

**INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2009**

	Note	2009	2008
( Rupees in '000 )			
<b>ASSETS</b>			
Cash and balances with treasury banks	7	183,885	212,428
Balances with other banks	8	50,313	30,513
Lending to financial institutions	9	481,269	600,000
Investments	10	3,178,546	4,036,610
Advances	11	142,182	124,778
Other assets	12	773,712	1,245,500
Operating fixed assets	13	120,568	125,120
Assets in respect of Bangladesh	14	877,648	870,641
		5,808,123	7,245,590
<b>LIABILITIES</b>			
Bills payable	15	38,612	29,471
Borrowings from financial institutions and Government of Pakistan	16	22,305,318	22,542,821
Deposits and other accounts	17	3,796,797	4,637,119
Sub-ordinated loans	16.2.2	201,137	201,137
Liabilities against assets subject to finance lease	18	-	-
Other liabilities	19	6,759,038	7,159,789
Liabilities in respect of Bangladesh	20	877,648	870,641
		33,978,550	35,440,978
<b>NET ASSETS</b>		<u>(28,170,427)</u>	<u>(28,195,388)</u>
<b>REPRESENTED BY:</b>			
Share capital	21	157,000	157,000
Reserves	22	750,548	750,548
Accumulated losses		<u>(28,712,158)</u>	<u>(28,850,253)</u>
		(27,804,610)	(27,942,705)
Deficit on revaluation of assets	23	(374,961)	(261,827)
Special Development Assistance Fund	24	9,144	9,144
		<u>(28,170,427)</u>	<u>(28,195,388)</u>
		-	-
<b>CONTINGENCIES AND COMMITMENTS</b>	25		

The annexed notes from 1 to 50 form an integral part of these financial statements.

The impact of investment's impairment on the profit and loss account is given in note 23.1.

**Chairman and Managing Director**

**Director**

**Director**

**Director**

**INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 ( Rupees in '000 )	2008
Mark-up / return / interest earned	26	404,055	441,814
Mark-up / return / interest expensed	27	(689,973)	(616,701)
Net mark-up / interest expense		(285,918)	(174,887)
Provision against non-performing loans and advances :			
- principal	11.3	95,415	(596,460)
- interest / mark-up	12.1	63,892	(5,802)
- lease assets	11.2		-
Bad debts written off directly - Principal	11.5.1	(1)	(5,938)
- Interest / Mark-up		(60)	(1,759)
Provision against staff finance			-
Provision against other assets		(22)	4,357
		159,224	(605,602)
Net mark-up / interest (loss) after provision		(126,694)	(780,489)
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		8,244	7,638
Dividend income		61,070	99,821
Gain on sale of investments - net		1	13,036
Gain on dealing in foreign currencies		9,206	
Other income	28	344,307	39,992
Total non-markup / interest income		422,828	160,487
		296,134	(620,002)
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	29	(180,890)	(158,076)
Voluntary Separation Scheme expenses	16.2.1.5	(20,431)	-
Loss from dealing on foreign currencies		(693)	(1,647)
Provision for diminution in the value of investments - net	10.3	-	(780)
Reversal of provision against retirement benefits	30	47,123	976,222
Other charges	31	(997)	(22,709)
Total non-markup / interest expenses		(155,888)	793,010
<b>PROFIT / (LOSS) BEFORE TAXATION</b>			
		140,246	173,008
Taxation - for current year	32	(2,151)	(44,466)
- for prior years		-	-
		(2,151)	(44,466)
<b>PROFIT / (LOSS) AFTER TAXATION</b>			
		138,095	128,542
Accumulated loss brought forward		(28,850,253)	(28,978,795)
		(28,712,158)	(28,850,253)
<b>APPROPRIATIONS:</b>			
Transfer to:			
Statutory reserve		-	-
Capital reserve		-	-
Revenue reserve		-	-
Cash dividend Rs. Nil per share (2008 : Nil)		-	-
Others		-	-
		-	-
Accumulated loss carried forward		(28,712,158)	(28,850,253)
<b>Basic and diluted Profit / (loss) per share</b>	33	87.96	81.87

The annexed notes from 1 to 50 form an integral part of these financial statements.  
The impact of investment's impairment on the profit and loss account is given in note 23.1.

Chairman and Managing Director

Director

Director

Director

**INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Note	2009	2008
	( Rupees in '000 )	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	140,246	173,008
Less: Dividend income	(61,070)	(99,821)
	79,176	73,187
<b>Adjustment for non-cash charges</b>		
Depreciation	6,502	2,789
Amortization of premium on purchase of securities	58,660	57,782
Bad debts written off directly (principal & mark-up)	61	7,697
Provision against non-performing advances	-	-
- Principal	(95,415)	596,460
- Interest / mark-up	(63,892)	5,802
- Other assets	22	(4,357)
Gain on sale of fixed assets	(2,126)	(741)
	(96,188)	665,432
	(17,012)	738,619
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	118,731	1,025,000
Advances	78,010	479,503
Other assets (excluding advance taxation)	535,598	(59,070)
	732,339	1,445,433
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	9,141	4,710
Borrowings from financial institutions and Government of Pakistan	(237,503)	(139,087)
Deposits	(840,322)	(1,473,436)
Other liabilities	(400,751)	(1,123,011)
	(1,469,435)	(2,730,824)
	(754,108)	(546,772)
Income tax refunded	-	-
Income tax paid	(2,151)	(2,278)
<b>Net cash flow from operating activities</b>	(756,259)	(549,050)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in available-for-sale securities	(3,730)	(20,356)
Net investment in held-to-maturity securities	690,000	427,432
Dividend received	61,070	99,821
Investments in operating fixed assets	(2,741)	(830)
Sale proceeds of assets disposed - off	2,917	1,374
<b>Net cash flow from investing activities</b>	747,516	507,441
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of sub-ordinated loan	-	-
Receipts / payments of lease obligations	-	-
<b>Net cash flow from financing activities</b>	-	-
Effects of exchange rate changes on cash and cash equivalents	-	-
<b>Increase / (decrease) in cash and cash equivalent</b>	(8,743)	(41,609)
Cash and cash equivalents at beginning of the year	242,941	284,550
<b>Cash and cash equivalents at end of the year</b>	234,198	242,941

34

The annexed notes from 1 to 50 form an integral part of these financial statements.

Chairman and Managing Director

Director

Director

Director

**INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Share Capital	Reserves			Accumulated loss	Total
		Capital	Statutory	Revenue		
----- ( Rupees in '000 ) -----						
Balance as at June 30, 2007	157,000	157,601	4,668	588,279	(28,978,795)	(28,071,247)
Profit after taxation for the year ended June 30, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,542</u>	<u>128,542</u>
Balance as at June 30, 2008	157,000	157,601	4,668	588,279	(28,850,253)	(27,942,705)
Profit after taxation for the year ended June 30, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,095</u>	<u>138,095</u>
Balance as at June 30, 2009	<u><u>157,000</u></u>	<u><u>157,601</u></u>	<u><u>4,668</u></u>	<u><u>588,279</u></u>	<u><u>(28,712,158)</u></u>	<u><u>(27,804,610)</u></u>

The annexed notes from 1 to 50 form an integral part of these financial statements.

**Chairman and Managing Director**

**Director**

**Director**

**Director**

**INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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 office and principal office 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 **17 (2008: 19)** 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 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 the effective 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**

As at June 30, 2009, the liabilities of the bank amounted to Rs.33,979 million (2008: Rs.35,441 million) against assets of Rs.5,808 million (2008 Rs.7,246 million). The negative shareholders equity as at June 30, 2009 was Rs.28,149 million (2008: Rs.28,195 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. However, these financial statements have been prepared on a going concern assumption in view of the fact that for the purpose of restructuring of the bank on August 03, 2006, the President of Pakistan has promulgated the "Industrial Development Bank of Pakistan (Reorganization & Conversion) Ordinance No. XVII of 2006. According to this Ordinance all assets, liabilities, business and staff of the bank will 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, these financial statements have been prepared on historical cost basis.

**3 BASIS OF PRESENTATION**

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) 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 Accounting 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.

During the year, IFRIC 9 - Reassessment of embedded derivatives, IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions, IFRIC 12 - Service Concession Arrangements, IFRIC 14, IAS 19 - The Limit on Defined Benefit Asset Minimum Funding Requirements and their interaction, became effective. The application of these standards did not have material effect on the Bank's financial statements.

## **5. 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.

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **6.1 Cash and cash equivalents**

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

### **6.2 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 other than those in subsidiaries and associates, if any, that do not fall under the held to maturity category.

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.

Quoted securities other than those charged to "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.

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

**6.3 Advances**

Advances are stated at the principal amount outstanding, after deducting necessary provisions including contingency provision referred to in note 6.11. 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.

**6.4 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 and leased 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.

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

## **6.5 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.

## **6.6 Taxation**

### **6.6.1 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.

### **6.6.2 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.

## 6.7 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, 2009 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 scale.

### 6.7.1 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, 2009 using Projected Unit Credit method.

### 6.7.2 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, 2009.

### 6.7.3 Benevolent fund

The Bank operates separate approved contributory benevolent funds for its management and non-management employees. Contributions are made by the bank and the employees equally on monthly basis. The liability of the fund is guaranteed by the Bank.

## 6.8 Impairment

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

## 6.9 Provisions

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

### 6.10 Sale and repurchase agreements

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

- In case of sale under repurchase obligations (repo), the securities are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions, and charges arising from the differential in sale and repurchase values are accrued on a prorata basis and recorded under Mark-up/Return/Interest expensed; and
- In the case of purchase under resale obligations (reverse repo), the securities are not recognized in the financial statements as investments and the amount extended to the counter party is included in lending to financial institutions and the differential of the contracted purchase and resale prices is adjusted over the period of the contract and recorded under Mark-up/Return/Interest earned.

### 6.11 Foreign currencies

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

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

### 6.12 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.

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.

### **6.13 Financial instruments**

#### **6.13.1 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.

#### **6.13.2 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.

### **6.14 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.

### **6.15 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 Accounting Standards.

### **6.16 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 01 January 2008 are either not relevant to Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain increased disclosures:

Revised IAS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effected after discussions with regulators.

Revised IAS 23 - Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Bank's financial statements.

Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Bank's financial statements.

Amendment to IFRS 2 Share-Based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have a material effect on the Bank's financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Bank's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the bank loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Bank's financial statements.

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Bank’s “chief operating decision maker” in order to assess each segment’s performance and to allocate resources to them. Currently, the Bank presents segment information in respect of its business and geographical segments. This standard will have no effect on the Bank’s reported total profit or loss or equity.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Bank’s operations.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity’s functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation, an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not likely to have an effect on the Bank’s financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank’s 2009 financial statements. These amendments are unlikely to have an impact on the Bank’s financial statements.

IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Bank’s financial

IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the Bank does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Bank’s financial statements.

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 01 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it would classify all of that subsidiary’s assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met. Disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation.

	Note	2009	2008
		( Rupees in '000 )	
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
- Local currency		32,723	29,590
- Foreign currency		703	1,041
With State Bank of Pakistan in			
	7.1		
- Local currency current account		126,439	141,574
- Foreign currency current account		2,596	1,958
- Foreign currency deposit account		11,056	8,177
With National Bank of Pakistan in			
- Local currency current account		10,368	17,085
- Foreign currency current account		-	13,003
		<u>183,885</u>	<u>212,428</u>

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

## 8. BALANCES WITH OTHER BANKS

In Pakistan			
- On current account		6,383	9,611
- On deposit account		830	-
Outside Pakistan			
- On current account		-	-
- On deposit account	8.1	<u>43,100</u>	<u>20,902</u>
		<u>50,313</u>	<u>30,513</u>

8.1 These represent various foreign currency placements with foreign banks at the rate of interest 2009: 0.25% to 1.53% per annum (2008: 1.53% to 4.92% per annum).

2009 2008  
(Rupees in '000)

## 9. LENDINGS TO FINANCIAL INSTITUTIONS

Clean Placements	481,269	600,000
Repurchase agreement lendings	-	-
	<u>481,269</u>	<u>600,000</u>

10. INVESTMENTS	2009			2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
10.1 Investments by types						
<b>Available-for-sale securities</b>						
Market Treasury Bills	-	-	-	-	-	-
Pakistan Investment Bonds	793,491	2,255,746	3,049,237	630,377	2,477,521	3,107,898
Federal Investment bonds	-	-	-	-	-	-
<b>Fully paid-up ordinary shares:</b>						
Listed companies	356,301	-	356,301	355,856	-	355,856
Unlisted companies	13,871	-	13,871	13,871	-	13,871
Term Finance Certificates						-
Other Investments:						
National Investment Trust Units	15,791	-	15,791	12,507	-	12,507
	<u>1,179,454</u>	<u>2,255,746</u>	<u>3,435,200</u>	<u>1,012,611</u>	<u>2,477,521</u>	<u>3,490,132</u>
<b>Held-to-maturity securities</b>						
Short term deposits with banks and financial Institutions	200,000	-	200,000	890,000	-	890,000
Term Finance Certificates & Debentures	222	-	222	222	-	222
	<u>200,222</u>	<u>-</u>	<u>200,222</u>	<u>890,222</u>	<u>-</u>	<u>890,222</u>
Subsidiary						
Pakistan Industrial Development Financial Services (Private) Limited - wholly owned subsidiary	2,500	-	2,500	2,500	-	2,500
	<u>1,382,176</u>	<u>2,255,746</u>	<u>3,637,922</u>	<u>1,905,333</u>	<u>2,477,521</u>	<u>4,382,854</u>
<b>Less : Provision for diminution in value of investments</b>	(84,415)	-	(84,415)	(84,417)	-	(84,417)
<b>Surplus/(deficit) on revaluation of securities</b>	(374,961)	-	(374,961)	(261,827)	-	(261,827)
	<u><b>922,800</b></u>	<u><b>2,255,746</b></u>	<u><b>3,178,546</b></u>	<u><b>1,559,089</b></u>	<u><b>2,477,521</b></u>	<u><b>4,036,610</b></u>

	Note	2009 ( Rupees in '000 )	2008
<b>10.2 Investments by segments:</b>			
<i>Federal/Provincial Government Securities:</i>			
Pakistan Investment Bonds		3,049,238	3,107,898
<i>Fully paid-up ordinary shares:</i>			
Listed companies	10.4	356,301	355,856
Unlisted companies	10.5	13,871	13,871
<i>Term Finance Certificates, Debentures and Bonds</i>		222	222
<i>Other Investments:</i>			
National Investment Trust Units		15,791	12,507
Short term deposits with banks and financial Institutions		200,000	890,000
Pakistan Industrial Development Financial Services (Private) Limited - wholly owned subsidiary		2,500	2,500
		3,637,923	4,382,854
<i>Less :Provision for diminution in value of investments</i>	10.3	(84,415)	(84,417)
<i>(Deficit) / surplus on revaluation of investments</i>	23	(374,961)	(261,827)
		(459,376)	(346,244)
		3,178,547	4,036,610
<b>10.3 Particulars of provision for diminution in value of investments</b>			
Opening balance		84,417	101,399
Balance transferred from ICP (defunct)		-	-
Charge for the year		-	780
Reversals/Adjustments		(2)	(17,762)
Closing balance		(2)	(16,982)
Written Off		-	-
Closing balance		84,415	84,417

## 10.4 Particulars of investments held in listed Companies

SR.#	COMPANY NAME	HOLDING	Amount in '000	
			Numbers	COST OF INVESTMENT Rupees
<b>QUOTED COMPANIES</b>				
<b>MUTUAL FUNDS</b>				
1	GOLDEN ARROW SELECTED STOCK FUNDS LTD.	1,134,154		3,380
2	PAK CAPITAL MARKET FUND	5,293		64
3	PAKISTAN PREMIER FUND	14,970		167
4	PICIC GROWTH FUND	25,377		829
5	PICIC INVESTMENT FUND	13,797		206
6	UTP GROWTH FUND	22,679		318
	<b>SUB-TOTAL</b>	<b>1,216,270</b>		<b>4,964</b>
<b>MODARABAS</b>				
1	B.R.R. INTERNATIONAL MODARABA	1,108		6
2	DADABHOY MOD. 1ST.	250,000		2,211
3	HABIB BANK MOD. 1ST.	496		4
4	INVESTEC MODARABA 1ST	2,212		2
5	INTERFUND MOD.1ST	1		-
6	TAWAKKAL MOD. 1ST	265,500		111
7	L.T.V. CAPITAL MOD.	351,176		1,039
8	STANDARD CHARTERED MOD.(GRINDLAYS M.1ST)	566		8
9	TRUST MODARABA	190		2
10	UNICAP MODARABA	600		0
11	UNITY MODARABA	1,000,000		10,000
12	L.T.V. REDEEMABLE CAPITAL CERTIFICATES	133,178		3,070
13	PREMIER MODARABA 1ST.	9,600		19
	<b>SUB-TOTAL</b>	<b>2,014,627</b>		<b>16,472</b>
<b>LEASING COMPANIES</b>				
1	ASKARI LEASING	104		-
2	CAPITAL ASSETS	440,625		3,750
3	DADABHOY LEASING	18,958		41
4	ENGLISH LEASING	100		1
5	INTERASIA LEASING	250,000		2,500
	<b>SUB-TOTAL</b>	<b>709,787</b>		<b>6,292</b>
<b>INV.BANKS/COMPANIES/SECURITIES</b>				
1	FIRST DAWOOD INV.BANK(DAWOOD LEASING)	59		1
2	FIRST. INT. INV. BANK	2,071		21
3	BANKERS EQUITY	69,030		325
4	COMMERCE BANK	15		-
5	ESCORT INV. BANK	13,477		228
6	INNOVATIVE HOUSING FIN. LTD.	662		735
7	INDUS BANK	3,200		3
	<b>SUB-TOTAL</b>	<b>88,514</b>		<b>1,313</b>
<b>COMMERCIAL BANKS</b>				
1	ABN AMRO BANK (PRIME COMMERCIAL BANK)	5,685		321
2	ASKARI COMMERCIAL BANK	36,780		1,302
3	ATLAS BANK	4,608		46
4	BANK AL-HABIB LTD.	1,106		2
5	BANK ALFALAH LIMITED	6,143		148
6	FAYSAL BANK LIMITED	27,732		1,315
7	JS.BANK.LTD.	2,227		22
8	KASB BANK LIMITED (PLATINUM COMM.BANK)	1,157		12
9	MCB BANK LIMITED	11,377		2,455
10	MYBANK LIMITED(BOLAN BANK)	1,047		10
11	NATIONAL BANK OF PAKISTAN	10,450		1,972
12	NIB BANK	58,105		529
13	SAUDI PAK COMMERCIAL BANK	2,666		50
14	SONERI BANK LTD.	15,814		17
15	THE BANK OF PUNJAB	24,062		1,275
	<b>SUB-TOTAL</b>	<b>208,959</b>		<b>9,476</b>

SR.#	COMPANY NAME	Amount in '000	
		HOLDING Numbers	COST OF INVESTMENT Rupees
<b>INSURANCE</b>			
1	ADAMJEE INSURANCE	19	-
3	BUS.& IND.INS.	1,000	2
4	DELTA INSURANCE	4,000	30
5	PAK NORTHERN INS.	2,558	3
6	STANDARD INSURANCE	200	4
	<b>SUB-TOTAL</b>	<b>7,777</b>	<b>39</b>
<b>TEXTILE SPINNING</b>			
1	AL-QAIM TEXTILE	6,400	9
2	ASIM TEX.	51,000	190
3	AWAN TEXTILE	28,800	46
4	AZAM TEXTILE	100	0
5	AZMAT TEXTILE	2,299	4
6	BROTHERS TEXTILE MILLS	13,482	40
7	CRESCENT SPINNING	33,143	271
8	DIN TEXTILE	900	22
9	FATIMA ENTERPRISE	5,286	37
10	FAWAD TEXTILE LTD.	19,900	111
11	HAJI MOHAMMAD ISMAIL MILLS	389,025	3,704
12	IDEAL SPINNING	1,300	12
13	ITTEFAQ TEXTILE MILL	631	29
14	JUNAID COTTON MILLS	7,400	17
15	KARIM COTTON MILLS	22,989	46
16	KHURSHIED SPINNING MILLS	6,100	12
17	NORRIE TEXTILE	100	0
18	QAYYUM SPINNING MILL	100	0
19	AKBER COTTON MILLS	100	-
20	AL-AMIN TEXTILE.	34,000	-
21	CALICO COTTON	5,100	22
22	CENTRAL COTTON	55,241	279
23	CROWN TEXTILE	16,000	25
24	DAWOOD FIBRE MILLS LTD.(AISHA COTTON)	24,200	41
25	KOHINOOR COTTON.	1,277	-
26	MOHIB TEXTILE	543,185	15,199
27	NAVEED TEXTILE	3,500	23
28	NUSRAT TEXTILE	338,700	1,844
29	SAHRISH TEXTILE MILLS	10,808	19
30	SHAHYAR OE TEXTILE	73,242	356
31	SHAHYAR TEX MILLS.	21,711	-
32	SIND FINE TEXTILE	100,000	300
33	SUNRISE TEXTILE	35,100	28
34	SUN SHINE COTTON	144,270	1,472
35	TANGAIL COTTON (EP)	200	-
36	UNIVERSAL TEXTILE	20	-
37	ZAFAR TEX.(UNIT.COT)	1,249	2
	<b>SUB-TOTAL</b>	<b>1,996,858</b>	<b>24,161</b>
<b>TEXTILE WEAVING</b>			
1	AMAZAI TEXTILE	15,500	40
2	APEX FABRICS	500	-
3	AYAZ TEXTILE MILLS	48,300	68
4	ITTI TEXTILE MILLS	10,400	20
5	KOHINOOR LOOMS LTD	25,600	58
7	MOHIB EXPORTS	124,719	1,231
8	SERVICE FABRICS LTD.,	300	2
9	AFSAR TEXTILE MILLS	12,899	-
10	AHMED BAWANY RS.5/= (EP)	520	-
11	AKBAR TEXTILE MILLS	335	-
12	ALLIED TEX MILLS	5,204	-
13	AMIN TEXTILES (EP)	148	-
14	BALUCHISTAN TEXTILE	67,579	-
15	DANNEMANN FABRICS	12,300	18

SR.#	COMPANY NAME	HOLDING Numbers	Amount in '000
			COST OF INVESTMENT Rupees
16	FATIMA TEXTILE MILLS	500	-
17	GHAFUR TEXTILE	200	-
18	GULBERG TEXTILE	256	-
19	KARANAPHULI RAYON (EP)	2,200	-
20	KHAIRPUR TEXTILE	200	-
21	MARR FABRICS	6,800	21.00
22	NOOR TEXTILE LTD	200	-
23	PEARL FABRIC	247,300	734.00
24	R.R.TEXTILES (EP)	375	-
25	SATRANG TEXTILE MILL (EP)	1,440	-
26	SUNSHINE CLOTH	329,350	3,306
27	YOUSAF WEAVING MILLS	2,182	13
28	ZEENAT TEXTILE MILL	50	-
<b>SUB-TOTAL</b>		<b>915,357</b>	<b>5,512</b>
<b><u>TEXTILE COMPOSITE</u></b>			
1	ALIF TEXTILE	100,250	439
2	BLESSED TEXTILE MILL	1,200	45
3	COLONY TEXTILE MILLS	148,610	1,263
4	FAISAL SPINNING	1,100	29
5	HALA ENTERPRISES	2,310	4
6	KHYBER TEXTILE F.P.	31	-
7	KOHINOOR TEXTILE MILLS	9,345	125
8	LIBAAS TEXTILE	100	1
9	MASOOD TEXTILE	1,050	15
10	MEHMOOD TEXTILE	285,129	2,254
11	MOHAMMAD FAROOQ TEXTILE	4,139	27
12	PARAMOUNT SPINNING	651	7
13	REDCO TEXTILE	147,400	1,474
14	SCHON TEXTILE LTD.	16,180	111
15	TAJ TEXTILE	4,900	15
16	TAWAKAL GARMENTS	610,706	3,232
17	BAHAWALPUR TEXTILE	1,049	2
18	ZAHUR TEXTILE	2,392,251	22,902
19	NISHAT MILLS LTD	4,594	87
<b>SUB-TOTAL</b>		<b>3,730,995</b>	<b>32,034</b>
<b><u>WOOLEN</u></b>			
1	COLONY WOOLEN	44	-
2	HERNIA WOOLEN MILL	304	1
<b>SUB-TOTAL</b>		<b>348</b>	<b>1</b>
<b><u>SYNTHETIC &amp; RAYON</u></b>			
1	GATRON IND.	400	15
2	KARIM SILK MILLS	1,381	1
3	NATIONAL FIBRES	5,200	187
4	PAK FIBRE IND.	100	-
5	PAKISTAN SYNTHETICS	2,277	18
6	TAWAKAL POLYESTER	182,936	450
7	H.M.SILK MILLS LTD.	9,703	-
8	NILOM NYLON MILLS	20	-
<b>SUB-TOTAL</b>		<b>202,017</b>	<b>672</b>
<b><u>JUTE</u></b>			
1	CRESCENT JUTE PROD	6	-
2	MEHRAN JUTE MILLS	313,758	926
3	THAL LIMITED (THAL JUTE MILLS)	2,541	-
4	ADAMJEE JUTE MILLS (EP)	200	-
5	AMIN JUTE MILLS (EP)	246	-
6	CHANDPUR JUTE (EP)	670	-
7	CHITTAGONG JUTE MFG (EP)	600	-

SR.#	COMPANY NAME	Amount in '000	
		HOLDING Numbers	COST OF INVESTMENT Rupees
8	JESSORE JUTE ORD. (EP)	100	-
9	JESSORE JUTE PREF. (EP)	100	-
10	LATIF BAWANY JUTE (EP)	500	-
11	MEGHNA JUTE (EP)	1,550	-
12	PAK JUTE MILLS (EP)	1,712	-
13	R.R.JUTE (EP)	850	-
14	UNITED JUTE MILLS (EP)	2,500	2
	<b>SUB-TOTAL</b>	<b>325,333</b>	<b>928</b>
<b><u>SUGAR &amp; ALLIED INDUSTRIES</u></b>			
1	ANSARI SUGAR	45,801	148
2	BAWANI SUGAR MILLS	3,500	22
3	CHASHMA SUGAR	200	2
4	KOHINOOR SUGAR MILLS	15	-
5	MIAN MOHAMMAD SUGAR	1,000	1
6	MIRZA SUGAR MILLS	4,396	12
7	SAKRAND SUGAR MILLS	9,500	29
8	COLONY SUGAR MILLS	31,940	-
	<b>SUB-TOTAL</b>	<b>96,352</b>	<b>214</b>
<b><u>CEMENT</u></b>			
1	CHERAT CEMENT CO.	356	6
3	DADABHOY CEMENT	13,825	97
4	FAUJI CEMENT COMPANY	4,190	85
5	LUCKY CEMENT LIMITED	5,874	615
6	MAPLE LEAF CEMENT	5,137	64
7	MUSTEHKAM CEMENT	15	-
9	PIONEER CEMENT	8,903	82
	<b>SUB-TOTAL</b>	<b>38,300</b>	<b>950</b>
<b><u>REFINERY</u></b>			
1	ATTOCK REFINERY LIMITED	14,875	-
2	PAKISTAN REFINERY LTD.	3,059	4
3	EASTERN REFINERY (EP)	400	-
	<b>SUB-TOTAL</b>	<b>18,334</b>	<b>4</b>
<b><u>POWER GENERATION &amp; DISTRIBUTION</u></b>			
1	GENERTECH PAKISTAN LTD	1,000	14
2	HUB POWER	43,708	1,189
3	KOT ADDU POWER COMPANY	8,000	344
4	SOUTHERN ELECTRIC POWER	11,171	67
5	TRI-STAR POWER	500	2
	<b>SUB-TOTAL</b>	<b>64,379</b>	<b>1,617</b>
<b><u>OIL &amp; GAS MARKETING COMPANY</u></b>			
1	PAKISTAN STATE OIL	1,161,886	208,940
2	SUI NORTHERN GAS	277,171	7,998
	<b>SUB-TOTAL</b>	<b>1,439,057</b>	<b>216,937</b>
<b><u>OIL &amp; GAS EXPLORATION COMPANY</u></b>			
1	O.G.D.C.	8,609	1,279
2	PAKISTAN OILFIELD LIMITED	6,214	1,836
3	PAKISTAN PETROLEUM LIMITED	3,097	674
	<b>SUB-TOTAL</b>	<b>17,920</b>	<b>3,790</b>
<b><u>ENGINEERING</u></b>			
1	HUFFAZ SEAMESS PIPE RUP	925	25
2	PAKISTAN ENGINEERING.	128,220	1,041
3	BALUCHISTAN FOUNDRY.	149,034	-
4	NOWSHERA ENGINEERING	742	-
5	RCD BALL BEARING	93,073	-
6	SARTAJ ENGINEER	55	-
	<b>SUB-TOTAL</b>	<b>372,049</b>	<b>1,066</b>

SR.#	COMPANY NAME	HOLDING	Amount in '000	
			Numbers	COST OF INVESTMENT Rupees
<b><u>AUTOMOBILE ASSEMBLER</u></b>				
1	HONDA ATLAS CARS	850		9
2	INDUS MOTORS	300		16
3	MILLAT TRACTORS	16		-
	<b>SUB-TOTAL</b>	<b>1,166</b>		<b>24</b>
<b><u>AUTOMOBILE PARTS &amp; ACCESSORIES</u></b>				
1	BELA ENGINEERS LTD.	44,705		367
2	TAGA PAKISTAN	600		1
3	TRANSMISSION ENGINEERING	2,000		13
	<b>SUB-TOTAL</b>	<b>47,305</b>		<b>380</b>
<b><u>CABLE &amp; ELECTRICAL GOODS</u></b>				
1	CASS PAK INDUSTRIES	84,900		260
2	MYFIP VIDEO	90,000		495
3	ASLO ELECTRICAL.	4,500		-
4	AUTOMOTIVE EQUIPMENT	38,524		1
5	ELECTRIC LAMP	2,900		4
6	GREAVES AIRCONDITION	5,000		23
7	HYDERABAD ELECTRONIC	171,300		642
8	PUNJAB LAMP WORKS	400		1
9	REFRIGERATORS MFG. CO.	367		-
10	REX BAREN BATTERIES	500		6
	<b>SUB-TOTAL</b>	<b>398,391</b>		<b>1,432</b>
<b><u>TRANSPORT</u></b>				
1	P.N.SHIPPING CORP.	2,158		4
2	PAN ISLAMIC COMPANY	306		8
3	TRI-STAR SHIPPING LINES	1,349,750		12,652
4	K.R.T.C.	10		-
	<b>SUB-TOTAL</b>	<b>1,352,224</b>		<b>12,664</b>
<b><u>TECHNOLOGY &amp; COMMUNICATION</u></b>				
1	P.T.C.L. 'A'	33,697		1,496
2	WORLD CALL TELECOM LIMITED	10,060		38
	<b>SUB-TOTAL</b>	<b>43,757</b>		<b>1,534</b>
<b><u>FERTILIZER</u></b>				
1	FAUJI FERTILIZER BIN QASIM	16,028		446
2	FAUJI FERTILIZER COMPANY	71,246		6,871
3	ENGRO CHEMICAL RUP	8,503		597
4	DAWOOD HERCULES CHEMICALS LTD	25		-
	<b>SUB-TOTAL</b>	<b>95,802</b>		<b>7,914</b>
<b><u>PHARMACEUTICALS</u></b>				
1	FEROZSONS LAB	1,772		-
2	GLAXO SMITHKLINE PAKISTAN LTD.(GLAXO WL)	11		-
	<b>SUB-TOTAL</b>	<b>1,783</b>		<b>-</b>
<b><u>CHEMICALS</u></b>				
1	DATA AGRO IND	6,000		5
2	KAUSAR PAINT LTD.	100		-
3	SIND ALKALIS LTD	14,405		160
4	BOC PAKISTAN LIMITED	3,665		517
5	CHEMICAL IND. PAK (EP)	73		-
6	CHEMPHAR PAKISTAN	134,895		-
7	HUB PETRO CHEMICALS	2,100		18
8	PAKISTAN PVC	1,110,000		1,943
9	PAKISTAN PTA LIMITED	7,065		40
10	SYNTHETIC CHEMICALS	7,154		-
	<b>SUB-TOTAL</b>	<b>1,285,457</b>		<b>2,682</b>

SR.#	COMPANY NAME	Amount in '000	
		HOLDING Numbers	COST OF INVESTMENT Rupees
<b>PAPER &amp; BOARD</b>			
1	ABSON INDUSTRIES	1,000	3
3	CENTRAL FOREST	100	-
4	ADAMJEE PAPER BOARD	90,489	222
5	ALLIED PAPER IND.	50	-
6	CHILYA C. BOARD	150	-
7	EAGLE BOX CARTON (EP)	50	-
8	KARNAPHULI PAPER (EP)	400	-
9	PAKISTAN PAP CORPN.	542,909	-
	<b>SUB-TOTAL</b>	<b>635,148</b>	<b>225</b>
<b>VANASPATI &amp; ALLIED</b>			
1	FAZAL VEGETABLE GHEE	20,465	606
2	MORAFKO INDUSTRIES	6,666	122
3	MUSLIM GHEE	5,000	10
4	SURAJ GHEE IND.	2,002	23
5	UNIVERSAL OIL & VEG	10,000	249
6	SARHAD GHEE MILL	13,600	158
	<b>SUB-TOTAL</b>	<b>57,733</b>	<b>1,167</b>
<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>			
1	NOON PAK.	-	-
2	PAK DAIRIES LIMITED	700	2
3	BAKER FOOD IND.	9,000	2
4	BENZ INDUSTRIES LTD	300	4
	<b>SUB-TOTAL</b>	<b>10,000</b>	<b>8</b>
<b>GLASS &amp; CERAMICS</b>			
1	ENCO INDUSTRIES	100	1
2	GHULAM M.DADABHOY	3,200	6
3	MEDI GLASS	400	1
4	REGAL CERAMICS LTD.	11,491	103
5	SHABBIR TILES & CRMS	4,613	50
6	PRINCE GLASS WORKS	27,968	751
7	USMANIA GLASS SHEET (EP)	1,569	-
	<b>SUB-TOTAL</b>	<b>49,341</b>	<b>912</b>
<b>MISCELLANEOUS</b>			
1	DADABHOY CONSTR TECH LTD(PAK GERMEN)	100	0
2	MINERAL GRINDINGS	7,300	6
3	TAWAKAL LTD.	165,240	498
4	TURBO TEC LIMITED	14,000	13
5	ADAMJEE FLOORING	11,000	27
6	ADAMJEE INDUSTRIES	5,344	-
7	AL-HUSSANY IND.	4,000	9
8	AMIN AGENCIES 1947 (EP)	100	-
9	ARAG IND. PREF.	53,800	-
10	ARAG INDUSTRIES	10,472	-
11	ASWAN TENTAGE CANVAS	39,200	39
12	ATLAS EPAK (EP)	1,272	-
13	BURMAH EASTERN (EP)	730	-
14	EAST PAK COLD STORAGE (EP)	125	-
15	FULBRITE PAK LTD	7,362	-
16	GALFRA HABIB (EP)	100	-
17	GAMMON EAST PAK. (EP)	40	-
18	GILLENDEERS ARBUTHNOT	2,999	-
19	GRACE INDUSTRIES	1,600	-
20	GYPSUM CORPORATION.	5,100	-
21	HAJI SHEIKH MUHAMMAD HUSSAIN COMPANY	6,562	-
22	HAMRAZ INDUSTRIES.	19,550	95
23	I.P.S. OF PAKISTAN (EP)	50,059	-
24	KARACHI PIPE MILLS	13,900	136
25	MULTIPOLE IND.	17,500	41

SR.#	COMPANY NAME	HOLDING Numbers	Amount in '000
			COST OF INVESTMENT Rupees
26	NAT. MATCH FACTORY	200	-
27	PAK CHROME MINES	1,390	8
28	PAK INDUSTRIAL GAS	310	-
29	PAKISTAN ROPE WORKS (EP)	220	-
30	PUNJAB BUILDING LTD.	3,685	3
31	RALLI PAKISTAN LTD. (EP)	50	-
32	SAIFEE DEV.CORPN.	25	-
33	SUN PUBLICATION	23,044	-
34	KAYTEX MILLS LTD	4,500	45
35	CENTRAL INSURANCE CO. LTD	134	-
36	GLAXO SMITH KLINE	15	-
37	HABIB INSURANCE COMPANY	107	-
38	NEW JUBILEE INSURANCE CO	15	-
39	CENTURY INSURANCE COMPANY	164	-
40	NISHAT CHUNION	16	-
41	QUALITY TEXTILE	100	-
42	N.T. SPINNING MILLS LT	3,000	-
<b>SUB-TOTAL</b>		<b>474,430</b>	<b>921</b>
<b>GRAND TOTAL INVESTMENT PORTFOLIO</b>		<b>17,915,770</b>	<b>356,301</b>

#### 10.4.1 Quoted equity securities

The above includes an amount of Rs.76.910 million (2008: Rs.76.907 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, 2009. 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 Privatization 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.

10.4.2 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	----- 2009 -----	
	Holding (Number of shares)	Market Value (Rupees in '000' )
- Shares held on behalf of Pakistani Dormant Account Holders	2,024,316	22
- Shares held on behalf of Ex-Account Holders under Litigation	11,678	54
- Shares held on behalf of ICP Account Holders (Former East Pakistan)	83,819	266
- Shareholding in Former East Pakistani Companies	1,398,441	-
- Unclaimed Bonus Shares (Bonus shares received on shares sold / disposed off)	418,227	8,499
- Unclaimed Duplicate Shares	171,866	1,459
	<b>4,108,347</b>	<b>10,300</b>

## 10.5 Particulars of investments held in unlisted Companies

<b>Name of the Investee Company</b>	<b>Percentage of holding</b>	<b>No. of Shares / Units held</b>	<b>Book value</b>	<b>Break-up value per share / unit</b>	<b>Based on accounts as at</b>	<b>Name of Chief Executive</b>
( Rupees in '000 )						
Central Depository Company		1,511,250	5,000	46.62	31.12.2008	Mr. Hanif Jakhura
Crescent Capital Mgt. (Pvt)Ltd. (Shoaib Cap)		100,000	1,000	10.00		
Equity Participation Fund	1.61%	25,000	2,500	702.45	30.06.2009	Mr. Shabhat Hussain
First Investment Mgt. Services Ltd. (Cust. Mgt)		100,000	774	7.74		
SME Bank	0.59%	286,146	2,146	11.74	31.12.2007	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%	105,600	200	3,719	31.12.2008	Mr. Tariq Iqbal Khan
State Bank of Pakistan		25	3	322.85		Dr. Shamshad Akhtar
			<b>13,871</b>			

## 10.6 Particulars of Debentures

Description	Note	Terms of redemption		Rate of interest per annum	Amount
		Principal	Interest		

## 10.6. Debentures

Northern Foundry & Engineering Works Ltd.		Semi - Annual	Semi-Annual	14.00%	118
Chilya Corrugated Board Mill		Semi - Annual	Non-Int. bearing	-	104
					222

Note

2009

2008

( Rupees in '000 )

## 11. ADVANCES

Loans, cash credits, running finances, etc. in Pakistan			6,383,659	6,464,700
Net investment in finance lease in Pakistan		11.2		
Bills discounted and purchased				
in Pakistan			5,033	5,033
Outside Pakistan				
Staff loans			23,185	22,668
			6,411,877	6,492,401
Contingency provision		6.11	(2,602,254)	(2,529,598)
Provision for non-performing advances			(3,667,441)	(3,838,025)
			(6,269,695)	(6,367,623)
			142,182	124,778

## 11.1 Particulars of advances

11.1.1 In local currency			142,182	124,778
In foreign currencies			-	-
			142,182	124,778
11.1.2 Short term (upto one year)			53,524	81,357
Long term (over one year)			88,658	43,421
			142,182	124,778

## 11.2 Net investment in finance Lease

	2009				2008					
	Over due portion	Not later than one year	Later than one and less than five years	Later than one year and less than five years	Total	Over due portion	Not later than one year	Later than one and less than five years	Later than one year and less than 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>

## 11.3 Particulars of provision against non-performing advances

	2009			2008			
	Specific	General	Total	Specific	General	Total	
----- ( Rupees in '000 ) -----							
Opening balance		6,367,623	-	6,367,623	6,010,832	-	6,010,832
Transferred from ICP (Defunct)		-	-	-	-	-	-
Exchange adjustments		72,656	-	72,656	209,513	-	209,513
Provision made during the year		(12,616)	-	(12,616)	668,159	-	668,159
Reversals	-	(82,799)	-	(82,799)	(71,699)	-	(71,699)
		(95,415)	-	(95,415)	596,460	-	596,460
Amount written off (Note 11.5)		(75,169)	-	(75,169)	(342,752)	-	(342,752)
Others		-	-	-	(106,430)	-	(106,430)
Closing balance		<u>6,269,695</u>	<u>-</u>	<u>6,269,695</u>	<u>6,367,623</u>	<u>-</u>	<u>6,367,623</u>

11.4 Advance include an amount of Rs. 6,283.508 million which have been placed under non-performing status as detailed

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
----- ( 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>

11.5 Particulars of write offs	Note	2009 ( Rupees in '000 )	2008
11.5.1 Against provisions	11.3	75,169	342,752
Directly charged to Profit & Loss account		<u>1</u>	<u>5,938</u>
		<u>75,170</u>	<u>348,690</u>
11.5.2 Write offs of Rs.500,000 and above	11.6	75,151	348,532
Write offs of below Rs.500,000		<u>19</u>	<u>158</u>
		<u>75,170</u>	<u>348,690</u>

#### 11.6 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, 2009 is given in Annexure-1. However, these write offs do not affect the Bank's right to recover the debt from the customer.

#### 11.7 East Pakistan Displaced Persons Cases

The above loan portfolio includes outstanding loans amounting to Rs.56.184 million (interest outstanding thereon aggregating to Rs.218.670 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.

	Note	2009	2008
( Rupees in '000 )			
<b>12. OTHER ASSETS</b>			
Income/mark-up on advances/investments			
Accrued in local currency		1,606,713	1,865,732
Income/mark-up on advances accrued in foreign currencies		3,765,601	3,812,256
Advances, deposits, advance rent and other prepayments		1,325	2,419
Advance taxation (payments less provision)		343,656	344,666
Suspense account		105	420
Branch adjustment account		6,654	-
Stationery and stamps		4,024	4,152
NWFP Equity investment account		71,343	71,343
Receivable from:			
- Corporate and Industrial Restructuring Corporation			
- Employees' Provident Fund		1,148	114,081
- Pension fund	35.3	353,812	620,519
- Benevolent Fund - Staff		1,687	1,699
- 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		49,447	49,473
IDA Managed Fund		29,703	29,681
Incorporation expenses of IDBL		10,769	10,623
Legal and Professional charges recoverable		5,287	6,360
Advance against Railway Plot	12.2	60,255	60,255
Others		23,709	47,715
		6,429,952	7,136,108
Less: Provision held against	12.1		
- IDBP Modaraba current account		(5,300)	(5,300)
- Accrued mark-up		(5,309,621)	(5,543,884)
- NWFP equity account		(71,343)	(71,343)
- Balance with SBP		(33,855)	(33,855)
- Excise Duty Recoverable		(49,473)	(49,473)
- IDA Managed fund		(29,703)	(29,681)
- Legal and Professional charges recoverable		(4,420)	(4,547)
- Advance against Railway Plot		(60,255)	(60,255)
- Government of Pakistan		(60,859)	(60,859)
- Others		(31,411)	(31,411)
		(5,656,240)	(5,890,608)
		<u>773,712</u>	<u>1,245,500</u>

	Note	2009 ( Rupees in '000 )	2008
<b>12.1 Provision against other assets</b>			
Opening balance		5,890,608	6,357,146
Charge for the year		42,984	102,149
Reversals		(106,876)	(96,347)
		(63,892)	5,802
Amount written off		(170,632)	(428,229)
Others		156	(44,111)
Closing balance		5,656,240	5,890,608

## 12.2 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.

## 13. OPERATING FIXED ASSETS

2009

Note	COST			DEPRECIATION				
	As at July 1, 2008	Cost Additions / (Deletions)	As at June 30, 2009	As at July 1, 2008	Depreciation Charge for the year / (deletions)	As at June 30, 2009	Book value as at June 30, 2009	Rate of depreciation %
Free hold land	48,985	-	48,985	-	-	-	48,985	-
Lease hold land	60,795	-	60,795	143	1	144	60,651	1.01
Building on free hold land	35,220	-	35,220	25,673	1,592	27,265	7,955	5-10
Building on lease hold land	10,338	- (1,300)	9,038	9,768	(15) (715)	9,038	-	5
Furniture & fixtures and office equipment	30,878	362 (1,293)	29,947	26,223	3,352 (1,083)	28,492	1,455	10-20
Vehicles	10,141	- (624)	9,517	9,808	84 (624)	9,268	249	20
Computers	18,961	2,379 (274)	21,066	18,579	1,488 (274)	19,793	1,273	20-33
	215,318	2,741	214,568	90,194	6,502	94,000	120,568	
<b>Assets held under finance lease</b>								
Vehicles	-	-	-	-	-	-	-	20
June 30, 2009	215,318	2,741 (3,491)	214,568	90,194	6,502 (2,696)	94,000	120,568	

13.1 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.

## 2008

Note	C O S T				D E P R E C I A T I O N						
	As at July 1, 2007	Transferred from ICP (defunct)	Cost Additions / (Deletions)	As at June 30, 2008	As at July 1, 2007	Transferred from ICP (defunct)	Depreciation Charge for the year / (deletions)	As at June 30, 2008	Book value as at June 30, 2008	Rate of depreciation %	
Free hold land	13.1	48,985	-	-	48,985	-	-	-	-	48,985	-
Lease hold land	13.2	60,795	-	-	60,795	143	-	4	147	60,648	1.01
Building on free hold land		35,220	-	-	35,220	24,081	-	1,592	25,673	9,547	5-10
Building on lease hold land		10,338	-	-	10,338	9,701	-	67	9,768	570	5
Furniture & fixtures and office equipment		36,889	-	262 (6,273)	30,878	31,113	-	755 (5,645)	26,223	4,655	10-20
Vehicles		10,901	-	418 (1,178)	10,141	10,901	-	84 (1,177)	9,808	333	20
Computers		23,451	-	151 (4,641)	18,961	22,929	-	287 (4,637)	18,579	382	20-33
		226,579	-	831	215,318	98,868	-	2,789	90,198	125,120	
<b>Assets held under finance lease</b>											
Vehicles		-	-	-	-	-	-	-	-	-	20
June 30, 2008		226,579	-	831 (12,092)	215,318	98,868	-	2,789 (11,459)	90,198	125,120	

- 13.2** Included therein is a sum of Rs.60.792 million (2008: 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.

### 13.3 Disposal

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
	----- ( Rupees in '000 ) -----					
<b>Furniture, office equipment and computers</b>						
Items having book value of more than Rs. 250,000 or cost of more than Rs.1,000,000	-	-	-	-	-	-
<b>Vehicles</b>						
Items having book value of more than Rs. 250,000 or cost of more than Rs.1,000,000	-	-	-	-	-	-
<b>Land and premises</b>						
Items having book value of more than Rs.250,000/= or cost more than Rs.1,000,000/=	1,300,000	715,000	585,000	2,333,000	Auction	M/s. Japan Tyre House, Trust Plaza, G.T. Road, Gujranwala. Proprietor: Mr. Nadeem Hayat
	<b>1,300,000</b>	<b>715,000</b>	<b>585,000</b>	<b>2,333,000</b>		

- 13.4** At June 30, 2009, carrying value of temporarily idle land and equipments amounted to Rs.68.156 million (2008: 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 (2008: Rs.30.426 million).

**2009**                      **2008**  
( Rupees in '000 )

#### 14. 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
<b>Advances</b>		
Local currency	310,893	310,893
Foreign currency	214,049	214,049
	524,942	524,942
<b>Fixed Assets</b>		
Premises at cost less depreciation	1,606	1,606
Furniture, fitting and equipment less depreciation	1,144	1,144
	2,750	2,750
<b>Other assets</b>		
Stationery, stamps and suspense	1,847	1,847
Adjusting account, interest, commission and other charges	259,456	252,449
	261,303	254,296
Acceptances and guarantees	7,987	7,987
	877,648	870,641

#### 15. BILLS PAYABLE

In Pakistan	38,612	29,471
Outside Pakistan	-	-
	38,612	29,471

#### 16. BORROWINGS FROM FINANCIAL INSTITUTIONS AND GOVERNMENT OF PAKISTAN

In Pakistan	22,305,318	22,542,821
Outside Pakistan	-	-
	22,305,318	22,542,821

##### 16.1 Particulars of borrowings from financial institutions and Government of Pakistan

In local currency	22,305,318	22,542,821
In foreign currency	-	-
	22,305,318	22,542,821

	Note	2009 ( Rupees in '000 )	2008
<b>16.2 Details of borrowings from financial institutions and Government of Pakistan</b>			
<b>Borrowings from State Bank of Pakistan</b>			
<i>Secured</i>			
	16.2.1		
Under export refinance scheme	16.2.1.1	12,500	8,750
Locally manufactured machinery (LMM)	16.2.1.2	1,054,285	1,054,285
SBP credit line	16.2.1.3	13,000,000	13,000,000
Financial assistance for Golden Hand Shake (GHS)	16.2.1.4	340,783	340,783
		14,407,568	14,403,818
<b>Borrowings from Government of Pakistan</b>			
<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)	16.2.2	4,258,926	4,258,926
Foreign currency borrowings repayable in local currency	16.2.3	-	-
Organization of the Petroleum Exporting Countries (OPEC), International Bank for Reconstruction & Development (IBRD) and Asian Development Bank (ADB) credit - Small Industrial Refinance Scheme	16.2.4	23,861	43,535
Banking sector adjustment loan	16.2.5	500,000	500,000
		5,982,787	6,002,461
Repurchase agreement borrowings - secured		1,914,963	2,136,542
		22,305,318	22,542,821
Money at call and short notice - unsecured		-	-
		22,305,318	22,542,821

### 16.2.1 Borrowings from State Bank of Pakistan

**16.2.1.1** Export refinance loan carries interest 7.5% per annum ( 2008: 7.5% per annum ).

**16.2.1.2** 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.

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

**16.2.1.4** Financial assistance for GHS is subject to remuneration (service charges), ranging from 6% to 8% per annum (2008: 6% to 8% per annum) and is secured by pledge of Pakistan Investment Bonds of Rs.341 million (2008: 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.

### 16.2.2 Rupee borrowings from GoP

Loans	Rate of interest % per annum	Deemed to	Deemed to	Total	Total
		relate to Pakistan	relate to Bangladesh	2009	2008
------( 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 ( 2008: 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. Out of the aforesaid amount, the installments aggregating to Rs.192.880 million 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.2,114.810 million (2008 : Rs.2,114.810 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 6.5.

### 16.2.3 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 2009 aggregating to Rs.694.459 million ( 2008: Rs.694.459 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.

### 16.2.4 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 2009 aggregating to Rs.1,421.073 million ( 2008: Rs.1,421.073 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.

### 16.2.5 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.

**16.2.6** 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.272.018 million ( Rs.248.442 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.3,535.348 million, ( Rs.3,009.562 million pertains to Government of Pakistan borrowings and Rs. 525.786 million is on State Bank of Pakistan borrowings).

	2009	2008
	( Rupees in '000 )	
<b>17 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	1,458,438	2,829,554
Saving deposits	1,402,243	918,568
Current accounts - non-remunerative	77,834	91,402
Others	118,745	156,667
	3,057,260	3,996,191
<b>Financial Institutions</b>		
Remunerative deposits	739,464	629,141
Non-remunerative deposits	73	11,787
	<u>3,796,797</u>	<u>4,637,119</u>

**2009**                      **2008**  
( Rupees in '000 )

**17.1 Particulars of deposits**

In local currencies	3,793,021	4,627,570
In foreign currencies	3,776	9,549
	3,796,797	4,637,119

**18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

2009			2008		
Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding

( Rupees in '000 )

Not later than one year	-	-	-	-	-
Later than one year and not later than five years	-	-	-	-	-
Over five years	-	-	-	-	-
	-	-	-	-	-

**2009**                      **2008**  
( Rupees in '000 )

Year ended June 30, 2009	-	-
	-	-

**19 OTHER LIABILITIES**

Mark-up / return / interest payable in local currency		256,964	387,801
Interest / mark-up payable in foreign currency			
Payable to GoP	19.1	4,341,911	4,322,031
Branch adjustment account		-	10,331
Accrued expenses		15,395	9,106
Advance payments		479	1,132
Benevolent Fund - Officers		5,130	5,309
Employees Provident Fund			
Payable to employees opted under VSS	19.2 & 25.3	24,419	7,116
Suppliers Credit liability rescheduled under Paris club payable to Government of Pakistan	19.3	1,297,770	1,586,607
Payable under counter guarantee arrangements	19.3.1	484,025	444,375
Provision for:		-	-
Post retirement medical benefit	36.2	24,109	23,166
Pension fund		-	-
Employees compensated absences		2,845	2,085
Security deposit against leases			
Payable to Ex- Creditors of ICP (defunct)	19.4	198,664	246,987
Un claimed deposits and dividends		56,652	59,331
Others		50,675	54,412
		6,759,038	7,159,789

- 19.1** Represents current overdue position of various loans payable to GoP as explained in note 16.2.2 to 16.2.6.
- 19.2** Represents amount payable to employees opted under Voluntary Separation Scheme. Financial assistance for VSS amounting to Rs.1,200 million (2008: Rs.1,200 million) is interest free loan received through State Bank of Pakistan, out of which payments to the extent of Rs. 1,196.012 million (2008: Rs.1,192.884 million) has been made to employees (optees) upto June 30, 2009.
- 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. As a result of this agreement suppliers credit liability has been adjusted and the impact has been charged to Profit & Loss Account. However, an amount of Rs.32.687 million included in this, is not covered under rescheduling arrangements.
- 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 will be paid accordingly and the balance amount will be charged to profit & loss account.

	Note	2009	2008
		( Rupees in '000 )	
<b>20. LIABILITIES IN RESPECT OF BANGLADESH</b>			
These comprised of the following:			
Deposits and other accounts		341,985	334,979
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
		795,182	788,176
Loans disbursed / to be disbursed by Government of Pakistan		82,466	82,465
		877,648	870,641

## 21. SHARE CAPITAL

### 21.1 Authorized capital

2009	2008		2009	2008
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

2009 No. of Shares	2008 No. of Shares	2009 ( Rupees in '000 )	2008 ( 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 (2008: 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.5 billion as laid down in SBP's BSD Circular No.19 dated September 05, 2008.

## 22. RESERVES

	Capital Note 22.1	Statutory Note 22.2	Revenue	Total 2009	Total 2008
----- ( 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 ).

**2009**                      **2008**  
**( Rupees in '000 )**

**23. DEFICIT ON REVALUATION OF ASSETS**

**(Deficit)/Surplus on revaluation of securities**

Government Securities - Treasury Bills	-	-
- Pakistan Investment Bonds	(428,203)	(657,283)
- Federal Investment Bonds	-	-
Quoted Shares	52,930	380,606
NIT Units	312	14,850
	(374,961)	(261,827)

**23.1** In compliance with the guidelines contained in SBP-BSD Circular No.4 of 2009, the impairment loss on valuation of investments in equity and debt securities is shown under equity as per the following allowed alternative treatment:

- The impairment loss, if any, recognized as on 30 June 2009 due to valuation of listed equity investments and debt securities held as "available for sale" to quoted market prices of 30 June 2009 may be shown under the caption "Surplus / Deficit on revaluation of assets" on the balance sheet;
- The amount taken to "Surplus / Deficit on revaluation of assets" as specified above, including any adjustment/effect for price movements during the quarter of financial year 2009 shall be taken to Profit and loss account on quarterly basis during the financial year ending on 30 June 2009; and
- The amount taken to "Surplus / Deficit on revaluation of assets" as specified above shall be treated as a charge to profit and loss account for the purposes of distribution of dividend.

The Bank has opted not to charge the impairment loss in the profit and loss account but to show it under the caption "Surplus / Deficit on revaluation of assets" on the balance sheet at 30 June 2009. Had the Bank followed the requirements of international accounting standards for the treatment of impairment on available for sale securities, the resultant impairment loss would have had the following impact on the Financial statements of the Bank:

	<b>----- (Rupees'000) -----</b>
Recognition of impairment loss in the profit and loss account	113,134
Decrease in the deficit on revaluation of available for sale securities – net of	113,134
Decrease in profit after taxation for the year	113,134
Decrease in the earnings per share (Rupees)	72.16

**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**

	<b>2009</b>	<b>2008</b>
<b>(a) IDBP</b>	<b>( Rupees in '000 )</b>	
<b>25.1 Direct Credit Substitutes</b>		
Guarantees in favour of :		
- Government	126,854	126,854
- Banks and other financial institutions	-	-
- Others	-	-
	<u>126,854</u>	<u>126,854</u>
<b>25.2 Transactions-related Contingent Liabilities</b>		
Guarantees in favour of :		
- Government	12,165	16,654
- Banking Companies and other financial institutions	-	-
- Others	-	1,500
	<u>12,165</u>	<u>18,154</u>
Letters of credit in favour of:		
- Government	-	-
- Banking Companies and other financial institutions	-	-
- Others	200	200
	<u>200</u>	<u>200</u>
<b>25.3 Commitments in respect of release of funds for VSS of IDBP Employees</b>		

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, 2009.

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

25.8 **Taxation - IDBP**

The Income Tax assessments of the Bank have been finalized by tax authorities upto assessment year 2002-2003 (corresponding to the income year ended June 30, 2002). For the tax year 2003, 2004, 2005 and 2006 order under section 122(5A) had been passed against which an appeal has been filed before the Commissioner of Income Tax - Appeals CIT(A). The bank has filed return for the tax years 2007 and 2008, under section 120 of the Income Tax Ordinance 2001 which is deemed to be assessed by the Commissioner of Income Tax.

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.

The Income tax department filed appeals for the assessment years 1989-90 and 1990-91 (corresponding to the income years ended June 30, 1989 and 1990) before the Honorable High Court of Sindh against the decisions of Income Tax Appellate Tribunal (ITAT) for allowing provision against non-performing loans and advances, amounting to Rs.255.932 million and special reserve of Rs.20.315 million under 23(1)(ix) of the repealed Income Tax Ordinance, 1979 which are pending to be heard. The tax liability worked out thereon amounts to approximately Rs.182.323 million.

For the assessment years, 1991-92, 1992-93 and 1995-96 (corresponding to the income years ended June 30, 1991, 1992 and 1995), the Income-tax department filed appeals before the Honorable Sindh High Court against the decisions of ITAT for allowing the claim of special reserve, aggregating to Rs.37.197 million, for the above assessment years.

For the assessment year 1996-97 (corresponding to the income year ended June 30, 1996), the Bank had filed an appeal before the Commissioner of Income Tax - Appeals [CIT(A)] against the order of the Deputy Commissioner of Income Tax (DCIT) in respect of disallowance of Rs.20.372 million on account of provision against non-performing loans and advances, traveling expense and incorrect treatment of tax on dividend which resulted in the demand of Rs.2.4 million. The appeal was decided in favour of the Bank wherein the CIT (A) had directed the assessing officer to allow the charge of bad and doubtful debts and had also deleted the disallowance of traveling expenses. Appeal effect assessment order is pending.

In the assessment years 1994-95, 1996-97 and 2001-2002 (corresponding to the income years ended June 30, 1994, 96 and 2001), credit of tax deducted at source under section 50 and payment of tax on demand under section 85 of the repealed Income Tax Ordinance, 1979, aggregating to Rs.13.047 million was not allowed by the Income Tax Department. The Bank has approached the tax department for the rectification of the respective orders and the matter is pending with tax department.

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.

In the assessment year 1999-2000 (corresponding to the income year ended June 30, 1999), the assessing officer had disallowed bad debts of Rs.1,863.260 million in the contention that the certificate from SBP was not available. This disallowance was maintained by the CIT(A). Furthermore, CIT(A) had also maintained the disallowances out of traveling, entertainment, conveyance and other expenses aggregating to Rs.5.491 million. The ITAT has deleted the disallowances of bad debts and profit & loss expenses and the appeal effect order has been issued by the DCIT wherein the special reserves of Rs.12.521 million and provision against non-performing loans and advances of Rs.1,863.260 million has been allowed. There is no tax impact of the above disallowances consequent to the available losses. The CIT(A) has deleted the additions aggregating Rs.1,788.340 million on account of portfolio under litigation, restructuring package for 'suppliers credit' and restructuring of unpaid instalments under suppliers credit. The assessing officer has not yet given effect to the order of the CIT(A) and the ITAT.

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.

In the assessment year 2000-2001 (corresponding to the income year ended June 30, 2000), the assessing officer had added an aggregate amount of Rs.426.324 million to the taxable income under the provisions of section 25(c) of the repealed Income Tax Ordinance, 1979 since the liability or interest remained unpaid. The assessing officer had also disallowed a sum of Rs.565 million under section 24(c) of the repealed Ordinance on the alleged contention that tax was not withheld at the time of recording the interest payable. Furthermore, potential lease losses, commission expenses and staff retirement benefits aggregating Rs.158.438 million had been disallowed. The CIT(A) had maintained these disallowances except for the staff retirement benefit, which were allowed. The Bank has filed an appeal with the ITAT against the order of CIT(A). This appeal has not been heard. There is no tax impact of the above disallowances since the tax department had assessed the loss in case of the above assessment year.

In the assessment year 2001-2002 (corresponding to the income year ended June 30, 2001), the assessing officer has added an aggregate amount of Rs.4,258.926 million to the taxable income under the provisions of Section 25(c) of the repealed Income Tax Ordinance, 1979 since the liability of interest remained unpaid. Furthermore, potential lease losses and staff retirement benefits aggregating Rs.109.224 million have been disallowed. Moreover, the assessing officer had wrongly disallowed interest on securities amounting to Rs.431.802 million. The CIT(A) had deleted additions of Rs.3,954.675 million and maintained the addition of Rs.304.251 million under section 25(c). The CIT(A) has set-aside the disallowance of staff benefits of Rs.102.000 million and has maintained the disallowance of potential lease losses aggregating to Rs.7.224 million. The CIT (A) has directed to rectify the disallowance of interest on securities amounting to Rs.431.802 million. The TO, in his order levied surcharge amounting to Rs.613,716 on minimum tax levied under section 80D of the 1979 Ordinance. CIT(A) maintained the levy of surcharge in his appellate order. The Bank has filed an appeal before the ITAT on the issues maintained by the CIT(A) which has not yet been heard. The assessing officer has allowed deduction of staff retirement benefit cost amounting to Rs.102.000 million and interest on securities and debenture amounting to Rs.431.802 million which had been set-aside.

In the assessment year 2001-2002 (corresponding to the income year ended June 30, 2001), the Bank had claimed Rs.7,296.305 million on account of provision for non-performing loans and advances. The assessing officer had allowed Rs.3,525.794 million on the basis of the certificate issued by State Bank of Pakistan. The CIT(A) had maintained the provision for non-performing advances to the extent certified by the State Bank of Pakistan which were confirmed by ITAT. There is not tax impact of this disallowance since the tax department had assessed the loss in case of the above assessment year. Further, the department has filed appeal before ITAT against the order of CIT(A) in respect of directing the TO to rectify the order in respect of disallowances of reversal of provision of non performing loans and advances disallowed in assessment year 1999-2000 amounting to Rs.99.860 million and writing off against provisions for non-performing advances disallowed in assessment year 1999-2000 amounting to Rs.115.862 million.

In the assessment year 2002-2003 (corresponding to the income year ended June 30, 2002), the assessing officer had added Rs.378.123 million to the taxable income under the provisions of section 25(c) of the repealed Income Tax Ordinance. Exchange loss, staff retirement benefits and commission expenses aggregating Rs.612.686 million had also been disallowed. Moreover, interest expenses of Rs.1,892.136 million related to deposit had been disallowed. The CIT(A) had deleted the addition under the provisions of section 25(c) to the extent of Rs.319.977 million, staff retirement benefits of Rs.341.588 and interest expenses related to deposit to the extent of Rs.1,479.500 million but maintained the disallowance of exchange loss and commission expenses aggregating Rs.271.098 million. The Bank has filed an appeal before the ITAT on the issues maintained by the CIT(A). Further the department has filed an appeal before ITAT against the order of CIT(A) in respect of deletion of disallowance of staff retirement and interest expenses. The appeal has not yet been heard.

There is no tax impact of the above disallowances since the tax department had assessed the loss in case of the above assessment year.

In the tax year 2003 (corresponding to the income year ended June 30, 2003), the deemed assessment order has been amended under the provisions of section 122(5A) of the Ordinance on various issues. The assessing officer had added Rs.64.589 million to the taxable income under the provisions of section 34(5) of the Income Tax Ordinance, 2001. Provision against non-performing loans and advances, bad debts directly written off against profit and loss account, payment made to pension fund and provision for diminution in value of investment aggregating Rs.2,817.292 million had been disallowed. The charge for the year relating to post retirement medical benefits and compensated absences aggregating Rs.54.176 million had also been disallowed. Moreover, the assessing officer had disallowed financial and administrative expenses amounting to Rs.17.675 million by allocating the same on exempt capital gains and dividend income. The bank has filed an appeal before CIT(A) which is pending to be heard. The claim of provision against non-performing loans and advances has been disallowed on the basis of letters dated December 5, 2008 and December 6, 2008 of the Secretary (Income Tax Policy), Federal Board of Revenue whereby the earlier circulars / circular letters relating to allow ability of 'irrecoverable debts' have been withdrawn as being inconsistent with the provisions of the Income Tax Ordinance, 2001. The TO has disallowed the claim of 2,257.255 million in the tax year following the above circulars / circular letters, in the tax year 2003. A loss of Rs.1,234.926 million has, however, been assessed.

For the tax year 2004 (corresponding to the income tax year ended June 30, 2004), the deemed assessment order has been amended under the provisions of section 122(5A) of the Ordinance on various issues. The assessing officer had disallowed provision against other assets and provision for potential lease losses amounting to Rs.498.388 million. An amount of Rs.58.174 million had been added under the provisions of section 34(5) of the Income Tax Ordinance 2001. Bad debts directly written off against profit and loss account, payment made to pension fund and mark-up on interest free loans aggregating to Rs.170.252 million had been disallowed. The charge for the year relating to post retirement medical benefits and compensated absences aggregating Rs.30.219 million had also been disallowed. Moreover, the assessing officer had disallowed financial and administrative expenses amounting to Rs.2.088 million by allocating the same on exempt capital gains and divided income. Credit of taxes deducted / suffered as source had been short allowed to the extent of Rs.31.155 million which being a mistake is rectifiable under section 221 of the Ordinance. An application for rectification has been filed to that effect. The Bank has filed an appeal before CIT(A) against the aforementioned disallowances which is pending to be heard.

For the tax year 2005 (corresponding to the income year ended June 30, 2005), the assessing officer had disallowed provision against non-performing loans and advances and provision against other assets amounting to Rs.534.149 million. Bad debts directly written off against profit and loss account and payment made to pension fund aggregating Rs.344.384 million had also been disallowed. Disallowance of Rs.44.038 million had been made on account of charge for the year relating to post retirement medical benefits and compensated absences. Moreover, the assessing officer had disallowed financial and administrative expenses amounting to Rs.1.995 million by allocating the same on exempt capital gains and dividend income. Credit of taxes deducted / suffered at source had been short allowed to the extent of Rs.2.196 million which being a mistake is rectifiable under section 221 of the Ordinance and an application to that effect had been filed. the Bank has filed an appeal before the CIT (A) against the aforementioned disallowances which is pending to be heard.

For the tax year 2006 (corresponding to the income year ended June 30, 2006), the deemed assessment order has been amended under the provisions of section 122(5A) of the Ordinance on various issues. The assessing officer had disallowed provision against non-performing loans and advances, leased assets and other assets aggregating Rs.125.902 million. Addition in respect of bad debts directly written off against profit and loss account and payment made to pension fund amounts to Rs.627.586 million. The charge for the year relating to post retirement medical benefits and compensated absences aggregating to Rs.46.190 million had also been disallowed. Moreover, disallowance had been made in respect of financial and administrative expenses amounting to Rs.6.491 million by allocation of the same on exempt capital gains and dividend income. The Bank has filed an appeal before the CIT(A) against the aforementioned disallowances which is pending to be heard.

For the tax years 2003 to 2006, the assessing officer had disallowed the brought forward business losses from 1997-1998 to 2001-2002 amounting to Rs.2,779.307 million on the premise that the entitlement for the adjustment of said losses was without any legal basis. The Bank has approached the tax department for rectification of the said disallowance on the contention that the Bank had specifically been allowed by the State Bank of Pakistan to carry forward the losses assessment year 1997-1998 to 2000-2001 to a period of 10 years under the provisions of section 57(2A) of the Ordinance. Appeals in this respect have also been filed with the CIT(A) which has not yet been heard.

The assessing officer vide order under section 182(10) of the Ordinance has imposed penalty of Rs.293,873 for late filing of return of income for the tax year 2007. The bank has filed an appeal before the CIT(A) against the subject order, which is pending to be heard.

For the tax years 2007 and 2008, the TO has issued notices showing his intention to disallow the provisions against non-performing loans and advances, leased and other assets. Furthermore, the TO intends to disallow financial and administrative expenses by allocating the same on exempt capital gains and dividend income. If such disallowances are made, the bank would still have loss aggregating to Rs.4,805.017 million available for adjustment in the tax year 2009.

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

For the assessment year 2001-2002, the CIT(A) had set-aside the disallowances with directions to re-assess the same after examination of documents / books of accounts. In pursuance of directions of CIT(A), the assessing officer has passed an appeal effect order whereby refund of Rs.12.843 million has been determined.

**(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	2009 ( Rupees in '000 )	2008
<b>26. MARK-UP / RETURN / INTEREST EARNED</b>			
<b>On loans and advances to :</b>			
Customers		49,987	57,673
Financial institutions		76,593	66,310
<b>On Investment in :</b>			
Available for sale securities		212,629	214,265
Held for trading securities			
Held to maturity securities		-	6,123
<b>On deposits with financial institutions</b>		63,755	93,984
<b>On securities purchased under resale agreement</b>		21	3,459
<b>Mark-up on</b>			
- Consumer leasing plan			
- Staff finance		1,070	-
- Others			
		<u>404,055</u>	<u>441,814</u>
<b>27. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		384,092	455,492
Securities sold under repurchase agreements		265,742	160,389
Other short term borrowings		489	820
Counter guarantee arrangement	19.3.1	39,650	-
		<u>689,973</u>	<u>616,701</u>
<b>28. OTHER INCOME</b>			
Net profit on sale of assets		2,126	741
Others	19.3 & 19.4	342,181	39,251
		<u>344,307</u>	<u>39,992</u>

Note  
2009  
2008  
( Rupees in '000 )

## 29. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.		110,808	95,485
Charge for benevolent fund		20	39
Non-executive director's fees, allowances and other expenses		734	713
Rent, taxes, insurance, electricity, etc.		29,866	28,366
Legal and professional charges		3,920	2,034
Communications		2,763	2,699
Repair and maintenance		2,448	2,568
Stationery and printing		2,442	2,256
Advertisement and publicity		214	292
Auditors' remuneration	29.1	2,660	1,670
Depreciation	13	6,502	2,789
Traveling and motor car expenses		6,126	7,751
Others		12,387	11,414
		<u>180,890</u>	<u>158,076</u>

### 29.1 AUDITORS' REMUNERATION

	2009				2008			
	Muniff Ziauddin & 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	360	360	-	720
Half yearly review fees	264	264	-	528	240	240	-	480
Tax Services	-	685	-	685	-	-	-	-
Special certifications / examinations and sundry advisory services	-	-	150	150	-	-	115	115
Out of pocket expenses	60	60	35	155	152	152	51	355
	<u>720</u>	<u>1,405</u>	<u>535</u>	<u>2,660</u>	<u>752</u>	<u>752</u>	<u>166</u>	<u>1,670</u>

**2009**      **2008**  
**( Rupees in '000 )**

**30. REVERSAL OF PROVISION AGAINST RETIREMENT BENEFITS**

Charge for pension fund scheme	35.5	(49,174)	(678,251)
Charge for medical benefit scheme	36.4	1,291	(277,302)
Charge for leave encashment		760	(20,669)
		(47,123)	(976,222)
		(47,123)	(976,222)

**31. OTHER CHARGES**

Penalties imposed by State Bank of Pakistan		255	-
Exchange loss		-	22,470
CDC charges		48	67
Others		694	172
		997	22,709
		997	22,709

**32. TAXATION**

Current - for the year		2,151	2,278
Prior year		-	42,188
		2,151	44,466
		2,151	44,466

Tax losses available for set off against future taxable profits aggregating Rs. 6,422.194 million (2008: Rs.13,182.255 million) of which Rs. 6,399.610 million (2008: Rs.11,290.423 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.122.214 million (2008: Rs.102.419 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.

**2009**                      **2008**  
**( Rupees in '000 )**

**33. LOSS 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	138,095	128,542
------------------------------------	---------	---------

**Number of shares**

Weighted average number of ordinary shares	1,570,000	1,570,000
--	-----------	-----------

**Rupees**

Basic and diluted profit / (loss) per share	87.96	81.87
---	-------	-------

**2009**                      **2008**  
**( Rupees in '000 )**

**34. CASH AND CASH EQUIVALENTS**

Cash and balance with treasury banks	183,885	212,428
Balance with other banks	50,313	30,513
	234,198	242,941

**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, 2009. The "Projected Unit Credit Method" using the following significant assumptions was used for valuation purposes:

	<b>2009</b>	<b>2008</b>
	<b>% per annum</b>	
- Expected rate of increase in salary levels	10.5	11
- Expected rate of return on investments	9.5	12
- Discount rate	11.5	12
- Rate of increase in pension	7.5	8

	<b>2009</b>	<b>2008</b>
	<b>( Rupees in '000 )</b>	

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

Present value of defined benefit obligations	26,611	17,773
Amount Payable to fund members	-	6,549
Fair value of plan assets	<u>(249,495)</u>	<u>(616,643)</u>
	(222,884)	(592,321)
Net actuarial gains or losses not recognized	-	-
Unrecognized transitional liability	<u>(130,928)</u>	<u>(28,198)</u>
	<u><u>(353,812)</u></u>	<u><u>(620,519)</u></u>

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

Opening balance	(620,519)	(142,446)
Effect of Settlement	-	(558,507)
Charge for the year	(49,174)	(119,744)
Contribution to fund made during the year	(2,540)	(152,522)
Payments made by the fund to the Bank	318,421	352,700
Closing balance	<u><u>(353,812)</u></u>	<u><u>(620,519)</u></u>

**35.5 Charge for defined benefit plan**

Current service cost	528	772
Interest cost	2,138	1,786
Expected return on plan assets	(51,840)	(77,659)
Amortization of prior service cost	-	-
Amortization of actuarial (gain) / loss	-	(44,643)
Settlement (gain)/loss	-	13,424
Prop. Actuarial (gain) / loss recognized due to settlement	-	(560,796)
Recognition of Prior Service Cost	-	(11,135)
	<u><u>(49,174)</u></u>	<u><u>(678,251)</u></u>

35.6 Actual return on plan assets	<u><u>(42,178)</u></u>	<u><u>20,744</u></u>
-----------------------------------	------------------------	----------------------

**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, 2009. The "Projected Unit Credit" method using 6% as discount rate is used by the actuaries for the valuation.

**2009**                      **2008**  
**( Rupees in '000 )**

**36.2 Reconciliation of payable to defined medical benefit plan**

Present value of defined benefit obligation	18,846	15,076
Unrecognized actuarial gain	5,263	8,090
Liability recognized	<u>24,109</u>	<u>23,166</u>

**36.3 Movement in payable to defined medical benefit plan**

Opening balance	23,166	304,721
Effect of settlement	-	(269,550)
Charge for the year	1,291	(7,752)
Benefits paid during the year	(348)	(4,253)
Closing balance	<u>24,109</u>	<u>23,166</u>

**36.4 Charge for defined medical benefit plan**

Current service cost	373	543
Interest cost	1,576	5,996
Amortization of - unrecognized prior service cost	(658)	(14,291)
- actuarial gain	1,291	(7,752)
Settlement (gain)/loss	-	(92,603)
Prop. Actuarial (gain) / loss recognized due to settlement	-	(173,338)
Recognition of Prior Service Cost	-	(3,609)
	<u>1,291</u>	<u>(277,302)</u>

**36.5 Reconciliation of payable to Benevolent fund Officers / Executive**

Present value of defined benefit obligation	1,478	1,081
Fair value of plan assets	(27,151)	(24,968)
	<u>(25,673)</u>	<u>(23,887)</u>
Net actuarial gains or losses not recognized	574	991
	<u>(25,099)</u>	<u>(22,896)</u>

**36.6 Movement in payable to Benevolent fund Officers / Executive**

Opening balance	(22,896)	(6,103)
Effect of settlement	-	(14,335)
Charge for the year	(1,995)	(2,332)
Contribution paid during the year	(208)	(126)
Closing balance	<u>(25,099)</u>	<u>(22,896)</u>

## 37. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Directors		Executives	
	2009	2008	2009	2008	2009	2008
----- ( Rupees in '000 ) -----						
Fees	-	-	-	-	-	-
Managerial remuneration	604	1,502	-	-	-	-
Rent and house maintenance	423	751	-	-	-	-
Utilities	207	51	-	-	-	-
Medical	152	70	-	-	-	-
Conveyance	456	171	-	-	-	-
Others	537	1,015	-	-	-	-
	<u>2,379</u>	<u>3,560</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

	2009				
	Total	Upto three Months	Over three months to one year	Over one year to five years	Over five years
----- ( Rupees in '000 ) -----					
<b>Assets</b>					
Cash and balance with treasury banks	183,885	183,885	-	-	-
Balances with other banks	50,313	50,313	-	-	-
Lending to financial institutions	481,269	481,269	-	-	-
Investments ( including premium, revaluation)	3,178,546	200,000	2,978,546	-	-
Advances - net	142,182	-	142,182	-	-
Other assets	773,712	147,783	624,362	-	-
Operating fixed assets	120,568	-	120,568	-	-
Assets in respect of Bangladesh	877,648	-	-	-	877,648
	<u>5,808,123</u>	<u>1,063,250</u>	<u>3,865,658</u>	<u>-</u>	<u>877,648</u>
<b>Liabilities</b>					
Bills payable	38,612	38,612	-	-	-
Borrowings from financial institutions and GoP	22,305,318	22,305,318	-	-	-
Deposits and other accounts	3,796,797	1,705,044	1,092,934	919,253	79,566
Sub-ordinated loans	201,137	201,137	-	-	-
Other liabilities	6,759,038	4,818,543	654,981	-	1,285,514
Liabilities in respect of Bangladesh	877,648	-	-	-	877,648
	<u>33,978,550</u>	<u>29,068,654</u>	<u>1,747,915</u>	<u>919,253</u>	<u>2,242,728</u>
<b>Net Assets</b>	<u>(28,170,427)</u>	<u>(28,005,404)</u>	<u>2,117,743</u>	<u>(919,253)</u>	<u>(1,365,080)</u>
Share capital	157,000				
Reserve fund and other reserves	750,548				
Accumulated loss	(28,712,158)				
Deficit on revaluation of assets	(374,961)				
Special Development Assistance Fund	9,144				
	<u>(28,170,427)</u>				

## 39. YIELD / INTEREST RATE RISK

Effective Yield / Interest rate	Total	2009				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	183,885	-	-	-	-	183,885
Balance with other banks	-	50,313	-	-	-	-	50,313
Lendings to financial institutions	7to12	481,269	481,269	-	-	-	-
Investments	7 to 14	3,178,546	200,000	2,978,546	-	-	-
Advances	-	142,182	-	-	-	-	142,182
Other assets	-	773,712	147,783	624,362	1,567	-	-
		4,809,907	829,052	3,602,908	1,567	-	376,380

**Liabilities**

Bills payable	-	38,612	-	-	-	-	38,612
Borrowings from financial institutions and GoP	0.4	22,305,318	1,914,963	-	-	-	20,390,355
Deposits and other accounts	7.6 TO '9.0	3,796,797	1,705,044	1,092,934	919,253	79,566	-
Sub-ordinated loans	-	201,137	-	-	-	-	201,137
Other liabilities	-	6,759,038	491,454	543,666	-	1,265,083	4,458,835
		33,100,902	4,111,461	1,636,600	919,253	1,344,649	25,088,939
<b>On balance sheet gap</b>		<u>(28,290,995)</u>	<u>(3,282,409)</u>	<u>1,966,308</u>	<u>(917,686)</u>	<u>(1,344,649)</u>	<u>(24,712,559)</u>

## Off balance sheet financial instruments

## 40. CURRENCY RISK

2009			
Assets ( gross of provision )	Liabilities	Off-balance sheet items	Net currency exposure
----- ( Rupees in '000 ) -----			

Pakistan rupee	17,772,210	33,974,774	139,219	(16,341,783)
United States dollar	39,511	3,610	-	35,901
Great Britain pound	3,869	166	-	3,703
Deutsche mark	2,883	-	-	2,883
	<u>17,818,473</u>	<u>33,978,550</u>	<u>139,219</u>	<u>(16,299,296)</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 6.9.

The maturity and repricing 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 repriced.

#### **42. CONCENTRATION OF CREDIT AND DEPOSITS**

Out of the total financial assets of Rs. 5,808 million the financial assets which were subject to credit risk amounted to Rs.2,569 million. The Bank's major credit risk is concentrated in the textile sector. Investments amounting to Rs.3,049.238 million are guaranteed by the GoP. In addition, an amount of Rs.140.091 million is held by the Bank with the SBP.

##### **42.1 Risk Management**

The bank is primarily subject to interest rate, credit and currency risks. The policies and procedures for managing these risks are outlined in notes 42.1.1 to 42.1.3. The Bank has designated and implemented a framework of controls to identify, monitor and manage these risks which are as follows:

##### **42.1.1 Interest rate risk management**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank has adopted appropriate policies to minimize its exposure to this risk.

##### **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 advances.

##### **42.1.3 Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in the foreign exchange rates. In order to avoid losses arising from adverse changes in the rates of exchange, the Bank's compliance with the limits established for foreign currency position is being regularly monitored by the management. The bank's exposure to currency risk is disclosed in note 40 to the financial statements.

## 42.2 Segment by class of business

	2009					
	Advances		Deposits		Contingencies & commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and Pharmaceuticals	1,109,669	17.31	4,535	0.12	-	-
Agribusiness	-	-	943	0.02	-	-
Textile Spinning	714,785	11.15	958	0.03	7,576	5.44
Textile Weaving	587,352	9.16	-	-	2,184	1.57
Textile Composite	1,266,943	19.76	-	-	-	-
Cement	266,005	4.15	16	0.00	-	-
Sugar	317,845	4.96	215	0.01	-	-
Shoes and leather garments	93,819	1.46	52	0.00	-	-
Automobile and transportation equipment	100,228	1.56	194	0.01	-	-
Financial	-	-	739,537	19.48	-	-
Insurance	-	-	3,247	0.09	-	-
Electronics and electrical appliances	48,861	0.76	1,401	0.04	-	-
Production and transmission of energy	1,863	0.03	505	0.01	-	-
Individuals	22,878	0.36	1,662,989	43.80	250	0.18
Others	1,881,639	29.35	1,382,205	36.40	129,209	92.81
	<u>6,411,887</u>	<u>100.00</u>	<u>3,796,797</u>	<u>100.00</u>	<u>139,219</u>	<u>100</u>

## 42.2 Segment by sector

Public / Government	329,763	5.14	739,537	19.48	139,019	99.86
Private	6,082,124	94.86	3,057,260	80.52	200	0.14
Total	<u>6,411,887</u>	<u>100.00</u>	<u>3,796,797</u>	<u>100</u>	<u>139,219</u>	<u>100.00</u>

## 43. GEOGRAPHICAL SEGMENT ANALYSIS

	Loss before taxation	Total assets employed	Net assets employed	Contingencies & Commitments
	----- ( Rupees in '000 ) -----			
Pakistan	140,246	5,808,123	(28,170,427)	139,219
Others	-	-	-	-
	<u>140,246</u>	<u>5,808,123</u>	<u>(28,170,427)</u>	<u>139,219</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.
- 44.2 The GoP had relent Small Industries Refinance Department Loans (SIRD Loans) to the Participating Financial Institutions (PFIs) out of the proceed of credit lines provided by Asian Development Bank, International Bank for Reconstructions and Development and OPEC. In terms of Administration Agreement between GoP and the Bank, the Bank was appointed as administrator for SIRD loans and entitled to an administration fees of 0.5% on the outstanding balance of PFIs loans. The provisions of aforementioned Administration Agreement suggest that the Bank shall maintain separate records and accounts in respect of funds being administered under SIRD loans. However, since inception of this activity, the GoP relent loans were recorded in the Bank's books of accounts as 'Borrowings from other banks, agents etc. " with corresponding debit to "advances". Interest on borrowings and income on loans including administration fee component is debited and credited respectively to profit and loss account of the Bank.

SIRD borrowings were also a part of Rescheduling arrangements with the GoP, along with other borrowings, whereby overdue portion, including Principal and Interest, was merged into the rescheduled amounts. Further, interest on borrowings and income on advances debited and credited respectively to the profit and loss account since inception are not determinable due to non-availability of records. Therefore, separate quantification of SIRD related amounts is not possible, hence, these could not be extracted from books of account to be shown separately as Off Balance Sheet Item (refer note 16.2.4).

## 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.

**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**

	<b>2009</b>	<b>2008</b>
	<b>( Rupees in '000 )</b>	
Pakistan Industrial Development Financial Services		
Deposit	6,685	6,441
Profit on deposit	155	150
	<u>6,840</u>	<u>6,591</u>

**48. NUMBER OF EMPLOYEES**

	<b>Number</b>	
Total number of regular employees at the end of the year	<u>118</u>	<u>123</u>

**49. GENERAL**

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

49.2 Prior year figures of payable under counter guarantee arrangements note 19 and transactions related contingent liabilities note 25.2 have been rearranged for comparison and better presentation.

**50. DATE OF AUTHORIZATION**

These financial statements were authorized for issue in the Board of Directors meeting held on ....., 2009.

**Chairman and Managing Director****Director****Director****Director**