale securities						
Market Treasury Bills	-	-	-	-	-	-
Pakistan Investment Bonds	910,716	2,079,862	2,990,578	793,491	2,255,746	3,049,237
Federal Investment bonds	-	-	-	-	-	-
<i>Fully paid-up ordinary shares:</i>						
Listed companies	339,460	-	339,460	356,301	-	356,301
Unlisted companies	13,871	-	13,871	13,871	-	13,871
Term Finance Certificates						
	1,264,047	2,079,862	3,343,909	1,163,663	2,255,746	3,419,409
Held-to-maturity securities						
Short term deposits with banks and financial Institutions	-	-	-	200,000	-	200,000
Debentures	222	-	222	222	-	222
	222	-	222	200,222	-	200,222
Subsidiary						
Pakistan Industrial Development Financial Services (Private) Limited - wholly owned subsidiary	2,500	-	2,500	2,500	-	2,500
Other Investments:						
National Investment Trust Units	17,495	-	17,495	15,791	-	15,791
Investment at cost	1,284,264	2,079,862	3,364,126	1,382,176	2,255,746	3,637,922
<i>Less : Provision for diminution in value of investments</i>	(84,366)	-	(84,366)	(84,415)	-	(84,415)
Investment net of provision	1,199,898	2,079,862	3,279,760	1,297,761	2,255,746	3,553,507
Surplus/(deficit) on revaluation of securities	(263,786)	-	(263,786)	(374,961)	-	(374,961)
Investment after revaluation of available for sale	936,112	2,079,862	3,015,974	922,800	2,255,746	3,178,546

	Note	2010 (Rupees in '000)	2009
11.2 Investments by segments:			
<i>Federal/Provincial Government Securities:</i>			
Pakistan Investment Bonds	11.7	2,990,578	3,049,237
<i>Fully paid-up ordinary shares:</i>			
Listed companies	11.4	339,460	356,301
Unlisted companies	11.5	13,871	13,871
<i>Debentures</i>		222	222
<i>Other Investments:</i>			
National Investment Trust Units		17,495	15,791
Short term deposits with banks and financial Institutions		-	200,000
Subsidiaries			
Pakistan Industrial Development Financial Services (Private) Limited - wholly owned subsidiary		2,500	2,500
Investment at cost		3,364,126	3,637,922
<i>Less :Provision for diminution in value of investments</i>	11.3	(84,366)	(84,415)
Investment net of provision		3,279,760	3,553,507
<i>Less:(Deficit) / surplus on revaluation of investments</i>	24	(263,786)	(374,961)
Investment after revaluation of available for sale		3,015,974	3,178,546
11.3 Particulars of provision for diminution in value of investments			
Opening balance		84,415	84,417
Charge for the year		-	-
Reversals/Adjustments		(49)	(2)
Closing balance		(49)	(2)
Closing balance		84,366	84,415
11.3.1 Particulars of provision in respect of type and segment			
Quoted companies		77,622	77,671
Un-quoted companies		4,022	4,022
Debentures		222	222
Subsidiaries		2,500	2,500
		84,366	84,415

11.4 Particulars of investments held in listed Companies

SR.#	COMPANY NAME	Amount in '000	
		HOLDING Numbers	COST OF INVESTMENT Rupees
<u>QUOTED COMPANIES</u>			
<u>OPEN END MUTUAL FUNDS</u>			
1	PAKISTAN CAPITAL MARKET FUND	5,293	64
		5,293	64
<u>OIL & GAS PRODUCERS</u>			
1	ATTOCK REFINERY LIMITED	14,875	-
2	PAKISTAN OILFIELD LIMITED	58	-
3	PAKISTAN REFINERY LIMITED	3,059	4
4	PAKISTAN STATE OIL COMPANY LIMITED	1,065,886	191,875
5	O.G.D.C.	8,609	1,279
6	PAKISTAN OILFIELD LIMITED	6,214	1,836
7	PAKISTAN PETROLEUM LIMITED	3,716	674
8	EASTERN REFINERY	400	-
		1,102,817	195,669
<u>CHEMICALS</u>			
1	DAWOOD HERCULES CHEMICALS LIMITED	28	-
2	ENGRO CORPORATION LIMITED	9,354	597
3	GATRON (INDUSTRIES) LIMITED	400	15
4	PAK FIBRE INDUSTRIES LIMITED	100	0
5	SIND ALKALIS LIMITED	14,405	160
6	BOC PAKISTAN LIMITED	3,665	517
7	FAUJI FERTILIZER BIN QASIM	16,028	446
8	FAUJI FERTILIZER COMPANY	78,370	6,871
9	LOTTE PAKISTAN PTA LTD	7,065	40
10	PAK PVC	1,110,000	1,943
11	CHEMICAL IND. PAK	73	-
12	CHEMPHAR PAKISTAN	134,895	-
13	HUB PETRO CHEMICALS	2,100	18
14	SYNTHETIC CHEMICALS	7,154	-
		1,383,637	10,606
<u>FORESTRY AND PAPER</u>			
1	ABSON INDUSTRIES LIMITED	1,000	3
2	ADAMJEE PAPER BOARD	90,489	222
3	ALLIED PAPER IND.	50	-
4	CHILYA C. BOARD	150	-
5	EAGLE BOX CARTON	50	-
6	KARNAPHULI PAPER	400	-
7	PAKISTAN PAP CORPN.	542,909	-
		635,048	224
<u>INDUSTRIAL METALS AND MINING</u>			
1	CRESCENT STEEL & ALLIED PRODUCTS LTD	64	-
2	HUFFFAZ SEAMLESS PIPE INDUSTRIES LTD.	1,504	25
3	INTERNATIONAL INDUSTRIES LIMITED	108	-
		1,676	25
<u>CONSTRUCTION AND MATERIALS</u>			
1	BERGER PAINTS	720	7
2	CENTRAL FOREST PRODUCTS LIMITED	100	0
3	CHERAT CEMENT COMPANY LIMITED	356	6
4	DADABHOY CEMENT INDUSTRIES LIMITED	25	1
5	DADABHOY CONSTR TECH LTD(PAK GERMEN)	100	0
6	JAVEDAN CEMENT LIMITED	100	1
7	KAUSAR PAINTS LIMITED	100	0
8	KOHAT CEMENT CO. LTD	300	-

SR.#	COMPANY NAME	Amount in '000	
		HOLDING Numbers	COST OF INVESTMENT Rupees
9	MAPLE LEAF CEMENT FACTORY LIMITED	5,137	64
10	MINERAL GRINDING MILLS LIMITED	7,300	6
11	MUSTEHKAM CEMENT LIMITED	15	0
12	PIONEER CEMENT LIMITED	8,903	82
13	SHABBIR TILES & CERAMICS LIMITED	4,613	50
14	DADABHOY CEMENT INDUSTRIES LIMITED	13,800	97
15	FAUJI CEMENT COMPANY	4,190	85
16	LUCKY CEMENT LIMITED	5,874	615
		51,633	1,016
GENERAL INDUSTRIALS			
1	GHANI GLASS	175	-
2	THAL LIMITED (THAL JUTE MILLS)	3,050	-
		3,225	-
INDUSTRIAL ENGINEERING			
1	MILLAT TRACTORS LIMITED	20	-
2	PAKISTAN ENGINEERING COMPANY LIMITED	128,220	1,041
3	BALUCHISTAN FOUNDRY.	149,034	0
4	NOWSHERA ENGINEERING	742	-
5	RCD BALL BEARING	93,073	-
6	SARTAJ ENGINEER	55	-
		371,144	1,041
INDUSTRIAL TRANSPORTATION			
1	PAKISTAN NATIONAL SHIPPING CORPORATION	2,158	4
2	THE PAN ISLAMIC STEAMSHIP COMPANY LTD	306	8
3	TRI-STAR SHIPPING LINES LIMITED	1,349,750	12,652
4	K.R.T.C.	10	-
		1,352,224	12,664
AUTOMOBILE AND PARTS			
1	ATLAS BATTERY LIMITED	53	-
2	BELA ENGINEERS LIMITED	44,705	367
3	GHANDHARA NISSAN LIMITED	1,172	-
4	HONDA ATLAS CARS (PAKISTAN) LIMITED	850	9
5	INDUS MOTOR COMPANY LIMITED	300	16
6	TAGA PAKISTAN LIMITED	600	1
7	TRANSMISSION ENGINEERING INDUSTRIES LT	2,000	13
		49,680	404
BEVERAGES			
1	MURREE BREWERY CO. LTD	122	-
		122	-
FOOD PRODUCERS			
1	ANSARI SUGAR MILLS LIMITED	45,801	148
2	CHASHMA SUGAR MILLS LIMITED	200	2
3	DATA AGRO LIMITED	6,000	5
4	FAZAL VEGETABLE GHEE MILLS LIMITED	20,465	606
5	KOHINOOR SUGAR MILLS LIMITED	15	0
6	MIAN MOHAMMED SUGAR MILLS LIMITED	1,000	1
7	MORAFKO INDUSTRIES LIMITED	6,666	122
8	MUSLIM GHEE MILLS LIMITED	5,000	10
9	NOON PAKISTAN LIMITED	1,886	-
10	PAKISTAN DAIRIES LIMITED	700	2
11	SURAJ GHEE INDUSTRIES LIMITED	2,002	23
12	UNIVERSAL OIL&VEGETABLE GHEE MILLS LTD	10,000	249
13	BAWANY SUGAR MILLS	3,500	22
14	COLONY SUGAR MILLS LTD	31,940	-
15	MIRZA SUGAR MILLS	4,396	12

SR.#	COMPANY NAME	HOLDING Numbers	Amount in '000
			COST OF INVESTMENT Rupees
16	SAKRAND SUGAR MILLS	9,500	29
17	BAKER FOOD IND.	9,000	2
18	BENZ INDUSTRIES LTD	300	4
98	SARHAD GHEE MILL	13,600	159
		171,971	1,394
HOUSEHOLD GOODS			
1	CASS PAK INDUSTRIES LIMITED	84,900	260
2	HALA ENTERPRISES LIMITED	2,310	4
3	MYFIP VIDEO INDUSTRIES LIMITED	90,000	495
4	PAK ELEKTRON LTD	525	-
5	REGAL CERAMICS LIMITED	11,491	103
6	TURBO TEC LIMITED	14,000	13
7	REFRIGERATORS MFG. CO.	367	0
8	ASLO ELECTRICAL.	4,500	-
9	AUTOMOTIVE EQUIPMENT	38,524	1
10	ELECTRIC LAMP	2,900	4
11	GREAVES AIRCONDITION	5,000	23
12	HYDERABAD ELECTRONIC	171,300	642
13	PUNJAB LAMP WORKS	400	1
14	REX BAREN BATERIES	500	6
15	PRINCE GLASS WORKS	27,968	751
16	USMANIA GLASS SHEET	1,569	-
		456,254	2,301
PERSONAL GOODS			
1	ALIF TEXTILE INDUSTRIES LIMITED	100,250	439
2	AL-QAIM TEXTILE MILLS LIMITED	6,400	9
3	AMAZAI TEXTILE MILLS LIMITED	15,500	40
4	APEX FABRICS LIMITED	500	0
5	ASIM TEXTILE MILLS LIMITED	51,000	190
6	AWAN TEXTILE MILLS LIMITED	28,800	46
7	AYAZ TEXTILE MILLS LIMITED	48,300	68
8	AZAM TEXTILE MILLS LIMITED	100	0
9	AZMAT TEXTILE MILLS LIMITED	2,299	4
10	BLESSED TEXTILES LIMITED	1,200	45
11	COLONY WOOLLEN MILLS LIMITED	44	0
12	CRESCENT JUTE PRODUCTS LIMITED	6	0
13	CRESCENT SPINNING MILLS LIMITED	33,143	271
14	DAWOOD LAWRENCEPUR LTD	111	-
15	DEWAN MUSHTAQ TEXTILE MILLS LTD	88	-
16	DIN TEXTILE MILLS LIMITED	900	22
17	FAISAL SPINNING MILLS LIMITED	1,100	29
18	FATIMA ENTERPRISES LIMITED	5,286	37
19	FAWAD TEXTILE MILLS LIMITED	19,900	111
20	GHANI VALUE GLASS	100	1
21	GHULAM MUHAMMED DADABHOY LIMITED	3,200	6
22	HARNAI WOOLLEN MILLS LIMITED	304	1
23	IDEAL SPINNING MILLS LIMITED	1,300	12
24	ITTEFAQ TEXTILE MILLS LIMITED	631	29
25	ITTI TEXTILES LIMITED	10,400	20
26	JUNAID COTTON MILLS LIMITED	7,400	17
27	KARIM COTTON MILLS LIMITED	22,989	46
28	KARIM SILK MILLS LIMITED	1,381	1
29	KHYBER TEXTILE MILLS LIMITED (F.P.)	31	0
30	KOHINOOR LOOMS LIMITED	25,600	58
31	KOHINOOR MILLS LTD	320	-
32	LIBAAS TEXTILE LIMITED	100	1
33	LIBERTY MILLS LTD	256	-
34	MASOOD TEXTILE MILLS LIMITED	1,050	15
35	MEHRAN JUTE MILLS LIMITED	313,758	926

SR.#	COMPANY NAME	HOLDING Numbers	Amount in '000
			COST OF INVESTMENT Rupees
36	MOHIB EXPORTS LIMITED	124,719	1,231
37	N. P. SPINNING MILLS LIMITED	3,000	-
38	NATIONAL FIBRES LIMITED	5,200	187
39	NISHAT MILLS LTD	9,284	275
40	NISHAT(CHUNIAN) LIMITED	423	4
41	NORRIE TEXTILE MILLS LIMITED	100	0
42	PARAMOUNT SPINNING MILLS LIMITED	717	7
43	PROSPERITY WEAVING MILLS LTD	700	-
44	QAYYUM SPINNING MILLS LIMITED	100	0
45	QUALITY TEXTILE MILLS LIMITED	212	-
46	SCHON TEXTILES LIMITED	16,180	111
47	SERVICE FABRICS LIMITED	300	2
48	TAJ TEXTILE MILLS LIMITED	400	4
49	TATA TEXTILE MILLS LTD	285	-
50	TAWAKKAL GARMENT INDUSTRIES LIMITED	610,706	3,232
51	TAWAKKAL LIMITED	165,240	498
52	TAWAKKAL POLYESTER INDUSTRIES LIMITED	182,936	450
53	THE BAHAWALPUR TEXTILE MILLS LIMITED	1,049	2
54	ZAHUR TEXTILE MILLS LIMITED	2,392,251	22,902
55	BROTHERS TEXTILE MILLS	13,482	40
56	COLONY MILLS LIMITED	148,610	1,263
57	HAJI MUHAMMAD ISMAIL MILLS	389,025	3,704
58	KHURSHID SPINNING MILLS	6,100	12
59	KOHINOOR INDUSTRIES LTD	9,345	125
60	MOHAMMAD FAROOQ TEXTILE	4,139	27
61	MEHMOOD TEXTLE	428,337	2,254
62	PAKISTAN SYNTHETICS	2,277	18
63	REDCO TEXTILE	147,400	1,474
64	SAHRISH TEXTILE MILLS	10,808	19
65	SIND FINE TEXTILE	100,000	300
66	SUN SHINE COTTON	144,270	1,472
67	TAJ TEXTILE MILLS LIMITED	4,500	12
68	YOUSAF WEAVING MILLS	2,182	13
69	ADAMJEE JUTE MILLS	200	-
70	AMIN JUTE MILLS	246	-
71	CHANDPUR JUTE	670	-
72	CHITTAGONG JUTE MFG	600	-
73	JESSORE JUTE ORD.	100	-
74	JESSORE JUTE PREF.	100	-
75	LATIF BAWANY JUTE	500	-
76	MEGHNA JUTE	1,550	-
77	PAK JUTE MILLS	1,712	-
78	R.R.JUTE	850	-
79	R.R.TEXTILES	375	-
80	UNITED JUTE MILLS	2,500	2
81	H.M.SILK MILLS LTD.	9,703	0
82	NILOM NYLON MILLS	20	0
83	AKBER COTTON MILLS	100	-
84	AL-AMIN TEXTILE.	34,000	0
85	CALICO COTTON	5,100	22
86	CENTRAL COTTON	55,241	279
87	CROWN TEXTILE	16,000	25
88	DAWOOD FIBRE MILLS LTD.(AISHA COTTON)	24,200	41
89	KOHINOOR COTTON.	1,277	-
90	MOHIB TEXTILE	543,185	15,199
91	NUSRAT TEXTILE	338,700	1,844
92	SHAHYAR OE TEXTILE	73,242	356
93	SHAHYAR TEX MILLS.	21,711	0
94	SUNRISE TEXTILE	35,100	28
95	TANGAIL COTTON	200	-
96	UNIVERSAL TEXTILE	20	0

SR.#	COMPANY NAME	HOLDING Numbers	Amount in '000
			COST OF INVESTMENT Rupees
97	ZAFAR TEX.(UNIT.COT)	1,249	2
98	NAVEED TEXTILE	3,500	23
99	AFSAR TEXTILE MILLS	12,899	-
100	AHMED BAWANY RS.5/=	520	-
101	AKBAR TEXTILE MILLS	335	-
102	ALLIED TEX MILLS	5,204	-
103	AMIN TEXTILES	148	-
104	BALUCHISTAN TEXTILE	67,579	-
105	DANNEMANN FABRICS	12,300	18
106	GHAFUR TEXTILE	200	-
107	KARANAPHULI RAYON	2,200	-
108	KHAIRPUR TEXTILE	200	-
109	MARR FABRICS	6,800	21
110	NOOR TEXTILE LTD	200	-
111	PEARL FABRIC	247,300	734
112	SATRANG TEXTILE MILL	1,440	-
113	SUNSHINE CLOTH	329,350	3,306
114	ZEENAT TEXTILE MILL	50	-
115	FATIMA TEXTILE MILLS	500	-
		7,487,200	63,985
HEALTH CARE EQUIPMENT AND SERVICES			
1	MEDI GLASS LIMITED	400	1
		400	1
PHARMA AND BIO TECH			
1	ABBOTT LABORATORIES (PAKISTAN) LTD	1,012	-
2	FEROZSONS LABORATORIES LIMITED	2,277	-
3	GLAXOSMITHKLINE PAKISTAN LTD(GLAXO WL)	55	-
		3,344	-
FIXED LINE TELECOMMUNICATION			
1	PAKISTAN TELECOMMUNICATION COMPANY LTD	33,697	1,496
2	WORLDCALL TELECOM LIMITED	10,060	38
		43,757	1,534
ELECTRICITY			
1	GENERTECH PAKISTAN LIMITED	1,000	14
2	THE HUB POWER COMPANY LIMITED	43,708	1,189
3	TRI-STAR POWER LIMITED	500	-
4	KOT ADDU POWER CO	8,000	344
5	SOUTHERN ELECTRIC POWER	11,171	67
		64,379	1,614
GAS WATER AND MULTIUTILITIES			
1	SUI NORTHERN GAS PIPELINES LIMITED	277,171	7,998
		277,171	7,998
BANKS			
1	ROYAL BANK OF SCOTLAND	470	-
2	ALLIED BANK LIMITED	44	-
3	ASKARI BANK LIMITED(ASKARI COMMERCIAL B)	44,204	1,302
4	ATLAS BANK	5,116	46
5	BANK AL HABIB LIMITED	1,327	2
6	BANK ALFALAH LIMITED	6,143	148
7	BANK OF PUNJAB	24,630	1,275
8	FAISAL BANK LIMITED	29,178	1,315
9	HABIB METROPLITION BANK LTD	65	-
10	JS.BANK.LTD.	2,227	22
11	KASB BANK LIMITED (PLATINUM COMM.BANK)	1,457	12
12	MCB BANK LIMITED	12,773	2,455

SR.#	COMPANY NAME	Amount in '000	
		HOLDING Numbers	COST OF INVESTMENT Rupees
13	MYBANK LIMITED (BOLAN BANK)	1,047	10
14	NIB BANK LIMITED(NDLC-IFIC BANK)	75,123	380
15	SONERI BANK LTD.	15,814	192
16	SILK BANK (SAUDI PAK COM.BK)	2,666	50
17	ROYAL BANK (ABN A/PRIME COMM)	5,685	321
18	NATIONAL BANK OF PAKISTAN	13,062	1,972
		241,031	9,502
NON LIFE INSURANCE			
1	ADAMJEE INSURANCE COMPANY LIMITED	21	-
2	ATLAS INSURANCE LTD	91	-
3	BUSINESS & INDUSTRIAL INSURANCE CO LTD	1,000	2
4	CENTRAL INSURANCE COMPANY LIMITED	181	-
5	CENTURY INSURANCE COMPANY LIMITED	303	-
6	DELTA INSURANCE COMPANY LIMITED	4,000	30
7	EFU LIFE ASSURANCE LIMITED	10	-
8	HABIB INSURANCE COMPANY LIMITED	414	-
9	NEW JUBILEE INSURANCE COMPANY LIMITED	24	-
10	PAKISTAN NORTHERN INSURANCE CO. LTD.	2,558	3
11	RELIANCE INSURANCE CO. LTD	13	-
12	STANDARD INSURANCE COMPANY LIMITED	200	4
		8,815	39
FINANCIAL SERVICES			
1	ASKARI LEASING LIMITED	-	-
2	DADABHOY LEASING COMPANY LIMITED	18,958	41
3	ENGLISH LEASING LIMITED	100	1
4	FIRST CAPITAL SECURITIES COR.LTD	1,623	-
5	FIRST DAWOOD INV.BANK(DAWOOD LEASING)	59	1
6	IGI INVESTMENT BANK LTD.(F.INT.INV.BK)	2,296	21
7	TRUST INVESTMENT BANK (TRUST L/L&IB)	1,466	-
8	CAPITAL ASSETS	440,625	3,750
9	ESCORT INV.BANK	13,477	228
10	INTERASIA	250,000	2,500
11	INNOVATIVE INV. BANK LTD	662	735
12	BANKERS EQUITY	69,030	325
13	INDUS BANK	3,200	3
14	COMMERCE BANK	15	-
		801,511	7,605
EQUITY INVESTMENT INSTRUMENTS			
1	B.R.R. GUARDIAN MODARABA (BRR INT.MOD)	1,108	6
2	FIRST DADABHOY MODARABA	250,000	2,211
3	FIRST HABIB BANK MODARABA	496	4
4	FIRST INTERFUND MODARABA	1	-
5	FIRST TAWAKKAL MODARABA	265,500	111
6	GOLDEN ARROW SELECTED STOCKED FUND LTD	12,502	-
7	JS GROWTH FUND LTD	5,746	-
8	JS VALUE FUND LTD	1,080	-
9	LONG TERM VENTURE CAPITAL MODARABA	351,176	1,039
10	PICIC INVESTMENT FUND LTD	12,694	-
11	STANDARD CHARTERED MOD.(GRNDLYS M.1ST)	566	8
12	TRUST MODARABA	190	2
13	UNICAP MODARABA	600	0
14	GOLDEN ARROW	1,134,154	3,380
15	INVESTEC MODARBA IST	2,212	2
16	PAKISTAN PREMIER FUND	14,970	167
17	PICIC GROWTH FUND	25,377	829
18	PICIC INVESTMENT FUND	13,797	206
19	UNITY MODARABA	1,000,000	10,000

SR.#	COMPANY NAME	HOLDING	Amount in '000	
			Numbers	COST OF INVESTMENT Rupees
20	JS GROWTH FUND (UTP GROWTH FUND)	22,679		318
21	L.T.V. REDEEMABLE CAPITAL CERTIFICATES	133,178		3,070
22	PREMIER MODARABA 1ST.	9,600		19
		3,257,626		21,370
MISCELLANEOUS				
1	ADAMJEE FLOORING	11,000		27
2	ADAMJEE INDUSTRIES	5,344		-
3	AL-HUSSANY IND.	4,000		9
4	AMIN AGENCIES 1947	100		-
5	ARAG IND. PREF.	53,800		-
6	ARAG INDUSTRIES	10,472		-
7	ASWAN TENTAGE CANVAS	39,200		39
8	ATLAS EPAK	1,272		-
9	EAST PAK COLD STORAG	125		-
10	FULBRITE PAK LTD	7,362		-
11	GALFRA HABIB	100		-
12	GAMMON EAST PAK.	40		-
13	GILLENDEERS ARBUTHNOT	2,999		-
14	GRACE INDUSTRIES	1,600		-
15	GULBERG TEXTILE	256		-
16	GYPSUM CORPORATION.	5,100		-
17	HAJI SHEIKH MUHAMMAD HUSSAIN COMPANY	6,562		-
18	HAMRAZ INDUSTRIES.	19,550		95
19	I.P.S. OF PAKISTAN	50,059		-
20	KARACHI PIPE MILLS	13,900		136
21	KAYTEX MILLS LTD,	4,500		45
22	MULTIPOLE IND.	17,500		41
23	NAT. MATCH FACTORYTR	200		-
24	PAK CHOROME MINES	1,390		8
25	PAK INDUSTRIAL GAS	310		-
26	PAKISTAN ROPE WORKS	220		-
27	PUNJAB BUILDING LTD.	3,685		2
28	RALLI PAKISTAN LTD.	50		-
29	SAIFEE DEV.CORPN.	25		-
30	SUN PUBLICATION	23,044		-
31	BURMAH EASTERN	730		-
		284,495		403
GRAND TOTAL INVESTMENT PORTFOLIO		18,054,453		339,460

11.4.1 Quoted equity securities

The above includes an amount of Rs. 76.926 million (2009: Rs.76.910 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, 2010. 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, 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 Privatisation Commission (P.C) for sale of the ICP (defunct)'s 6,656 shares of Morafco Industries Limited through P.C. 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 P.C. However, no response has been received from the Privatisation Commission 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	----- 2010 -----	
	Holding (Number of shares)	Market Value (Rupees in '000')
- Shares held on behalf of Pakistani Dormant Account Holders	2,024,316	23
- Shares held on behalf of Ex-Account Holders under Litigation	11,678	43
- Shares held on behalf of ICP Account Holders (Former East Pakistan)	83,819	294
- Shareholding in Former East Pakistani Companies	1,398,441	-
- Unclaimed Bonus Shares (Bonus shares received on shares sold / disposed off)	384,800	9,645
- Unclaimed Duplicate Shares	171,866	1,698
	<u>4,074,920</u>	<u>11,703</u>

11.5 Particulars of investments held in unlisted Companies

Name of the Investee Company	Percentage of holding	No. of Shares / Units held	Book value	Break-up value per share / unit	Based on accounts as at	Name of Chief Executive
(Rupees in '000)						
Central Depository Company		1,511,250	5,000	31.67	30.06.2010	Mr. Hanif Jakhura
Crescent Capital Mgt. (Pvt) Ltd.		100,000	1,000	10.00		
Equity Participation Fund	1.61%	25,000	2,500	272.00	30.06.2010	Mr. Shabhat Hussain
First Investment Mgt. Services Ltd.		100,000	774	7.74		
SME Bank	0.59%	286,146	2,146	9.99	31.12.2009	Mr.R.A. Chughtai
National Woolen Mills	18.12%	247,700	248	(48.51)	30.06.1997	Mr. Haji Sher Shah
General Refractories	9.28%	200,000	2,000	3.72	30.06.1997	-
National Investment Trust Ltd.	0.001%	158,400	200	12,310	30.06.2010	Mr. Wazir Ali Khoja
State Bank of Pakistan		25	3	322.85		Mr. Yaseen Anwer
			<u>13,871</u>			

11.6 Particulars of Debentures

Description	Note	Terms of redemption		Rate of interest per annum	Amount
		Principal	Interest		
Debentures					
Northern Foundry & Engineering Works Ltd		Semi - Annual	Semi-Annual	14.00%	118
Chilya Corrugated Board Mill		Semi - Annual	Non-Int. bearing	-	104
					222

11.7. Pakistan Investment Bonds includes Rs.2,079.862 million as at 30 June 2010 (2009:2,255.746 million) pledged with National Bank of Pakistan, United Bank Limited and Pak-Oman Investment Company Limited against TT/DD discounting facilities and demand loan facilities.

	Note	2010	2009
(Rupees in '000)			
12. ADVANCES			
Loans, cash credits, running finances, etc. in Pakistan		6,245,264	6,383,659
Net investment in finance lease in Pakistan	12.2	-	-
Bills discounted and purchased excluding treasury bills			
in Pakistan		5,033	5,033
Outside Pakistan			
Staff loans		16,202	16,302
		6,266,499	6,404,994
Contingency provision	7.11	(2,551,113)	(2,602,254)
Provision for non-performing advances - specific		(3,606,994)	(3,667,441)
		(6,158,107)	(6,269,695)
Advances - net of provision		108,392	135,299
12.1 Particulars of advances			
12.1.1 In local currency			
		108,392	135,299
In foreign currencies			
		-	-
		108,392	135,299
12.1.2 Short term (upto one year)			
		55,391	46,641
Long term (over one year)			
		53,001	88,658
		108,392	135,299

12.2 Net investment in finance Lease

	2010					2009				
	Over due portion	Not later than one year	Later than one and less than five years	Over five years	Total	Over due portion	Not later than one year	Later than one and less than five years	Over five years	Total
Lease rentals receivable	39,927	-	-	-	39,927	39,927	-	-	-	39,927
Residual value	-	-	-	-	-	-	-	-	-	-
	<u>39,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,927</u>	<u>39,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,927</u>
Financial charges for future periods	-	-	-	-	-	-	-	-	-	-
	<u>39,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,927</u>	<u>39,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,927</u>
Less: Provision there against	(39,927)	-	-	-	(39,927)	(39,927)	-	-	-	(39,927)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12.3 Particulars of provision against non-performing advances

	2010			2009		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	6,269,695	-	6,269,695	6,367,623	-	6,367,623
Exchange adjustments	(51,140)	-	(51,140)	72,656	-	72,656
Provision made during the year	627	-	627	(12,616)	-	(12,616)
Reversals	(58,878)	-	(58,878)	(82,799)	-	(82,799)
	(58,251)	-	(58,251)	(95,415)	-	(95,415)
Amount written off (Note 12.5)	(2,197)	-	(2,197)	(75,169)	-	(75,169)
Closing balance	<u>6,158,107</u>	<u>-</u>	<u>6,158,107</u>	<u>6,269,695</u>	<u>-</u>	<u>6,269,695</u>

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

Category of Classification	2010			Provision Required	Provision Held
	Domestic	Overseas	Total		
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	6,158,107	-	6,158,107	6,158,107	6,158,107
	<u>6,158,107</u>	<u>-</u>	<u>6,158,107</u>	<u>6,158,107</u>	<u>6,158,107</u>

Category of Classification	2009			Provision Required	Provision Held
	Domestic	Overseas	Total		
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	15,263	-	15,263	7,632	7,632
Loss	6,268,245	-	6,268,245	6,262,063	6,262,063
	<u>6,283,508</u>	<u>-</u>	<u>6,283,508</u>	<u>6,269,695</u>	<u>6,269,695</u>

12.4.1 Particular of provision against non-performing loans & advances

	2010		
	Specific	General	Total
In local currency	3,606,994	-	3,606,994
In foreign currency	2,551,113	-	2,551,113
	<u>6,158,107</u>	<u>-</u>	<u>6,158,107</u>

	2009		
	Specific	General	Total
In local currency	3,667,441	-	3,667,441
In foreign currency	2,602,254	-	2,602,254
	<u>6,269,695</u>	<u>-</u>	<u>6,269,695</u>

12.5 Particulars of write offs

	Note	2010		2009	
		(Rupees in '000)			
12.5.1 Against provisions	12.3	2,197		75,169	
Directly charged to Profit & Loss account		<u>2</u>		<u>1</u>	
		<u>2,199</u>		<u>75,170</u>	
12.5.2 Write offs of Rs.500,000 and above	12.6	2,045		75,151	
Write offs of below Rs.500,000		<u>152</u>		<u>19</u>	
		<u>2,197</u>		<u>75,170</u>	

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

In terms of sub-section (3) of Section 33 A 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, 2010 is given in Annexure-1. However, these write offs do not affect the Bank's right to recover the debt from the customer.

12.7 East Pakistan Displaced Persons Cases

The above loan portfolio includes outstanding loans amounting to Rs.56.184 million (interest outstanding thereon aggregating to Rs.218.681 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.

13.1 Property Plant & Equipments

2010

	Note	C O S T			D E P R E C I A T I O N				
		As at July 1, 2009	Cost Additions / (Deletions)	As at June 30, 2010	As at July 1, 2009	Depreciation Charge for the year / (deletions)	As at June 30, 2010	Book value as at June 30, 2010	Rate of depreciation %
Free hold land	13.3	48,985	-	48,985	-	-	-	48,985	-
Lease hold land	13.4	60,795	-	60,795	144	-	144	60,651	1.01
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
June 30, 2010		214,570	6,485 (2,102)	218,953	93,999	4,955 (2,058)	96,896	122,057	

13.2 INTANGIBLE ASSETS

	C O S T			A M O R T I Z A T I O N				
	As at July 1, 2009	Cost Additions / (Deletions)	As at June 30, 2010	As at July 1, 2009	Depreciation Charge for the year / (deletions)	As at June 30, 2010	Book value as at June 30, 2010	Rate of depreciation %
Computer software	-	2,000	2,000	-	667	667	1,333	33.33
	-	2,000	2,000	-	667	667	1,333	

13.3 Included therein is a sum of Rs.1.893 million (2008: 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. The matter was referred to the Supreme Court which has remanded the case to the Settlement Commissioner of Punjab. 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.60.792 million (2009: Rs.60.792 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, 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 classified as leasehold land.

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/=	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		

13.6 At June 30, 2010, carrying value of temporarily idle land and equipments amounted to Rs.68.156 million (2009: Rs.68.156 million). Gross carrying amount of fully depreciated vehicles and equipments that are still in Bank's use, as at above date, amount to Rs.51,393.674 million (2009: Rs.51.393 million).

	Note	2010	2009
		(Rupees in '000)	
14. OTHER ASSETS			
Income/mark-up on advances/investments			
Markup/Return/Interest accrued in local currency		1,586,807	1,613,596
Income/mark-up on advances accrued in foreign currencies		3,749,497	3,765,601
Advances, deposits and other prepayments		4,686	1,325
Advance taxation (payments less provision)		343,433	343,656
Suspense account		198	105
Branch adjustment account		291	6,654
Stationery and stamps on hand		3,806	4,024
NWFP Equity investment account		71,343	71,343
Receivable from:			
- Corporate and Industrial Restructuring Corporation			
- Employees' Provident Fund		5,112	1,148
- Pension fund	36.3	247,265	353,812
- Benevolent Fund - Staff		1,676	1,687
- Officers			
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		49,446	49,447
IDA Managed Fund		29,718	29,703
Incorporation expenses of IDBL		10,789	10,769
Legal and Professional charges recoverable		4,994	5,287
Advance against Railway Plot	14.2	60,255	60,255
Others		36,068	23,709
		6,300,098	6,436,835
Less: Provision held against	14.1		
- IDBP Modaraba current account		(3,787)	(5,300)
- Accrued mark-up		(5,252,642)	(5,309,621)
- NWFP equity account		(71,343)	(71,343)
- Balance with SBP		(33,855)	(33,855)
- Excise Duty Recoverable		(49,473)	(49,473)
- IDA Managed fund		(29,718)	(29,703)
- Legal and Professional charges recoverable		(4,994)	(4,420)
- Advance against Railway Plot		(60,255)	(60,255)
- Government of Pakistan		(60,859)	(60,859)
- Others		(31,411)	(31,411)
		(5,598,337)	(5,656,240)
		<u>701,761</u>	<u>780,595</u>

	Note	2010	2009
		(Rupees in '000)	
14.1 Provision against other assets			
Opening balance		5,656,240	5,890,608
Exchange adjustments		(21,113)	-
Charge for the year		8,751	42,984
Reversals		(15,716)	(106,876)
		(6,965)	(63,892)
Amount written off		(28,901)	(170,632)
Others		(924)	156
Closing balance		5,598,337	5,656,240

14.2 Land (Plot purchased from Pakistan Railways)

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

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 their failure to transfer, mutata 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 Minister for Defence, the matter was referred to the Law and Justice Division who 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 has been fully provided.

2010 **2009**
(Rupees in '000)

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	1,847	1,847
Adjusting account, interest, commission and other charges	266,462	259,456
	268,309	261,303
Acceptances and guarantees	7,987	7,987
	884,654	877,648

16. BILLS PAYABLE

In Pakistan	13,717	38,612
Outside Pakistan	-	-
	13,717	38,612

17. BORROWINGS FROM FINANCIAL INSTITUTIONS AND GOVERNMENT OF PAKISTAN

In Pakistan	22,466,356	22,305,318
Outside Pakistan	-	-
	22,466,356	22,305,318

17.1 Particulars of borrowings from financial institutions and Government of Pakistan

In local currency	22,466,356	22,305,318
In foreign currency	-	-
	22,466,356	22,305,318

	Note	2010 (Rupees in '000)	2009
17.2 Details of borrowings from financial institutions and Government of Pakistan			
Borrowings from State Bank of Pakistan	17.2.1		
<i>Secured</i>			
Under export refinance scheme	17.2.1.1	32,500	12,500
Locally manufactured machinery (LMM)	17.2.1.2	1,054,285	1,054,285
SBP credit line	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
		14,427,568	14,407,568
Borrowings from Government of Pakistan			
<i>Un-secured</i>			
Financial assistance for Voluntary Separation Scheme (VSS)	19.2	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	-	23,861
Banking sector adjustment loan	17.2.5	500,000	500,000
		5,958,926	5,982,787
Repurchase agreement borrowings - secured	17.2.7	2,079,862	1,914,963
		<u>22,466,356</u>	<u>22,305,318</u>

17.2.1 Borrowings from State Bank of Pakistan

17.2.1.1 Export refinance loan carries interest 7.5% per annum (2009: 7.5% per annum).

17.2.1.2 State Bank of Pakistan (SBP), through Memorandum of Understanding (MOU) signed between SBP & IDBP (the Bank) has converted various credit lines already extended to the bank by SBP (under old LMM Scheme on Profit & 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 (2008: no markup). The revised terms and conditions of agreement are effective from 1st, July, 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 (2009: 6% to 8% per annum) and is secured by pledge of Pakistan Investment Bonds of Rs.341 million (2009: 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.

17.2.2 Rupee borrowings from GoP

Loans	Rate of interest % per annum	Deemed to	Deemed to	Total	Total
		relate to Pakistan	relate to Bangladesh	2010	2009
----- (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

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 6.5.

The loan 1, 2 and 3 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. Furthermore, the installments not yet due amounted to Rs. 8.253 million pertaining to loans 1, 3 and 5 are still being classified as subordinated debt.

Loans 6 & 7 consist of principal and interest installments due in respect of some of the foreign / local currency loans payable to GoP and later rescheduled and converted into rupee loans. This amount is net of principal and interest amounting to Rs. 1,492.995 million (2009 : Rs.1,492.995 million) which has been transferred to 'Other Liabilities' on the basis of existing repayment schedule. In terms of proposed restructuring plan of the Bank, these borrowings are to be converted into the equity / sub-ordinated debt of the Bank, however, formal approval for the same is still awaited.

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. This amount is net of principal and interest accrued upto June 2010 aggregating to Rs.740.138 million (2009: Rs.740.138 million), has been transferred to 'Other Liabilities' on the basis of existing repayment schedule. In terms of the proposed restructuring plan of the Bank, these borrowings are to be converted into the equity / sub-ordinated debt of the Bank, however, formal approval for the same is still awaited.

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. This amount is net of principal and interest accrued upto June 2010 aggregating to Rs.1,752.613 million (2009: Rs.1,732.733 million) which has been transferred to 'Other liabilities' on the basis of existing repayment schedule. In terms of the proposed restructuring plan of the Bank, these borrowings are to be converted into the equity / sub-ordinated debt of the Bank, however, formal approval for the same is still awaited.

17.2.5 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.

17.2.6 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.235.370 million (Rs.211.794 million on Government of Pakistan borrowings and Rs.23.576 million on State Bank of Pakistan borrowings). Cumulative amounts since July 1, 2001 aggregating to Rs.3,770.718 million, (Rs.3,221.355 million pertains to Government of Pakistan borrowings and Rs. 549.362 million is on State Bank of Pakistan borrowings).

17.2.7 These have been borrowed from financial institutions and are secured against Federal Government securities and carries markup rates ranging between 10% to 14% (2009: 12% to 17%) per annum, with maturities upto 3 to 6 months.

2010 **2009**
(Rupees in '000)

18 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	1,541,511	1,458,438
Saving deposits	1,071,785	1,402,243
Current accounts - non-remunerative	68,983	77,834
Others	155,276	118,745
	2,837,555	3,057,260

Financial Institutions

Remunerative deposits	476,006	739,464
Non-remunerative deposits	2	73
	3,313,563	3,796,797

2010 **2009**
(Rupees in '000)

18.1 It includes the amount of Rs.7,152 (2009:6,840) are maintained with us in respect of related parties.

18.2 Particulars of deposits

In local currencies		3,307,820	3,793,021
In foreign currencies		5,743	3,776
		3,313,563	3,796,797

19 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		207,740	256,964
Payable to GoP	19.1	4,077,386	4,341,911
Accrued expenses		17,657	15,395
Advance payments		3,909	479
Benevolent Fund - Officers		5,066	5,130
Payable to employees opted under VSS	19.2 & 25.3	20,501	24,419
Suppliers Credit liability rescheduled under Paris club payable to Government of Pakistan	19.3	1,265,083	1,297,770
Payable under counter guarantee arrangements	19.3.1	484,025	484,025
Provision for:		-	-
Post retirement medical benefit	36.2	26,260	24,109
Pension fund		-	-
Employees compensated absences		4,396	2,845
Payable to Ex- Creditors of ICP (defunct)	19.4	22,592	198,664
Un claimed deposits and dividends		57,676	56,652
Others		50,021	50,675
		6,242,312	6,759,038

- 19.1** 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 loan has reconciled with records of Ministry of Finance (GOP) resultantly the excess liability is adjusted to Profit and Loss account after certification by external auditors.
- 19.2** Represents amount payable to employees opted under Voluntary Separation Scheme. Financial assistance for VSS amounting to Rs.1,200 million (2009: Rs.1,200 million) is interest free loan received through State Bank of Pakistan, out of which payments to the extent of Rs. 1,222.867 million (2009: Rs.1,196.012 million) has been made to employees (optees) upto June 30, 2010.
- 19.3** 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. Resultantly, the excess liability is adjusted accordingly.
- 19.3.1** 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.
- 19.4** 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.

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 and remaining balance has been charged to profit & loss account. 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.

	Note	2010	2009
		(Rupees in '000)	
20. LIABILITIES IN RESPECT OF BANGLADESH			
These comprised of the following:			
Deposits and other accounts		348,992	341,985
Borrowing from banks			
SBP		29,500	29,500
Other banks		30,972	30,972
		60,472	60,472
Other borrowings			
Federal Government		138,724	138,724
Others		27,438	27,438
	16.2.2	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
		802,189	795,182
Loans disbursed / to be disbursed by Government of Pakistan		82,466	82,466
		884,655	877,648

21. SHARE CAPITAL

21.1 Authorized capital

2010	2009		2010	2009
No. of Shares				
1,570,000	1,570,000	Ordinary shares of Rs.100 each	157,000	157,000

21.2 Issued, subscribed and paid up capital

2010 No. of Shares	2009 No. of Shares	2010 (Rupees in '000)	2009 (Rupees in '000)
<u>1,570,000</u>	<u>1,570,000</u>	<u>157,000</u>	<u>157,000</u>

Ordinary shares of Rs.100 each issued for cash including 888,541 (2009: 888,541) shares held by the Joint Secretary, Finance Division, GoP.

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.6 billion as laid down in SBP's BSD Circular No.07 dated April 15, 2009.

22. RESERVES

	Capital Note 22.1	Statutory Note 22.2	Revenue	Total 2010	Total 2009
----- (Rupees in '000) -----					
Balance at the beginning of the year	157,601	4,668	588,279	750,548	750,548
Transferred at the end of the year	-	-	-	-	-
Balance at the end of the year	<u>157,601</u>	<u>4,668</u>	<u>588,279</u>	<u>750,548</u>	<u>750,548</u>

22.1 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.

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

2010 **2009**
(Rupees in '000)

23. DEFICIT ON REVALUATION OF ASSETS

(Deficit)/Surplus on revaluation of securities

Government Securities - Pakistan Investment Bonds	(381,142)	(428,203)
Quoted Shares	116,049	52,930
NIT Units	1,307	312
	(263,786)	(374,961)

24. SPECIAL DEVELOPMENT ASSISTANCE FUND

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.

25. CONTINGENCIES AND COMMITMENTS

	2010	2009
(a) IDBP	(Rupees in '000)	
25.1 Direct Credit Substitutes		
Guarantees in favour of :		
- Government	126,854	126,854
- Banks and other financial institutions	-	-
- Others	-	-
	126,854	126,854
25.2 Transactions-related Contingent Liabilities		
Guarantees in favour of :		
- Government	14,916	12,165
- Banking Companies and other financial institutions	-	-
- Others	-	-
	14,916	12,165
Letters of credit in favour of:		
- Government	-	-
- Banking Companies and other financial institutions	-	-
- Others	200	200
	200	200

25.3 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 19.2. 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, 2010.

25.4 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.20.800 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.

25.5 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.

25.6 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.

25.7 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.

25.7.1 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.

25.8 **Taxation - IDBP**

Disallowances of various expenses having no financial implications for the bank

- 25.8.1 Various appeals have been filed by the bank and the Income Tax Department before appropriate appellate fora 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.
- 25.8.2 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.
- 25.8.3 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.
- 25.8.4 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.
- 25.8.5 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.

25.8.6 AZAD KASHMIR:

In finalizing the assessments relating to Azad Kashmir branches for the assessment years 1992-93 to 2002-2003, the assessing officer had made additions mainly in respect of 'interest income on funds transferred to head office', "interest on loans and advances", "profit paid to deposit holders" and "certain other expenses", the reference applications filed by the Bank against the orders of the Income Tax Appellate Tribunal, for the assessment years 1992-93 to 1997-98, have been rejected by the Tribunal and the Bank has directly filed reference applications before the Honorable High Court. The assessment orders giving appeal effects for the assessment years 1992-93 to 1994-95 and 1996-97 to 1998-99 were not framed in accordance with the directions of the appellate orders and the Commissioner of Income Tax (Appeals) on appeals by the Bank has set-aside the assessments for the assessment years 1992-93 to 1994-95 and for the assessment years 1996-97 to 1997-98 whereas the decisions is awaited for assessment year 1998-99. The re-assessment for the assessment years 1992-93 to 1994-95, 1996-97 to 1997-98 and for the assessment years 1999-2000 is pending. The appeals for the assessment year 2000-2001 to 2002-2003 are also pending with the Commissioner of Income Tax (Appeals) . The Bank has, however made full provision in the financial statements in respect of all the appeals pending before the tax authorities of AJK.

(b) ICP (DEFUNCT)

- 25.9** Certain claims filed by ex-employees of the ICP (defunct) in the Federal Service Tribunal for short payment of dues amounting to Rs, 34.329 million (June 30,2008: Rs.32.366 million) have not been acknowledged by the ICP (defunct). As per the judgment dated 27th June, 2006 of the Honourable Supreme Court of Pakistan, the Federal Service Tribunal has now no jurisdiction to entertain, hear and decide the cases/appeals of the employees of the Corporations / Autonomous bodies etc., which do not have statutory rules of services, Accordingly, the appeals filed by ex-employees have been abated, However, the Supreme Court of Pakistan had allowed 90 days time period to file their remedies through appropriate forum. Subsequently, the claimants have approached appropriate forum and notices have been received from the Courts to the extent of Rs.29.905 million.
- 25.10** Claims were filed by ex-investors in various courts of proper jurisdiction amounting to Rs 3.041 million which have not yet been acknowledged by the management.
- 25.11** Claim was filed by ex-landlady of ICP (defunct) ex-Faisalabad Branch in the court of Senior Civil Judge Faisalabad amounting to Rs.0.045 million which has not yet been acknowledged by the management.

25.12 Taxation of (defunct) ICP

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.

	Note	2010	2009
		(Rupees in '000)	
26. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to :			
Customers		46,611	49,987
Financial institutions		13,676	76,593
On Investment in :			
Available for sale securities		213,003	212,629
On deposits with financial institutions		10,671	63,755
On securities purchased under resale agreement		-	21
Mark-up on			
- Staff finance		417	1,070
		284,378	404,055
27. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		299,420	384,092
Securities sold under repurchase agreements		237,042	265,742
Other short term borrowings		1,049	489
Counter guarantee arrangement		-	39,650
		537,511	689,973
28. OTHER INCOME			
Net profit on sale of assets		306	2,126
Others	19.1, 19.3 & 19.4	399,995	342,181
		400,301	344,307

	Note	2010 (Rupees in '000)	2009
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.		117,267	110,808
Charge for benevolent fund		20	20
Non-executive director's fees, allowances and other expenses		-	734
Rent, taxes, insurance, electricity, etc.		42,580	29,866
Legal and professional charges		1,381	3,920
Communications		2,464	2,763
Repair and maintenance		2,043	2,448
Stationery and printing		1,910	2,442
Advertisement and publicity		250	214
Auditors' remuneration	29.1	1,906	2,660
Depreciation & Amortization	13	5,621	6,502
Traveling and motor car expenses		7,065	6,126
Others		13,236	12,387
		<u>196,798</u>	<u>180,890</u>

29.1 AUDITORS' REMUNERATION

	2010				2009			
	Hyder Bhimji & Co.	Riaz Ahmed Saqib Gohar & Co.	Others	Total	Muniff Ziauddin & Co.	Riaz Ahmed Saqib Gohar & Co.	Others	Total
	----- (Rupees in '000) -----							
Audit fees	396	396	350	1,142	396	396	350	1,142
Half yearly review fees	264	264	-	528	264	264	-	528
Tax Services	-	-	-	-	-	685	-	685
Special certifications / examinations and sundry advisory services	-	-	150	150	-	-	150	150
Out of pocket expenses	33	33	20	86	60	60	35	155
	<u>693</u>	<u>693</u>	<u>520</u>	<u>1,906</u>	<u>720</u>	<u>1,405</u>	<u>535</u>	<u>2,660</u>

2010 **2009**
(Rupees in '000)

30. REVERSAL OF PROVISION AGAINST RETIREMENT BENEFITS

Charge for pension fund scheme	35.5	(10,781)	(49,174)
Charge for medical benefit scheme	36.4	2,374	1,291
Charge for leave encashment		1,551	760
		(6,856)	(47,123)
		(6,856)	(47,123)

31. OTHER CHARGES

Penalties imposed by State Bank of Pakistan		25	255
CDC charges		49	48
Others		592	694
		666	997
		666	997

32. TAXATION

Current - for the year		1,955	2,151
Prior year		-	-
		1,955	2,151
		1,955	2,151

32.1 Tax losses available for set off against future taxable profits aggregating Rs. 4,208.789 million (2009: Rs.6,422.194 million) of which Rs. 4,186.205 million (2009: Rs.6,399.610 million) represent losses assessed in the assessment years upto 2006 and losses deemed to have been assessed in tax years 2007. 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.74.748 million (2009: Rs.122.214 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.

32.2 Relationship between tax expense and accounting profit

Current taxation represents the minimum tax under section 113 of the Income Tax Ordinance, 2001.

2010 **2009**
(Rupees in '000)

33. PROFIT PER SHARE

There is no dilutive effect on the basic loss per share of the Bank which is based on :

Profit after taxation for the year	95,465	138,095
Number of shares		
Weighted average number of ordinary shares	1,570,000	1,570,000
Rupees		
Basic and diluted profit per share	60.81	87.96

2010 **2009**
(Rupees in '000)

34. CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks	150,299	183,885
Balance with other banks	64,681	50,313
	214,980	234,198

35. PENSION FUND**35.1 General description**

The bank operates a defined benefit funded pension scheme for both management and non -management employees. Contributions to the fund are made on the basis of actuarial recommendations.

The actuarial gains / (losses) arising on actuarial valuation in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets is recognized as income or expense over the estimated working lives of the employees.

35.2 The latest actuarial valuation was carried out as at June 30, 2010. The "Projected Unit Credit Method" using the following significant assumptions was used for valuation purposes:

	2010	2009
	% per annum	
- Expected rate of increase in salary levels	12	10.5
- Expected rate of return on investments	11	9.5
- Discount rate	13	11.5
- Rate of increase in pension	9	7.5

	2010	2009
	(Rupees in '000)	

35.3 Reconciliation of (receivable) / payable to defined benefit plan

Present value of defined benefit obligations	39,580	26,611
Amount Payable to fund members	-	-
Fair value of plan assets	<u>(154,078)</u>	<u>(249,495)</u>
	(114,498)	(222,884)
Net actuarial gains or losses not recognized	-	-
Unrecognized transitional liability	<u>(132,767)</u>	<u>(130,928)</u>
	<u>(247,265)</u>	<u>(353,812)</u>

35.4 Movement in (receivable) / payable to defined benefit plan

Opening balance	(353,812)	(620,519)
Effect of Settlement	-	-
Charge for the year	(10,781)	(49,174)
Contribution to fund made during the year	(5,315)	(2,540)
Payments made by the fund to the Bank	<u>122,643</u>	<u>318,421</u>
Closing balance	<u>(247,265)</u>	<u>(353,812)</u>

35.5 Charge for defined benefit plan

Current service cost	725	528
Interest cost	2,533	2,138
Expected return on plan assets	(23,673)	(51,840)
Amortization of prior service cost	-	-
Amortization of actuarial (gain) / loss	9,634	-
Settlement (gain)/loss	-	-
Prop. Actuarial (gain) / loss recognized due to settlement	-	-
Recognition of Prior Service Cost	-	-
	<u>(10,781)</u>	<u>(49,174)</u>

35.6 Actual return on plan assets

	<u>(3,810)</u>	<u>(42,178)</u>
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36. MEDICAL BENEFITS

36.1 The Bank also provides defined benefits post retirement medical scheme benefits to its employees. The latest actuarial valuation was carried out as at June 30, 2010. The "Projected Unit Credit" method using 6% as discount rate is used by the actuaries for the valuation.

	2010	2009
	(Rupees in '000)	
36.2 Reconciliation of payable to defined medical benefit plan		
Present value of defined benefit obligation	23,465	18,846
Unrecognized actuarial gain	2,795	5,263
Liability recognized	<u>26,260</u>	<u>24,109</u>
36.3 Movement in payable to defined medical benefit plan		
Opening balance	24,109	23,166
Effect of settlement	-	-
Charge for the year	2,374	1,291
Benefits paid during the year	(223)	(348)
Closing balance	<u>26,260</u>	<u>24,109</u>
36.4 Charge for defined medical benefit plan		
Current service cost	505	373
Interest cost	2,176	1,576
Amortization of - unrecognized prior service cost	(307)	(658)
- actuarial gain	2,374	1,291
Settlement (gain)/loss	-	-
Prop. Actuarial (gain) / loss recognized due to settlement	-	-
Recognition of Prior Service Cost	-	-
	<u>2,374</u>	<u>1,291</u>
36.5 Reconciliation of payable to Benevolent fund Officers / Executive		
Present value of defined benefit obligation	1,394	1,478
Fair value of plan assets	(31,007)	(27,151)
	(29,613)	(25,673)
Net actuarial gains or losses not recognized	2,045	574
	<u>(27,568)</u>	<u>(25,099)</u>
36.6 Movement in payable to Benevolent fund Officers / Executive		
Opening balance	(25,099)	(22,896)
Effect of settlement	-	-
Charge for the year	(2,404)	(1,995)
Contribution paid during the year	(65)	(208)
Closing balance	<u>(27,568)</u>	<u>(25,099)</u>

37. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	----- (Rupees in '000) -----					
Fees	-	-	-	-	-	-
Managerial remuneration	728	604	-	-	-	-
Rent and house maintenance	456	423	-	-	-	-
Utilities	207	207	-	-	-	-
Medical	273	152	-	-	-	-
Conveyance	453	456	-	-	-	-
Others	247	537	-	-	-	-
	<u>2,364</u>	<u>2,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Number of Persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>-</u>	<u>-</u>

37.1 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.

There are no Executives other than Chief Executive whose basic salary exceeds five hundred thousand rupees in a financial year.

38. MATURITIES OF ASSETS AND LIABILITIES

	2010				
	Total	Upto three Months	Over three months to one year	Over one year to five years	Over five years
	----- (Rupees in '000) -----				
Assets					
Cash and balance with treasury banks	150,299	150,299	-	-	-
Balances with other banks	64,681	64,681	-	-	-
Lending to financial institutions	108,802	108,802	-	-	-
Investments (including premium, revaluation)	3,015,974	-	3,015,974	-	-
Advances - net	108,392	-	108,392	-	-
Other assets	701,761	69,916	596,525	35,320	-
Operating fixed assets	123,390	-	123,390	-	-
Assets in respect of Bangladesh	884,654	-	-	-	884,654
	<u>5,157,953</u>	<u>393,698</u>	<u>3,844,281</u>	<u>35,320</u>	<u>884,654</u>
Liabilities					
Bills payable	13,717	13,717	-	-	-
Borrowings from financial institutions and GoP	22,466,356	2,112,362	20,353,994	-	-
Deposits and other accounts	3,313,563	1,409,211	1,395,044	403,121	106,187
Sub-ordinated loans	201,137	201,137	-	-	-
Other liabilities	6,242,312	287,506	4,115,121	1,749,108	90,577
Liabilities in respect of Bangladesh	884,655	-	-	-	884,655
	<u>33,121,740</u>	<u>4,023,933</u>	<u>25,864,159</u>	<u>2,152,229</u>	<u>1,081,419</u>
Net Assets	<u>(27,963,787)</u>	<u>(3,630,235)</u>	<u>(22,019,879)</u>	<u>(2,116,909)</u>	<u>(196,765)</u>
Share capital	157,000				
Reserve fund and other reserves	750,548				
Accumulated loss	(28,616,693)				
Deficit on revaluation of assets	(263,786)				
Special Development Assistance Fund	9,144				
	<u>(27,963,787)</u>				

39. YIELD / INTEREST RATE RISK

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	
----- (Rupees in '000) -----						

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks	0.25 to 2	150,299	-	-	-	-	150,299
Balance with other banks	-	64,681	-	-	-	-	64,681
Lendings to financial institutions	7to12	108,802	108,802	-	-	-	-
Investments	7 to 14	3,015,974	3,015,974	-	-	-	-
Advances	-	108,392	-	108,392	-	-	-
Other assets	-	701,761	-	-	-	-	701,761
		4,149,908	3,124,776	108,392	-	-	916,741

Liabilities

Bills payable	-	13,717	-	-	-	-	13,717
Borrowings from financial institutions and GoP	0.4	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	-	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		<u>(28,087,176)</u>	<u>(572,038)</u>	<u>(2,551,736)</u>	<u>(403,121)</u>	<u>(1,371,270)</u>	<u>(23,189,012)</u>

Off balance sheet financial instruments

40. CURRENCY RISK

2010			
Assets (gross of provision)	Liabilities	Off-balance sheet items	Net currency exposure
----- (Rupees in '000) -----			

Pakistan rupee	16,035,137	33,115,999	141,970	(17,222,832)
United States dollar	131,752	5,630	-	126,122
Great Britain pound	3,500	113	-	3,387
Deutsche mark	808,940	-	-	808,940
JAP.YEN	18,601	-	-	18,601
	<u>16,997,930</u>	<u>33,121,742</u>	<u>141,970</u>	<u>(16,265,782)</u>

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision against loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 7.9.

The maturity and reprising profile and effective rates are stated in note 38 & 39 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently reprised.

42. RISK MANAGEMENT

42.1 Risk management aspects are embedded in the Bank's strategy, organizational structure and processes. The bank has adopted risk management structure for credit, operations, liquidity and market risk to strengthen the process and system from the foundation as controls are more effective and valuable when built into the process. Effective risk management is considered essential in the preservation of the assets and long term profitability of the Bank. Clear guidelines and limits, which are under regular review, are backed up by a system of internal controls and independent audit inspections. Internal reporting are additional tools for measuring and controlling risks. Separations of duties is also embedded in the Bank's system and organization.

42.1.1 Concentration of Credit and Deposits

Out of the total financial assets of Rs. 5,158 million the financial assets which were subject to credit risk amounted to Rs.2,513 million. The Bank's major credit risk is concentrated in the textile sector. Investments amounting to Rs.2,990.578 million are guaranteed by the GoP. In addition, an amount of Rs.110.467 million is held by the Bank with the SBP.

42.1.2 Credit Risk

The Bank has a Risk Asset Management Department responsible for formulating policies for monitoring of credit in line with the management's risk acceptance methodology. Credit risk is monitored, reviewed and analyzed by appropriate officials in line with the guidelines issued by the Division. This risk is managed through credit limits and obtaining adequate securities collaterals against outstanding loans. This department also focuses on expediting recoveries from all non-performing advances. This division negotiates with borrowers and recommends all restructuring and rescheduling of stuck-up loans to the senior management. In case of willful default, the department coordinates with the law division for commencing legal proceedings against these borrowers. Furthermore the division formulates policies and schemes to attract recovery from stuck up loans and

42.1.3 Liquidity Risk

Liquidity risk is the risk of loss to a bank arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable losses.

Liquidity risk is managed through the appropriate policies, careful monitoring of daily liquidity position by the Treasury Division and regular review and monitoring of the liquidity position by the ALCO. Risk Management Committee of the Board provides supervision and guidance in managing the Bank's liquidity risk.

The Bank's management addresses the goal of protecting solvency and the ability to withstand stressful events in the marketplace.

42.1.4 **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputation risks.

Operational risk is managed through the appropriate policies along with the policies on prevention of frauds and forgeries and compliance with "Know Your Customer" and "Anti Money Laundering" requirements; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; a Business Continuity Plan, including a Disaster Recovery Plan for I.T., to prevent interruption of business services in the event of a major incident or disaster; an I.T. Security Policy to ensure security and integrity of I.T. Systems; and regular audit of the branches. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

The Bank's operational risk management framework, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank.

42.1.5 **Market risk**

Market risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates and market conditions.

The Board of Directors oversees the bank's strategy for market risk exposures. ALCO which comprises of senior management oversees the balance sheet of the bank and performs oversight function to ensure asset quality, liquidity and pricing. Market risk can be further categorized into Interest rate Risk and Foreign Exchange Risk.

42.1.6 **Interest rate risk management**

Interest rate risk is the risk of loss from adverse movements in interest rates. The ALCO monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands. The Bank has adopted appropriate policies to minimize its exposure to this risk.

The Banks interest rate exposure is calculated by categorizing its interest sensitive assets and liabilities in to various time bands based on the earlier of their contractual reprising or maturity dates as disclosed in note 39.

42.1.7 **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 and investments, foreign currency cash in hand, balance with banks abroad, foreign currency deposits and foreign currency placements with the SBP and other banks. 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 assts 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.

42.2 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	17.67	4,501	0.14	-	-
Agribusiness	-	-	239	0.01	-	-
Textile Spinning	715,484	11.41	778	0.02	7,576	5.34
Textile Weaving	587,033	9.36	-	-	36,351	25.60
Textile Composite	1,211,011	19.30	-	-	-	-
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 equipment	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	1,816,352	28.95	1,199,469	36.20	85,827	60.45
	<u>6,273,116</u>	<u>100.00</u>	<u>3,313,563</u>	<u>100.00</u>	<u>141,970</u>	<u>100</u>

42.2.1 Segment by sector

Public / Government	329,763	5.26	739,537	22.32	141,770	99.86
Private	<u>5,943,353</u>	<u>94.74</u>	<u>2,574,026</u>	<u>77.68</u>	<u>200</u>	<u>0.14</u>
Total	<u>6,273,116</u>	<u>100.00</u>	<u>3,313,563</u>	<u>100</u>	<u>141,970</u>	<u>100.00</u>

42.3 Segment Information

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 (2009: 92.9%).

Bank's revenue for the year ended June 30, 2010 was derived from various customers where the quantum from the single customer did not exceed 10% of total revenue.

43. GEOGRAPHICAL SEGMENT ANALYSIS

	Loss before taxation	Total assets employed	Net assets employed	Contingencies & Commitments
	----- (Rupees in '000) -----			
Pakistan	97,420	5,157,953	(27,963,787)	141,970
Others	-	-	-	-
	<u>97,420</u>	<u>5,157,953</u>	<u>(27,963,787)</u>	<u>141,970</u>

44. TRUST ACTIVITIES

- 44.1 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.

45. ACCOUNTING ESTIMATES AND JUDGMENTS

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 State Bank of Pakistan.

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 equity investments

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.

Defined benefits plan

Liability is determined on the basis of actuarial advice using the "Projected Unit Credit Method".

Retirement benefits

The Bank contributes to the staff pension, leave compensation absences fund on the basis of actuarial valuation which takes into account certain assumptions regarding interest rate, increase in salary and inflation rate, etc. Any change in these estimates in future years might affect the Bank's liability with corresponding effect on the charge for the retirement benefits plan.

46. RELATED PARTY TRANSACTIONS**Transactions with associated undertakings**

	2010	2009
	(Rupees in '000)	
Pakistan Industrial Development Financial Services		
Deposit	6,989	6,685
Profit on deposit	163	155
	<u>7,152</u>	<u>6,840</u>

47. NUMBER OF EMPLOYEES

	Number	
Total number of regular employees at the end of the year	<u>98</u>	<u>118</u>

48. GENERAL

48.1 Figures are rounded off to the nearest rupees in thousand.

48.2 Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparative and to conform with changes in presentation in current year.

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**

Negative net worth as on 30-06-2010

(27,963,787)

Unadjusted Financial Impacts :

Receivable from SBP on account of LMM financing arrangements

561,310

Penalties levied by SBP against non maintenance of liquid assets in the year 2001 to 2005

(566,052)

Markup payable on Govt. borrowings

(3,770,718)

Claims filed by ex-employees of ICP (defunct)

(35,000)

(3,810,460)

Revised Negative net worth as on 30-06-2010

(31,774,247)