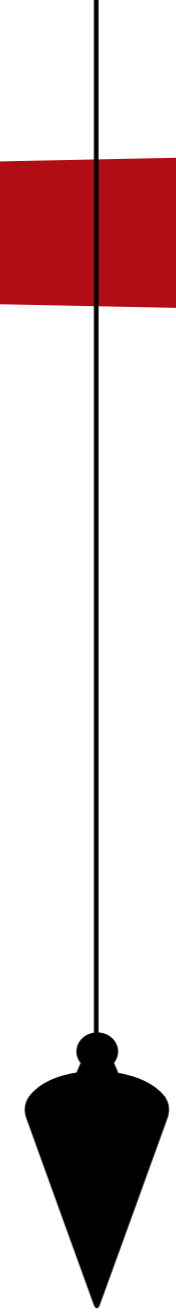
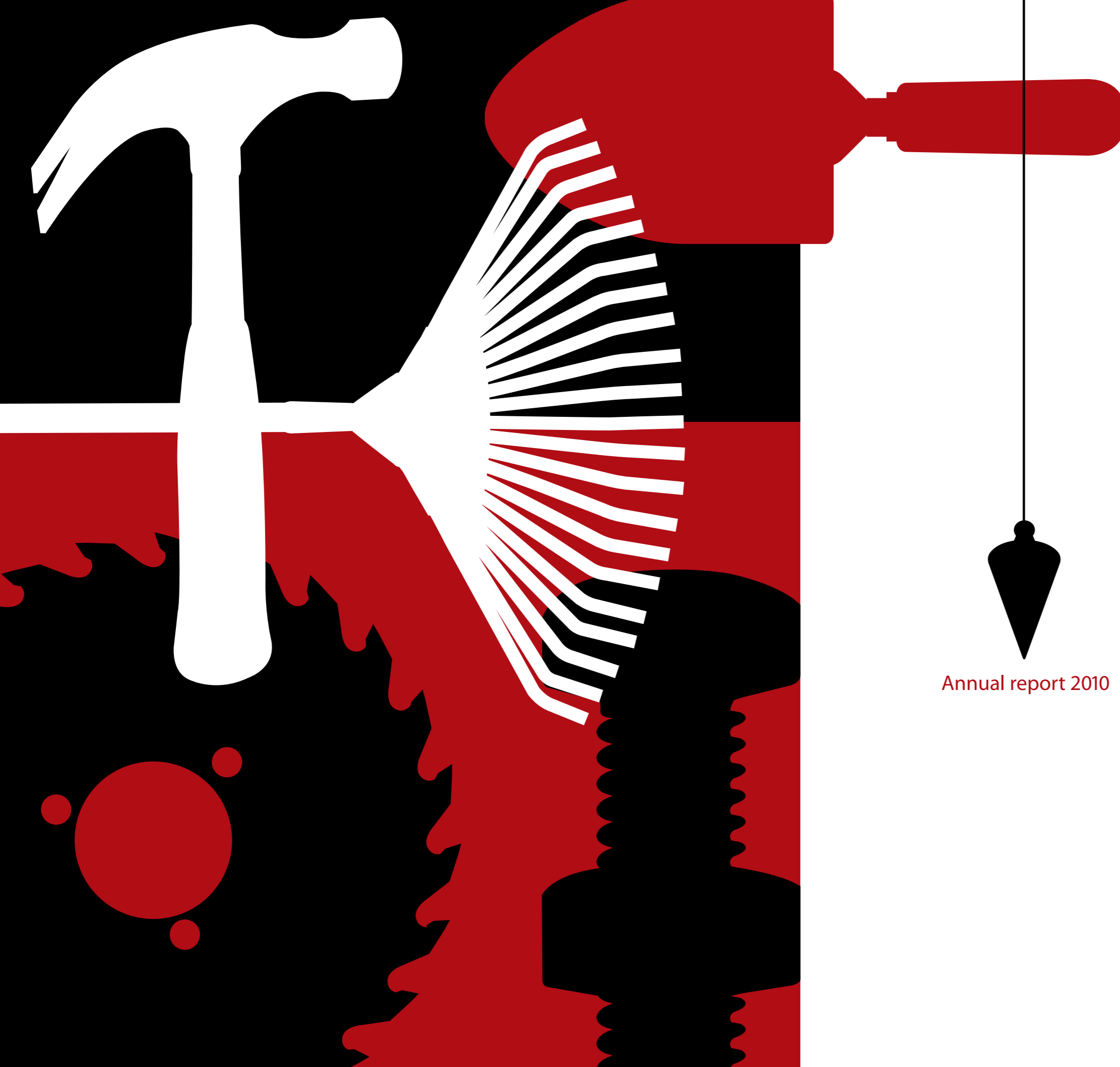


Annual report 2010

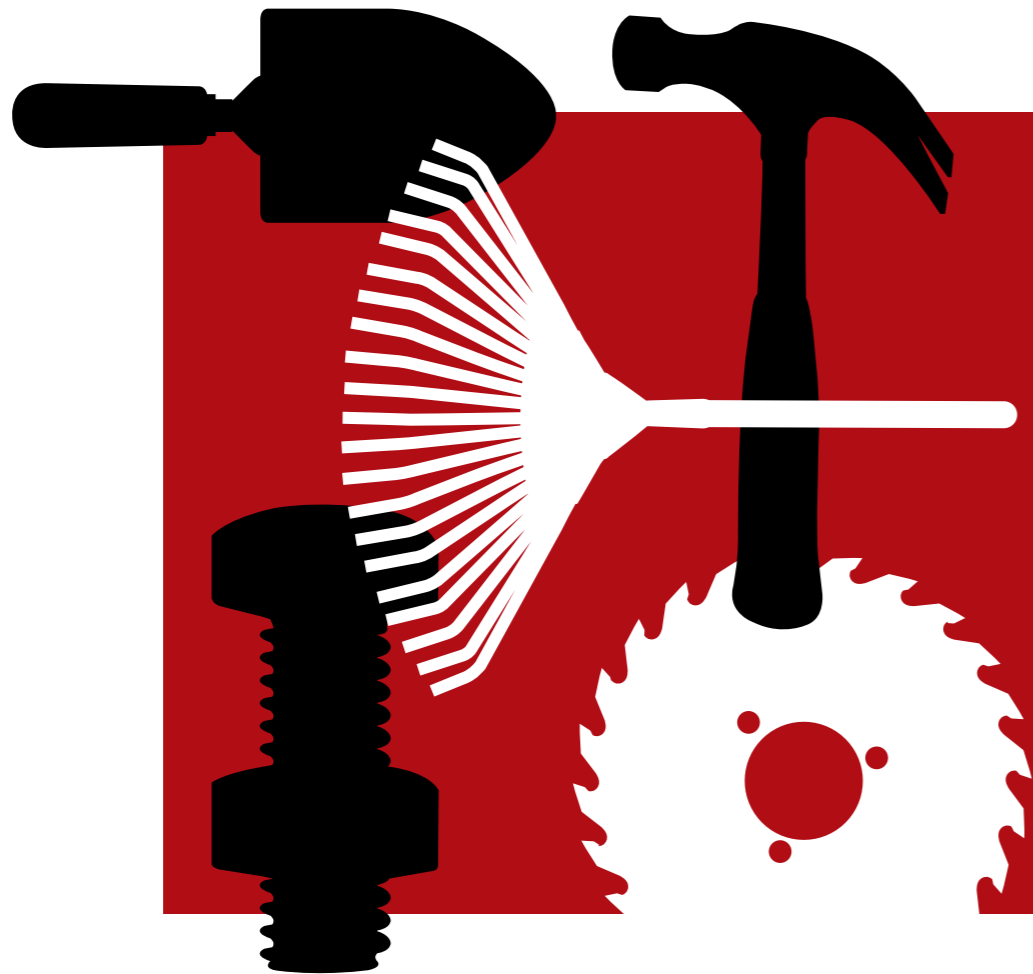
[Tools of Success]



Annual report 2010



PAK BRUNEI
INVESTMENT
COMPANY



Operating a successful business is akin to creating a work of art. It requires craftsmanship – people with years of experience and training to shape, mould and interpret a vision. And what every craftsman requires is tools. These tools, when in the right hand, can elevate any piece of work from mediocrity to excellence. These tools when applied to an enterprise define success. Pak Brunei Investment Company takes this opportunity to share with you the tools that have helped the organization chart its way to success.

[Tools of Success]



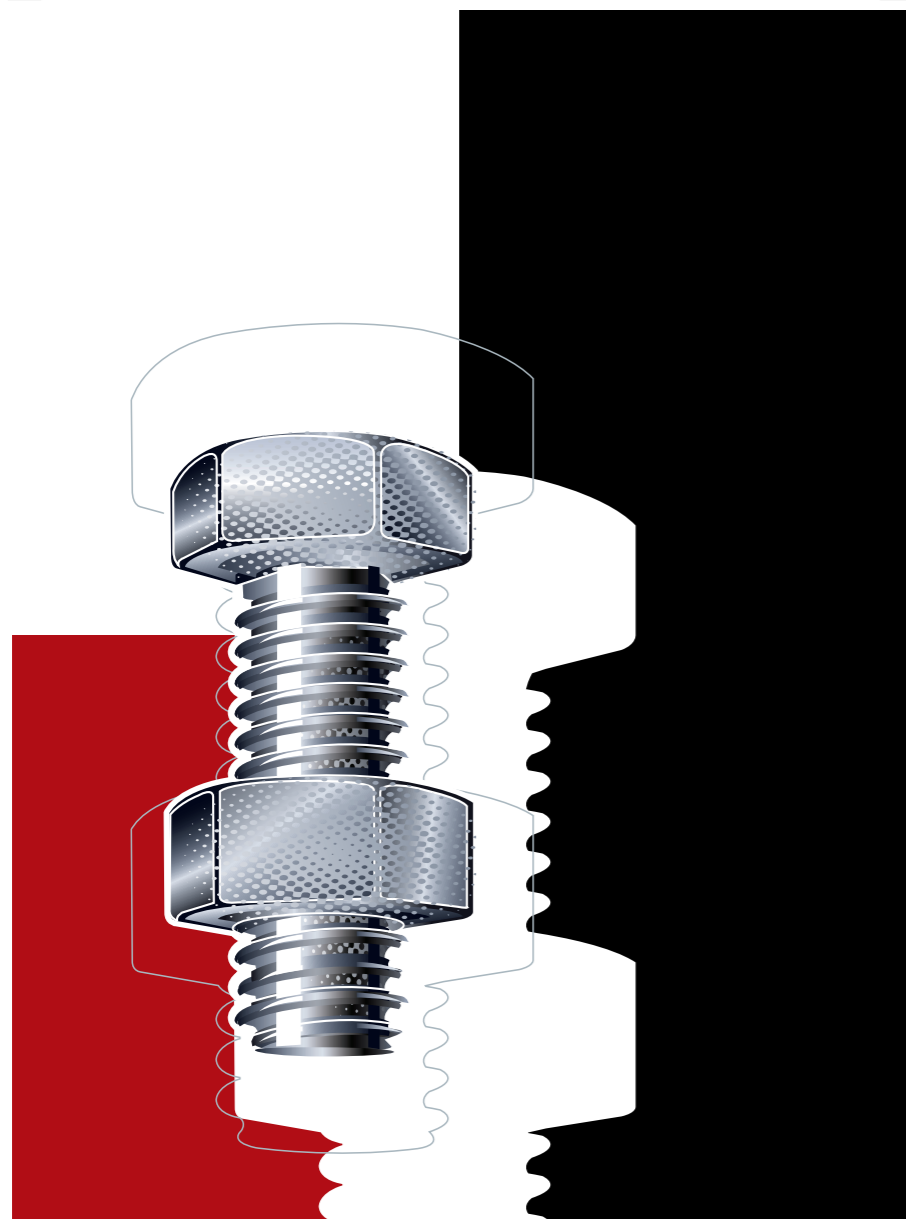
[Driving Force]

Solid foundations form the basis of any successful enterprise. As a joint venture between Government of Pakistan and Brunei Investment Agency (BIA), Pak Brunei Investment Company enjoys unparalleled advantage in this area. BIA is the sovereign wealth fund of the Sultanate of Brunei Darussalam and brings an unmatched world view to this unique partnership. We have active platforms for Corporate Finance and Advisory Services, Project Finance, Treasury/ Trading and Distribution as well as Capital Market operations under our merchant banking umbrella. Since our inception in 2007, we have successfully closed syndicated finance mandates of over PKR 30 billion in Greenfield and BMR projects as well as Restructuring and Rehabilitation transactions, Mergers, Acquisitions and Strategic Advisory deals while our equity base is constantly increasing to support our activities and stand

solidly behind our commitments. Our strong capital base not only makes our risk appetite stronger but also enables us to broaden our investment and lending horizons. Our operational strength is also evident from strong credit ratings of at AA (Long Term) and A1+ (Short Term) which places us in a very competitive position amongst our peer group and makes us the trusted choice for clients across the country.

The strength of our base makes for a formidable driving force

All our departments work cohesively to offer innovative solutions that meet the needs of our customers.



Modular

Advisory & Strategic Investment Group (ASIG)

Our ASIG develops and maintains on an ongoing basis, long-term strategic advisory relationships with leading corporations across various industry groups. Opportunities are identified and structured solutions offered to unlock value. Wherever relevant, we opt to co-invest in viable projects/companies. Clients are advised on mergers and acquisitions, joint ventures, divestment, capital structure and other strategic decisions. ASIG's key objective is to link compatible value-adding entities to maximize shareholder wealth. The Advisory team provides assistance across each step of the transaction process and is equipped

with a comprehensive range of skills. ASIG also offers advice on, project finance, structured finance, structured property finance and securitization. The range covers green field projects and expansion initiatives of entities that seek non-recourse/limited recourse financing options. By offering structured funding solutions supported by well developed legal/financial framework, we aim to optimize allocation of associated risks. We have a proven track record in loan syndication, private placements, public offerings as well as acquisition finance.



Corporate Banking Group

The Corporate Banking Group (CBG) is a team with in-depth knowledge of businesses and industries as well as the macroeconomic environment. We offer a comprehensive suite of products and services geared to meet the demands of the corporate sector through short/long term finance facility, lease financing, SBLC and repayment guarantees. With a focus on building and maintaining a diversified high quality credit portfolio, CBG team solicits new relationships through aggressive marketing while maintaining close contact with existing clients. Potential customers are identified and their financing needs

are catered to keeping in view Pak Brunei's risk appetite. Our credit horizon includes traditional sectors of the economy such as Textile, Cement, Sugar, Fertilizer, Pharmaceuticals, Oil refining and Confectionary, with an increasing tilt towards non-traditional sectors such as Agriculture. Working hand in hand with the Advisory Group, we also take structured exposures on entities that suffer from a lack of capital and need hand holding to achieve turnaround.

Trustee

We have an independent and active Trustee department to meet the growing need for dedicated, professional Trustee services withing the financial sector.

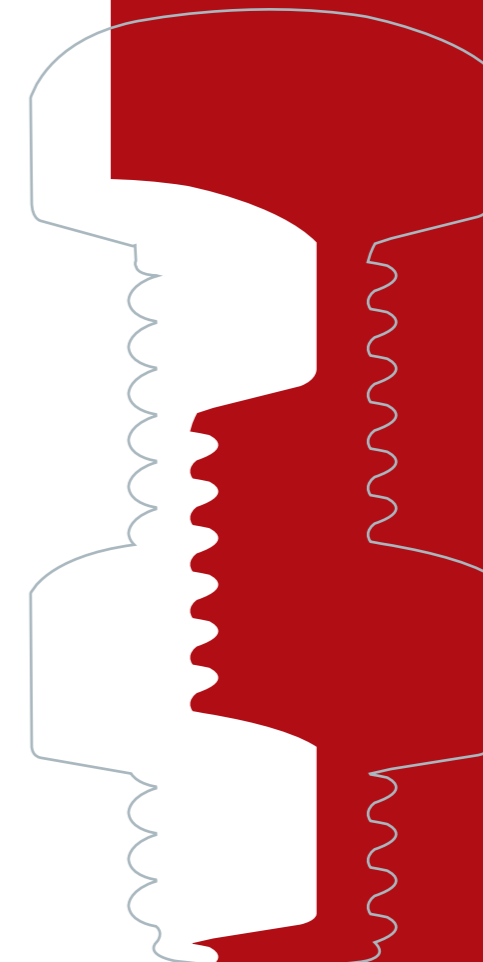
Understanding customer needs enables us to offer customized investment solutions

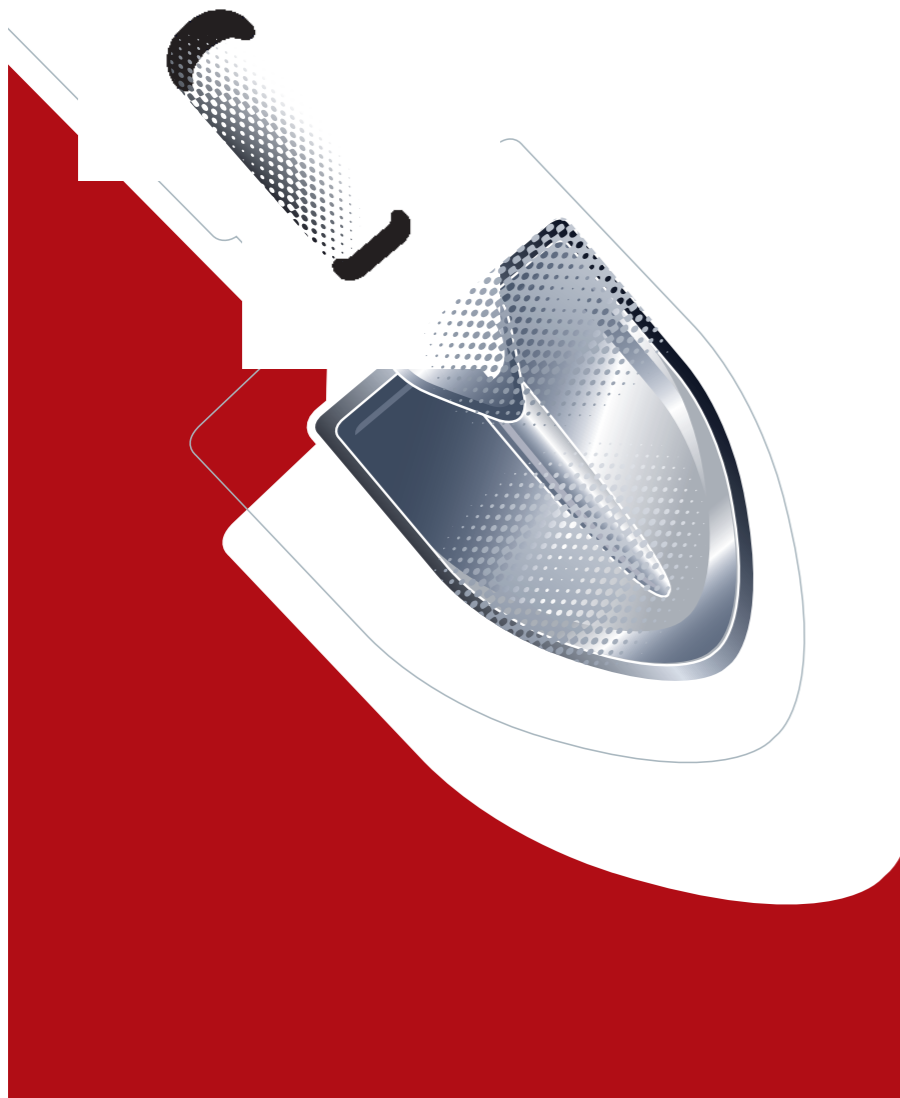
Treasury Group

We have one of the most active Corporate Treasuries in the market, fully involved in developing debt capital markets. Treasury invests in government and corporate debt instruments and makes use of arbitrage opportunities to turn our investment positions into meaningful trading gains. In order to follow international best practices, Treasury functions have been further divided into four specialized yet closely integrated units. Money Market Unit actively trades and invests in fixed income exposures. Treasury Marketing Unit (TMU) focuses on specific business needs of clients to offer tailor-made products and risk-strategies. To create value opportunities for public sector and institutional clients, we have a specialized Public Sector and FI Unit that looks at establishing multifaceted relationships with such entities. Research Unit closely works with business generating units to exploit profitable investment opportunities. It also updates Management and clients on economic and market developments and publishes sectoral and debt market reports for internal as well as external consumption. Pak Brunei is amongst the first from the recently established DFIs to have successfully set up Real Time Gross Settlement (RTGS) system in order to speed up deal settlements processes.

Capital Market Group

The Capital Market Group (CMG) is operated by specialists in equity market. The CMG team follows a disciplined approach in its trading and investment activities enabling us to regularly outperform benchmark returns while maintaining exposure to a limited universe of eligible securities. Diversification across sectors/companies as well as compliance with Prudential Regulations and internal guidelines remain of paramount importance in building up the portfolio.



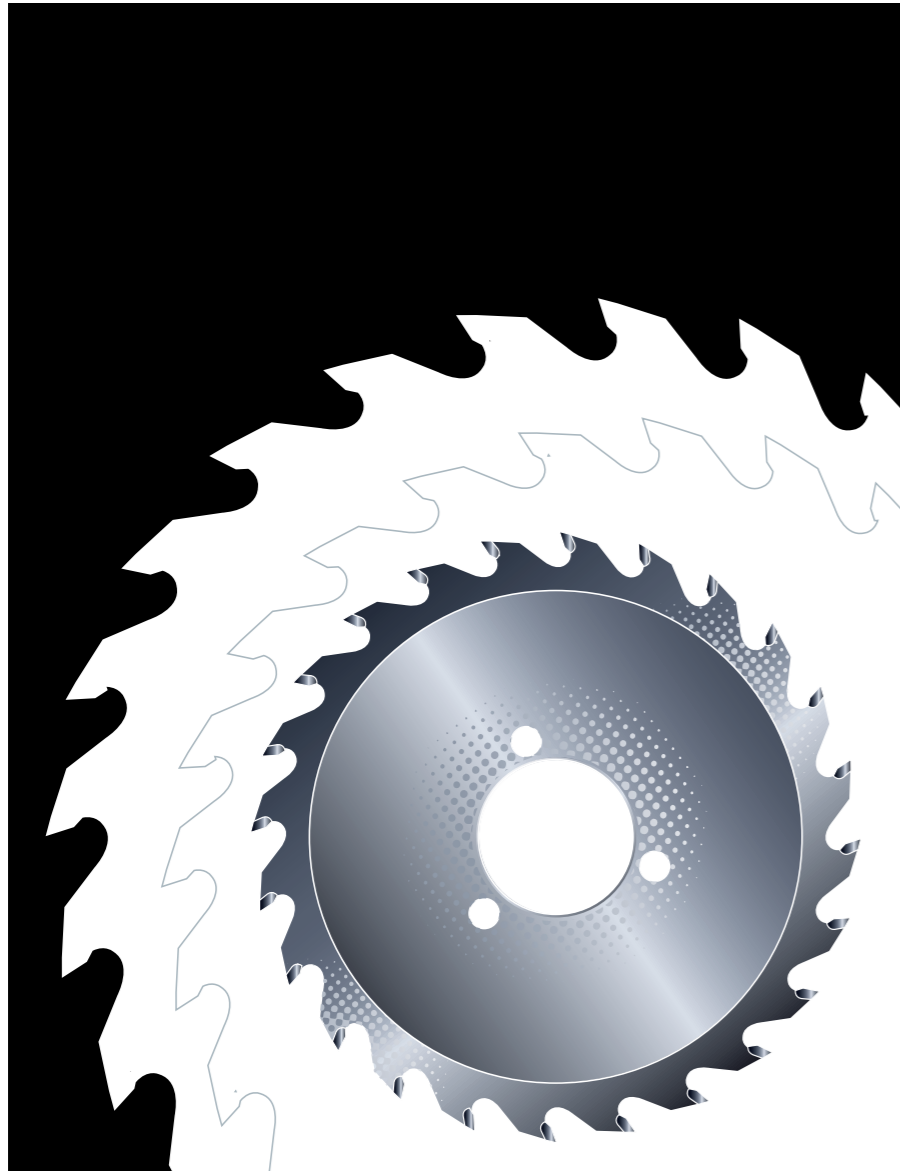


[Ground Breaking]

Ground breaking initiatives are only possible when the organization has an appetite for development. Our strong performance and desire to make every community we are part of, better and stronger leads us to work on a number of new initiatives. We are currently working with a provincial government on the formation of an Infrastructure Finance Company, which envisages pooling of funds from the government, FIs and international financial institutions to finance infrastructure projects – a successful concept applied in several emerging economies. Proper structuring following a comprehensive assessment of each transaction allows us to take higher risk.

Constantly breaking new grounds in investment opportunities

We are also working on private equity opportunities and will take selective exposures on our own book till the formal launch of a PE fund. Our team is actively involved in identifying investment opportunities in key areas. Plans to test out jatropa farming as well as initiatives involving equity stake in eucalyptus farming to feed the paper pulp industry in Pakistan reflect our commitment to developing the country's economy. By launching our Asset Management Company, we will work on new funds aimed at special investor groups in and outside Pakistan.



Our human resource asset gives our business the cutting edge advantage

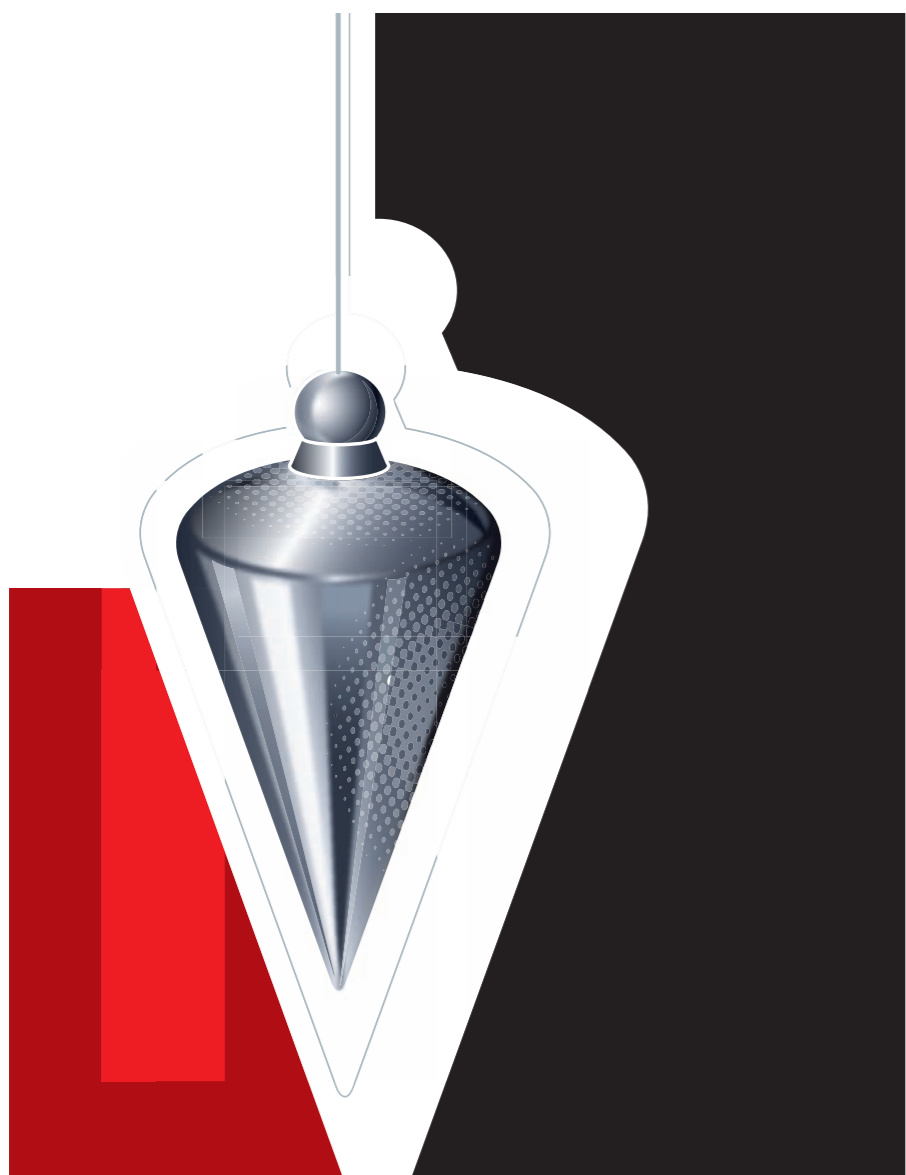
[A Cut Above]

The cutting edge advantage of any business is its people. Our belief that our people are our most valuable asset has led to constant focus on training and development. Our specialized Middle Office & Operational Risk department keeps a close watch on the risk profile of the Company while Credit Risk Management department proactively monitors the Company's credit portfolio to ensure prudent lending. The Internal Control department ensures effectiveness of existing policies, procedures and corporate governance processes. An in-house Legal department provides input on transaction related documentation and corporate matters to ensure accordance with legal requirements and internal policies. This strong technical support provides for in built checks and balances to our business generation activities.

The Company within its first three years of operations, successfully arranged PKR 30 billion financing for its customers. This financing was raised from private and public investors / lenders through debt and equity offerings.

ROE remains highest in entire peer group

The emphasis is not just on topline but also a constant effort to manage costs and promote austerity at every level.



[Precision]

We endorse a culture of balance and harmony which is reflected in all our practices and policies. Be it our hiring of a highly qualified team from foreign and local Banks, DFIs, State Bank of Pakistan and Brokerage houses or our zero-tolerance policy against unethical and discriminatory practices – our value system continues to strengthen our position as an established member of the business community with our focus set firmly on expanding our business enterprise.

Our balanced policies on resource management optimize performance and result in an equal opportunity environment

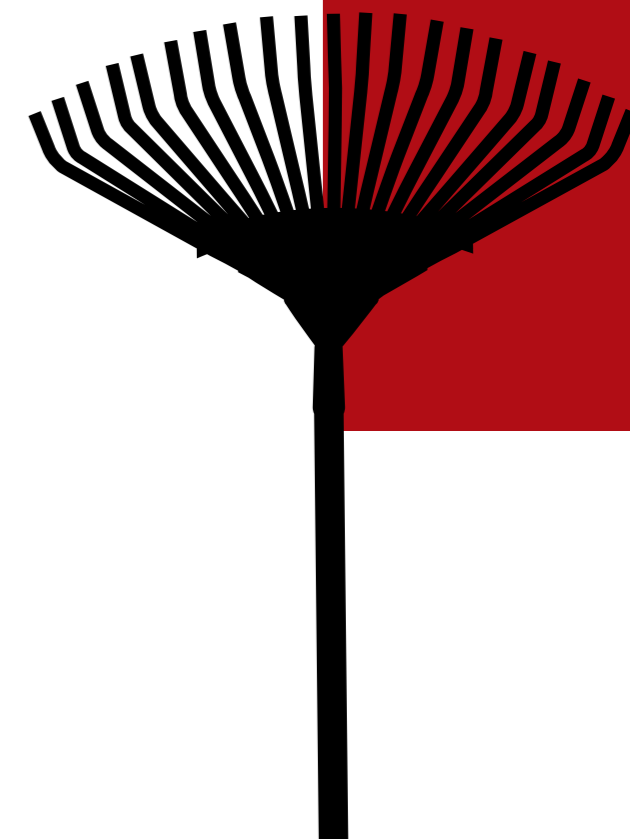




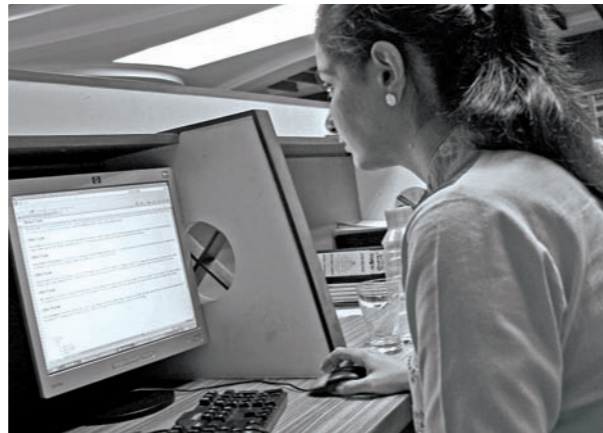
[Coverage]

Since our inception in 2007, our institution has witnessed an attractive compound growth of 60% in net profitability. We have more than tripled our credit portfolio including advances and investments in corporate debt securities, which has enabled us to report a compound growth rate of 67% in net markup income (after provisions) between 2007 and 2010. This growth in markup income has been fully supported by other income generating avenues. We have been able to record a compound growth of 46% in our non-markup income during the period under review.

When systems are in sync,
it is reflected in the
benefits that are raked in



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[Corporate INFORMATION]

Board of Directors

Hjh Hartini binti Haji Abdulah	Chairperson
Ms. Sumaira K. Aslam	Director
Mr. Junaidi bin Haji Masri	Director
Ms. Ayesha Aziz	Managing Director

Audit Committee

Hjh Hartini binti Haji Abdulah	Chairperson
Ms. Sumaira K. Aslam	Member
Mr. Junaidi bin Haji Masri	Member

Human Resource Committee

Mr. Junaidi bin Haji Masri	Chairman
Ms. Sumaira K. Aslam	Member
Ms. Ayesha Aziz	Member

Company Secretary

Mr. Abdul Hafeez

Statutory Auditors

M. Yousuf Adil Saleem & Company (A member firm of Deloitte Touche Tohmatsu Ltd.)
Chartered Accountants

Tax Consultant

M. Yousuf Adil Saleem & Company (A member firm of Deloitte Touche Tohmatsu Ltd.)
Chartered Accountants

Legal Advisor

Ijaz Ahmed & Associates Advocate and Legal Consultants

Registered Head Office

Khadija Towers, Plot No. 11/5,
Scheme No. 5, Block-2, Clifton, Karachi.
Tel: +9221-35361215-19
Fax: +9221-35361213

Website

www.pakbrunei.com.pk

Board of DIRECTORS

Hjh Hartini binti Haji Abdullah | Chairperson

Appointed in 2010 as Chairperson of Pak Brunei Investment Company, Hjh Hartini is currently the acting Managing Director of Brunei Investment Agency. Prior to holding this position, she was Assistant Managing Director responsible for the Agency's global exposures in publicly listed equity and fixed income markets. This involved managing portfolios of various investment mandates outsourced to external fund managers as well as those managed by in-house managers. She has been with the Agency since 1984 working on several assignments including heading the internal portfolio team that managed the North American regional portfolio at the Agency's London Office.



Hjh Hartini obtained her BSc and MBA from the UK. She is a member of the Board of Directors for Brunei Investment Agency, Brunei Currency and Monetary Board, BICB Capital Sdn Bhd, Brunei Investment & Commercial Bank Sdn Bhd, Audley Insurance Company Sdn Bhd and Sejahtera Asset Management Sdn Bhd amongst others. She also represents BIA on the Board of Oman Brunei Investment Company, Jordan Phosphate Mines Corporation LLC and Thai Prosperity Advisory Company Limited.

Mr. Masri joined the Brunei Investment Agency in 1991. As Assistant Managing Director, he heads Venture Capital and Strategic Investments, managing the Agency's investments across several countries. He has a deep understanding of international markets and asset classes and brings a world view as a member of the Board of directors of a number of companies, both in and outside Brunei Darussalam. These include, amongst others, Bank Islam Darussalam Sdn Bhd, Royal Brunei Airlines Sdn Bhd, Takaful Brunei Am, Takaful Brunei Keluarga, Global Investment House, Paterson Securities Ltd, Jordan Phosphate Mines Corporation and Fajr Capital Ltd.

Mr. Masri holds a B.Sc Degree in Computer and Management Sciences from Keele University, United Kingdom.



Mr. Junaidi bin Haji Masri | Director



Ms. Sumaira K. Aslam | Director

Ms. Aslam brings over twenty five years of experience in Public Finance, Commerce and Trade issues relating to Government, Multinationals and International agencies. She has worked in the Ministry of Finance, Pakistan in various positions and has previously also held the position of Commercial Counselor and Alternate Permanent Representative to UNESCAP for Pakistan in Bangkok.

Ms. Aslam holds finance degrees from LSE and Georgetown University. She has also attended numerous training programs of the World Bank and IMF. She has been on teaching faculty of UMASS, Amherst; Williams College, USA.



Ms. Ayesha Aziz, CFA | Managing Director

Ms. Aziz was responsible for setting up Pak Brunei Investment Company and positioning it at the forefront amongst its larger and more established peers in terms of size and profitability.

Ms. Aziz has rich and diverse experience in Investment Banking, Asset Management, Treasury, and Portfolio Management. She was associated with the ANZ Banking Group for over ten years where, amongst other assignments, she worked on the Financial Engineering desk in ANZ London. Subsequently, Ms. Aziz was involved in establishing and managing business operations and subsidiaries of Pak Oman Investment Company, including a Microfinance Bank and an Asset Management company, where she acted as a member on the board and CEO, respectively. She was also responsible for developing a regional investor base comprising private and public sector institutions, successfully raising equity for telecom, energy and financial sector transactions in Pakistan.

Ms. Aziz is an MBA from the Institute of Business Administration and a CFA Charterholder. She serves on the Board of Pakistan Mercantile Exchange Ltd. and is a member of the Board of Governors of St. Joseph's College for Women, Karachi.

[Vision]

Pak Brunei will play a role in the economic progress and development of Pakistan by providing an entire range of advisory services as well as financial support to viable projects in high growth sectors of the economy.

[Mission]

Pak Brunei aims to be at the vanguard of innovation in Merchant Banking, offering the best solutions to our clients, value to our shareholders and a challenging, equal-opportunity environment to our employees.

[Core Value]

Integrity

Be honest, professional and fair in all our dealings with all our stakeholders

Performance

Be result-oriented and encourage a competitive culture

Innovation

Look beyond conventional wisdom

Team work

Have shared goals and objectives

Customer Focus

Understand our customer's needs and try to exceed expectations

[Code of Ethics and BUSINESS PRACTISES]

Integrity

Employees shall:

- Perform our work with honesty, diligence and responsibility;
- Not knowingly be a party to any illegal activity or engage in any acts that are discreditable to the Company;
- Not participate in any activity or relationship that may impair or be presumed to impair our unbiased assessment. This participation includes those activities or relationships that may be in conflict with the Interests of the Company;
- Not accept any gift or consideration that may impair or be presumed to impair our professional judgment;
- Exercise maximum caution in making sure that information given to customers is free of errors, making it as truthful and honest as can be.

Objectivity

Employees shall:

- Ensure that all operational activities and decision making processes focus on achievements of the Company's objectives and are in line with the mission statement of the Company;
- Disclose all material facts known to us if not disclosed, may distort the reporting of business proposal under review.

Confidential and Proprietary Information

Employees shall:

- Protect against the disclosure of sensitive and confidential information about our customers and employees unless disclosure is authorized and within law;
- Safeguard against the disclosure of sensitive and confidential information about our fellow employee and the Company as a whole unless authorized to do so.

Improper Influence

Employees shall:

- Strictly prohibit from giving, soliciting or accepting business courtesies or gifts intended to influence business decision;
- Make all business decisions on the merit of the transaction and in compliance with any legal and regulatory requirements.

Unfair Business Practises

Employees shall:

- Refrain from unfair and deceptive business practices e.g., unauthorized and counterproductive use of the Company's resources, the misuse of proprietary information or the misrepresentation and concealment of material facts.

Insider Trading

Employees shall:

- Prohibit from disclosing "Inside Information" to others or use for our own benefits;
- Abide by the "Insider trading" laws that prohibit from buying and selling stock with advance knowledge of important Company information that is unavailable to the general public. Such Information may include proposed mergers or acquisitions, new equity or debt offering.

Recording and Reporting to the Company

Employees shall:

- Ensure that all business related information/transaction are recorded and reported accurately, honestly and in a timely manner. Accuracy of all Company records extends to financial statement, loan documents, regulatory bodies and other government agencies;
- Ensure that no funds or accounts should be established for a purpose that is not fully reflected in the books and records of Pak Brunei whether pertaining to receipts or disbursements.

Compliance with Laws, Rules and Regulations

Employees shall:

- Comply with all applicable laws, rules and regulations.

Protection and proper use of Company Assets

Employees shall:

- Ensure that all the Company's assets are used for authorized and legitimate business purposes;
- Protect the Company's assets e.g., computer equipment and software, intellectual property, etc., and ensure that those assets are efficiently and properly used in respect of all Company related activities.

[Chairperson's REVIEW]



I am pleased to present the financial results of Pak Brunei Investment Company for the year ending December 31, 2010. In a challenging economic environment, the Company continued to demonstrate strong revenue and profit growth.

Highlights for this year's performance include:

- Increase in net mark up income by ~20% to PKR 920 million
- Increase of 23.4% in the total credit portfolio year on year from PKR 5.4 bln to PKR 6.7 bln
- Strong credit portfolio with marginal infection ratio of 3.6%

The Company was also successful in mobilizing funds from the market for projects and transactions that lay beyond our exclusive financing capacity. This helped us play a more meaningful role while also cementing new client relationships. Deals closed during the year include acquisition financing where the chosen local player is expected to turn around the target company by plugging operational inefficiencies and through expanding markets and product lines. The team also worked on restructuring of distressed assets where our financing package was part of a larger turnaround strategy. Our development role was adequately served through our involvement in

these transactions as we anticipate significant import substitution in the first phase with enormous potential to tap new export markets.

POLITICAL ECONOMY AND THE BANKING SECTOR

2010 presented new economic and political challenges for Pakistan in the face of several unfavorable developments. Unprecedented and prolonged floods wrecked havoc as large parts of the landscape across the country remained inundated resulting in great suffering to the population in affected areas. The stressed economic situation witnessed further deterioration as implementation of economic reforms was delayed. We witnessed rising fiscal deficit with its monetization resulting in rapid inflation. Unfortunately, this coincided with the global spike in prices of food staples. A key structural challenge for the government remains the need to increase tax to GDP ratio to finance current budgetary expenditure and promote savings. Continued reliance on the banking system to finance the deficit, combined with indirect funding of subsidies by the banking sector through build up of energy sector circular debt, have led to crowding out of the private sector. This has obvious and serious repercussions on future growth prospects. While there have been some signs of progress in containing expenditure with development spending cut substantially, followed by moves to reduce subsidies and devolve ministries to provinces, much remains to be done. Implementation of a VAT based sales tax which would be a substantial revenue measure remains mired in controversy. Political uncertainty and the law and order situation also impacted the investment and growth climate during the year.

The banking system remains resilient in this environment of economic turbulence. While asset quality has witnessed deterioration, the sector as a whole remains adequately equipped to the build-up of non-performing loans in the system. Much of the credit for this must go to the State Bank of Pakistan for the policies it has pursued over the last decade to ensure that banks are adequately capitalized and adhere to prudent risk management.

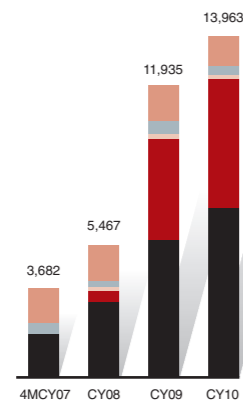
THE ROAD AHEAD

On a positive note, stable exports and increasing remittances have supported a decline in current account deficit which recorded a surplus of USD 26 million in the first half of FY2010 compared to a deficit of USD 2,570 million in the corresponding period last year. With the help of a vibrant current account and IMF funds flow, foreign exchange reserves have crossed USD 17 billion, helping to control the



ASSET MIX

Figures in PKR million



Credit Portfolio**
 T-bills
 PIBs
 Others*
 Lending to FIs

* Including investment in Shares and Mutual Funds
 ** Including Advances and Redeemable Capital Instruments

rate of currency depreciation. Despite this, the external account is expected to continue to rely on debt flows and remittances as international commodity prices (particularly crude oil and food) have started rising once again.

The implementation of fiscal reforms and elimination of subsidies in the power sector are likely to broaden the tax net and reduce distortions in the economy. While these reforms may induce cost-push inflationary pressures in the short run, they are options critical for any move towards sustained long term growth.

STRATEGIC REVIEW

The lesson learnt by the banking industry is to concentrate on the basics : liquidity, capital, credit risk, operational risk and cost. That has been the priority at Pak Brunei as we have focused on building balance sheet strength while maintaining adequate levels of liquidity. We are therefore on firm footing to face the challenges and make use of opportunities that will come our way in 2011. Given the dynamic environment, we need to be flexible, adaptive and responsive. Our strategic priorities are well-understood and executed by our management team.

Sound asset underwriting and balance sheet management

have been the cornerstone of our success and a key source of our competitive strength. The Company's capital and liquidity profile is a reflection of our financial health. To match our interest rate view, liability management at the start of the year involved efforts to raise longer tenor funds at attractive terms to hedge against future increase in interest rates. The asset mix of the Company pre-dominantly comprises of floating interest rate assets reset at 3 to 6 months frequency, which helps us in mitigating interest rate risk in the medium term.

Prudent and effective risk management has always been a significant success factor in steering the Company's march towards strong profitability and its market leadership amongst its peers. In that regard, the organizational structure and resource allocation was geared up in the year to further improve our focus on credit, market, liquidity and operational risk. Concerted and successful efforts on recovery of outstanding credit exposures are the reasons why portfolio infection figures are so nominal. In addition, the areas of research and marketing have also been strengthened to enhance decision making and broaden our client base.

We remain optimistic that our united vision and uniform strategy as a team will enable us to achieve our strategic goals in 2011.

Hjh Hartini binti Haji Abdullah
Chairperson

March 21, 2011



Director's REPORT



On behalf of the Board of Directors, I am pleased to present the Directors' Report of Pak Brunei Investment Company Limited along with the audited financial statements and auditor's report thereon for the year ended 31st December 2010.

PERFORMANCE IN 2010

Working as a team, we remained focused on improvement in management policies and governance structure, strategic investment initiatives and implementation of cost effective measures across the Company. Each employee worked hard to reach the goalpost under the supervision and guidance of senior management and the Board.

FINANCIAL HIGHLIGHTS

Figures in PKR million	4MCY07	CY08	CY09	CY10
Profit & Loss Account				
Net Mark-up Income	178	432	571	839
Non Mark-up Income				
Fee, commission & Brokerage	11	41	26	43
Dividend Income	2	7	16	13
Gain on sale of securities	56	38	206	156
Unrealized gain/ (loss) on securities	-2	-	1	0
Other Income	-	-	5	1
Total non mark-up income	67	86	254	212
PBT	187	373	667	882
PAT	141	222	447	581
Balance Sheet				
Assets	4,362	5,529	12,131	14,369
Liabilities	1,226	248	5825	7,026
Equity	3,136	5,281	6,306	7,343
Earning Per Share (EPS) - PKR	0.75	0.52	0.89	0.98

ADVISORY AND STRATEGIC INVESTMENTS (ASIG)

ASIG helped us achieve our goal of pursuing innovation in financial structures and in developing new projects. It plays a pivotal part in our strategy to be a broad based merchant banking outfit. The team has been successful in 2010 in identifying growth opportunities and providing structured debt & equity solutions to unlock value, co-investing wherever feasible. The focus is on identification, evaluation and implementation of new strategic initiatives in line with the business plan. A new area of activity was undertaken this year involving restructuring of projects and enterprises in financial distress - in the current environment this becomes critical, possible and profitable.

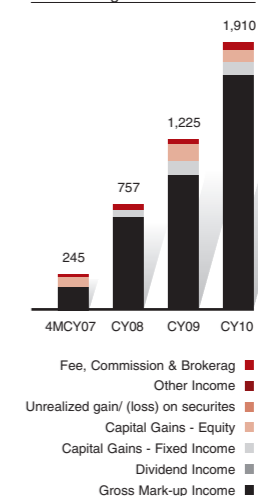
Headed by an experienced investment banker, the team was successful in soliciting new relationships and supporting the asset pipeline for Corporate Banking, Treasury and Capital Markets portfolios.

CORPORATE BANKING (CBG)

The Corporate Banking Group (CBG) focused on adding defensive exposures to the portfolio during the year as it was apparent that economic recovery would take time. Viable prospects were identified in different sectors including export-oriented textile companies, pharmaceutical and food sectors. Simultaneously, significant reduction in troubled assets was achieved through successful recoveries and realization of

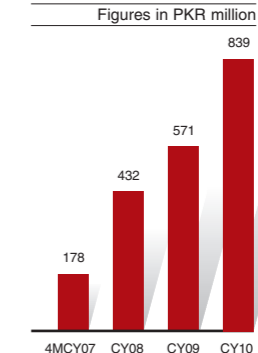
INCOME MIX

Figures in PKR million



NET MARKUP INCOME

Figures in PKR million





collateral. Our culture encourages risk awareness and mitigation at all levels, with the front offices being our first line of defense. Accordingly, we have been able to maintain sound asset quality.

Development aspect forms a key component of our credit strategy. There is considerable focus on non-recourse project finance, lending for revival of sick units with potential for turnaround. We are also a Participating Finance Institution ("PFI") for financing export oriented projects on subsidized rates under State Bank of Pakistan's Long Term Finance Facility Scheme.

Not losing sight of the development aspects of our strategy and given sluggish economic growth, CBG plans to concentrate on the following three areas:

- i) **Product Development:** Currently, CBG offers long term loans, short term loans, long term loans under SBP LTF scheme for export oriented projects, lease finance and letters of credit/guarantee through risk participation agreements. Going forward we intend to expand our array of products by introducing short term off-the-shelf and trade facilitating products. Our two year product development plan also includes sector specific products.
- ii) **Loan acquisition:** In order to support infrastructure and industrial development projects, CBG intends to build up a low risk loan portfolio by acquiring existing loans from the market which fit our risk criterion. This will act as a shock absorber for our developmental activities, and
- iii) **Project/ Infrastructure Finance:** CBG will work closely with the Advisory team to help develop and finance bankable structures for economically feasible infrastructure projects. The teams are already working with one provincial government to help develop an umbrella structure for infrastructure financing along the same lines as is the norm in regional markets.

TREASURY AND FUND MANAGEMENT

Treasury Group continued to play a key role in balance sheet management. In an environment of monetary tightening, interest rate and liquidity risk management have become crucial for any financial institution. At Pak Brunei, these risks are mitigated by monitoring the duration and proportion of fixed and floating rate exposures on both sides of the balance sheet. Low cost funding has been availed from SBP LTF -EOP facility providing us the leverage to add blue chip exposures to our portfolio enabling us to support export based entities that lack access to long term capital. Our focus remains on having adequate liquidity levels at all times to support asset build up.

The Group participated in the market through investment, distribution and market making for Corporate Bonds/Sukuks and Commercial Paper issues. Pak Brunei maintained an active

and highly profitable corporate bonds trading desk generating market interest and liquidity for fixed income instruments. Cumulative trading turnover rose to PKR 30 billion from PKR 13 billion a year ago.

Going forward, Treasury plans to broaden its funding base through non-conventional products, aggressive corporate deposit mobilization and spread trading.

CAPITAL MARKETS

The Karachi Stock Exchange maintained a cyclical trend during the first three quarters of FY2010 with a steadier increase in the index towards the end of the year. Overall KSE-100 Index increased by 28% or 2,636 points from January to December 31, 2010. Our highly disciplined technical trading team realized a return of 25% over the average investment portfolio during the year.

We remain a conservative investor with our primary objective and performance criteria being preservation of and adequate risk adjusted return on invested capital.

RISK MANAGEMENT

We understand the need to continually enhance and enforce risk management in the organization. During the year, the Centralized Risk Management Unit was divided into Credit Risk Management (CRM) and Middle Office & Operational Risk Management (MOOR) with senior level resources on each side. The move was in anticipation of growing scale of operations where the different businesses requiring risk watch could receive closer attention.

We take a holistic view on risk, be it credit, market or operational risk which are monitored across all asset classes and functional areas of the Company.

ENTITY RATING

During its rating review process in 2010, PACRA maintained the long term rating of AA thereby denoting its confidence in the Management Team and its accomplishments so far, and the sound financial health of the Company.

FUTURE PLANS

Our Asset Management Company, to be launched in 2011, will focus on new products for investors in and outside Pakistan.

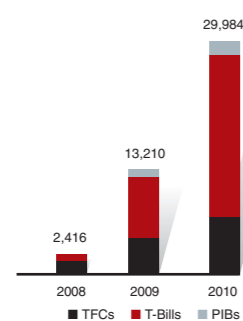
CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors declare that:

- The financial statements prepared by the management of Pak Brunei Investment Company Ltd. (the Company) present fairly its state of affairs, the results of its operations, cash flows and statement of changes in equity
- Proper books of accounts of the Company have been maintained
- Appropriate accounting policies have been consistently applied in preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed

TRADING TURNOVER

Figures in PKR million.
Cumulative trading volume above each bar



- The system of internal control is sound in design and has been effectively implemented and monitored. An audit committee, comprises of three non-executive directors has been formed that meets periodically
- There are no doubts at present about the Company's ability to continue as a going concern
- There has been no material departure from the best practices of Code of Corporate Governance
- Transactions undertaken with related parties during the year have been properly disclosed in the financial statements
- There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding as at December 31, 2010 except as disclosed in the financial statements

The Board of Directors of the Company held four meetings during the year ended December 31, 2010.

These were attended by the Directors as follows:

Name	Meetings Attended
Dr. Hj Mohammad Amin Liew bin Abdullah	2
Hjh Hartini binti Haji Abdullah	2
Ms. Sumaira K. Aslam	4
Mr. Junaidi bin Haji Masri	4
Ms. Ayesha Aziz	4

CHANGE IN DIRECTORS

There have been two changes in the Board of Directors of the Company during the year ended December 31, 2010 as follows:

1. Brunei Investment Agency (BIA) has nominated Hjh Hartini binti Haji Abdullah replacing Dr. Hj Mohammad Amin Liew bin Abdullah.
2. Ministry of Finance, Govt. of Pakistan has nominated Ms. Sumaira K. Aslam replacing Mr. Tariq Mahmood Pasha.

STATEMENT OF INVESTMENT OF PROVIDENT FUND

Investment of provident fund as at December 31, 2010 according to un-audited financial statements were PKR 18.004 million (2009: PKR 8.64 million)

APPOINTMENT OF AUDITORS

The present Auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants (a member firm of Deloitte Touche Tohmatsu Ltd.) retire and being eligible, offer themselves for re-appointment.

The Board, on the proposal of the Audit Committee recommends the appointment of M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants as statutory Auditors for the year 2011.

PATTERN OF SHAREHOLDING

Shareholder	Shareholding (%)
Ministry of Finance - Govt. of Pakistan	49.99933%
Brunei Investment Agency	50.00000%
Secretary, Economic Affairs Division-Govt. of Pakistan	0.00067%

ACKNOWLEDGEMENTS

The Board is grateful to its shareholders, the Government of Pakistan and Brunei Investment Agency, for their support to the institution. The Board also commends the management team for its commitment to the Company and its dedicated efforts in ensuring smooth and profitable operations.

The Board takes this opportunity to express its gratitude to State Bank of Pakistan for their continued guidance and support.



Ayesha Aziz
Managing Director

March 21, 2011



4 Year's Performance AT A GLANCE

(Rupees in '000)

	2010	2009	2008	*2007
Balance Sheet				
Lendings to financial institutions	1,222,727	1,507,910	1,519,299	1,464,299
Investments	9,868,363	8,415,996	2,687,585	1,956,095
Advances	2,467,643	1,732,493	1,062,744	254,444
Borrowings	5,943,385	5,296,808	186,154	1,150,000
Deposits and other accounts	844,000	395,000	–	–
Total Assets	14,368,611	12,130,979	5,528,893	4,362,474
Net Assets	7,342,559	6,305,979	5,281,160	3,136,278
Paid up Capital	6,000,000	5,000,000	5,000,000	3,000,000
Profit & Loss				
Mark up income	1,698,132	971,221	672,254	177,507
Mark up expense	777,987	207,450	131,801	630
Non mark up income	211,963	254,064	85,608	67,299
Non mark up expense	169,106	132,743	118,675	57,635
Gross income	1,910,095	1,225,285	757,862	244,806
Profit before provision and tax	963,002	885,092	507,386	186,541
Provisions	81,344	217,918	133,921	–
Profit before tax	881,658	667,174	373,465	186,541
Profit after tax	581,090	447,453	222,266	140,743
Investors information				
Profit before tax ratio %	46.16%	54.45%	49.28%	76.20%
Gross spread ratio %	54.19%	78.64%	80.39%	99.65%
Return on assets %	4.39%	5.07%	4.49%	3.23%
Return on equity %	8.52%	7.72%	5.28%	4.49%
Earning asset to total asset ratio %	95.27%	97.67%	95.58%	90.34%
EPS (Earning per share) PKR	0.98	0.89	0.52	0.75
Capital Adequacy Ratio (CAR) %	85.00%	81.00%	138.00%	114.00%
Summary of cash flow statement				
Cash flow from operating activities	1,076,382	5,487,232	(1,218,859)	(852,802)
Cash flow from investing activities	(1,615,121)	(5,786,148)	(1,025,606)	(1,879,809)
Cash flow from financing activities	483,727	495,563	1,995,881	3,000,332
Cash & cash equivalent at the beginning of the year	215,784	19,137	267,721	–
Cash & cash equivalent at the end of the year	160,772	215,784	19,137	267,721

*four months of operations

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

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Fax: +92 (0) 21-454-1314
Web: www.deloitte.com

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pak Brunei Investment Company Limited (the Company) to comply with Regulation G-1 of Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliances can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report, if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub - Regulation (xiii a) of Listing Regulation No. 35 of The Karachi Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance with the Code of Corporate Governance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended December 31, 2010.

M. Yousuf Adil Saleem & Co

Chartered Accountants

Karachi

Date: March 21, 2011

Member of
Deloitte Touche Tohmatsu Limited

Statement of Compliance with the Code of

CORPORATE GOVERNANCE

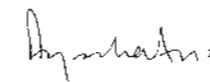
For the year ended
December 31, 2010

This Statement is being presented to comply with the Code of Corporate Governance framed by the Securities and Exchange Commission of Pakistan, which was made applicable to the Company through regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan.

The Company has applied the principles contained in the Code in the following manner:

1. The Board of Directors of the Company is appointed by the Government of Islamic Republic of Pakistan (GoP), represented by Ministry of Finance, and the Brunei Investment Agency (BIA). Under Joint Venture Agreement dated March 17, 2006, the GoP and the BIA both will appoint two directors on their behalf. At present three directors are non-executive directors and one director is executive director.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company
3. The resident directors of the Company have confirmed that they are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or a Non Banking Financial Institution (NBFI) or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year ended December 31, 2010. However, the Brunei Investment Agency (BIA) has nominated Hjh Hartini binti Haji Abdullah on August 06, 2010 in place of Dr. Hj Mohammad Amin Liew bin Abdullah. The Ministry of Finance, Government of Pakistan has nominated Ms. Sumaira K. Aslam on February 26, 2010 in place of Mr. Tariq Mahmood Pasha.
5. The Company has prepared a 'Statement of Ethics and Business Practices' which is signed by all the directors and employees of the Company.
6. The Company has developed a vision/mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board of Directors have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman / Chairperson. The Board met 4 times during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The Directors have also discussed the corporate governance requirements of the DFIs as required by the State Bank of Pakistan Prudential Regulations during the year. During the year, Pakistani directors also started attending Corporate Governance Leadership Skills (CGLS) program offered by the Pakistan Institute of Corporate Governance (PICG).

10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit and as authorized by the Board their remuneration and terms and conditions of employment were determined by the CEO.
11. The Directors' Report for the period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The Company's financial statements were duly endorsed by CEO and CFO before approval by the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company.
14. The Company has complied with all other corporate and financial reporting requirements of the Code.
15. The internal audit function has been effective during the year. Internal audit report is accessible to the Audit Committee and important points arising out of internal audit were reviewed by the Audit Committee and important points requiring the Board's attention are brought into their notice.
16. The Board has formed an audit committee consisting of three non-executive directors, including the Chairperson.
17. The meetings of the audit committee were held 4 times during the year ended December 31, 2010 prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the audit committee have been formed and advised to the audit committee for compliance.
18. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.
21. All related party transactions have been reviewed and approved by the Board of Directors and are carried out as per agreed terms.



Ayesha Aziz
Managing Director

March 21, 2011

Statement of Internal Control

For the year ended
December 31, 2010

It is the responsibility of Company's management to:

- Establish and maintain an adequate and effective system of internal controls and procedures for an efficient working environment for obtaining desired objectives.
- Evaluate the effectiveness of the Company's internal control system that encompasses material matters by identifying control objective, reviewing significant policies and procedures and establishing relevant control procedures.

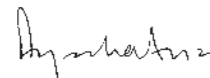
The control activities are being closely monitored across the Company through Audit Department, working independent of line management. In addition, Compliance Department is also in place to monitor control activities related to regulatory compliance. Internal Audit Department covers all activities in general and key risks areas in particular. The Audit Committee of the Board regularly reviews audit reports both internal and external where significant violations to the local regulations, prescribed policies and procedures have occurred. Regular follow up reporting upon the audit reports is done by Compliance Department to the Audit Committee which ensures timely implementations of audit/inspection reports to mitigate identified risks to safeguard the interest of the Company.

The Company's internal control system has been designed to provide reasonable assurance to the Company's management and Board of Directors. All internal control systems, no matter how well designed, have inherent limitations that they may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are ongoing process that includes identification, evaluation and management of significant risks faced by the Company.

In an effort to incorporate the Internal Control Guidelines as spelled out by the State Bank of Pakistan in BSD Circular No. 7 of 2004, "particularly with reference to Internal Control Over Financial Reporting (ICFR)" the Company is in the process of carrying out a detailed exercise through a well established firm of Chartered Accountants including documentation and benchmarking of existing processes and controls relating to financial reporting on internationally accepted standards. This project will help in further improving the quality of internal controls across the Company and in ensuring compliance with the SBP requirement for external auditors' attestation on Internal Control over Financial Reporting.

The Board of Directors is ultimately responsible for the internal control system and the Board endorses the above management evaluation.

For and on behalf of the Board



Ayesha Aziz
Managing Director

March 21, 2011

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
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KCHSU, Sharea Faisal,
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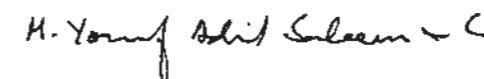
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Pak Brunei Investment Company Limited (the Company) as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (herein-after referred to as the 'financial statements') for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion:
 - i. the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c. in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Company's affairs as at December 31, 2010 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



Chartered Accountants

Engagement Partner:
Syed Asad Ali Shah

Karachi
Date: March 21, 2011

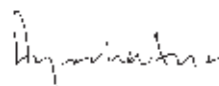
Member of
Deloitte Touche Tohmatsu Limited

Statement of Financial Position

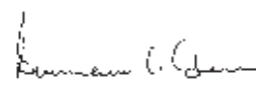
As at December 31, 2010

2010	2009	Note	2010	2009
(US \$ in '000)			(Rupees in '000)	
ASSETS				
359	279		30,803	23,869
1,517	2,239		129,969	191,915
14,268	17,595		1,222,727	1,507,910
115,150	98,203		9,868,363	8,415,996
28,794	20,216		2,467,643	1,732,493
245	439		21,013	37,614
-	-		-	-
7,329	2,581		628,093	221,182
167,662	141,552		14,368,611	12,130,979
LIABILITIES				
-	-		-	-
69,351	61,806		5,943,385	5,296,808
9,848	4,609		844,000	395,000
-	-		-	-
-	190		-	16,273
580	27		49,667	2,343
2,205	1,337		189,000	114,576
81,984	67,969		7,026,052	5,825,000
85,678	73,583		7,342,559	6,305,979
NET ASSETS				
REPRESENTED BY				
70,012	58,343		6,000,000	5,000,000
3,248	1,891		278,311	162,093
12,990	7,566		1,113,241	648,369
86,250	67,800		7,391,552	5,810,462
(572)	(52)		(48,993)	(4,483)
-	5,835		-	500,000
85,678	73,583		7,342,559	6,305,979
CONTINGENCIES AND COMMITMENTS 19				

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive



Director



Director



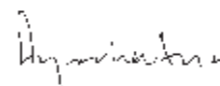
Chairman

Profit and Loss Account

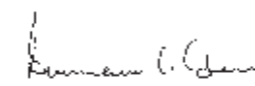
For the year ended December 31, 2010

2010	2009	Note	2010	2009
(US \$ in '000)			(Rupees in '000)	
19,815	11,333		1,698,132	971,221
9,078	2,421		777,987	207,450
10,737	8,912		920,145	763,771
(205)	293		(17,602)	25,131
1,155	1,958		98,946	167,787
-	-		-	-
950	2,251		81,344	192,918
9,787	6,661		838,801	570,853
NON MARK-UP / INTEREST INCOME				
496	307		42,550	26,335
148	188		12,685	16,080
-	-		-	-
1,821	2,406		156,055	206,158
-	10		-	898
8	54		673	4,593
2,473	2,965		211,963	254,064
12,260	9,626		1,050,764	824,917
NON MARK-UP / INTEREST EXPENSES				
1,927	1,544		165,145	132,343
-	292		-	25,000
46	5		3,961	400
1,973	1,841		169,106	157,743
10,287	7,785		881,658	667,174
-	-		-	-
10,287	7,785		881,658	667,174
PROFIT BEFORE TAXATION				
2,740	2,476		234,854	212,236
(1)	(195)		(48)	(16,718)
767	282		65,762	24,203
3,506	2,563		300,568	219,721
6,781	5,222		581,090	447,453
PROFIT AFTER TAXATION				
7,566	3,389		648,369	290,407
14,347	8,611		1,229,459	737,860
US \$			Rupees	
0.01	0.01		0.98	0.89
0.01	0.01		0.98	0.89

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive



Director



Director



Chairman

Statement of Comprehensive Income

For the year ended
December 31, 2010

2010	2009	Note	2010	2009
(US \$ in '000)			(Rupees in '000)	
6,781	5,222		581,090	447,453
–	–		–	–
6,781	5,222		581,090	447,453

Deficit arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

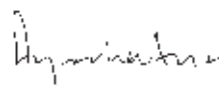
The annexed notes 1 to 41 form an integral part of these financial statements.

Cashflow Statement

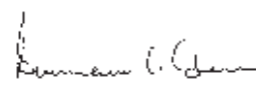
For the year ended
December 31, 2010

2010	2009	Note	2010	2009
(US \$ in '000)			(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES				
10,288	7,785		881,658	667,174
148	188		12,685	16,080
10,140	7,973		868,973	651,094
Adjustments:				
103	119	10.2	8,858	10,164
28	25	10.3	2,367	2,166
(205)	293		(17,602)	25,131
1,155	1,958	8.3	98,946	167,787
–	292	12.3	–	25,000
(6)	(3)	24	(518)	(268)
–	(10)	8.5	–	(898)
126	–		10,788	–
46	(50)		3,959	(4,318)
13	27	25	1,113	2,303
1,260	2,651		107,911	227,067
11,400	10,248		976,884	878,161
(Increase) / decrease in operating assets				
3,328	133		285,183	11,389
193	(183)		16,569	(15,671)
(8,373)	(8,108)		(717,548)	(694,880)
(3,732)	(855)		(319,848)	(73,306)
(8,584)	(9,013)		(735,644)	(772,468)
Increase / (decrease) in operating liabilities				
7,545	59,634		646,577	5,110,654
5,239	4,609		449,000	395,000
1,226	646		105,066	55,390
14,010	64,889		1,200,643	5,561,044
16,826	66,124		1,441,883	5,666,737
(4,250)	(2,066)		(364,233)	(177,055)
(15)	(29)		(1,268)	(2,450)
12,561	64,029		1,076,382	5,487,232
CASH FLOWS FROM INVESTING ACTIVITIES				
(16,725)	(67,642)		(1,433,161)	(5,796,886)
(2,214)	–		(189,751)	–
148	188		12,685	16,080
(74)	(82)		(6,322)	(7,018)
17	20		1,428	1,676
(18,848)	(67,516)		(1,615,121)	(5,786,148)
CASH FLOWS FROM FINANCING ACTIVITIES				
(190)	(52)		(16,273)	(4,437)
(5,834)	5,834		(500,000)	500,000
11,669	–		1,000,000	–
5,645	5,782		483,727	495,563
(642)	2,295		(55,012)	196,647
2,518	223		215,784	19,137
1,876	2,518	30	160,772	215,784

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive



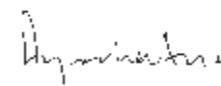
Director



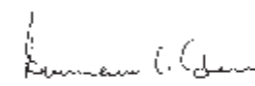
Director



Chairman



Chief Executive



Director



Director



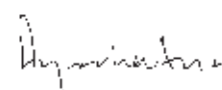
Chairman

Statement of Changes in Equity

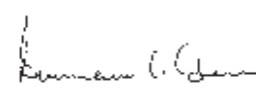
For the year ended
December 31, 2010

	Share capital	Statutory reserve	Unappropriated profit	Total
(Rupees in '000)				
Balance as at January 1, 2009	5,000,000	72,602	290,407	5,363,009
Comprehensive income:				
Profit after tax for the year ended December 31, 2009	–	–	447,453	447,453
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	447,453	447,453
Transfer to statutory reserve	–	89,491	(89,491)	–
Balance as at December 31, 2009	5,000,000	162,093	648,369	5,810,462
Comprehensive income:				
Profit after tax for the year ended December 31, 2010	–	–	581,090	581,090
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	581,090	581,090
Transfer to statutory reserve	–	116,218	(116,218)	–
Transactions with owners:				
Issue of share capital	1,000,000	–	–	1,000,000
Balance as at December 31, 2010	6,000,000	278,311	1,113,241	7,391,552

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive



Director



Director



Chairman

Notes to the Financial Statements

For the year ended
December 31, 2010

1. STATUS AND NATURE OF BUSINESS

Pak Brunei Investment Company Limited (the Company) is incorporated as an un-listed public limited company under the Companies Ordinance, 1984. The State Bank of Pakistan (the SBP) granted the approval for commencement of business with effect from August 20, 2007. The Company is a joint venture between the Government of Pakistan and the Brunei Investment Agency. The Company's objective interalia includes making investments in the industrial and agro based industrial fields in Pakistan on commercial basis through carrying out of industrial and agro based industrial projects and making of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Company is situated at Khadija Towers, Plot No. 11/5, Block No. 2, Scheme No.5, Clifton, Karachi, Pakistan.

2. BASIS OF PRESENTATION

2.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention except that certain investments and derivatives have been stated at revalued amounts in accordance with the directives of the State Bank of Pakistan (SBP).

2.2 US Dollar equivalent

The US dollar amounts shown in the statement of financial position, profit and loss account, statement of comprehensive income and statement of cash flow are stated as additional information solely for the convenience of readers. For this purpose of conversion to US Dollars, the rate of Rs. 85.70 to US Dollars has been used for both 2010 and 2009, as it was the prevalent rate as on December 31, 2010.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued under the Companies Ordinance, 1984 and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued under the Companies Ordinance, 1984 and the State Bank of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for DFIs through BSD Circular Letter No. 11 dated September 11, 2002. Further, according to the notification of the SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

3.3.1 New / revised standards and interpretations to existing standards effective from current period or early adopted but not relevant to the Company.

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

- IFRS 2 (Amendments) "Share-based Payments - Group cash-settled share-based payment transactions"
- IFRS 5 (Amendments) "Non-current Assets Held for Sale and Discontinued Operations"
- Amendments to IAS 1 "Presentation of Financial Statements"
- Amendments to IAS 7 "Statement of Cash Flows"
- IAS 27 (Amended) "Consolidated and Separate Financial Statements"
- IAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements"
- IAS 28 (as revised in 2008) "Investments in Associates"
- IFRIC 15 "Agreements for Construction of Real Estate"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"

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

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

- IFRS 9 'Financial instruments' introduces new requirements for the classification and measurement of financial assets and financial liabilities and for their derecognition. While the International Accounting Standards Board has prescribed the effective date; period beginning on or after January 1, 2013 with earlier application permitted, the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan have still not notified its effective date for adoption locally. As a result, there will be no impact on the Company's financial statements till application of IFRS 9 is notified.
- IAS 12 'Deferred Tax': Tax Recovery of Underlying Assets (Amendments to IAS 12). The amendment to IAS 12 is effective for annual periods beginning on or after January 01, 2012. Earlier application is permitted. The limited scope amendments are relevant only when an entity elects to use the fair value model for measurement in IAS 40 'Investment Property'. The amendments introduce a rebuttable presumption that in such circumstances, an investment property is recovered entirely through sale. This amendment will have no impact on the Company's financial statements.
- IAS 24 (Revised), 'Related party disclosures' (effective for annual periods beginning on or after January 01, 2011) - The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This amendment will result in some changes in disclosures.
- IAS 32 (Amendment) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after February 01, 2010) – 'Classification of rights issues' - The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.
- IFRIC 13 (Amendment) 'Customer Loyalty Programmes' (effective from annual periods on or after January 01, 2011). The amendment clarifies that the fair value of award credits take into account the amount of discounts or incentives that otherwise would be offered to customers

that have not earned the award credits. This amendment will have no impact on the Company's financial statements.

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 01, 2010) – This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This amendment will have no impact on the Company's financial statements.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on the Company's financial statements.
- Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 01, 2011. The amendments include list of events or transactions that require disclosure in the financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Some of these amendments will result in increased disclosures in the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

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

4.2 Revenue recognition

Mark-up / return / interest income on advances and investments is recognised on time proportionate basis taking into account effective yield on the instrument except in case of advances and investments classified under the Prudential Regulations on which mark-up / return / interest is recognized on receipt basis.

Dividend income is recognized when the Company's right to receive income is established.

Fee, commission and brokerage income and remuneration for trustee and advisory services are recognized at the time of performance of services.

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

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

4.3 Advances

Advances are stated net of specific and general provisions. Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of

advances) for classification of non-performing loans and advances and computing provision / allowance thereagainst. Advances are written off where there are no realistic prospects of recovery.

Leases are classified as finance leases, when the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

4.4 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the acquisition of investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. The Company has classified its investment portfolio into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' portfolios as follows:

Held-for-trading

These are investments, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists and are to be sold within 90 days of acquisition. These are carried at market value, with the related surplus / (deficit) being taken to profit and loss account.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold till maturity. These are carried at amortised cost using the effective interest rate method.

Available-for-sale

These are investments that do not fall under the 'held-for-trading' or 'held-to-maturity' categories. These are carried at market value with the surplus / (deficit) taken to 'surplus / (deficit) on revaluation of assets' account below equity. Provision for diminution in the value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the profit and loss account for the year.

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

The carrying values of investments are reviewed for impairment at each balance sheet date. Where any such indications exist that the carrying values exceed the estimated recoverable amounts, provision for impairment is made through the profit and loss account.

4.5 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective interest rate method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet, as the Company does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective interest rate method.

4.6 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the profit and loss account.

4.7 Trade date accounting

All regular way purchases / sales of investment are recognised on the trade date, i.e., the date, the Company commits to purchase / sell the investments. Regular way purchases or sales of investment require delivery of securities within time frame generally established by regulations or convention in market place.

4.8 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

4.9 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account the tax credits and tax rebates available, if any. The charge for current tax also includes adjustments whenever considered necessary relating to prior year, arising from assessments framed during the year.

Deferred

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to gain / loss recognised in surplus / deficit on revaluation of assets is charged / credited to such account.

4.10 Operating fixed assets

Property and equipment

Owned assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the profit and loss account using the straight line method at the rates stated in note 10.2. Depreciation is charged from the date when the asset is available for use and no

depreciation is charged from the date when the asset is disposed off.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Residual values and useful lives are reviewed at each balance sheet date and adjusted if the impact on depreciation is considered significant.

Gain / loss on sale or disposal of fixed assets is recognised in the profit and loss account.

Leased assets

Assets held under finance lease are accounted for by recording the assets and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and are subsequently stated net of accumulated depreciation.

Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding finance lease liability.

Depreciation is charged on leased assets on a basis similar to that of owned assets.

Intangibles

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 10.3.

Amortisation on addition and deletion of intangible assets during the year is charged in proportionate to the period of use.

Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

Impairment

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

4.11 Provisions

Provision is made when the Company has a 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. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

4.12 Offsetting

Financial assets and financial liabilities are only set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

4.13 Staff retirement benefits

4.13.1 Defined contribution plan

Staff provident fund

The Company operates a provident fund scheme for its employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 8.33% of basic salary. Effective from March 01, 2010 the rate of the contribution has been increased to 10% both by the employer and employee.

Compensated absences

Compensated absences of employees are accounted for in the period in which these absences are earned.

4.14 Foreign currency translation

Foreign currency transactions are converted into Rupees by applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income.

The Company's financial statements are presented in Pak Rupees (Rs.) which is the Company's functional and presentation currency.

4.15 Dividend distribution

Dividend is recognized as a liability in the year in which it is approved.

4.16 Distributions of bonus shares and other appropriations to reserves

The Company recognizes all appropriations, other than statutory appropriations, to reserves including those in respect of bonus shares, in the year in which such appropriations are approved.

4.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at December 31, 2010.

4.18 Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing product or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4.18.1 Business Segments

Corporate finance

Corporate finance includes services provided in connection with mergers and acquisitions, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

Commercial Banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bill of exchange and deposits.

4.18.2 Geographical segments

The Company operates in Pakistan only.

4.19 Accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

4.19.1 Classification of investments

- i In classifying investments as 'held-for-trading', the Company has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- ii In classifying investments as 'held-to-maturity', the Company follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment till maturity.
- iii The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

4.19.2 Provision against non-performing loans and advances

The Company reviews its loan portfolio to assess amount of non-performing loans and advances and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower and requirements of prudential regulations are considered.

4.19.3 Impairment of available-for-sale equity investments

The Company 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. The determination of what is "significant or prolonged" requires judgment. In making this judgment, the Company 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.

4.19.4 Taxation

In making the estimates for income taxes currently payable by the company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

4.19.5 Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates and exchange rates over the term of contract.

4.19.6 Fixed assets, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern.

		December 31	December 31
	Note	2010	2009
(Rupees in '000)			

5. CASH AND BALANCES WITH TREASURY BANKS

With State Bank of Pakistan in			
Local currency current account	5.1	30,797	23,595
With National Bank of Pakistan in			
Local currency current account		6	274
		30,803	23,869

- 5.1 This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.

		December 31	December 31
	Note	2010	2009
(Rupees in '000)			

6. BALANCES WITH OTHER BANKS

In Pakistan			
On current account		–	–
On deposit accounts	6.1 and 6.2	129,969	191,915
		129,969	191,915

- 6.1 These carry mark-up at rates ranging from 5% to 10.5% per annum (2009: 5% to 10.96% per annum).

- 6.2 This includes balance of Rs.NIL (2009: Rs. 6,608) held with a related party.

		December 31	December 31
	Note	2010	2009
(Rupees in '000)			

7. LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse repo)	7.2	22,727	–
Certificate of investments (COIs) / Term deposit receipts (TDRs)	7.3	1,100,000	1,507,910
Letter of placements	7.4	100,000	–
	7.1	1,222,727	1,507,910

7.1 Particulars of lending

In local currency		1,222,727	1,507,910
In foreign currencies		–	–
		1,222,727	1,507,910

- 7.2 This carries mark-up rate at the rate of 12.50% per annum (2009: NIL) and will mature within 3 days (2009: NIL).

7.2.1 Securities held as collateral against lendings to financial institutions:

	(Rupees in '000)					
	December 31, 2010			December 31, 2009		
	Held by company	Further given as collateral	Total	Held by company	Further given as collateral	Total
Market Treasury Bills	22,727	–	22,727	–	–	–
	22,727	–	22,727	–	–	–

7.2.2 Market value of the securities under repurchase agreement lendings amounted to Rs.22.738 million (2009: NIL).

7.3 The profit rate on these COIs and TDRs ranges from 13.6% to 14% per annum (2009: 12.80% to 16.10% per annum). All TDRs are due for maturity within 2 months (2009: TDR, within 6 months and COIs, within 3 years).

7.4 This carries mark-up at the rate of 13.80% per annum (2009: NIL) and will mature within 3 days (2009: NIL).

8. INVESTMENTS - net

8.1 Investments by types:

Note	(Rupees in '000)					
	December 31, 2010			December 31, 2009		
	Held by company	Given as collateral	Total	Held by company	Given as collateral	Total
Held-for-trading securities						
Ordinary shares of listed companies	–	–	–	15,671	–	15,671
Available-for-sale securities						
Market Treasury Bills	408,668	4,835,485	5,244,153	195,356	3,918,484	4,113,840
Pakistan Investment Bonds	–	242,930	242,930	95,008	–	95,008
Ordinary shares of listed companies	283,552	–	283,552	580,428	–	580,428
Units of mutual funds	28,840	–	28,840	28,840	–	28,840
Term Finance Certificates and Sukuks	4,269,039	–	4,269,039	3,835,960	–	3,835,960
Preference shares	6,500	–	6,500	–	–	–
	4,996,599	5,078,415	10,075,014	4,735,592	3,918,484	8,654,076
Held-to-maturity securities						
Term Finance Certificates and Sukuks	189,751	–	189,751	–	–	–
Investments at cost						
	5,186,350	5,078,415	10,264,765	4,751,263	3,918,484	8,669,747
Less: Provision for diminution in value of Investments						
	(336,061)	–	(336,061)	(249,338)	–	(249,338)
Investments (net of provisions)						
	4,850,289	5,078,415	9,928,704	4,501,925	3,918,484	8,420,409
Surplus on revaluation of held-for-trading securities						
	–	–	–	898	–	898
Deficit on revaluation of available-for-sale securities - net						
	(32,746)	(27,595)	(60,341)	(24,833)	19,522	(5,311)
Total investments at market value						
	4,817,543	5,050,820	9,868,363	4,477,990	3,938,006	8,415,996

Note	December 31	December 31
	2010	2009

8.2 Investments by Segments:

		December 31	December 31
	Note	2010	2009
Federal Government Securities:			
Market Treasury Bills	8.6	5,244,153	4,113,840
Pakistan Investment Bonds	8.6	242,930	95,008
Fully Paid up Ordinary Shares:			
Listed Companies	8.7.1	283,552	596,099
Term Finance Certificates and Sukuks:			
Listed	8.9	1,523,036	1,520,378
Unlisted	8.9	2,935,754	2,315,582
Units of mutual funds	8.8	28,840	28,840
Preference Share		6,500	–
Total investments at cost		10,264,765	8,669,747
Less: Provision for diminution in value of investments	8.3	(336,061)	(249,338)
Investments (net of provisions)		9,928,704	8,420,409
Surplus on revaluation of Held-for-trading securities	8.5	–	898
Deficit on revaluation of Available-for-sale securities - net	18.1	(60,341)	(5,311)
Total investments at market value		9,868,363	8,415,996

8.3 Particulars of Provision

	December 31	December 31
	2010	2009
Opening balance	249,338	108,921
Charge for the year	101,672	167,787
Reversal during the year	(2,726)	–
	98,946	167,787
Transfer to capital gain due to disposal of relevant investments	(12,223)	(27,370)
Closing Balance	336,061	249,338

8.3.1 Particulars of Provision in respect of Type and Segment

	December 31	December 31
	2010	2009
Available-for-sale securities		
Ordinary shares of listed companies	152,639	138,190
Units of mutual funds	3,576	3,576
Term Finance Certificates and Sukuks	179,846	107,572
	336,061	249,338

8.3.2 Investments include certain government securities which are kept with the SBP to meet Statutory Liquidity Requirements determined on the basis of company's demand and time liabilities.

8.4 Quality of Available-for-Sale securities

(Rupees in '000)

	December 31, 2010		December 31, 2009	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Market Treasury Bills				
1 Year T-bills	5,229,887	Government	1,435,155	Government
6 months T-bills	–	Securities	1,690,991	Securities
3 months T-bills	–		989,384	
	5,229,887		4,115,530	
Pakistan Investment Bonds				
10 year PIBs	40,142	Government	90,953	Government
5 year PIBs	188,750	Securities	–	Securities
	228,892		90,953	
Ordinary shares of listed companies				
Oil & Gas marketing/ exploration companies				
Pakistan State Oil Company Limited	–	–	30,438	AA+/A1+
Oil and Gas Development Company Limited	–	–	22,123	AAA/A1+
Pakistan Petroleum Limited	–	–	57,259	Unrated
Commercial banks				
JS Bank Limited	5,511	A/A1	10,851	A/A1
National Bank of Pakistan	–	–	44,622	AAA/A1+
NBFCs				
KASB Securities Limited	13,060	A+/A1	27,346	A+/A1
Communication				
Pakistan Telecommunication Company Limited	50,263	Unrated	47,655	Unrated
Power generation and distribution				
Kot Addu Power Company Limited	57,116	Unrated	22,935	Unrated
The Hub Power Company Limited	–	–	51,031	AA+/A1+
Cement				
D.G Khan Cement Company Limited	–	–	65,305	Unrated
Lucky Cement Limited	–	–	26,886	Unrated
Chemicals				
Engro Chemicals Pakistan Limited	–	–	43,989	AA/A1+
Miscellaneous				
Pace Pakistan Limited	–	–	2,340	A/A1
	125,950		452,780	
Units of mutual funds				
Pak Oman Advantage Fund	29,850	AA- (f)	30,282	AA- (f)
Term Finance Certificates (TFCs) and Sukuks				
Listed TFCs				
Commercial banks				
Allied Bank Limited - 2nd Issue	22,027	AA-	22,036	A+
Askari Bank Limited - 1st Issue	24,945	AA-	–	–
Askari Bank Limited - 2nd Issue	24,950	AA-	–	–
Askari Bank Limited - 3rd Issue	–	–	250,000	AA-
Askari Bank Limited - 4th Issue	184,926	AA-	–	–
Bank Al Habib Limited - 1st Issue	39,607	AA	–	–

(Rupees in '000)

	December 31, 2010		December 31, 2009	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Royal Bank Of Scotland Limited	14,770	AA-	–	–
Allied Bank Limited - 1st Issue	64,788	AA-	–	–
Faysal Bank Limited	151	AA-	151	AA-
NIB Bank Limited	182,038	A+	229,862	A
Standard Chartered Bank (Pakistan) Limited - 2nd Issue	13,481	AAA	3,712	AA
Standard Chartered Bank (Pakistan) Limited - 3rd Issue	9,433	AAA	–	–
United Bank Limited - 1st Issue	154,693	AA	93,950	AA
United Bank Limited - 2nd Issue	56,126	AA	51,397	AA
United Bank Limited - 3rd Issue	4,990	AA	–	–
United Bank Limited - 4th Issue	148,352	AA	134,919	AA
Bank Al Falah Limited - 3rd Issue	9,981	AA-	9,985	AA-
Fertilizer				
Engro Fertilizer Limited	97,146	AA	–	–
Engro Fertilizer Limited - 3rd Issue	118,344	AA	–	–
Pak Arab Fertilizer Limited	185,888	AA	167,655	AA
Chemicals				
Engro Chemicals Pakistan Limited	–	–	495,185	AA
Real Estate Developers				
Pace Pakistan Limited	575	A+(-)	575	A+
NBFCs				
Saudi Pak Leasing Company Limited	27,187	D	32,475	BB+
Unlisted TFCs and Sukuks				
Commercial banks				
Bank Al Falah Limited	285,677	AA-	264,000	AA-
Bank Al Habib Limited	85,547	AA	229,908	AA
Faysal Bank Limited - PPTFC	200,000	AA-	–	–
Fertilizer				
Engro Fertilizer Limited - 1st Issue	144,853	AA	–	–
Engro Fertilizer Limited - 2nd Issue	70,057	AA	–	–
Engro Fertilizer Limited	1,741	AA	–	–
Agritec Limited (formerly Pak American Fertilizer Limited - 2nd Issue)	43,293	CCC	65,331	A+
Sugar				
Al Abbas Sugar Mills Limited	130,074	A+	121,771	A+
JDW Sugar Mills Limited	92,443	A	91,254	A
Pharmaceutical				
Martin Dow Pharmaceutical Pakistan Limited	490,787	A	–	–
Cement				
Maple Leaf Cement Factory Limited	322,692	BB+	–	–
Maple Leaf Cement Factory Limited - 2nd Issue	8,475	BB+	202,993	D
Kohat Cement Company Limited	24,150	Unrated	24,150	Unrated
NBFCs				
Orix Leasing Pakistan Limited - PPTFC	61,221	AA+	–	–
Jahangir Siddiqui & Company Limited	–	–	58,612	AA+

(Rupees in '000)

	December 31, 2010		December 31, 2009	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Textile				
Azgard Nine Limited	24,980	CCC(RW)	24,980	AA-
Miscellaneous				
Karachi Shipyards and Engineering Works Limited	9,984	Unrated	9,981	Unrated
Real Estate Developers				
Eden Housing (Private) Limited	298,480	D	350,000	BBB+
Consumer Electronics				
New Allied Electronics (Private) Limited	-	-	75,000	D
Pak Electron Limited - 3rd Issue	200,000	A+	200,000	A+
Oil & Gas				
Sui Southern Gas Company Limited	200,000	AA	500,000	AA
	4,078,852		3,709,882	
	9,693,431		8,399,427	

December 31 December 31

2010 2009

(Rupees in '000)

8.5 Unrealised gain / (loss) on revaluation of investments classified as held-for-trading

Ordinary shares of listed companies	-	898
	-	898

8.6 Particulars of investments in Federal Government Securities

Market Treasury Bills	5,244,153	4,113,840
Pakistan Investment Bonds	242,930	95,008
Carrying value (before revaluation) of investments in federal government securities	5,487,083	4,208,848
Deficit on revaluation of securities	(28,304)	(2,365)
Market value as at December 31, 2010	5,458,779	4,206,483

8.7 Particulars of investments in ordinary shares of listed companies

Name of investee company	No. of shares / units held	(Rupees)		Cost as at December 31, 2010
		Nominal / paid-up value per share / unit	Total nominal / paid-up value	

8.7.1 Available-for-sale**Commercial bank**

JS Bank Limited	2,136,000	10	21,360	48,242
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NBFCs

KASB Securities Limited	2,921,617	10	29,216	122,968
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Communication

Pakistan Telecommunication Company Limited	2,588,223	10	25,882	49,634
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Power generation and distribution

Kot Addu Power Company Limited	1,404,040	10	14,040	62,708
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Carrying value

(before revaluation and provision) of listed shares 'Available-for-sale'				283,552
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Provision for diminution in value of investments

				(152,639)
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Deficit on revaluation of securities - net

				(4,963)
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Market value as at December 31, 2010

				125,950
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8.8 Particulars of investment in units of mutual funds

Pak Oman Advantage Fund	2,883,999	10	28,840	28,840
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Carrying value

(before revaluation and provision) of mutual funds units 'Available-for-sale'				28,840
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Provision for diminution in value of investments

				(3,576)
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Surplus on revaluation of securities

				4,586
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Market value as at December 31, 2010

				29,850
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8.9 Particulars of investments in Term Finance Certificates (TFCs) and Sukuks

(Rupees) (Rupees in '000)								
Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate	Total Paid up value (before redemption)	Balance as at December 31, 2010	Name of Chief Executive
Listed TFCs								
Commercial banks								
Allied Bank Limited - 2nd Issue	6 Months Kibor+0.85%	Half Yearly	28-Aug-19	5,000	5,000	25,000	23,935	Mr. Muhammad Aftab Manzoor
Askari Bank Limited - 1st Issue	6 Months Kibor+1.50%	Half Yearly	4-Feb-13	5,000	5,000	25,000	24,783	Mr.M.R. Mehkari
Askari Bank Limited - 2nd Issue	6 Months Kibor+1.50%	Half Yearly	31-Oct-13	5,000	5,000	25,000	24,726	Mr.M.R. Mehkari
Askari Bank Limited - 4th Issue	6 Months Kibor+2.50%	Half Yearly	18-Nov-19	37,000	5,000	185,000	184,926	Mr.M.R. Mehkari
Bank Al Habib Limited - 1st Issue	6 Months Kibor+1.50%	Half Yearly	15-Jul-12	8,747	5,000	43,735	41,766	Mr. Abbas D Habib
Royal Bank of Scotland Limited	6 Months Kibor+1.90%	Half Yearly	10-Feb-13	3,946	5,000	19,730	14,826	Mr. Shehzad Naqvi
Standard Chartered Bank (Pakistan) Limited - 2nd Issue	10.75% Fixed	Half Yearly	20-Jan-11	11,092	5,000	55,460	13,855	Mr. Babar Kazmi
Standard Chartered Bank (Pakistan) Limited - 3rd Issue	6 Months Kibor+2.00%	Half Yearly	1-Feb-13	2,000	5,000	10,000	9,562	Mr. Babar Kazmi
Allied Bank Limited	6 Months Kibor+1.90%	Half Yearly	6-Dec-14	13,000	5,000	65,000	64,956	Mr. Muhammad Aftab Manzoor
Faysal Bank Limited	6 Months Kibor+1.40%	Half Yearly	12-Nov-14	32	5,000	160	147	Mr. Naveed A Khan
NIB Bank Limited	6 Months Kibor+1.15%	Half Yearly	5-Mar-16	36,999	5,000	184,995	182,854	Mr. Khawaja Iqbal Hassan
NIB Bank Limited	6 Months Kibor + 1.15%	Half Yearly	5-Mar-16	20,000	5,000	100,000	98,451	Mr. Khawaja Iqbal Hassan
United Bank Limited - 1st Issue	8.45% Fixed	Half Yearly	10-Aug-12	34,077	5,000	170,385	160,698	Mr. Atif R Bokhari
United Bank Limited - 2nd Issue	9.49% Fixed	Half Yearly	15-Mar-13	12,898	5,000	64,490	59,069	Mr. Atif R Bokhari
United Bank Limited - 4th Issue	6 Months Kibor+0.85%	Half Yearly	15-Feb-18	33,000	5,000	165,000	163,100	Mr. Atif R Bokhari
United Bank Limited - 3rd Issue	6 Months Kibor+1.70%	Half Yearly	8-Sep-14	1,000	5,000	5,000	5,003	Mr. Atif R Bokhari
Bank Al Falah Limited - 3rd Issue	6 Months Kibor+1.50%	Half Yearly	25-Nov-13	2,000	5,000	10,000	9,846	Mr. Sirajuddin Aziz
Fertilizer								
Engro Fertilizer Limited	6 Months Kibor+2.40%	Half Yearly	17-Jun-16	19,437	5,000	97,185	97,194	Mr. Asad Umar
Engro Fertilizer Limited - 3rd Issue	6 Months Kibor+1.55%	Half Yearly	30-Nov-15	25,481	5,000	127,405	124,774	Mr. Asad Umar
Pak Arab Fertilizer Limited	6 Months Kibor+1.50%	Half Yearly	28-Feb-13	40,153	5,000	200,765	184,649	Mr. Fawad Ahmed Mukhtar
Real Estate Developers								
Pace Pakistan Limited	6 Months Kibor+2.00%	Half Yearly	15-Feb-17	115	5,000	575	575	Mr. Salman Taseer (Late)
NBFCs								
Saudi Pak Leasing Company Limited	6.00% Fixed	Monthly	13-Mar-17	9,099	5,000	45,495	33,341	Mr. Farukh Shaukat Ansari
							1,523,036	
Unlisted TFCs								
Commercial banks								
Bank Al Falah Limited	15.00% Fixed	Half Yearly	2-Dec-17	57,800	5,000	289,000	285,677	Mr. Sirajuddin Aziz
Bank Al Habib Limited	15.50% Fixed	Half Yearly	15-Jun-17	17,000	5,000	85,000	85,547	Mr. Abbas D Habib
Faysal Bank Limited - PPTFC	6 Months Kibor+2.25%	Half Yearly	27-Dec-17	40,000	5,000	200,000	200,000	Mr. Naveed A Khan
Fertilizer								
Engro Fertilizer Limited - 1st Issue	6 Months Kibor+1.70%	Half Yearly	18-Mar-18	30,000	5,000	150,000	144,853	Mr. Asad Umar
Engro Fertilizer Limited - 2nd Issue	6 Months Kibor+1.25%	Half Yearly	18-Mar-18	15,000	5,000	75,000	70,057	Mr. Asad Umar
Agritec Limited (Pak American Fertilizer Limited - 2nd Issue)	3 Months Kibor+3.25%	Quarterly	1-Dec-13	9,000	5,000	45,000	43,293	Mr. Ahmed Jaudet Bilal
Sugar								
JDW Sugar Mills Limited	3 Months Kibor+1.25%	Quarterly	23-Jun-14	24,754	5,000	123,770	92,443	Mrs. Amina Tareen
Al Abbas Sugar Mills Ltd	6 Months Kibor+1.75%	Half Yearly	21-Nov-13	44,000	5,000	220,000	130,074	Mr. Shunaid Qureshi
Pharmaceuticals								
Martin Dow Pharmaceutical Pakistan Limited - PPTFC	3 Months Kibor+2.75%	Monthly	31-May-15	100,000	5,000	500,000	490,787	Mr. Muhammad Javaid Akhai

(Rupees) (Rupees in '000)

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate	Total Paid up value (before redemption)	Balance as at December 31, 2010	Name of Chief Executive
NBFCs								
Orix Leasing Pakistan Limited	6 Months Kibor+1.20%	Half Yearly	15-Jan-13	750	100,000	75,000	61,221	Mr. Humayun Murad
Jahangir Siddiqui & Company Limited	6 Months Kibor+1.70%	Half Yearly	4-Jul-13	18,500	5,000	92,500	91,300	Mr. Munaf Ibrahim
Textiles								
Azgard Nine Limited	6 Months Kibor+2.25%	Half Yearly	4-Dec-14	5,000	5,000	25,000	24,980	Mr. Ahmed H Shaikh
							1,720,232	
Unlisted Sukuks								
Fertilizer								
Engro Fertilizer Limited	6 Months Kibor+1.50%	Half yearly	6-Sep-15	355	5,000	1,775	1,741	Mr. Asad Umar
Cement								
Maple Leaf Cement Factory Limited - 2nd Issue	3 Months Kibor+1.00%	Quarterly	31-Mar-12	1,695	5,000	8,475	8,475	Sayed Tariq Saigol
Maple Leaf Cement Factory Limited	3 Months Kibor+1.00%	Quarterly	3-Dec-18	100,200	5,000	501,000	322,692	Sayed Tariq Saigol
Kohat Cement Company Limited	6 Months Kibor+1.80%	Half Yearly	20-Dec-15	5,000	5,000	25,000	24,150	Mr. Aizaz Mansoor Sheikh
Consumer electronics								
New Allied Electronics (Private) Limited	3 Months Kibor+2.20%	Quarterly	3-Dec-12	30,000	5,000	150,000	150,000	Mr. Zeeshan Parvaiz Akhtar
Pak Electron Limited	3 Months Kibor+1.00%	Quarterly	31-Mar-15	40,000	5,000	200,000	200,000	Mr. Naseem Saigol
Real Estate Developers								
Eden Housing (Private) Limited	3 Months Kibor+2.50%	Quarterly	29-Jun-14	80,000	5,000	400,000	298,480	Dr. Muhammad Amjad
Oil & Gas								
Sui Southern Gas Company Limited	3 Months Kibor+0.20%	Quarterly	31-Dec-12	50,000	5,000	250,000	200,000	Dr. Faizullah Abbasi
Miscellaneous								
Karachi Shipyard and Engineering Works Limited	6 Months Kibor+0.40%	Half Yearly	2-Nov-15	2,000	5,000	10,000	9,984	Vice Admiral Iftikhar Ahmed
							1,215,522	
Carrying value (before revaluation and provision) of TFCs and Sukuks 'available-for-sale'							4,458,790	
Provision for diminution in value of investments							(179,846)	
Deficit on revaluation of securities - net							(31,660)	
Market value as at December 31, 2010							4,247,284	

8.10 Particulars of investments in Term Finance Certificates (TFCs) and Sukuks

Name of the investee	Rate of interest	Profit payment	Maturity	(Rupees)		(Rupees in '000)		Name of Chief Executive
				Number of certificates held	Paid-up value per certificate	Total Paid up value (before redemption)	Balance as at December 31, 2009	
Listed TFCs								
Commercial banks								
Allied Bank Limited - 2nd Issue	6 months KIBOR + 0.85%	Half yearly	28-Aug-19	5,000	5,000	25,000	22,792	Mr. Muhammad Aftab Manzoor
Askari Bank Limited - 3rd Issue	6 months KIBOR + 2.50%	Half yearly	18-Nov-19	50,000	5,000	250,000	250,000	Mr. M.R. Mehkari
Bank Al Falah Limited - 3rd Issue	6 months KIBOR + 1.50%	Half yearly	25-Nov-15	2,000	5,000	10,000	9,807	Mr. Sirajuddin Aziz
Faysal Bank Limited	6 months KIBOR + 1.40%	Half yearly	12-Nov-14	32	5,000	160	144	Mr. Naveed A. Khan
NIB Bank Limited	6 months KIBOR + 1.15%	Half yearly	05-Mar-16	50,600	5,000	253,000	239,681	Mr. Khawaja Iqbal Hassan
Standard Chartered Bank								
(Pakistan) Limited - 2nd Issue	10.75% Fixed	Half yearly	20-Jan-11	1,092	5,000	5,460	3,741	Mr. Badar Kazmi
United Bank Limited - 1st Issue	8.45% Fixed	Half yearly	10-Aug-12	20,688	5,000	103,440	93,937	Mr. Atif R. Bukhari
United Bank Limited - 2nd Issue	9.49% Fixed	Half yearly	15-Mar-13	11,998	5,000	59,990	50,184	Mr. Atif R. Bukhari
United Bank Limited - 4th Issue	6 months KIBOR + 0.85%	Half yearly	15-Feb-16	30,000	5,000	150,000	149,112	Mr. Atif R. Bukhari
Chemicals								
Engro Chemical Pakistan Limited - 3rd Issue	6 months KIBOR + 2.40%	Half yearly	17-Dec-16	99,037	5,000	495,185	495,198	Mr. Asad Umer
Real Estate Developers								
Pace Pakistan Limited	6 months KIBOR + 1.50%	Half yearly	15-Feb-13	115	5,000	575	575	Mr. Salman Taseer
Fertilizers								
Pak Arab Fertilizer Limited - 1st Issue	6 months KIBOR + 1.50%	Half yearly	28-Feb-13	33,890	5,000	169,450	165,320	Mr. Tanveer Ahmed
NBFCs								
Saudi Pak Leasing Company Limited - 3rd Issue	6 months KIBOR + 1.50%	Half yearly	13-Mar-13	9,099	5,000	45,495	39,887	Mr. Farrukh Shaukat Ansari
				1,520,378				
Unlisted TFCs								
Commercial banks								
Bank Al Falah Limited	15.00% Fixed	Half yearly	02-Dec-17	52,800	5,000	264,000	264,000	Mr. Sirajuddin Aziz
Bank Al Habib Limited	15.50% Fixed	Quarterly	15-Jun-17	46,000	5,000	230,000	229,908	Mr. Abbas D Habib
Sugar								
Al Abbas Sugar Mills Limited - 2nd Issue	6 months KIBOR + 1.75%	Half yearly	21-Nov-13	33,000	5,000	165,000	121,771	Mr. Shunaid Qureshi
JDW Sugar Mills Limited	3 months KIBOR + 1.25%	Quarterly	23-Jun-14	19,754	5,000	98,770	91,254	Mr. Jahangir Khan Tareen
Textiles								
Azgard Nine Limited	6 months KIBOR + 2.20%	Half yearly	04-Dec-14	5,000	5,000	25,000	24,980	Mr. Ahmed H. Sheikh
NBFCs								
Jahangir Siddiqui & Company Limited - 4th Issue	6 months KIBOR + 1.70%	Half yearly	04-Jul-13	13,000	5,000	65,000	58,612	Mr. Munaf Ibrahim
Fertilizers								
Pak American Fertilizer Limited - 2nd Issue	3 months KIBOR + 3.25%	Quarterly	01-Dec-13	14,000	5,000	70,000	65,331	Mr. Aalijah
				855,856				
Unlisted Sukuks								
Real Estate Developers								
Eden Housing (Private) Limited	6 months KIBOR + 2.20%	Half yearly	31-Dec-12	80,000	5,000	400,000	350,000	Dr. Mohammad Amjad
Cement								
Kohat Cement Company Limited	6 months KIBOR + 1.80%	Half yearly	20-Dec-12	5,000	5,000	25,000	24,150	Mr. Aizaz Mansoor Sheikh
Maple Leaf Cement Factory Limited	6 months KIBOR + 1.70%	Half yearly	03-Dec-13	45,200	5,000	226,000	225,595	Sayeed Tariq Saigol

(Rupees) (Rupees in '000)

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate	Total Paid up value (before redemption)	Balance as at December 31, 2009	Name of Chief Executive
Miscellaneous								
Karachi Shipyard and Engineering Works Limited								
6 months KIBOR + 0.4%	Half yearly	15-Dec-16	2,000	5,000	10,000	9,981	Mr. Vice Admiral Iftakhar Ahmed	
Consumer electronics								
New Allied Electronics Industries (Private) Limited								
3 months KIBOR + 2.20%	Quarterly	01-Dec-13	30,000	5,000	150,000	150,000	Mr. Mian Pervez Akhtar	
Pak Elektron Limited								
3 months KIBOR + 1.00%	Quarterly	31-Mar-15	40,000	5,000	200,000	200,000	Mr. Haroon Ahmad Khan	
Oil & Gas								
Sui Southern Gas Company Limited								
3 months KIBOR + 0.20%	Quarterly	31-Dec-12	100,000	5,000	500,000	500,000	Mr. Umair Khan	
							1,459,726	
Carrying value (before revaluation and provision) of TFCs and Sukuks 'available-for-sale'							3,835,960	
Provision for diminution in value of investments							(107,572)	
Deficit on revaluation of securities - net							(18,506)	
Market value as at December 31, 2009							3,709,882	

December 31 December 31

Note 2010 2009

(Rupees in '000)

9. ADVANCES - net

Loans, cash credits, running finances, etc.		
In Pakistan	1,837,725	1,700,571
LTF-EOP scheme under State Bank of Pakistan	326,109	—
Margin financing		
In Pakistan	88,200	—
Net investment in finance lease		
In Pakistan	9.2 223,138	57,053
Advances - gross	9.1 2,475,172	1,757,624
Provision for non-performing advances - Specific	9.3 (1,684)	(16,131)
Provision for non-performing advances - General	(5,845)	(9,000)
	9.4 (7,529)	(25,131)
Advances - net of provision	2,467,643	1,732,493

9.1 Particulars of advances - gross

9.1.1 In local currency	2,475,172	1,757,624
In foreign currencies	—	—
	2,475,172	1,757,624

9.1.2 Short term (for upto one year)

530,954	483,308	
Long term (for over one year)	1,944,218	1,274,316
	2,475,172	1,757,624

9.2 Net investment in finance lease

(Rupees in '000)

	2010			2009
	Not later than one year	Later than one year and less than five years	Total	Total
Lease rentals receivable	82,884	168,783	251,667	76,247
Residual value	–	28,316	28,316	5,167
Minimum lease payments	82,884	197,099	279,983	81,414
Financial charges for future periods	(28,643)	(28,202)	(56,845)	(24,361)
Present value of minimum lease payments	54,241	168,897	223,138	57,053

9.2.1 These leases are executed for a term of 3 to 5 years. Security deposit has been obtained from 10% to 15% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 15.29% to 20.85% per annum (2009: 18.76% per annum). Lease rentals are receivable in quarterly/monthly installments. The assets are insured in favour of the Company.

9.3 Advances include Rs. 6.7 million (2009: Rs. 282.065 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

Category of Classification	December 31, 2010								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	6,736	–	6,736	(1,684)	–	(1,684)	(1,684)	–	(1,684)
Doubtful	–	–	–	–	–	–	–	–	–
Loss	–	–	–	–	–	–	–	–	–
	6,736	–	6,736	(1,684)	–	(1,684)	(1,684)	–	(1,684)

December 31, 2009

Category of Classification	December 31, 2009								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	282,065	–	282,065	16,131	–	16,131	16,131	–	16,131
Doubtful	–	–	–	–	–	–	–	–	–
Loss	–	–	–	–	–	–	–	–	–
	282,065	–	282,065	16,131	–	16,131	16,131	–	16,131

9.4 Particulars of provision against non-performing advances

(Rupees in '000)

	December 31, 2010			December 31, 2009		
	Specific	General	Total	Specific	General	Total
Opening balance	16,131	9,000	25,131	–	–	–
Charge for the year	11,982	–	11,982	16,131	9,000	25,131
Reversal	(26,429)	(3,155)	(29,584)	–	–	–
Closing balance	1,684	5,845	7,529	16,131	9,000	25,131

9.4.1 Particulars of provisions against non-performing advances

(Rupees in '000)

	December 31, 2010			December 31, 2009		
	Specific	General	Total	Specific	General	Total
In local currency	1,684	5,845	7,529	16,131	9,000	25,131
In foreign currencies	–	–	–	–	–	–
	1,684	5,845	7,529	16,131	9,000	25,131

	December 31	December 31
	Note 2010	2009

(Rupees in '000)

9.5 Particulars of Loans and Advances to Directors, Associated Companies, etc.

Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons:

Balance at beginning of the year	37,659	29,743
Loans granted during the year	19,672	13,271
Repayments	(18,902)	(5,355)
Balance at end of the year	38,429	37,659

9.6 Details of loans written offs of Rs. 500,000 and above

The detail is given in Annexure-I.

10. OPERATING FIXED ASSETS

Capital work-in-progress	10.1	101	460
Property and equipment	10.2	18,762	33,651
Intangible assets	10.3	2,150	3,503
		21,013	37,614

10.1 Capital work-in-progress

Advance to supplier	101	460
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10.2 Property and equipment

(Rupees in '000)

	December 31, 2010									
	COST			DEPRECIATION				Book value as at December 31, 2010	Rate of depreciation	
	As at January 01, 2010	Additions / (Disposals)	Transfers	As at December 31, 2010	As at January 01, 2010	Charge for the year / (disposals)	Transfers			As at December 31, 2010
Owned Cost										
Furniture and fixture	6,117	1,906	24	8,047	1,659	1,406	1	3,066	4,981	20%
Leasehold improvement	8,745	1,916	-	10,661	2,345	1,912	-	4,257	6,404	20%
Office equipment	2,428	250	28	2,706	655	516	49	1,220	1,486	20%
Computers	6,874	1,706	(52)	8,528	3,582	2,560	(50)	6,092	2,436	33.33%
Vehicles	4,292	541	7,753	6,901	556	1,089	3,373	3,489	3,412	20%
		(5,685)				(1,529)				
Mobile sets	202	15	-	187	81	90	-	144	43	50%
		(30)				(27)				
	28,658	6,334	7,753	37,030	8,878	7,573	3,373	18,268	18,762	
		(5,715)				(1,556)				
Assets held under finance lease:										
Vehicles	22,208	-	-	-	8,337	1,285	-	-	-	20%
		(14,455)	(7,753)			(6,249)	(3,373)			
	50,866	6,334	-	37,030	17,215	8,858	-	18,268	18,762	
		(20,170)				(7,805)				

December 31, 2009

	December 31, 2009									
	COST			DEPRECIATION				Book value as at December 31, 2009	Rate of depreciation	
	As at January 01, 2009	Additions /Adjustment (Disposals)	As at December 31, 2009	As at January 01, 2009	Charge for the year / (disposals)	Adjustment	As at December 31, 2009			
Owned										
Furniture and fixture	6,144	29	(35)	6,117	442	1,234	(10)	1,659	4,458	20%
		(21)				(7)				
Leasehold improvement	9,164	30	(449)	8,745	628	1,837	(120)	2,345	6,400	20%
Office equipment	2,198	230	-	2,428	185	470	-	655	1,773	20%
Computers	5,344	1,530	-	6,874	1,568	2,014	-	3,582	3,292	33.33%
Vehicles	550	4,237	-	4,292	23	623	-	556	3,736	20%
		(495)				(90)				
Mobile sets	88	129	-	202	28	68	-	81	121	50%
		(15)				(15)				
	23,488	6,185	(484)	28,658	2,874	6,246	(130)	8,878	19,780	
		(531)				(112)				
Assets held under finance lease:										
Vehicles	23,597	-	-	22,208	4,689	4,048	-	8,337	13,871	20%
		(1,389)				(400)				
	47,085	6,185	(484)	50,866	7,563	10,294	(130)	17,215	33,651	
		(1,920)				(512)				

10.2.1 Details of disposal of fixed assets

Details of assets whose original cost or the book value exceeds rupees one million or two hundred and fifty thousand, whichever is lower are given below:

Rupees in '000)

Particulars of assets	Cost	Net Book Value	Saleproceeds/ transfer	(Gain) / Loss	Mode of Disposal	Particulars of Purchaser
Vehicles						
Suzuki Liana	800	644	637	7	Quotation	Farooq Motors
Honda Civic	1,744	1,415	1,415	-	Company policy	Mr. Karim Hatim - Employee
Suzuki Cultus	842	682	682	-	Company policy	Mr. Mansoor Ahmed -Employee
Suzuki Mehran	460	439	439	-	Company policy	Mr.Hunaid Asghar Ali - Employee
Suzuki Mehran	377	194	327	(133)	Quotation	Syed Zeeshan ul Haq - Employee
Toyota Atlas	1,370	716	1,101	(385)	Quotation	Ettehad Motors
Suzuki Cultus	590	305	305	-	Company policy	Ms. Faiza Kapadia - Employee
Honda Civic	1,349	696	696	-	Company policy	Mr. Abdul Hafeez - Employee
Honda Civic	1,350	746	746	-	Company policy	Mr. Ahmed Ateeq- Employee
Toyota Corolla	915	500	500	-	Company policy	Ms. Sadaf Aliuddin - Employee
Honda Civic	1,388	746	746	-	Company policy	Mr. Tariq Ahsan - Employee
Honda Civic	1,388	746	746	-	Company policy	Syed Misbah Maqbool - Employee
Suzuki Mehran	377	209	209	-	Company policy	Mr. Zahid Ahmed - Employee
Suzuki Cultus	590	318	318	-	Company policy	Syed Adnan Raza Naqvi - Employee
Mitsubishi Lancer	915	503	503	-	Company policy	Syed Zeeshan ul Haq - Employee
Toyota Corolla	915	510	510	-	Company policy	Mr. M.M.Pervez A.Baig - Employee
Suzuki Mehran	377	210	210	-	Company policy	Mr. Muzaffar Waheed - Employee
Honda Civic	1,524	885	885	-	Company policy	Mr. Abdul Jaleel Shaikh - Employee
Suzuki Cultus	590	342	342	-	Company policy	Ms. Saba Ehtesham - Employee
Suzuki Mehran	380	220	220	-	Company policy	Mr. Salman Faisal - Employee
Suzuki Cultus	631	420	420	-	Company policy	Syed Askary Haider Rizvi - Employee
Suzuki Mehran	403	278	278	-	Company policy	Ms. Aasma Habib Shaikh - Employee
Suzuki Cultus	772	573	573	-	Company policy	Mr. Sultan Abid - Employee
Other assets (having book value of less than Rs.250,000 or cost of less than Rs.1,000,000)	123	68	75	(7)	Company policy	Employees
	20,170	12,365	12,883	(518)		
2009	1,920	1,408	1,676	(268)		

10.3 Intangible assets

(Rupees in '000)								
December 31, 2010								
	COST			AMORTIZATION			Book value as at December 31, 2010	Rate of Amortization
	As at January 01, 2010	Additions	As at December 31, 2010	As at January 01, 2010	Charge for the year	As at December 31, 2010		
Computer software	6,984	1,014	7,998	3,481	2,367	5,848	2,150	33.33%

December 31, 2009								
	COST			AMORTIZATION			Book value as at December 31, 2009	Rate of Amortization
	As at January 01, 2009	Additions	As at December 31, 2009	As at January 01, 2009	Charge for the year	As at December 31, 2009		
Computer software	6,127	857	6,984	1,315	2,166	3,481	3,503	33.33%

December 31 December 31

2010 **2009**

(Rupees in '000)

11. DEFERRED TAX ASSETS / (LIABILITIES) - NET

	December 31 2010	December 31 2009
Taxable temporary difference		
Difference between accounting book value of fixed assets and tax base	(1,649)	(2,180)
Amortisation of discount on investments	(136,221)	(54,946)
Net investment in finance lease	(8,465)	(9,804)
Deductible temporary differences		
Provision for compensated absences and bonus	5,030	3,975
Difference between book value of leased assets and obligation under finance lease	–	841
Deficit on revaluation of securities - net	11,348	828
Provision for diminution in the value of investments	60,030	34,160
Provision against non-performing loans and advances	2,635	8,796
Provision against other assets	17,625	15,987
	(49,667)	(2,343)

11.1 Movement in temporary differences during the year

(Rupees in '000)							
	Balance as at January 01, 2009	Recognised in profit and loss account	Recognised in deficit in revaluation of assets account	Balance as at December 31, 2009	Recognised in profit and loss account	Recognised in deficit in revaluation of assets account	Balance as at December 31, 2010
Taxable temporary difference							
Difference between accounting book value of fixed assets and tax base	(2,055)	(125)	–	(2,180)	531	–	(1,649)
Amortisation of discount on investments	–	(54,946)	–	(54,946)	(81,275)	–	(136,221)
Net investment in finance lease	–	(9,804)	–	(9,804)	1,339	–	(8,465)
Deductible temporary differences							
Provision for compensated absences and bonus	579	3,396	–	3,975	1,055	–	5,030
Difference between book value of leased assets and obligation under finance lease	631	210	–	841	(841)	–	–
Deficit on revaluation of securities	6,205	–	(5,377)	828	–	10,520	11,348
Provision for diminution in the value of investments	13,125	21,035	–	34,160	25,870	–	60,030
Provision against non-performing loans and advances	–	8,796	–	8,796	(6,161)	–	2,635
Provision against other assets	8,751	7,236	–	15,987	1,638	–	17,625
	27,236	(24,202)	(5,377)	(2,343)	(57,844)	10,520	(49,667)

December 31 December 31

Note **2010** **2009**

(Rupees in '000)

12. OTHER ASSETS

	December 31 2010	December 31 2009
Income / mark-up accrued in local currency	255,378	204,487
Assets acquired in satisfaction of claim		
- non-banking assets	12.1 208,916	–
- other assets	66,640	–
Advances, deposits and other prepayments	12.2 55,778	62,347
Unrealized gain on interest rate swap contracts	359	4,318
Advance tax (payment less provision)	91,022	–
Others	–	30
	678,093	271,182
Less: provision held against advances, deposits and other prepayments	12.3 (50,000)	(50,000)
Other assets (net of provisions)	628,093	221,182

12.1 This represents properties acquired in satisfaction of claim. The market value of properties as per the valuation report dated December 31, 2010 amounted to Rs. 209.896 million.

12.2 This includes Rs. 50 million (2009: Rs. 50 million) advance against Pre-IPO placement of Term Finance Certificates.

	December 31 Note 2010	December 31 2009
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(Rupees in '000)

12.3 Provision against other assets

Opening balance	50,000	25,000
Charge for the year	-	25,000
Closing balance	50,000	50,000

13. BORROWINGS

In Pakistan	5,943,385	5,296,808
Outside Pakistan	-	-
	5,943,385	5,296,808

Particulars of borrowings with respect to Currencies

In local currency	5,943,385	5,296,808
In foreign currencies	-	-
	5,943,385	5,296,808

13.1 Details of borrowings secured / unsecured

13.2 Secured

Borrowing from SBP under Long-Term Financing under Export Oriented Project (LTF-EOP)	13.3	326,108	-
Repurchase agreement borrowings (repo)	13.4	5,017,277	3,896,808
Borrowing from Banks	13.5	450,000	250,000
		5,793,385	4,146,808
Unsecured			
Letter of placements	13.6	150,000	1,150,000
		5,943,385	5,296,808

13.3 The Company has entered into agreements for financing with the SBP for Long Term Financing under Export Oriented Projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the due date by directly debiting the current account maintained by the Company with SBP. The rate of return ranges from 7.25% to 8.20% per annum (2009: Nil). This is repayable within 7 years.

13.4 These carry mark-up at rate ranging from 12.52% - 13.30% per annum (2009: 12% - 12.40% per annum). These are repayable within 1 month to 6 months (2009: 1 month to 3 months).

13.5 These represent borrowings secured against hypothecation of receivables and floating charge over Term Finance Certificates. These carry mark-up at rate ranging from 13.05% to 14.42% per annum (2009: 12.33% per annum) and is repayable within 4 years (2009: 3 months).

13.6 This carries mark-up at rate of 13.15% per annum (2009: 12% to 13.05% per annum) and is repayable within 2 months (2009: 1 month).

	December 31 Note 2010	December 31 2009
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(Rupees in '000)

14. DEPOSITS AND OTHER ACCOUNTS

Customers

Certificate of investment- remunerative	14.1	844,000	395,000
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14.1 These carry mark-up at rates ranging from 12% to 13.20% per annum (2009: 11.5% to 13% per annum) and are repayable within 1 month to 10 months (2009: 1 month to 10 months).

	December 31 2010	December 31 2009
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(Rupees in '000)

14.2 Particulars of deposits

In local currency	844,000	395,000
In foreign currencies	-	-
	844,000	395,000

15. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

(Rupees in '000)

	December 31, 2010			December 31, 2009		
	Minimum lease Payments	Financial charges for future periods	Principal outstanding	Minimum lease Payments	Financial charges for future periods	Principal outstanding
Not later than one year	-	-	-	5,489	1,693	3,796
Later than one year and not later than five years	-	-	-	14,156	1,679	12,477
	-	-	-	19,645	3,372	16,273

15.1 During the current year, the Company settled all its lease agreements with various financial institutions and exercised the option of acquiring the aforementioned leased assets at the time of settlement. Out of the total settlement, vehicles initially costing Rs.14.455 million (having written down value of Rs. 10.788 million) were transferred to the Company's employees under staff loan while the remaining were transferred to owned operating fixed assets of the Company.

	December 31 2010	December 31 2009
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(Rupees in '000)

16. OTHER LIABILITIES

Mark-up / return / interest payable in local currency	75,451	47,167
Accrued expenses	21,385	17,578
Advance against equity	8,923	8,923
Current taxation (provisions less payments)	-	30,487
Brokerage commission payable	1,500	903
Unearned commission	2,342	2,477
Security deposit against lease	28,316	5,167
Others	51,083	1,874
	189,000	114,576

17. SHARE CAPITAL

17.1 Authorized Capital

2010		2009	
Number of shares		(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs. 10/- each.	6,000,000
			6,000,000

17.2 Issued, subscribed and paid up capital

600,000,000	500,000,000	Ordinary shares fully paid in cash	6,000,000	5,000,000
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17.3 The Ministry of Finance and Secretary Economic Affairs Division holds 299,995,999 and 4,001 shares (2009: 249,996,667 and 3,333 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 (2009: 250,000,000 shares) are held by the Brunei Investment Agency.

December 31 December 31

2010		2009	
(Rupees in '000)			

18. DEFICIT ON REVALUATION OF ASSETS - NET

18.1 Deficit on revaluation of available-for-sale securities - net of tax

Market Treasury Bills	(14,266)	1,690
Pakistan Investment Bonds	(14,038)	(4,055)
Listed securities		
- Term Finance Certificates	(31,660)	(18,506)
- Units of mutual funds	4,586	5,018
- Ordinary shares of listed companies	(4,963)	10,542
	(60,341)	(5,311)
Deferred tax asset recognized	11,348	828
	(48,993)	(4,483)

19. CONTINGENCIES AND COMMITMENTS

19.1 Transaction related contingent liability

Standby letter of credit	425,001	438,745
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19.2 Dawood Islamic Bank Limited filed a legal suit for damages against the Company for alleged non performance of underwriting commitment to issue shares at a premium. Legal advisors of the Company are of the opinion that the possibility of the Company being subject to any liability in relation to the suit is negligible.

19.3 Tax contingencies have been discussed in note 27.2 to these financial statements.

December 31 December 31

2010 2009

(Rupees in '000)

19.4 Commitments for underwriting

Ordinary shares	-	10,000
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19.5 Commitments for acquisition of software

150	560
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19.6 Commitments to extend credit

785,670	691,801
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19.7 Commitments for trading in government securities

Purchase (reverse repo)	22,751	-
Sale	5,097,961	3,928,234

20. DERIVATIVE INSTRUMENTS

The Company is involved in derivative transactions comprising of Interest Rate Swaps with a commercial bank. Accounting policies in respect of derivative financial instruments are mentioned in note 4.6.

20.1 Product Analysis

	(Rupees in '000)			
	December 31, 2010		December 31, 2009	
	No. of contracts	Notional Principal	No. of contracts	Notional Principal
Counter parties				
With Banks for				
Hedging	-	-	-	-
Market Making	2	200,000	2	200,000
	2	200,000	2	200,000

20.2 Maturity Analysis

Remaining maturity	(Rupees in '000)				
	December 31, 2010				
	No. of contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
1 to 2 years	2	200,000	(21,248)	21,607	359

Remaining maturity	(Rupees in '000)				
	December 31, 2009				
	No. of contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
2 to 3 years	2	200,000	(47,861)	52,179	4,318

December 31 December 31

2010 **2009**

(Rupees in '000)

21. MARK-UP / RETURN / INTEREST EARNED

	2010	2009
On Loans and advances to:		
i) Customers	331,697	145,549
ii) Financial institutions	11,657	41,075
On Investments in:		
i) Available-for-sale securities	1,257,104	624,464
ii) Held-to-maturity securities	4,698	–
On Deposits with financial institutions	49,542	127,574
On Securities purchased under resale agreements	41,486	31,572
On Interest rate swap contracts	1,948	987
	1,698,132	971,221

22. MARK-UP / RETURN / INTEREST EXPENSED

	2010	2009
Deposits	84,391	38,246
Short-term borrowings	98,226	37,182
Long-term borrowings	14,994	–
Securities sold under repurchase agreements	580,376	132,022
	777,987	207,450

23. GAIN / (LOSS) ON SALE OF SECURITIES

	2010	2009
Federal Government Securities		
- Market Treasury Bills	376	885
- Pakistan Investment Bonds	865	20,358
Ordinary shares of listed companies	77,397	124,486
Term Finance Certificates	66,797	60,429
Units of open end mutual funds	10,620	–
	156,055	206,158

24. OTHER INCOME

	2010	2009
Net profit on sale of property and equipment	518	268
Unrealized gain on interest rate swap contracts	–	4,318
Others	155	7
	673	4,593

December 31 December 31

Note **2010** **2009**

(Rupees in '000)

25. ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries and allowances		86,501	73,912
Contribution to defined contribution plan		3,635	2,794
Non-executive directors' fees, allowances and other expenses		550	367
Rent, taxes, insurance, electricity, etc.		14,403	13,112
Legal and professional charges		9,073	2,576
Travelling and accommodation		4,417	3,743
Communications		2,062	1,045
Repairs and maintenance		3,120	2,349
Finance charges on leased assets		1,113	2,303
Brokerage commission		7,709	5,321
Capital Value Tax (CVT)		–	41
Stationery and printing		1,433	1,490
Advertisement and publicity		347	370
Donation	25.1	250	500
Auditors' remuneration	25.2	800	1,242
Depreciation	10.2	8,858	10,164
Amortization	10.3	2,367	2,166
Vehicle maintenance and fuel expense		11,451	3,961
Medical expense		2,382	1,486
Fee and subscription		2,226	1,552
Bank charges		42	50
Others		2,406	1,799
		165,145	132,343

25.1 This represents donation paid to The Institute of Business Administration (IBA) to launch the avant-grade centre for Entrepreneurial Development. Donations were not made to any donee in which a director or his/her spouse had any interest at any time during the year.

December 31 December 31

Note **2010** **2009**

(Rupees in '000)

25.2 Auditors' remuneration

	2010	2009
Audit fee	400	300
Half yearly review fee	175	150
Fee for the audit of provident fund	25	50
Special certifications	150	100
Other services	–	550
Out-of-pocket expenses	50	92
	800	1,242

December 31 December 31

2010 **2009**

(Rupees in '000)

26. OTHER CHARGES

Penalties imposed by the SBP	–	400
Exchange loss	2	–
Unrealised loss on Interest Rate Swap contracts	3,959	–
	3,961	400

27. TAXATION

For the year		
Current	234,854	212,236
Deferred	65,762	24,203
	300,616	236,439
For the prior year		
Current	7,870	(16,718)
Deferred	(7,918)	–
	(48)	(16,718)
	300,568	219,721

27.1 Relationship between tax expense and accounting profit

Accounting profit before tax	881,658	667,174
Tax rate	35%	35%
Tax on accounting profit	308,580	233,511
Tax effect of:		
Income chargeable to tax at special rate	(19,534)	(4,034)
Income exempt from tax	(14,156)	(48,850)
Expenses that are inadmissible in determining taxable profit	19,141	18,122
Permanent differences	6,585	37,690
Prior year charge	(48)	(16,718)
	300,568	219,721

27.2 The income tax returns for the tax year 2007, 2008, 2009 and 2010 have been filed. The Income Tax Returns for the tax years 2007 and 2010 are deemed to be assessed under the provisions of section 120 of the Income Tax Ordinance, 2001.

Assessment orders for the tax year 2008 and 2009 were amended by the Assistant Commissioner Inland Revenue (ACIR) vide orders dated July 27, 2010 passed under Section 122 (5A) of the Income Tax Ordinance, 2001 whereby ACIR raised concerns on allocation of finance cost to normal business income of the Company. The tax authorities treated the entire finance cost as specific cost for exempt capital gains and dividend income. Further, the Company did not allocate any expenses against dividend income whereas the tax authorities allocated the finance and administrative expenses against dividend income also. The Company filed an appeal with the Commissioner Inland revenue (Appeals) who set aside the issue of allocation of finance cost. However, the issue of allocation of finance and administrative expenses against dividend income was up-held.

For tax year 2009, ACIR also disallowed accounting of amortization of discount on securities claimed as deduction and an addition was made on account of notional interest on loans to employees and executives based on contention that interest charged by the Company was below market rate. The

Company filed an appeal with the Commissioner Inland revenue (Appeals) who set aside the issue of disallowance of accounting of amortization of discount on securities claimed as deduction. However, the issue of notional interest on loans to employees was up-held.

Although the tax impact of the up-held issues is not significant, management has filed appeals with the Appellate Tribunal Inland Revenue for all the upheld issues; subsequent to the year end.

December 31 December 31

2010 **2009**

(Rupees in '000)

28. BASIC EARNINGS PER SHARE

Profit for the year	Rupees in '000	581,090	447,453
Weighted average number of ordinary shares	Numbers in '000	591,507	500,000
Basic earnings per share	Rupees	0.98	0.89

29. DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are same.

December 31 December 31

2010 **2009**

(Rupees in '000)

30. CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks	30,803	23,869
Balance with other banks	129,969	191,915
	160,772	215,784

31. STAFF STRENGTH

	Number	Number
Permanent	37	34
Temporary / on contractual basis	19	15
Total staff strength	56	49

32. DEFINED CONTRIBUTION PLAN

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contribution at the rate of 10% (2009: 8.33%) is made both by the Company (employer) and employees. Contributions made to the provident fund during the year are as follows:

December 31 December 31

2010 **2009**

(Rupees in '000)

Contribution made by the Company	3,635	2,794
Contribution made by employees	3,635	2,794
	7,270	5,588

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

(Rupees in '000)

	Chief Executive		Directors		Executives	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Fees	–	–	–	–	–	–
Managerial remuneration	14,086	12,800	–	–	59,809	47,489
Contribution to defined contribution plan	644	552	–	–	2,631	2,807
Utilities	347	302	–	–	9,807	3,142
Medical	502	179	–	–	1,835	1,265
Travelling allowance	348	227	550	367	420	351
	15,927	14,060	550	367	74,502	55,054
Number of persons	1	1	3	3	35	28

The Chief executive is provided with Company maintained car.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

All quoted investments have been stated at their market values as disclosed in note 8. All un-quoted investments have been stated at lower of cost or break up value, being their estimated fair values.

Fair value of loans and advances, other assets (excluding properties acquired in satisfaction of claims as disclosed in note 12.1) and other liabilities cannot be determined with reasonable accuracy due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. Loans and advances are repriced frequently on market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations as stated in note 4.3.

The maturity and re-pricing profile and effective rates are stated in notes 39.3.1 and 39.2.4 respectively.

Fair value of these 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 deposits, they are frequently repriced.

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows

(Rupees in '000)

	Corporate Finance	Trading and Sales	Commercial Banking
2010			
Total income	42,550	1,577,050	290,495
Total expenses	21,098	863,301	144,038
Net income	21,452	713,749	146,457
Segment assets (gross)	–	12,260,048	2,452,154
Segment non performing loans	–	6,737	89,928
Investment provided for	–	714,396	–
Segment provision required *	–	337,745	5,845
Segment liabilities	–	5,854,986	1,171,066
Segment return on assets (ROA) (%)	–	6.11%	7.78%
Segment return on net assets (ROA) (%)	–	12.31%	12.63%
Segment cost of funds (%)	–	11.98%	11.98%

2009

Total income	26,337	1,092,006	106,942
Total expenses	7,312	521,108	29,691
Net income	19,025	570,898	77,251
Segment assets (gross)	–	11,094,708	1,310,740
Segment non performing loans	–	32,066	250,000
Investment provided for	–	386,223	–
Segment provision required *	–	253,487	20,982
Segment liabilities	–	5,209,540	615,460
Segment return on assets (ROA) (%)	–	7.05%	8.23%
Segment return on net assets (ROA) (%)	–	11.33%	12.98%
Segment cost of funds (%)	–	10.96%	10.96%

* The provision required against each segment represents provision held on advances and investments.

36. TRUST ACTIVITIES

The Company has assumed the role of Trustee to certain issues of Term Finance Certificates ("TFCs") / Sukuks and is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Company is fulfilling all its obligations and duties in accordance with the provisions of the respective trust documents.

37. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its employee defined contribution plan, its key management personnel and Bank of Punjab and First Punjab Modaraba due to common directorship. Details of loan and advances to the executives are given in note 9.5 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to an approved defined contribution plans are disclosed in note 32 to these financial statements. Remuneration to the executive is disclosed in note 33 to the financial statements. Transactions with owners have been disclosed in 'Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

(Rupees in '000)

	December 31, 2010		December 31, 2009	
	Key management personnel	Other related parties	Key management personnel	Other related parties
Advances				
As at beginning of the year	28,389	–	25,465	–
Given during the period	5,478	–	6,789	–
Repaid during the period	(13,804)	–	(3,865)	–
As at end of the year	20,063	–	28,389	–
Borrowings				
As at beginning of the year	–	–	–	–
Given during the period	–	633,445	–	200,000
Repaid during the period	–	(633,445)	–	(200,000)
As at end of the year	–	–	–	–
Placements				
As at beginning of the year	–	7	–	325,042
Placements made during the year	–	693,339	–	126,236
Placements matured during the year	–	(693,346)	–	(451,271)
As at end of the year	–	–	–	7
Mark-up / return / interest earned	1,272	300	1,343	8,147
Mark-up / return / interest expensed	–	209	–	6,705
Salaries and other benefits	54,235	22,565	–	–
Reimbursement of expenses	8,403	4,868	3,388	–

38. CAPITAL - ASSESSMENT AND ADEQUACY

38.1 Scope of Application and Capital Structure

The Basel II Framework is applicable to the Company for determining Capital Adequacy. The different tiers of regulatory capital recognized by SBP are as follows:

Tier I Capital: Includes fully issued, subscribed and paid up capital, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for deficit on revaluation of available for sale investments.

Tier II Capital: Includes general reserves for loan losses, revaluation reserves, exchange translation reserves, undisclosed reserves and subordinated debt.

Tier III Capital has also been prescribed by the SBP for managing market risk.

The required capital is achieved by the Company through:

- enhancement in the risk profile of asset mix at the existing volume level;
- ensuring better recovery management; and
- maintaining acceptable profit margins.

38.2 Capital Adequacy

The risk weighted assets to capital ratio is calculated in accordance with the State Bank's guidelines on capital adequacy.

(Rupees in '000)

	December 31 2010	December 31 2009
	Note	
Regulatory Capital Base		
Tier I Capital		
Shareholders equity	6,000,000	5,000,000
Reserves	278,311	162,093
Unappropriated profits	1,113,241	648,369
	7,391,552	5,810,462
Deductions:		
Book value of Goodwill and Intangibles	2,150	3,503
Shortfall in provisions required against classified assets irrespective of any relaxation allowed	34,972	–
Deficit on account of revaluation of investments held in AFS category	48,993	5,311
	86,115	8,814
Total Tier I Capital	7,305,437	5,801,648
Eligible Tier II Capital	–	–
Eligible Tier III Capital	–	–
Total Regulatory Capital Base	7,305,437	5,801,648

38.3 Risk Weighted Exposures

(Rupees in '000)

	Capital Requirements		Risk Weighted Assets	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Credit Risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
On balance sheet exposures				
Claims				
On Public sector entities in Pakistan	4,482	2,639	44,817	26,389
On Banks	27,124	44,712	271,238	447,122
On Corporates	371,943	309,231	3,719,434	3,092,310
Categorized as Retail portfolio	1,159	287	11,594	2,870
Fully secured by Residential property	806	1,184	8,062	11,841
On Listed equity investments and regulatory capital instruments	505	–	5,053	–
On Investments in fixed assets	167,742	180,751	1,677,416	1,807,514
On Investments in fixed assets	1,886	3,411	18,863	34,111
On All other assets	37,361	1,342	373,610	13,416
	613,008	543,557	6,130,087	5,435,573
Off balance sheet exposures				
Non-market related	66,808	63,370	668,084	633,703
Market related	27	123	272	1,225
	66,835	63,493	668,356	634,928
	679,843	607,050	6,798,443	6,070,501
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	39	1,239	388	12,388
Equity position risk etc.	31,160	3,315	311,600	33,150
	31,199	4,554	311,988	45,538
Operational Risk				
Capital Requirement for operational risks	152,373	102,709	1,523,725	1,027,088
TOTAL	863,415	714,313	8,634,156	7,143,127
Capital Adequacy Ratio				
Total eligible regulatory capital held (Note: 38.2)(a)			7,305,437	5,801,648
Total Risk Weighted Assets (b)			8,634,156	7,143,127
Capital Adequacy Ratio (a) / (b)			85%	81%

38.3.1 Credit Risk Approach

The Company is following standardized approach for all its Credit Risk Exposures. Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Company utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors which are also recognized by the SBP.

The Standardised Approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

38.3.1.1 Selection of ECAIs

The Company selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

Exposures to Public Sector Entities (PSEs): For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

Bank Exposures: For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch is being used to arrive at risk weights. However, for local banks (i.e., incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

Corporate Exposures: Ratings assigned by PACRA and JCR-VIS are used for claims on Corporates (excluding equity exposures).

38.3.1.2 Use of ECAI Ratings

The Company prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

38.3.1.3 Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP.

38.3.1.4 Types of exposures and ECAI's used

Exposures	December 31, 2010	
	JCR-VIS	PACRA
Corporate	√	√
Banks	√	√
SME's	√	√

38.3.1.5 Credit exposures subject to Standardized Approach

(Rupees in '000)

Exposures	Rating Category	December 31, 2010			December 31, 2009		
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporates	1	1,166,183	–	1,166,183	1,364,815	–	1,364,815
	2	1,295,115	–	1,295,115	1,037,390	–	1,037,390
	3, 4	713,388	–	713,388	513,810	–	513,810
	5, 6	405,689	–	405,689	621,398	–	621,398
Banks	1	23,113	–	23,113	980,244	–	980,244
	2, 3	–	–	–	325,166	–	325,166
Banks with original maturity of 3 months or less		1,356,185	–	1,356,185	442,448	–	442,448
Public sector entities in Pakistan		679,280	–	679,280	–	–	–
Unrated		2,052,037	–	2,052,037	1,835,129	–	1,835,129
Others		7,612,562	–	7,612,562	6,126,487	–	6,126,487
Total		15,303,552	–	15,303,552	13,246,887	–	13,246,887

38.4 Capital Management

Objectives of Managing Capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Company as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Company's Asset and Liability Committee (ALCO). ALCO is responsible for managing the Company's capital position vis-à-vis internal as well as regulatory requirements. ALCO also reviews the volume and mix of the Company's assets, liabilities and funding sources in light of liquidity, capital, risk and profitability considerations.

Company's capital management seeks:

- to comply with the capital requirements set by the regulators and the capital is comparable to the peers;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Company's assets to allow for an optimal deployment of the Company's resources
- to protect the Company against unexpected events and maintain strong ratings;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Company to expand; and
- to achieve overall low cost of capital with appropriate mix of capital elements.

Externally Imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFIs), SBP through its BSD Circular No. 07 of 2009 dated April 15, 2009 had asked the Banks / DFIs to raise their minimum paid up capital to Rs. 6 billion by the end of financial year 2009. The Company obtained extension from SBP till January 31, 2010 for meeting the minimum capital requirement and subsequently the share capital was raised to Rs. 6 billion.

The paid up capital and CAR of the Company stands at Rs. 6 billion and 85 % of its risk weighted exposure as at December 31, 2010 respectively.

39. RISK MANAGEMENT

The Risk Management Framework (the Framework) provides principles for identifying, assessing, and monitoring risk within the Company. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of Risk

The Company generates most of its revenues by accepting Credit, Liquidity and Market Risk. Effective management of these risks is the decisive factor in our profitability. In addition, the Company is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. The Framework is organized with reference to these five risk categories, as detailed below:

Credit Risk	This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.
Market Risk	The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Company (this risk is also known as price risk).
Liquidity Risk	The risk that the Company is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost; the consequences of which may be the failure to meet obligations to repay investors and fulfill commitments to lend.
Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition includes legal risk .
Reputational Risk	The risk of failing to meet the standards of performance or behavior required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk Responsibilities

The Board of Directors (the Board) is accountable for overall supervision of the risk management process. The Board is responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board appoints the senior management personnel who are capable of managing the risk activities conducted by the Company.

A separate unit has been set up for credit risk management in mid 2010. Risk Management comprises of two areas; Credit Risk Management (CRM) and Middle Office & Operational Risk (MOOR). CRM oversees credit risk taken by the Company while MOOR function overviews market, interest rate, liquidity and operational risks of the Company. The functions of both of these units are subject to the policies and manuals approved by the Board, Prudential Regulations and additional regulatory directives issued from time to time. These units are independent of business generation and risk taking. CRM monitors the credit portfolio of the Company on a regular basis to ensure prudent lending. Moreover, this department will also set parameters for various risks including i) Sectoral concentration, ii) Exposure limits for single and group clients and iii) monitoring watch list accounts and the entire portfolio. The risk management philosophy is to identify and monitor risk on portfolio basis and assess the risk taking capacity of the balance sheet as a whole.

Different Committees have been set up to review different kinds of risks; mainly being the Assets and Liabilities Committee (ALCO), Credit Committee (CC) and Risk Management Committee (RMC). Comprehensive risk management manuals have been designed which cover all significant risks including credit, liquidity, market and operational risks and provides guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

39.1 Credit Risk

Credit risk, the potential default of one or more debtors, is the largest source of risk for the Company. The Company is exposed to credit risk through its lending and investment activities. The credit risk arising from exposure to corporates is governed by the Credit Policy and Credit Administration Frameworks. The counterparty credit risk arising from interbank lines are addressed in the Treasury policy framework.

The Company manages 3 principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances.
- ii) Non-sovereign credit risk on its private sector advances.
- iii) Counterparty credit risk on interbank limits.

Sovereign Credit Risk

When the Company lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

Non-Sovereign Credit Risk

When the Company lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analyzed on a stand alone basis. The Company has formulated detailed internal credit rating models which assess prospective clients on both qualitative and quantitative factors. A detailed review of the internal rating models is underway.

Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Company's Treasury utilizes products such as Reverse Repo and call lending to meet the needs of the borrowers and manage its exposure to fluctuations in market interest rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Company.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Company maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a financing relationship with the Company is BBB.

Credit Administration

Credit Administration Department is involved in minimizing losses that could arise due to security and documentation deficiencies.

Risk Analytics

To ensure a prudent distribution of asset portfolio, the Company manages its lending and investment activities within a framework of Borrower, Group, Product, Geographical and Sector exposure limits and risk profile benchmarks.

Stress Testing

The Company also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a semi-annual basis through assigning shocks to all assets of the Company and assessing its resulting affect on capital adequacy.

Regular Monitoring

Regular monitoring of the advances portfolio is carried out which focuses on early problem recognition and influences the front office to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that these actions are taken prior to incurring overdues on the facility.

Portfolio Diversification

While expanding the advances and the investment (TFCs) portfolio, efficient portfolio diversification has been a key consideration despite the relatively small size of operations.

39.1.1 Segmental Information

39.1.1.1 Segments by class of business

	December 31, 2010					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	89,928	3.6%	—	—	—	—
Textile	328,273	13.3%	—	—	356,960	5.6%
Sugar	103,947	4.2%	—	—	—	—
Chemicals & Pharmaceuticals	122,397	4.9%	2,000	0.2%	8,210	0.1%
Production and Transmission of Energy	—	—	—	—	—	—
Financial	508,583	20.5%	—	—	565,531	8.9%
Individuals	96,007	3.9%	250,000	29.6%	5,120,712	80.9%
Hotel	38,494	1.6%	—	—	—	—
Telecommunication	65,000	2.6%	—	—	—	—
Paper & Board	183,334	7.4%	—	—	—	—
Food & Confectionary	200,000	8.1%	—	—	—	—
Oil, Gas, Petroleum and Energy	160,000	6.5%	2,000	0.2%	170,000	2.7%
Advertising	285,532	11.5%	—	—	—	—
Entertainment	2,489	0.1%	—	—	—	—
Transportation	416	0.0%	—	—	—	—
Packaging	159,416	6.4%	250,000	29.6%	109,820	1.7%
Services	110,971	4.5%	—	—	—	—
Others	5,387	0.2%	90,000	10.7%	150	0.0%
	14,998	0.6%	250,000	29.6%	—	—
	2,475,172	100%	844,000	100%	6,331,383	100%

	December 31, 2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	340,000	20%	—	—	—	—
Textile	—	—	—	—	242,000	21%
Sugar	110,426	6%	—	—	—	—
Chemical and Pharmaceuticals	119,589	7%	—	—	50,000	4%
Power, Gas, Water, Sanitary	507,937	29%	—	—	773,546	68%
Financial	35,764	2%	250,000	63%	—	—
Individuals	37,659	2%	—	—	—	—
Services	215,000	12%	—	—	—	—
Communication	200,000	11%	—	—	—	—
Paper & Board	—	—	73,000	18%	—	—
Manufacturing	—	—	54,000	14%	—	—
Others	191,249	11%	18,000	5%	75,560	7%
	1,757,624	100%	395,000	100%	1,141,106	100%

39.1.1.2 Segment by sector

	(Rupees in '000)					
	December 31, 2010					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	141,123	6%	–	0%	675,351	13%
Private	2,334,049	94%	844,000	100%	4,423,821	87%
	2,475,172	100%	844,000	100%	5,099,172	100%

	December 31, 2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	50,938	3%	345,000	87%	587,807	52%
Private	1,706,686	97%	50,000	13%	553,299	48%
	1,757,624	100%	395,000	100%	1,141,106	100%

39.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	(Rupees in '000)			
	December 31, 2010		December 31, 2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Cement	–	–	250,000	11,982
Financial	6,736	1,684	32,065	4,149
	6,736	1,684	282,065	16,131

39.1.1.4 Details of non-performing advances and specific provisions by sector

Public / Government	–	–	–	–
Private	6,736	1,684	282,065	16,131
	6,736	1,684	282,065	16,131

39.1.1.5 Geographical Segment Analysis

	(Rupees in '000)			
	December 31, 2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	881,658	14,368,611	7,342,559	5,099,172

	December 31, 2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Pakistan	667,174	12,130,979	6,305,979

39.2 Market Risk

The Company makes investment for variety of purposes. Some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain to support the Company's business activities.

Classification of investments

Under SBP's directives, equity investment may be classified as 'Held-For-Trading (HFT)', 'Available-for-Sale (AFS)'. Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted and therefore illiquid.

Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, valuation and accounting of equity investments is done as per the accounting policy of investment mentioned in note 4.4 of these financial statements. Further, composition of equity investments is available in note 8 of these financial statements.

39.2.1 Market Risk Pertaining to the Trading Book

Market Risk Function has been partially set up with current responsibility of performing basic market risk measurement, monitoring and control functions. The Company is exposed to Interest Rate Risk and Equity Price Risk.

Trading Book

A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed.

The Company's trading book includes equity securities classified as 'Held-for-Trading'. These positions are actively managed by the capital market desk. The Company's trading book constitutes capital market equities therefore, they are exposed to equity price risk.

Categories of Risk

Risk Pertaining to Banking Book Investment Portfolio

All investments excluding trading book are considered as part of banking book. Banking book includes:

- Available-for-sale securities

Treasury investments parked in the banking book include:

- Government securities
- Capital market investments
- Investments in TFCs and Sukuks

Due to the diversified nature of investments in banking book, it is subject to interest rate and equity price risk.

Interest Rate Risk – Banking Book

Government securities (PIBs & T-Bills) and other money market investments are subject to interest rate risk. Duration analysis is carried out to capture the risk associated with these securities. Stress testing is also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

Equity Position Risk – Banking Book

The Company's portfolio of equity securities categorized under 'Available for Sale' are parked in the banking book. These investments expose the Company to equity price risk.

Stress Testing

The Company also conducts Stress Testing of the investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Company. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, and Liquidity Risk (ability to meet short-term obligations).

Duration GAP Analysis

A Duration Gap Analysis is also conducted to ascertain the duration gap between the Company's assets and liabilities, to ascertain the effect of interest rate shifts on the market value of equity.

39.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. The Company does not take any funded foreign exchange exposure, however, potential exposure is present through issuance of USD denominated SBLC. Currently, there is no hedging mechanism for the same given the unfunded nature as well as small exposure.

(Rupees in '000)				
December 31, 2010				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	14,368,607	7,026,052	(425,001)	6,917,554
United States Dollar	4	-	425,001	425,005
	14,368,611	7,026,052	-	7,342,559

December 31, 2009				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	12,130,975	5,825,000	(438,745)	5,867,230
United States Dollar	4	-	438,745	438,749
	12,130,979	5,825,000	-	6,305,979

39.2.3 Equity Position Risk

The Board with the recommendations of ALCO approves exposure limits applicable to investments in Trading Book. Equity securities are perpetual assets and are classified under either Held for Trading Portfolio or Available for Sale Portfolio.

The Equity Investment Committee is responsible for making investment decisions in the capital market.

Price Risk

Trading and investing in equity securities give rise to price risk. ALCO and the Investment Committee both ensure that through prudent trading strategy and use of equity futures, the equity price risk is mitigated, albeit to a certain extent.

Interest rate risk can arise on account of rising interest rates causing a fall in the value of assets or falling interest rates causing an increase in the value of liabilities. While the Company is largely engaged in transactions on a floating rate basis in both borrowings and lending, rate reset frequency, ceilings and floors and choice of base rate can translate into interest rate risk.

Interest rate risk is monitored through regular reports on interest rate matching and duration estimates. Furthermore stress techniques are also used to estimate maximum losses in case of adverse movements in interest rates.

39.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Interest rate risk can arise on account of rising interest rates causing a fall in the value of assets or falling interest rates causing an increase in the value of liabilities. While the Company is largely engaged in transactions on a floating rate basis in both borrowings and lendings, rate reset frequency, ceilings and floors and choice of base rate can translate into interest rate risk.

Interest rate risk is monitored through regular reports on interest rate matching and duration estimates. Furthermore stress techniques are also used to estimate maximum losses in case of adverse movements in interest rates.

(Rupees in '000)												
December 31, 2010												
	Effective yield/interest rate	Total	Exposed to yield/interest risk								Non-interest Bearing Financial Instruments	
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Above 10 years
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.0%	30,803	-	-	-	-	-	-	-	-	-	30,803
Balances with other banks	8.90%	129,969	129,969	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	12.06%	1,222,727	922,727	300,000	-	-	-	-	-	-	-	-
Investments - net	13.85%	9,868,363	205,609	4,782,663	3,879,471	-	182,078	244,876	-	411,367	-	162,299
Advances - net	15.33%	2,467,643	367,193	689,808	1,009,501	25,852	72,452	67,210	112,545	89,831	17,793	15,458
Other assets - net	0.0%	322,018	-	-	-	-	-	-	-	-	-	322,018
		14,041,523	1,625,498	5,772,471	4,888,972	25,852	254,530	312,086	112,545	501,198	17,793	530,578
Liabilities												
Borrowings	12.06%	5,943,385	3,360,334	1,707,021	349,922	19,602	54,350	54,350	308,700	89,106	-	-
Deposits and other accounts	12.74%	844,000	10,000	582,000	250,000	2,000	-	-	-	-	-	-
Other liabilities	0.0%	98,336	-	-	-	-	-	-	-	-	-	98,336
		6,885,721	3,370,334	2,289,021	599,922	21,602	54,350	54,350	308,700	89,106	-	98,336
On-balance sheet gap		7,155,802	(1,744,836)	3,483,450	4,289,050	4,250	200,180	257,736	(196,155)	412,092	17,793	432,242
Off-balance sheet financial instruments												
Transaction related contingent liability		425,001	-	-	-	-	-	-	-	-	-	-
Commitments to extend credit		785,670	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,210,671	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		8,366,473	(1,744,836)	3,483,450	4,289,050	4,250	200,180	257,736	(196,155)	412,092	17,793	432,242
Cumulative Yield / Interest Risk Sensitivity Gap			(1,744,836)	1,738,614	6,027,664	6,031,914	6,232,094	6,489,830	6,293,675	6,705,767	6,723,560	7,155,802

(Rupees in '000)

	Effective yield/interest rate	December 31, 2009										Non-interest Bearing Financial Instruments
		Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Exposed to yield/interest risk						
					Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	23,869	-	-	-	-	-	-	-	-	-	23,869
Balances with other banks	12.06%	191,915	191,915	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	13.98%	1,507,910	-	1,300,000	200,000	-	-	7,910	-	-	-	-
Investments - net	15.54%	8,415,996	500,628	1,529,517	1,949,413	597,051	611,214	646,442	606,260	1,475,840	-	499,631
Advances - net	14.77%	1,732,493	11,068	169,779	72,668	227,722	423,297	223,155	395,345	193,609	12,023	3,827
Other assets	-	211,280	-	-	-	-	-	-	-	-	-	211,280
		12,083,463	703,611	2,999,296	2,222,081	824,773	1,034,511	877,507	1,001,605	1,669,449	12,023	738,607
Liabilities												
Borrowings	12.21%	5,296,807	4,578,591	718,216	-	-	-	-	-	-	-	-
Deposits and other accounts	11.22%	395,000	-	18,000	73,000	304,000	-	-	-	-	-	-
Liabilities against assets subject to finance lease												
	14.20%	16,273	188	713	932	1,963	4,360	6,527	1,590	-	-	-
Other liabilities	-	66,587	-	-	-	-	-	-	-	-	-	66,587
		5,774,667	4,578,779	736,929	73,932	305,963	4,360	6,527	1,590	-	-	66,587
On-balance sheet gap		6,308,796	(3,875,168)	2,262,367	2,148,149	518,810	1,030,151	870,980	1,000,015	1,669,449	12,023	672,020
Off-balance sheet financial instruments												
Transaction related contingent liability		438,745	-	-	-	-	-	-	-	-	-	-
Commitments for underwriting		10,000	-	-	-	-	-	-	-	-	-	-
Commitments to extend credit		691,801	-	-	-	-	-	-	-	-	-	-
		1,140,546	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk												
Sensitivity Gap		7,449,342	(3,875,168)	2,262,367	2,148,149	518,810	1,030,151	870,980	1,000,015	1,669,449	12,023	672,020
Cumulative Yield / Interest Risk												
Sensitivity Gap		(3,875,168)	(1,612,801)	535,348	1,054,158	2,084,309	2,955,289	3,955,304	5,624,753	5,636,776	6,308,796	

39.3 Liquidity Risk

Liquidity risk is the risk that the Company is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management.

The Company's main funding source is the inter-bank money market. Change in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding source. Efficient and accurate planning plays a critical role in liquidity management. Company's MIS provides information on expected cash inflows / out flows which allow the Company to take timely decisions based on the future requirements.

Gap analysis and stress testing is done on periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devises the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

39.3.1 Maturities of Assets and Liabilities

(Rupees in '000)

	Total	December 31, 2010									
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
Assets											
Cash and balances with treasury banks	30,803	30,803	-	-	-	-	-	-	-	-	
Balances with other banks	129,969	129,784	-	185	-	-	-	-	-	-	
Lendings to financial institutions	1,222,727	922,727	300,000	-	-	-	-	-	-	-	
Investments - net	9,868,363	111,211	2,386,835	3,099,610	311,573	743,331	947,661	785,101	1,483,042	-	
Advances - net	2,467,643	118,017	34,841	124,595	253,500	412,360	430,858	536,126	549,958	7,387	
Operating fixed assets	21,013	1,020	1,840	2,755	4,558	5,398	5,289	152	-	-	
Other assets	628,093	139,269	177,821	18,774	282,178	6,614	-	3,438	-	-	
	14,368,611	1,452,831	2,901,337	3,245,919	851,809	1,167,703	1,383,808	1,324,817	2,033,000	7,387	
Liabilities											
Borrowings	5,943,385	3,939,069	1,219,168	349,921	52,935	105,871	105,871	111,741	58,809	-	
Deposits and other accounts	844,000	10,000	582,000	250,000	2,000	-	-	-	-	-	
Liabilities against assets subject to finance lease											
	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities - net	49,667	925	9,741	12,970	2,290	4,667	5,562	5,311	8,171	30	
Other liabilities	189,000	58,860	87,958	4,310	9,556	-	12,349	-	15,967	-	
	7,026,052	4,008,854	1,898,867	617,201	66,781	110,538	123,782	117,052	82,947	30	
Net assets	7,342,559	(2,556,023)	1,002,470	2,628,717	785,028	1,057,165	1,260,026	1,207,765	1,950,053	7,357	
Share capital											
	6,000,000										
Reserves											
	278,311										
Unappropriated profit											
	1,113,241										
Deficit on revaluation of assets - net											
	(48,993)										
Advance against equity											
	-										
	7,342,559										
December 31, 2009											
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
Assets											
Cash and balances with treasury banks	23,869	23,869	-	-	-	-	-	-	-	-	
Balances with other banks	191,915	191,915	-	-	-	-	-	-	-	-	
Lendings to financial institutions	1,507,910	-	1,300,000	200,000	-	-	7,910	-	-	-	
Investments - net	8,415,996	500,628	1,546,086	2,432,475	597,051	611,214	646,442	606,260	1,475,840	-	
Advances - net	1,732,493	11,244	170,129	73,193	228,742	424,500	223,708	395,345	193,609	12,023	
Operating fixed assets	37,614	1,123	2,706	3,369	6,739	10,945	8,770	3,962	-	-	
Other assets	221,182	78,122	99,761	29,137	5,550	2,359	2,229	4,024	-	-	
	12,130,979	806,901	3,118,682	2,738,174	838,082	1,049,018	889,059	1,009,591	1,669,449	12,023	
Liabilities											
Borrowings	5,296,808	4,578,592	718,216	-	-	-	-	-	-	-	
Deposits and other accounts	395,000	-	18,000	73,000	304,000	-	-	-	-	-	
Liabilities against assets subject to finance lease											
	16,273	188	713	932	1,963	4,360	6,527	1,590	-	-	
Deferred tax liabilities - net	2,343	118	395	577	191	241	202	231	384	4	
Other liabilities	114,576	39,083	31,772	19,065	19,489	-	-	5,167	-	-	
	5,825,000	4,617,981	769,096	93,574	325,643	4,601	6,729	6,988	384	4	
Net assets	6,305,979	(3,811,080)	2,349,586	2,644,600	512,439	1,044,417	882,330	1,002,603	1,669,065	12,019	
Share capital											
	5,000,000										
Reserves											
	162,093										
Unappropriated profit											
	648,369										
Deficit on revaluation of assets - net											
	(4,483)										
Advance against equity											
	500,000										
	6,305,979										

39.4 Operational Risk

The Company, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Company maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Company's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice. The Company has developed a Business Continuity Plan applicable to all its functional areas. Currently the Company uses the Basic Indicator Approach for assessing its operational risk capital charge.

40. GENERAL

40.1 Credit rating

The Company has been assigned credit rating of 'AA' (Double A) in the medium to long term and A1+ (A One Plus) in the short-term by The Pakistan Credit Rating Agency Limited (PACRA), a SBP-approved rating agency. These ratings indicate a low expectation of credit risk emerging from strong capacity of the Company to discharge financial obligations.

40.2 Figures have been rounded off to the nearest thousand rupees.

41. DATE OF AUTHORIZATION FOR ISSUE

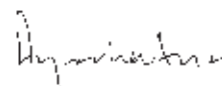
These financial statements were authorized for issue on March 21, 2011 by the Board of Directors of the Company.

Annexure - I

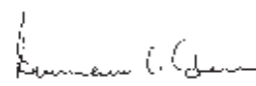
As referred in note 9.6 of the financial statements

Statement showing written-off loans on any other financial relief of Rs. 500,000 or above provided during the year ended December 31, 2010

S. No.	Name and address of the borrowers	Name of individual/partner/director and CNIC No.	Father's /Husband's name	Outstanding Liabilities at the beginning of the year				Amount written-off			
				Principal	Mark-up	Others	Total	Principal	Mark-up	Others	Total
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil



Chief Executive



Director



Director



Chairman

