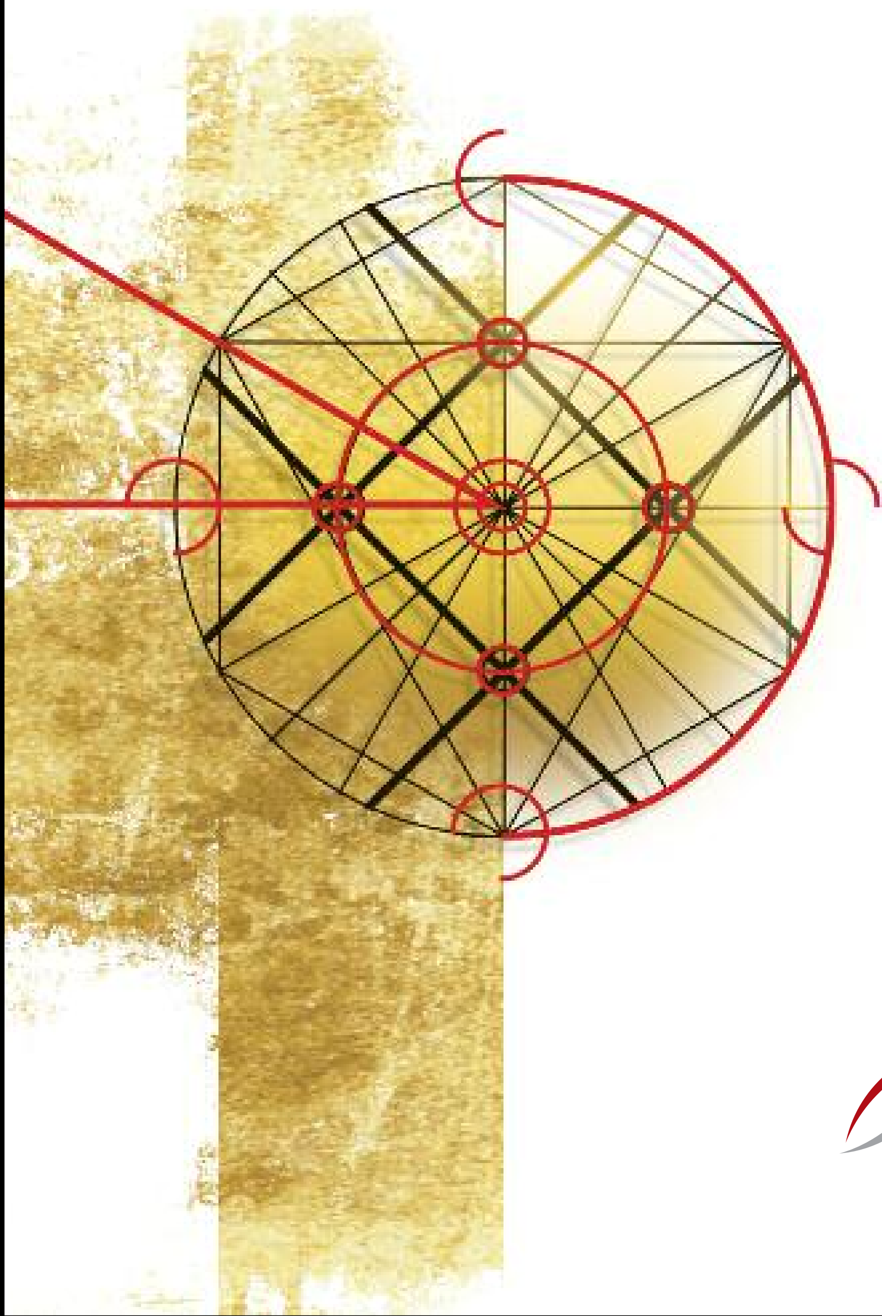
Annual Report 2011

PAK BRUNEI INVESTMENT COMPANY

Parameters of Progress



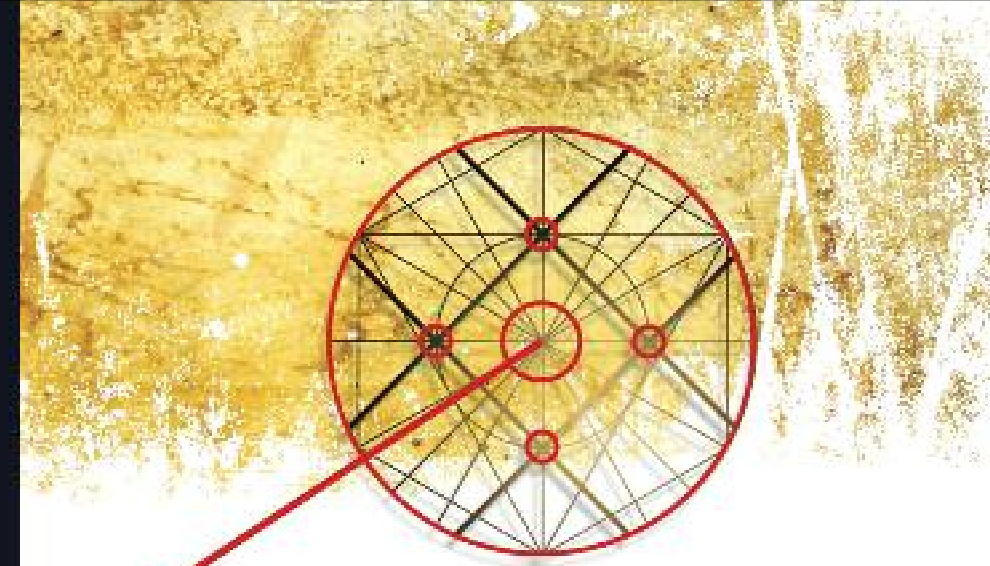
pakbrunei
INVESTMENT COMPANY

Geometric perfection is intrinsic to the concept of design in the Islamic world. It reflects precision, proportion, symmetry and balance. Its application can be seen across the Islamic world, in works of art and architecture that are centuries old.

While structure has been subject to change and modernization over time, it is interesting that the use of geometric patterns, grids and shapes remains consistent.

Precision. Proportion. Symmetry. Balance. Consistency. These are core features of the business philosophy at Pak Brunei.

Geometry, as interpreted in Islamic design, also reflects our passion for accuracy and attention to detail. Our principles of business are derived from a repetition of investment skills, which we have acquired through a perfect sequence of achievements and a natural sense of proportion.



pakbrunei
INVESTMENT COMPANY

Parameters of Progress

Annual Report 2011

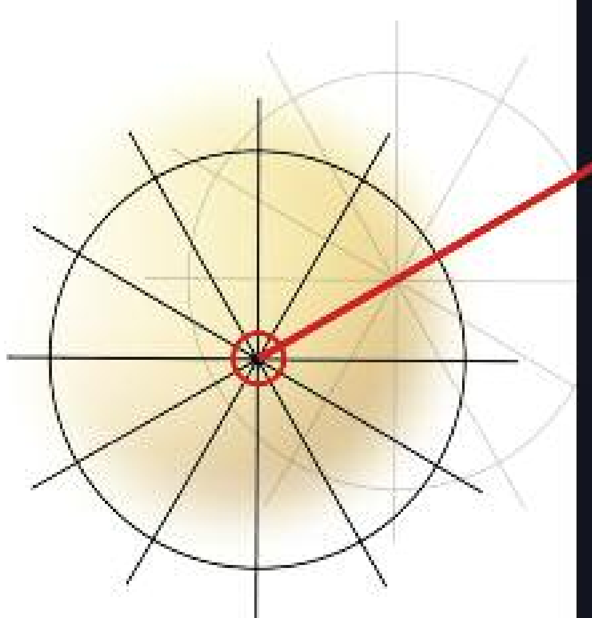
The Starting Point

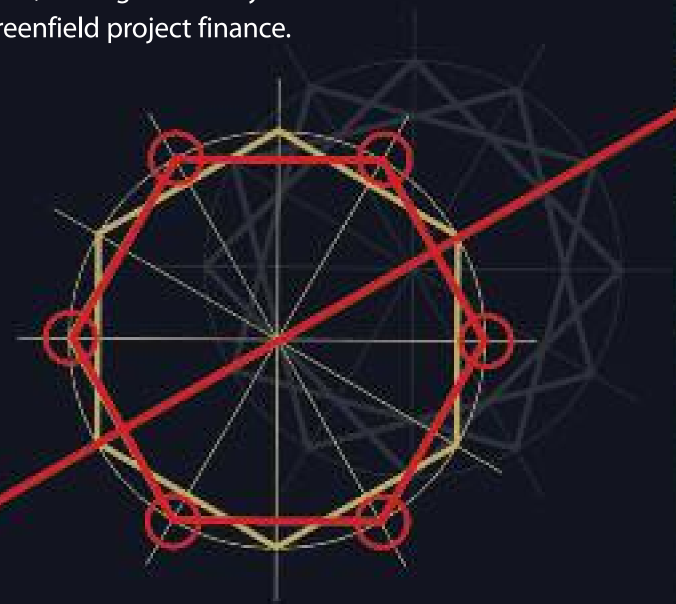
Pak Brunei Investment Company was formed under an agreement between the Government of Pakistan and Brunei Investment Agency as a joint venture financial institution. In August 2007, Pak Brunei received a certificate of commencement of business from State Bank of Pakistan setting off the process of establishing a vibrant, market-oriented institution that can cater to development and financing needs across a wide spectrum of sectors.

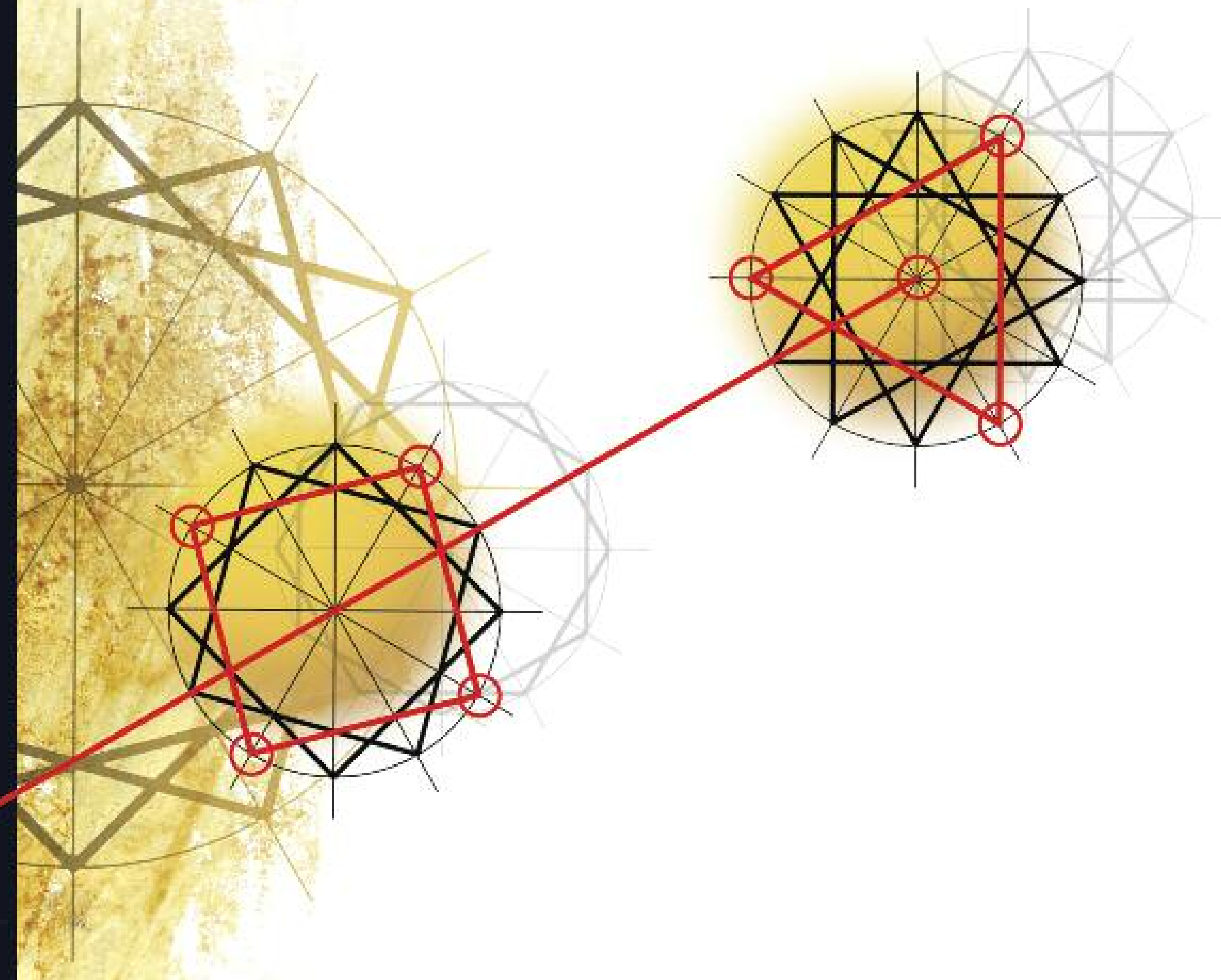
The Company was created to enable change in the economic and financial landscape of the country, particularly in segments that have limited access to conventional sources of capital. To this end, Pak Brunei's objective is to be a strong commercial entity capable of offering innovative financial solutions with the ability to absorb higher risk.

The wheels were set in motion by establishing platforms specializing in Project and Structured Finance, Corporate Finance & Advisory Services, Treasury/ Trading and Distribution as well as Capital Market operations as a full service investment bank.

With a young and highly professional team, the Company has been successful in establishing its credentials and developing a reputation for being a solution provider. Apart from conventional financing, particularly for projects that are export oriented or result in import substitution, Pak Brunei can boast of its successful record of structuring and financing transactions involving revival of sick units, management buy-outs and greenfield project finance.







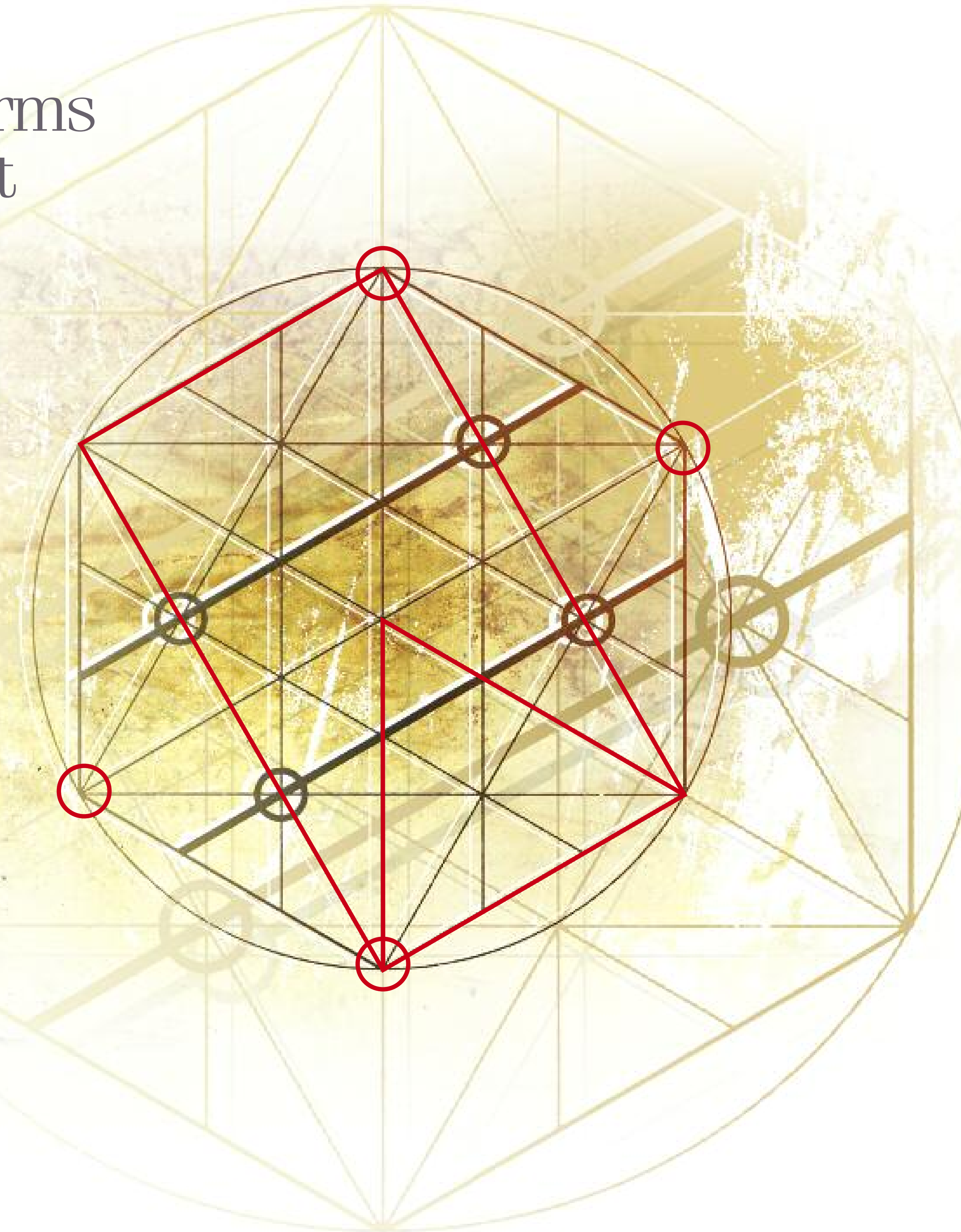
Future plans are charted on a grid that nurtures growth. Establishment of specialized vehicles for Private Equity and Venture Capital, Asset Management and SME financing will provide support to high growth companies while adding depth to debt and capital markets.

Shapes and Forms of Development

Pak Brunei is an institution backed by two sovereign sponsors; its aim is to promote investment, and finance growth. Our strong financial base and specialized human capital enable us to support a wide range of projects in these challenging times.

These capabilities include a deep understanding of markets and financial products, thorough knowledge of legal, regulatory and taxation frameworks to support advice on financing structure, backed by fast-paced and streamlined delivery.

Our interest in financing growth means we use our skills to guide investors in successfully charting their course through markets that are constantly evolving.



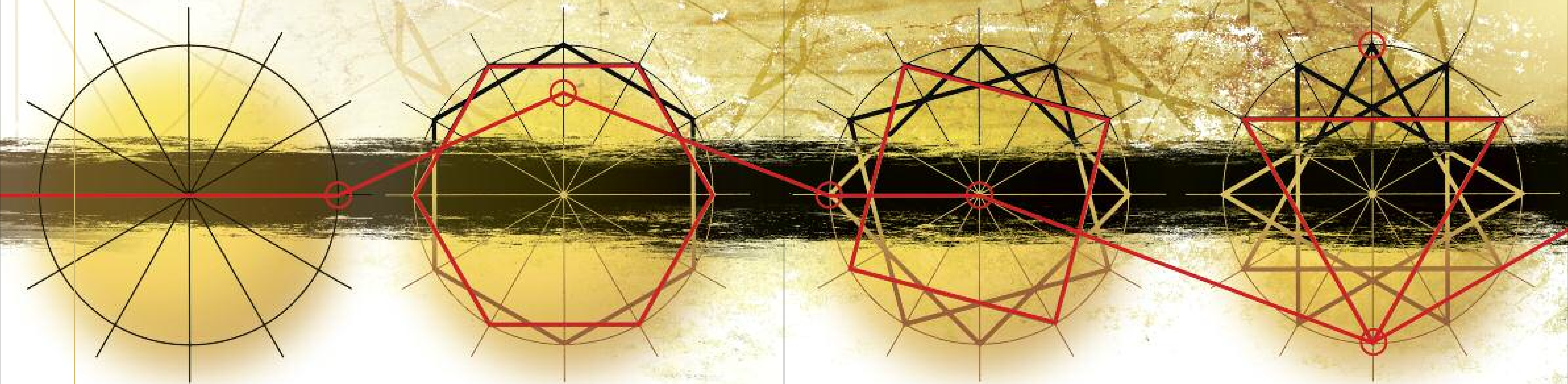
Strategic Aims - Future Plans

Our strategy builds on the ability to offer innovative, tailor-made solutions covering a wide range of financing structures. We aim to be a broad based merchant bank in a market that is currently devoid of risk taking institutions. Our activities include:

- Providing advisory and consultancy services
- Identifying and structuring bankable term finance transactions for own investment and sell down/distribution to others
- Undertaking restructuring projects and revival of enterprises in distress - in the current environment this becomes critical, possible and profitable
- Deploying funds solely on commercial basis and primarily focused on lending through instruments that are marketable, have convertibility options, and equity kickers to earn higher returns while protecting liquidity
- Promoting viable affiliates for engaging in Venture Capital and Private Equity, Asset Management and SME financing

Rounding up the Framework

Our four key revenue generating departments work seamlessly together to support the Company's growth trajectory.



Advisory and Strategic Investment Group

This is a critical area of the Company focusing on

- Identifying viable opportunities and providing advice on strategic plan and capital structure

Wherever feasible, co-investing in projects/companies

- Underwriting new debt and equity issues as appropriate and arranging syndicate financing where required
- Promoting higher corporate governance standards in target companies by ensuring control through board positions and close interaction/coordination with sponsors
- Implementing new strategic initiatives including establishment of subsidiaries and specialized vehicles

Corporate and Project Finance Group

This Group works towards

- Funding projects in preferred sectors by providing short and medium term financing
- Building a high quality long-term advances portfolio including loans, leases and marketable debt instruments to cater to requirements of target companies

Treasury Group

Our Treasury Group focuses on

- Developing debt market through investment, distribution and market making for Corporate Bonds/Sukuks and Commercial Paper Issues
- Sourcing short-term funds to fulfill internal liquidity requirements
- Supporting Advisory Group's origination efforts
- Managing liquidity and duration through sale /securitization of marketable debt instruments

Capital Markets Group

- Managing long term equity investment portfolio yielding high risk adjusted dividend and capital gains
- Identifying and timing the market opportunistically to generate maximum return
- Supporting new equity offerings in capital markets, particularly Issues originated by the Advisory Group of the Company

The Circle of Support

The precision and symmetry we provide our customers relies on business support groups within the Company. These units ensure smooth operations in a properly controlled environment and include:

Risk Management Group

Within this Group, responsibilities are bifurcated within two units:

Credit Risk Management
Comprehensively identifies and measures risk in order to ensure that credit risk exposures fall within acceptable parameters and are properly priced.

Middle Office and Operational Risk Group
Keeps a close tab on organization-wide risks focusing on effective and timely identification using modern tools and techniques.

Operations Group

Provides technical and operational support to revenue generating departments through Equity Back Office, Treasury Back Office, Credit Administration and Information Technology departments.

Finance Group

Responsible for overall financial control of the Organization.

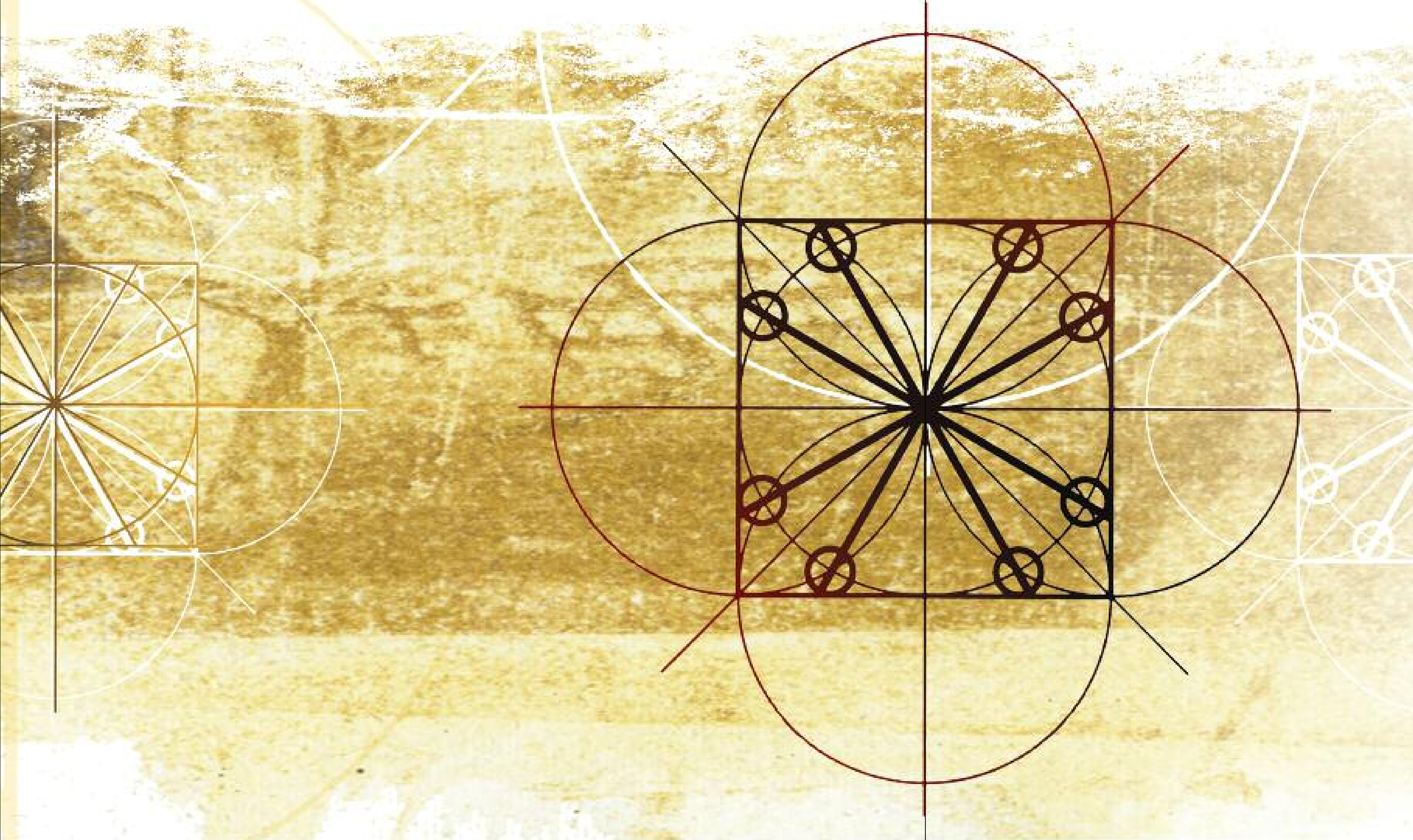
Internal Control Group

Ensures effectiveness of existing policies, procedures and corporate governance processes.

Human Resource & Administration Group

Ensures that the spirit of precision flows through each and every member of the Pak Brunei team within a strong administrative framework.

Our Cultural Framework



The cultural framework of any organization defines the vision the Company has set out for itself and the guidelines it has established to achieve that vision.

Our culture manifests itself through various indicators that include:

A Professional, Well Balanced Team

- Pak Brunei has sourced a highly qualified team from foreign and local institutions bringing a wide range of skills that are recognized as the best in the business.

Strong Control Environment

- For the past three years, our external rating agency has rated Pak Brunei one notch higher than peer group companies that started operations at the same time. This can be attributed to our strong systems, controls and management strength.

Equal Opportunity Environment

While proud of achieving key milestones in record time, we are not a Company to rest on our laurels. With a strong performance record backing us, we are now set to embrace bigger opportunities. We believe this is possible in an environment that nurtures healthy competition and promotes fair practices. Ours is an equal opportunity environment and we are proud of the cultural diversity and gender mix of our work force.

Our skill set, experience and technical capabilities support sustainable performance. Whenever an opportunity arises, we are confident of turning it into a profitable experience.

Milestones Achieved

Advisory And Strategic Investment Group

During FY2011, several transactions were initiated and concluded by ASIG in specialized areas such as Strategic Advisory mandates, Project Finance, Syndicate financing and arrangement of Private Equity.

Included amongst these are:

Management Buyout of Nimir Industrial Chemicals Limited (NICL)

Acquisition Financing to enable senior employees of NICL to acquire a controlling stake in this listed Company. The transaction was structured to ensure that the management group acquired the stake successfully, within tight deadlines and at the right price. Prior to this acquisition, NICL had a mixed performance record. This has changed considerably and the Company is not only running profitably, it is also planning to significantly expand some products line. A reconstituted board, with Pak Brunei's nominee, has helped to ensure that new sponsors remain committed to protecting the rights of minority shareholders and lenders.

Project financing of Tando Allayar Sugar Mills (Private) Limited, a Greenfield Project

Pak Brunei advised and arranged debt financing for establishing a 9,000 TCD sugar crushing mill at Tando Allahyar District, Sindh. Operating in a district known for its high recovery rates and adequate water supply, the project is likely to yield more than 10% recovery rate for sugar while creating employment opportunities within the district. This fully modernized unit will also supply excess power, generated through bagasse, to the national grid. Despite the havoc generated by rains in this part of Sindh during project erection, TASM has already achieved CoD and was fully operational within 8 months of financial close of the debt syndicate.

Balance Sheet re-profiling and revamping of Corporate Structure of Haq Bahu Sugar Mills (Pvt.) Limited

Haq Bahu is a part of the Macca Group – a family run, medium sized business venture. The Company was in liquidity crisis caused by funding mismatches taken for BMR and acquisition of a sugar unit in 2008. After thorough due diligence, Pak Brunei entered into this transaction as strategic advisor to the Company. In this role, Pak Brunei renegotiated better terms of credit from existing banks and proposed a detailed roadmap to improve financial discipline by appointing its nominee on the Board and proposing one of the top rated audit firms as external auditor of the Company.

Project financing and equity investment in Faruki Pulp Mills Limited (FPML)

In addition to arranging syndicated project finance for the revival of Faruki Pulp Mills Limited, a project that had been classified as non-performing by a consortium of financial institution in the 1990s, Pak Brunei also acquired an equity stake in the Company in view of its inherent strategic advantages.

FPML is the only Bleached Kraft Pulp manufacturing concern in Pakistan based on Eucalyptus wood. The project successfully commenced commercial operations in September 2011, resulting in import substitution of raw material for paper mills and thus saving foreign exchange for the country.

Corporate Banking Group:

A glance at key milestones shows the progress in this vital risk taking area:

Year on year growth of PKR 2.1 bln.

During this year, assets were added to the credit portfolio across a number of sectors including logistics, pharmaceuticals, agro-based industry, textile, fruit processing, chemicals, engineering and construction. These were structured as loans, leases or redeemable capital instruments. The aim was to continue to diversify the portfolio while focusing on sectors that provide a degree of hedge against a volatile environment.

Treasury Group

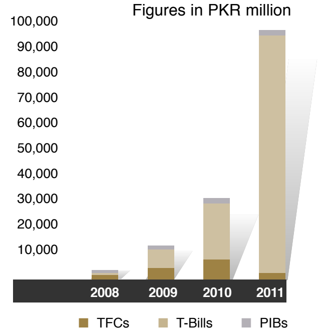
Treasury continued to strengthen relationships with corporate and financial institutions to support funding and hedging needs of the Company.

With its focused strategy, Treasury portfolio grew from PKR 11.3 billion in 2010, to PKR 25.5 billion in December 2011.

- Investment strategy was designed to be risk-cautious while following an aggressive trading philosophy to capture available opportunities in the market
- Cumulative turnover in fixed income instruments rose to PKR 93 billion from PKR 30 billion while trading in Repo/Reverse Repo increased to PKR 457 billion from PKR 161 billion a year ago
- The Group was able to maintain a spread of almost 200 basis points over the average market return on its T- Bill portfolio

Trading Turnover in Fixed Income

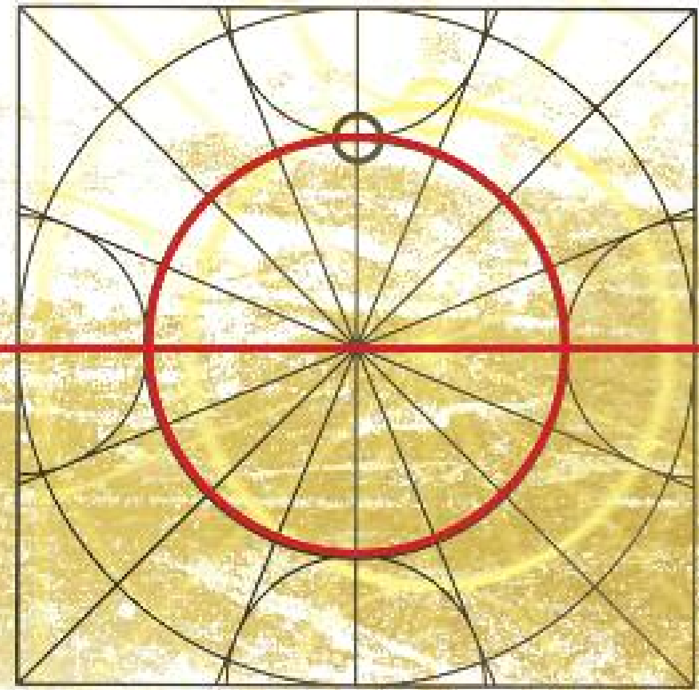
Figures in PKR million



Framing Future Plans

As a successful business enterprise, we have our short and long-term goals clearly spelled out. For Pak Brunei Investment Company Limited, future plans include expanding on our capabilities and improving our outreach.

The scope for rehabilitation and revival of distressed units is enormous and Pak Brunei has positioned itself to handle such assignments. Increasingly, and where justified, our financing package comes with strings attached. These may include tighter internal controls and governance standards through outsourcing of internal audit, appointment of strong external auditors and board representation. Pak Brunei is also proactively assessing agriculture sector opportunities, an area where we believe investment companies can play a pioneering role, just as the older generation of DFIs did for the industrialization of Pakistan.

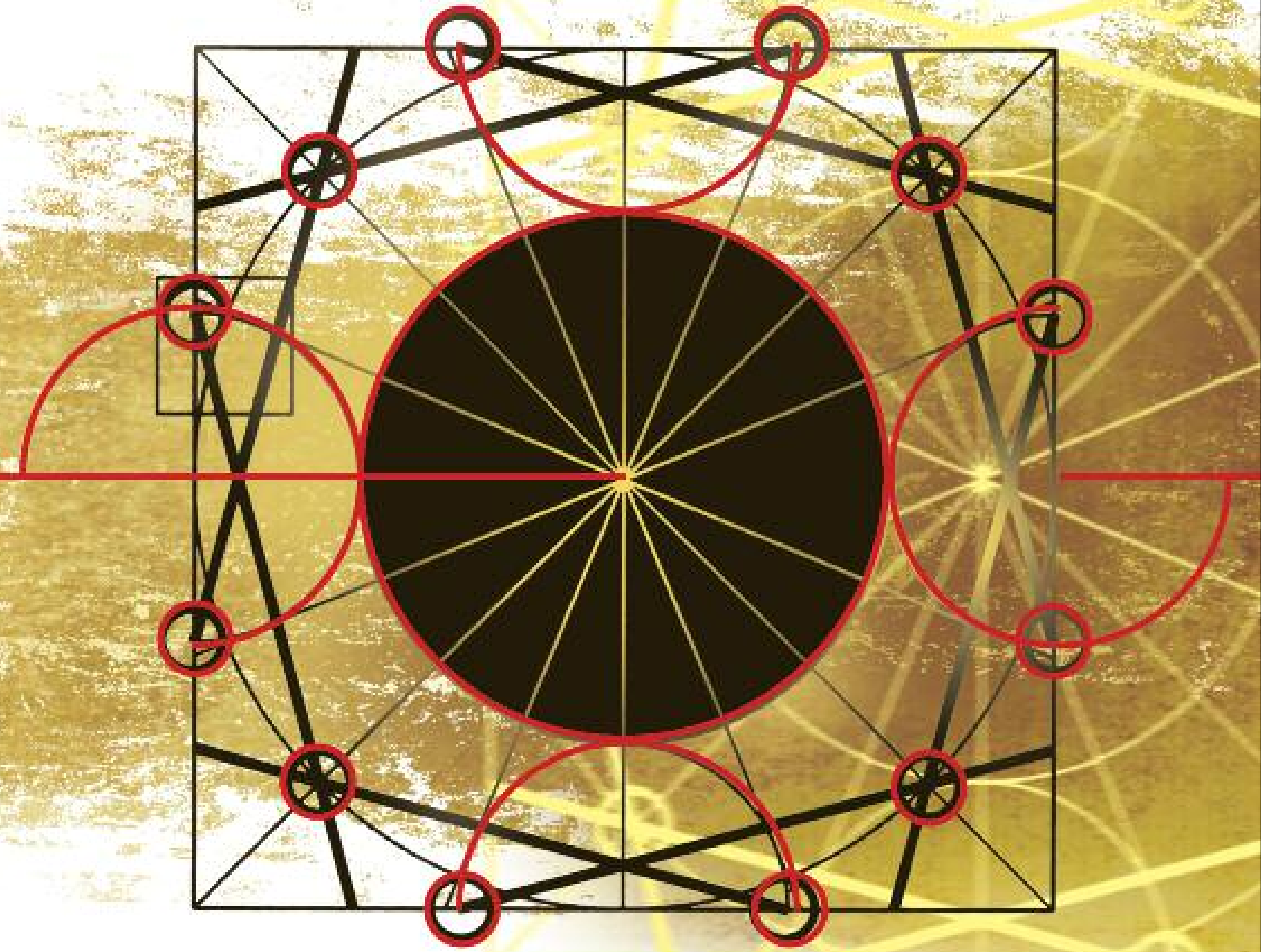


Key amongst new initiatives are:

I Asset Management Company
To capitalize on the opportunities in the asset management industry, Primus Investment Management Limited, a 100% subsidiary of PBICL, was established in 2011 with a capital base of PKR 250 million. The Company has already acquired licenses from Securities Exchange Commission of Pakistan for Fund Management and Investment Advisory services and is expected to launch its first Fund in the second quarter of CY 2012.

Primus aims to provide investment avenues across a broad spectrum of asset classes including traditional as well as alternative investments such as commodities and financial derivatives. The Company will also provide customized discretionary fund management solutions to institutional and retail clients.

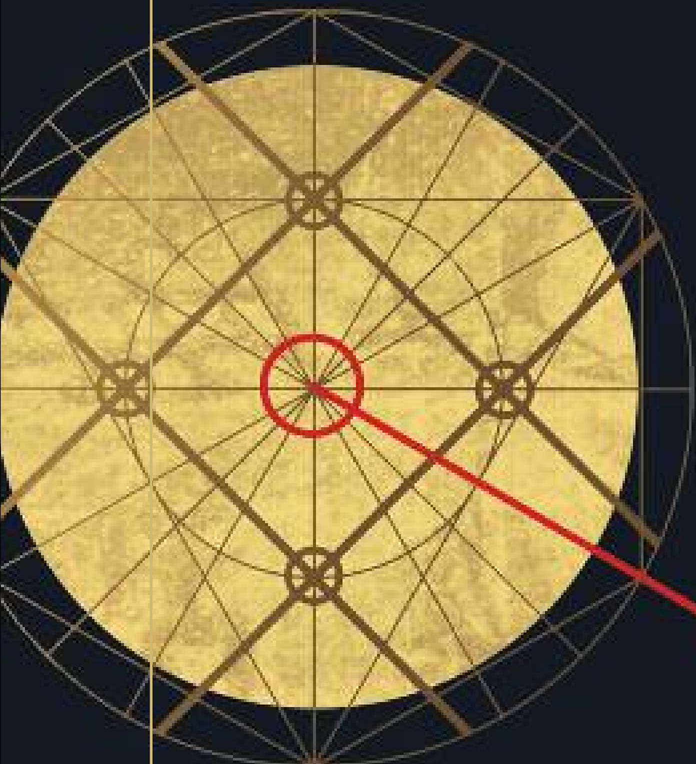
II Small and Medium Enterprise Business
As the SME sector has almost non-existent access to financial capital, the resources required for sustainable growth have remained limited. Pak Brunei aspires to improve credit accessibility for SMEs by initially establishing a separate SME division. In this regard, we intend to focus on asset leasing for smaller businesses that lack the credit history or the required collateral to access traditional forms of financing. We plan to enter areas that have strong forward linkages and potential for import substitution. Besides significant returns, a very important advantage for us is this sector's inherent reliance on indigenous cheap input, limiting the pass-through of external productivity and price shocks.



III Private Equity
Pak Brunei remains committed to establishing a strong Private Equity (PE) arm but till such time that a special vehicle is in place, compelling opportunities are utilized by Pak Brunei on its own book with built-in exit plans.

As compared to other regional economies, the concept of PE is not popular in Pakistan and there are only a handful of firms active in this area. Nevertheless, Pakistan offers enormous potential for private equity investors across manufacturing, service and agriculture sectors. This potential has become more attractive as valuable assets are available at depressed prices.

Our ultimate aim is to tap domestic as well as foreign investor base to help channelize foreign capital flow in the country.

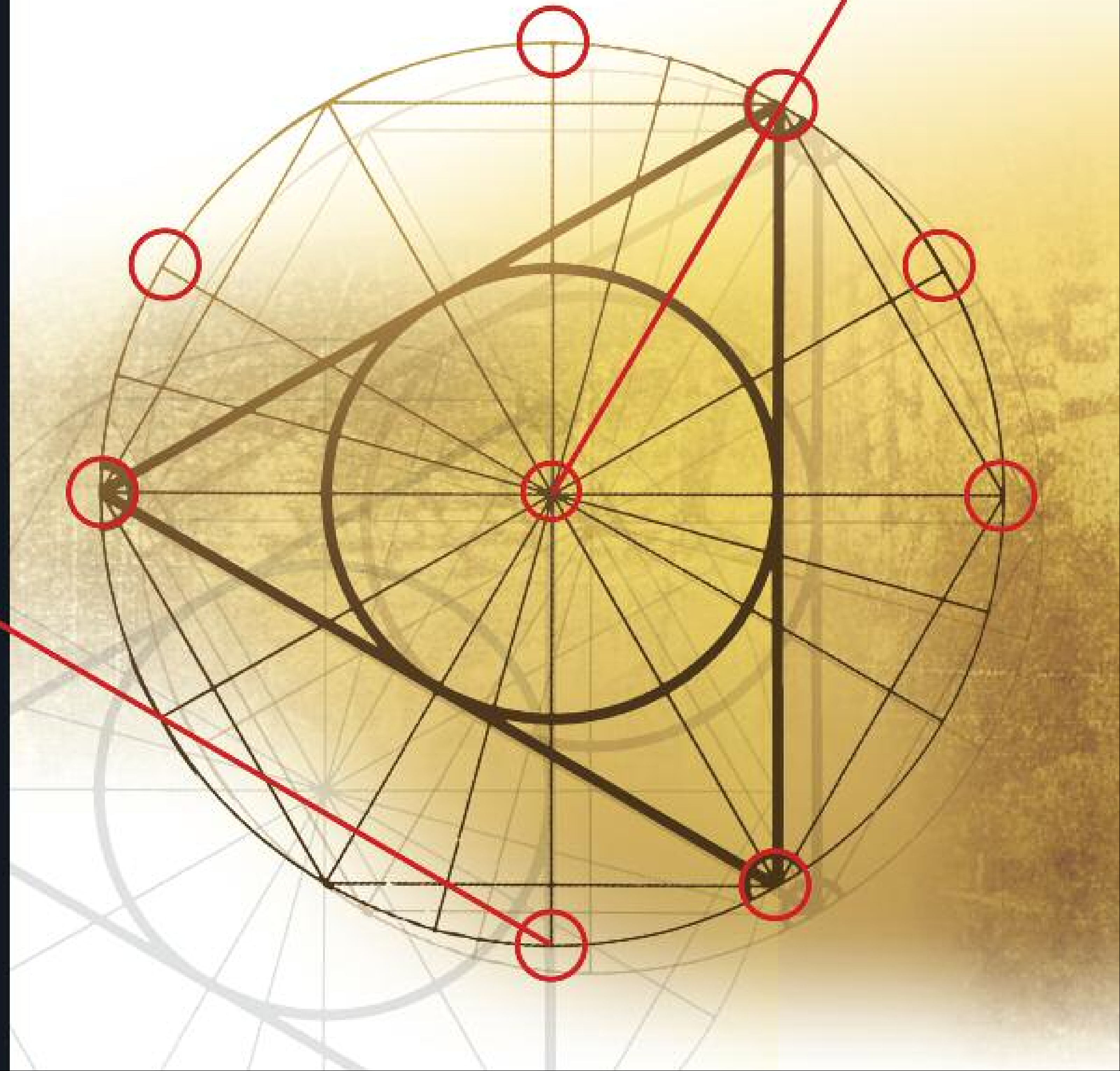


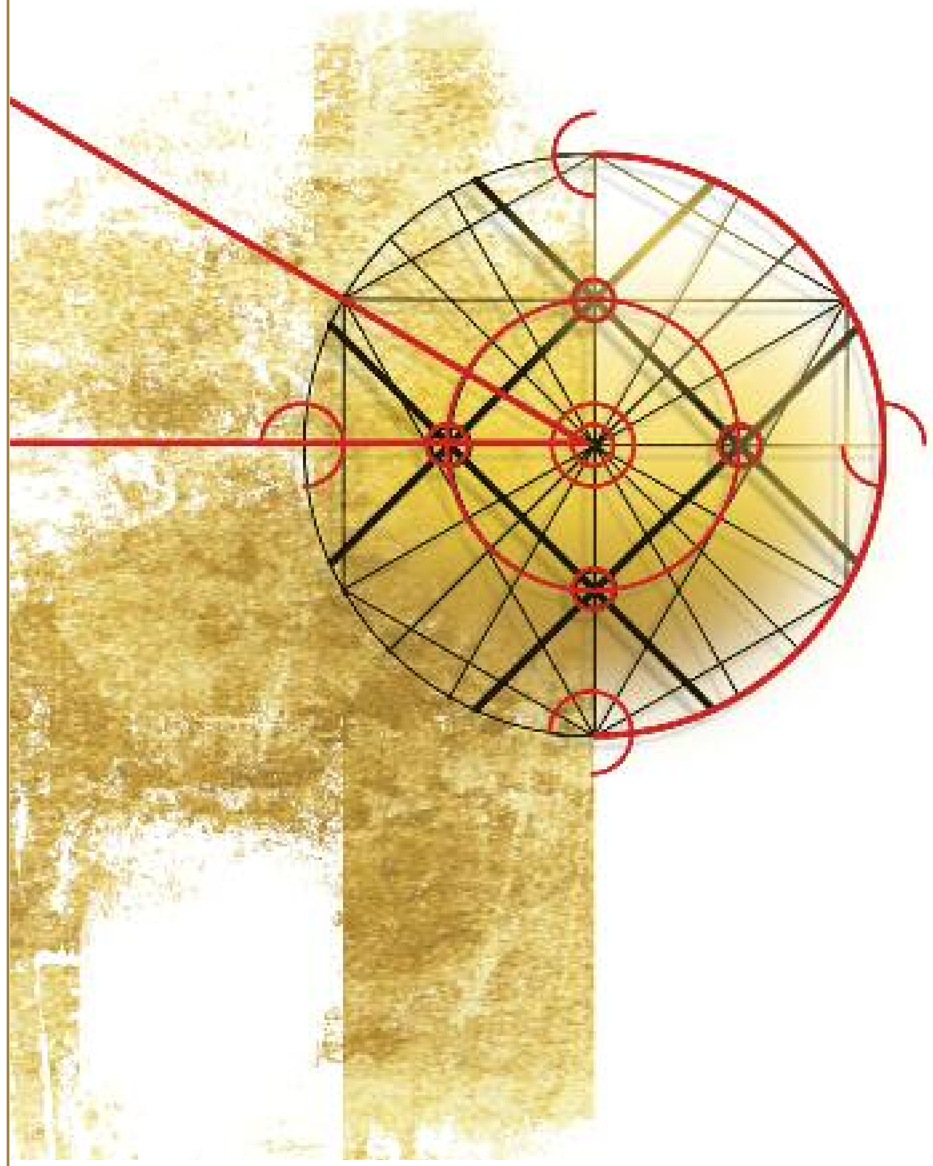
Shining Bright

Long term AA
Short term A1+

Reflecting our stellar performance, Pakistan Credit Rating Agency (PACRA) re-affirmed our long-term and short-term entity ratings of 'AA' (Double A) and 'A1+' (A One Plus), respectively in June 2011. These ratings indicate a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect the joint ownership of PBICL by the governments of Pakistan and Brunei Darussalam, implying strong support to the Company in the event of any contingency. At the same time, the ratings factor in the strong risk absorption capacity of the Company.





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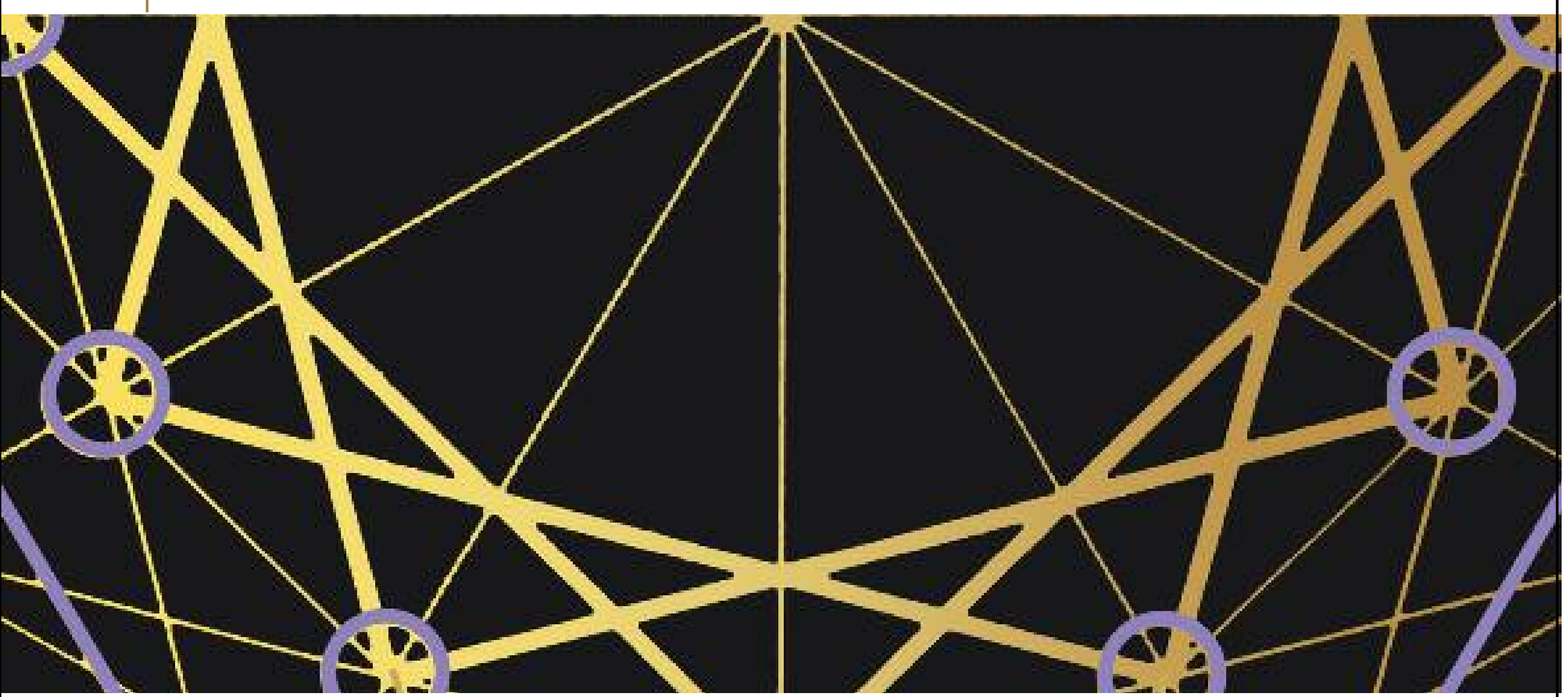


Board of Directors

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

Audit Committee

Hjh Hartini binti Haji Abdullah	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

Liaquat Merchant Associates	Barristers-at-law, Advocate and Corporate Legal Consultants

Registered Head Office

Horizon Vista, Commercial 10,
Scheme No. 5, Block-4, 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 the 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.

Ms. Sumaira K. Aslam

Director

Sumaira K. Aslam possesses over twenty-five years of experience in finance, business and commerce. She has held senior administrative positions with the government as well as multinationals and international agencies. She is an MBA from AIC Massachusetts (USA) and has attended several training programs at the Georgetown University, IMF (DC, USA), London School of Economics (UK) and NDU, Pakistan.

Ms Aslam has worked in the Ministry of Finance, Government of Pakistan in various positions including the post of Commercial Counselor and APR to UNESCAP for Pakistan in Bangkok. She has also remained on the teaching faculty of UMASS (Amherst) Williams College (Mass) USA.

Mr. Junaidi bin Haji Masri

Director

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.

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

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, 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 Values

Integrity

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

Innovation

Look beyond conventional wisdom

Performance

Be result-oriented and establish a competitive environment

Team work

Have shared goals and objectives

Customer Focus

Understand our customers' needs and try to exceed expectations

Code of Ethics and Business Practices

Pak Brunei seeks to maintain high standards of service and ethics enabling it to be perceived as impartial, ethical and independent. In addition to the general guidelines, the following are the salient features of the Company's code of ethics and business practices.

Integrity

Employees shall:

- Perform our work with honestly, 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 Practices

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

Hjh Hartini binti Haji Abdullah
Chairperson

I am pleased to present the results for year ended December 31, 2011 of Pak Brunei Investment Company.

The results reflect the team's efforts to meet aggressive performance targets while maintaining asset quality. This was successfully achieved through careful evaluation and accumulation of risk assets backed by proactive risk management and stringent regulatory compliance. An important milestone achieved during the year was the establishment of Primus Investment Management Limited, our fully owned subsidiary licensed to undertake investment advisory and fund management activities. We hope to be able to enter these new markets with better products and a long term vision. The year also saw Pak Brunei take further steps towards filling a critical gap in the market; providing capital to viable projects that may be in distress and need handholding to get back on track. We hope to expand on this activity and play the role of a development finance institution through efficient, market-based structuring and financing arrangements.

2012 is expected to remain a challenging year for Pakistan's economy. Twin deficits, stagnant inflation and the existing pattern of deficit financing may force the economy to post lower than anticipated growth. A rising fiscal deficit is increasingly being financed from the banking system resulting in crowding out the private sector. In this backdrop, financial institutions are less motivated to take private sector risk. Despite a cumulative 200 bps reduction in State Bank of Pakistan's Policy Rate in 2011, supply of funds to the private sector remained muted. With Public Sector financing rising, and increasing exposure of banks to circular debt, market liquidity is anticipated to remain tight.

Another vital factor will be the extent of external account deficit. After recording a surplus in FY11, Current Account balance has once again slipped in the red zone as a result of increasing trade deficit. This, with limited investment inflows and uncertain external budgetary support, may force the local currency to continue shedding value. Further pressure on PKR may be witnessed with the start of IMF loan repayments from February 2012 onwards.

While inflation prospects are not as grim as witnessed during the economic crisis of 2009-2010, factors such as energy shortages, security concerns and irregularity in adjustment of administered prices continue to fuel the general perception of future price increase. Curbing these inflation expectations will remain a challenge for 2012.

One positive development is the uptick in trading activity at Karachi Stock Exchange (KSE) during the first month of 2012. Encouraging news regarding taxation of capital gains and documentation requirement helped in boosting investor confidence, which reflected in increase in average daily trading volumes from 77 million in 2011 to 100 million in the first 30 trading days of 2012. Despite facing the challenges posed by energy deficits and security environment, corporate results have been strong and have resulted in investors' re-entry in the market.

Our overwhelming concern remains the precarious law & order situation in the country. A durable resolution on this front is necessary in order to focus on human and infrastructure development and bring economic growth back on track.

In this economic backdrop, and in a market dominated by large commercial banks with their own inherent strengths, we realize that maintaining our profitability trajectory will not be easy. This is particularly true for the core credit portfolio, where the challenge remains maintaining healthy risk-adjusted spreads. We realize our focus must be on developing revenue streams that generate high returns on a long term basis. The strategy therefore relies on supplementing core income by using our higher risk appetite and technical expertise to tap markets outside the sphere of traditional financial institutions. In the long run, it is these additional activities; private equity, revival financing, Agro and SME sectors to name a few, that will help us meet our core objectives while remaining a profitable and vibrant institution.

We are aware of the economic challenges lying ahead of us and have maintained a strong focus on risk and control systems within the organization. Our vigilant research unit keeps abreast of economic developments to provide constant input on assumptions that shape our strategies. This has enabled us to pursue growth in a judicious manner while remaining flexible and responsive to our dynamic environment.

Despite the challenges, we remain optimistic about the growth prospects of Pakistan. We are committed to our objectives and believe that the Pak Brunei team is well prepared to identify and exploit opportunities that fulfill our long term aspirations.

Hjh Hartini binti Haji Abdullah
Chairperson

March 28, 2012

Director's Report

Ayesha Aziz
Managing Director

On behalf of the Board of Directors, I am pleased to present the audited financial results of Pak Brunei Investment Company Limited for the year ended 31 December 2011.

Pak Brunei is now entering its fifth year of operations. During these initial years, we have worked hard to develop a culture that revolves around excellence in each and every sphere of operations. Our young institution boasts of the highest caliber of human resource, high standards of governance and a constantly evolving risk control framework. Under the guidance of the Board, and with team work, the Company was able to meet targets in yet another challenging year.

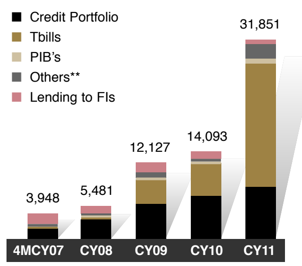
REVIEW OF OPERATIONS

During the year, Management continued to build a core credit portfolio of relatively low risk corporate assets. This portfolio was selectively supplemented with assets that carried a higher level of risk, clearly identified and controlled through careful structuring in each case. In most instances, this involved sitting on reconstituted Boards and taking an active role in strategic planning. For such transactions, business plans are developed, alongside sponsors, that are also subsequently monitored. Cash capture mechanisms are stringently implemented with our recovery ratios a compelling testimony of success. Despite shrinking spreads, and a difficult economic environment, we were able to post net markup income of PKR 839 million. Non-markup income grew by 34% with significant contribution coming from fee income and dividend income segments. Capital gains include income generated through equity kickers structured as part of advisory transactions. To protect liquidity, credit exposures are in the shape of redeemable capital instruments that are actively distributed through our trading desk.

Financial Highlights

	2011 PKR in '000	2010 PKR in '000
Net Markup Income	838,596	838,801
Non-markup income	284,325	211,963
Fee, Commission and Brokerage Income	68,658	42,550
Dividend Income	95,903	12,685
Capital Gains and Other Income	119,764	156,728
Profit before Taxation	**919,579**	**881,658**
Profit after Taxation	**604,107**	**581,090**
EPS	1.01	0.98

Asset Mix
Figures in PKR million
Cumulative base given above each bar



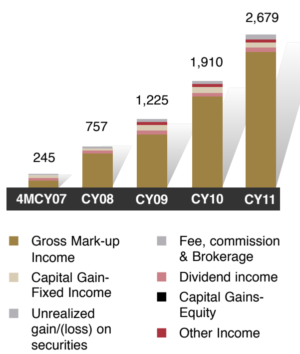
* Inculding Advances and Corporate Debt Instruments

** Inculding Investment in Shares, Mutual Funds and Balances with Other Banks

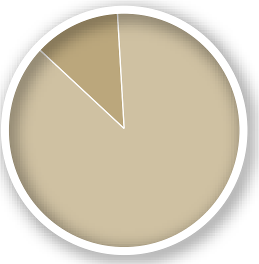
ADVISORY AND STRATEGIC INVESTMENTS GROUP (ASIG)

ASIG primarily focuses on promoting feasible projects of national importance – be it existing, greenfield or units in distress – while capitalizing on the hidden value of such entities. Since inception, the Group has successfully closed syndicated finance mandates as Lead and Joint Arranger. The scope of transactional experience encompasses management buyout, acquisition finance, project finance and debt re-profiling. During the year ASIG also contributed in broadening PBIC's customer base through client referrals to Corporate Banking and Treasury group. Apart from generating income for the

Income Mix
Figures in PKR million
Cumulative income given above each bar

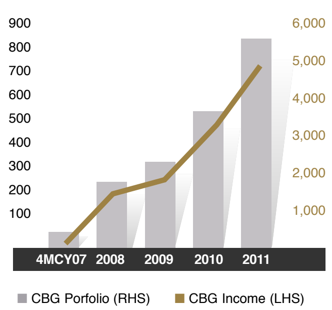


Transactions of Advisory & Strategic Investments Group
Since inception (PKR 33billion)



CBG Portfolio
As on Dec, 31, 2011

CBG Portolio & Income
Figures in PKR million



Company, ASIG has developed a reputation for restructuring projects facing financial distress and is currently engaged in developing a strategic investment portfolio through targeting distressed assets having turnaround potential.

Besides conventional investment banking, ASIG continued to build on its expertise as a financial solution provider. Particular emphasis during the year was on projects that are either export oriented, involve import substitution or create job opportunities.

CORPORATE BANKING GROUP (CBG)

In a challenging economic environment, the Corporate Banking Group (CBG) continued to cautiously build its advances portfolio of high quality, defensive assets. This ensured a sustainable income stream and a hedge against risk assets acquired by ASIG during the year. Advances portfolio grew from PKR 2.5 billion in 2010 to PKR 4.6 billion in 2011 on a net basis. Being a Participating Finance Institution (PFI) for financing export oriented project under SBP Scheme, development aspect is the cornerstone of CBG's credit strategy.

During the year, besides strengthening existing corporate relationships, several new corporate clients in pharmaceutical, steel, textile, energy, sugar, food and engineering sectors were also added to our advances portfolio.

Within PBIC, strong synergies exist between CBG and ASIG and the two Groups have worked closely to ensure that our customers get the best advice and speedy service.

Going forward, CBG plans to strengthen its portfolio quality by focusing on diversification across different sectors of the economy.

TREASURY AND FUND MANAGEMENT

Balance sheet management has become critical in an environment where monetary policy stance is subject to frequent change with resultant volatility in money markets. During 2011, Treasury Group successfully safeguarded our balance sheet from adverse interest rate movements while generating high returns by capitalizing on the volatility in interest rates. Liquidity management through diversifying sources of funding remained a key objective that was successfully achieved. Apart from enhancing interbank limits, our institutional relationships were broadened to diversify deposit base and longer term financing of PKR 1 billion was arranged from a commercial bank at an attractive price. Where feasible, sale of long term TFCs ensured that mismatches remained within limits.

During the year, Treasury's investment portfolio grew to PKR 25.5 billion from PKR 11.3 billion in 2010. Participation in debt/money markets also increased significantly; cumulative turnover in fixed income instruments rose to PKR 93 billion from PKR 30 billion while trading in Repo/Reverse Repo increased to PKR 457 billion from PKR 161 billion a year ago.

Going forward, Treasury will continue to enhance its Institutional relationships in order to mobilize additional resources as well as for cross selling. Applying for Primary Dealership for government securities is also included in future plans.

CAPITAL MARKETS

Performance of the equity market remained depressed during 2011 as the benchmark KSE-100 index declined by 5.6% despite a robust 19.0% earnings growth. Average daily trading volumes plunged to a 13 year low. This decline was not in isolation as other regional markets depicted an even sharper fall; MSCI EM and MSCI FM indices were down by 15% and 21% in 2011. Fund raising through IPOs and right shares also remained depressed at the local bourse. Market players remained concerned about re-introduction of Capital Gain Tax (CGT) and individual investors preferred to remain on the sidelines.

During 2011, our strategy remained defensive and we focused on dividend yielding stocks. Despite a difficult year, our Capital Markets Group (CMG) was able to post a positive return on its equity portfolio.

STRATEGIC INITIATIVES

Primus Investment Management Limited

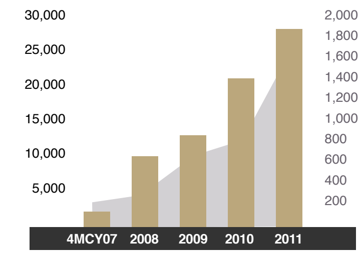
During 2011, PBICL achieved an important milestone of establishing its own Asset Management Company. Primus Investments Management Limited (PIML) has been incorporated as a wholly owned subsidiary of PBICL with a paid-up capital of PKR 250 million. PIML has acquired licenses from Securities and Exchange Commission of Pakistan (SECP) for Asset Management and Investment Advisory services and will commence operations in first quarter of 2012.

Through Primus, PBICL aims to provide quality asset management services to a broad based client base of domestic and foreign investors. We see immense growth potential in the Asset Management Industry of Pakistan and are hopeful our culture of excellence will help us play a meaningful role in developing this market.

SME Leasing

According to some estimates, Small and Medium Enterprises (SMEs) employ around 78% of the non-

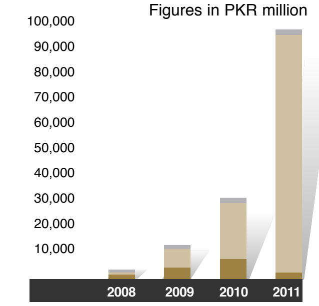
Treasury Portfolio & Income
Figures in PKR million



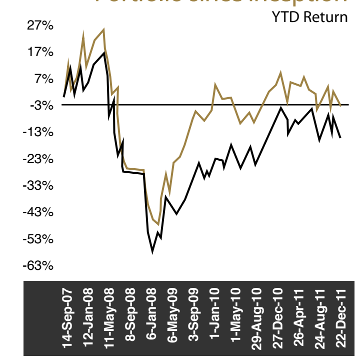
* Treasury Portfolio includes T-Bills, TFCs, PIBs, Bank Balance and Lending to FIs

Treasury Portfolio (LHS)* Treasury Income (RHS)

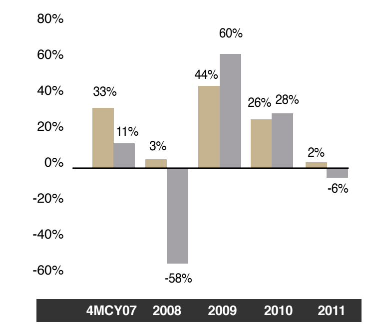
Trading Turnover in Fixed Income
Figures in PKR million



Performance of CMG Portfolio since inception
YTD Return



Return on Equity Investment vs. Market Return
Figures in PKR million



agricultural labor force and constitute close to 30% of GDP in Pakistan. Despite these statistics, SME sector has restricted access to financial capital so managerial and technological resources required for sustainable growth have remained limited. In line with our development goals, PBICL hopes to improve credit accessibility for SMEs, while capitalizing on the enormous opportunity the market offers, by establishing a separate SME Group. In this regard, we intend to focus on asset leasing since this is an important alternative to traditional means of financing for smaller businesses that lack the credit history or the required collateral needed to access bank loans. The gap in this market has widened as smaller leasing companies, that were active in particular sections, have all but disappeared due to their weak capitalization and liquidity issues. We intend to penetrate in the sectors that have strong forward linkages and potential for import substitution. Besides income generation, an important reason for our interest is SME sector's inherent reliance on indigenous inputs, which limits the pass-through of external productivity and price shocks. Our eventual aim will be to spin off the Group into a specialized vehicle in the future.

Private Equity Arm

Pak Brunei takes selective exposure in equity capital of companies that qualify on our internal parameters and where we see significant value creation from our investment. Our current interests lies in corporate farming and agro-based industrial projects, fruit processing, warehousing and the automobile downstream industry. Compared to other regional economies, the concept of PE Funds is still new to Pakistan. We see enormous potential for private equity investment in manufacturing and agricultural sector at this time when valuations and barriers to entry are low. The large volume in small to medium sized transaction requires on the ground presence in local markets to manage deal flow. While we will continue to hold such strategic equity investments on our own balance sheet for now, our plan is to eventually transfer this activity to an independently managed vehicle where exposure can be shared with other like-minded investors. Our strong market orientation will not only ensure a deal pipeline but apart from equity financing, we will continue to support viable targets through debt products offering a full array of services. As with our AMC, the future holds promise for tapping domestic as well as foreign investor base to channelize foreign capital flow in the country.

RISK MANAGEMENT

Risk management and controls have been substantially strengthened in order to safeguard the Company's interests in a volatile environment. We monitor credit, market and operational risks on a company wide basis across all product classes. During the year, we continued to improve our systems focusing on refinement of internal risk assessment models and streamlined risk reporting.

ENTITY RATING

During its rating review process in 2011, PACRA maintained the long term rating of AA thereby denoting its confidence in the Management Team and sound financial health of the Company.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors declare that:

- The financial statements prepared by the management of Pak Brunei Investment 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 Pak Brunei 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
- 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 Pak Brunei'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, 2011 except as disclosed in the financial statements

The Board of Directors of the Company held five meetings during the year ended December 31, 2011.

These were attended by the Directors as follows:

Name	**Meetings Attended**
Hjh Hartini binti Haji Abdullah	1
Ms. Sumaira K. Aslam	5
Mr. Junaidi bin Haji Masri	5
Ms. Ayesha Aziz, CFA	5
Mr. Abdul Razak Su – Alternate Director	4

CHANGE IN DIRECTORS

There has been no change in the Board of Directors of the Company during the year ended December 31, 2011. The Board of Directors appointed Mr. Abdul Razak Su as alternate director to Hjh Hartini binti Haji Abdullah.

STATEMENT OF INVESTMENT OF PROVIDENT FUND

Investments of provident fund as at December 31, 2011 according to un-audited financial statements amounted to PKR 25.816 million (2010: PKR 18.004 million).

APPOINTMENT OF AUDITORS

The term of existing Auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants (a member firm of Deloitte Touche Tohmatsu) expired in December 2011.

The Board, on the proposal of the Audit Committee recommends the appointment of M/s. Ernst & Young Ford, Rhodes, Sidat, Hyder, Chartered Accountants as statutory Auditors for the year 2012.

PATTERN OF SHAREHOLDING

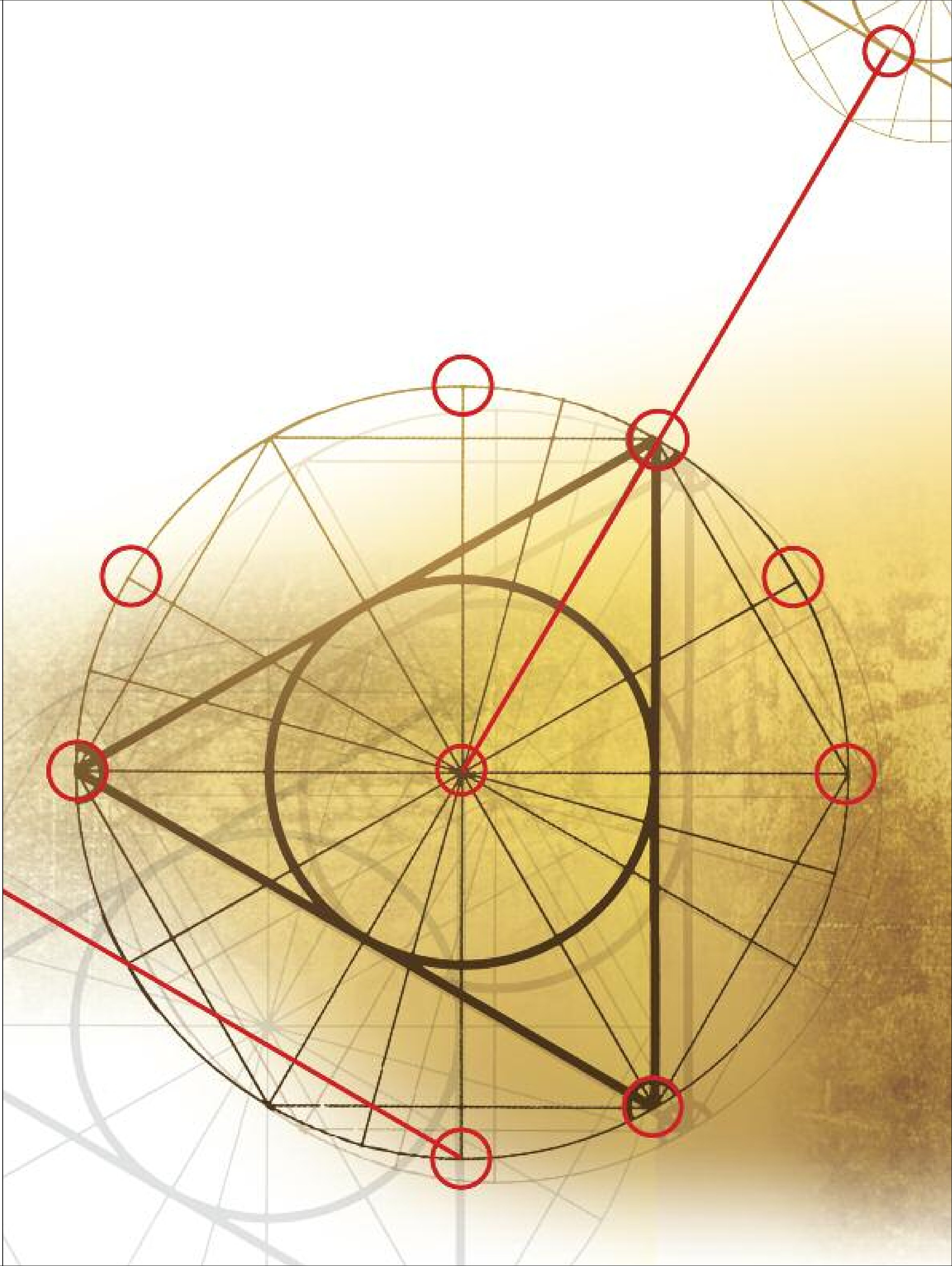
Shareholder	Shareholding (%)
Ministry of Finance – Govt. of Pakistan	49.99933%
Brunei Investment Agency	50.00000%
Secretary, Economic Affairs Division-Govt. of Pakistan	0.00067%

ACKNOWLEDGEMENTS

We remain grateful to our shareholders – the Government of Pakistan and Brunei Investment Agency – for their continued guidance and support. We also appreciate the management team's efforts towards meeting our common objectives. Lastly, we thank the State Bank of Pakistan and the Securities and Exchange Commission for providing their support each time we needed it.

Ayesha Aziz
Managing Director

March 28, 2012



5 Years Performance at a Glance

(Rupees in '000)

		2011	2010	2009	2008	2007
Balance Sheet						
Lendings to financial institutions		627,841	1,222,727	1,507,910	1,519,299	1,464,299
Investments		25,741,246	9,868,363	8,415,996	2,687,585	1,956,095
Advances		4,646,661	2,467,643	1,732,493	1,062,744	254,444
Borrowings		23,359,531	5,943,385	5,296,808	186,154	1,150,000
Deposits and other accounts		979,018	844,000	395,000	–	–
Total Assets		32,544,390	14,368,611	12,130,979	5,528,893	4,362,474
Net Assets		7,927,546	7,342,559	6,305,979	5,281,160	3,136,278
Paid up Capital		6,000,000	6,000,000	5,000,000	5,000,000	3,000,000
Profit & Loss						
Mark up income		2,394,747	1,698,132	971,221	672,254	177,507
Mark up expense		1,469,277	777,987	207,450	131,801	630
Non mark up income		284,325	211,963	254,064	85,608	67,299
Non mark up expense		203,342	165,145	132,740	118,675	57,635
Gross income		2,679,072	1,910,095	1,225,285	757,862	244,806
Profit before provision and tax		1,006,453	963,002	885,092	507,386	186,541
Provisions		86,874	81,344	217,918	133,921	–
Profit before tax		919,579	881,658	667,174	373,465	186,541
Profit after tax		604,107	581,090	447,453	222,266	140,743
Investors information						
Profit before tax ratio	%	34.32%	46.16%	54.45%	49.28%	76.20%
Gross spread ratio	%	38.65%	54.19%	78.64%	80.39%	99.65%
Return on assets	%	2.58%	4.39%	5.07%	4.49%	3.23%
Return on equity	%	7.91%	8.52%	7.72%	5.28%	4.49%
Earning asset to total asset ratio	%	97.03%	95.27%	97.67%	95.58%	90.34%
EPS (Earning per share)	PKR	1.01	0.98	0.89	0.52	0.75
Capital Adequacy Ratio (CAR)	%	58.47%	84.61%	81.00%	138.00%	114.00%
Summary of cash flow statement						
Cash flow from operating activities		9,315,187	1,076,382	5,487,232	(1,218,859)	(852,802)
Cash flow from investing activities		(8,740,067)	(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		160,772	215,784	19,137	267,721	–
Cash & cash equivalent at the end of the year		735,892	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) 21-3454 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, 2011.

M. Yousuf Adil Saleem & Co

Chartered Accountants

Karachi
Date: March 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2011

This Statement is being presented to comply with the Code of Corporate Governance (the Code) 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, 2011. The Board appointed Mr. Abdul Razak Su as alternate director to Hjh Hartini binti Haji Abdullah.

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 5 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 completed 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 year 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, 2011 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 placed before the Audit Committee and have been reviewed and approved by the Board of Directors and are carried out as per agreed terms.

Ayesha Aziz
Managing Director
March 28, 2012

Statement of Internal Control For The Year Ended December 31, 2011

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 implement 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

Ayesha Aziz
Managing Director
March 28, 2012

Deloitte.

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Independent Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of Pak Brunei Investment Company Limited (the Company) as at December 31, 2011 and the unconsolidated related profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 unconsolidated statement of financial position and unconsolidated 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 unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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, 2011 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 (XVIII of 1980).

M. Yousuf Adil Saleem & Co

Chartered Accountants

Engagement Partner:
Syed Asad Ali Shah

Karachi
Date: March 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

Unconsolidated
Statement of Financial Position
As at December 31, 2011

2011	2010		Note	2011	2010
(US $ in '000)				(Rupees in '000)	
		ASSETS			
1,951	344	Cash and balances with treasury banks	5	**174,790**	30,803
6,262	1,451	Balances with other banks	6	**561,102**	129,969
7,007	13,647	Lendings to financial institutions	7	**627,841**	1,222,727
287,291	110,138	Investments - net	8	**25,741,246**	9,868,363
51,860	27,541	Advances - net	9	**4,646,661**	2,467,643
380	235	Operating fixed assets	10	**34,067**	21,013
–	–	Deferred tax assets		**–**	–
8,467	7,010	Other assets	12	**758,683**	628,093
363,218	160,366			**32,544,390**	14,368,611
		LIABILITIES			
–	–	Bills payable		**–**	–
260,709	66,333	Borrowings	13	**23,359,531**	5,943,385
10,927	9,420	Deposits and other accounts	14	**979,018**	844,000
–	–	Sub-ordinated loans		**–**	–
–	–	Liabilities against assets subject to finance lease		**–**	–
2	555	Deferred tax liabilities - net	11	**190**	49,667
3,103	2,110	Other liabilities	15	**278,105**	189,000
274,741	78,418			**24,616,844**	7,026,052
88,477	81,948	**NET ASSETS**		**7,927,546**	7,342,559
		REPRESENTED BY			
66,964	66,964	Share capital	16	**6,000,000**	6,000,000
4,455	3,106	Reserves		**399,132**	278,311
17,818	12,425	Unappropriated profit		**1,596,527**	1,113,241
89,237	82,495			**7,995,659**	7,391,552
(760)	(547)	Deficit on revaluation of assets - net of tax	17	**(68,113)**	(48,993)
88,477	81,948			**7,927,546**	7,342,559

CONTINGENCIES AND COMMITMENTS 18

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

Chief Executive **Director** **Director** **Chairperson**

Unconsolidated
Profit and Loss Account
For the Year ended December 31, 2011

2011	2010		Note	2011	2010
(US $ in '000)				(Rupees in '000)	
26,727	18,952	Mark-up / return / interest earned	20	**2,394,747**	1,698,132
16,398	8,683	Mark-up / return / interest expensed	21	**1,469,277**	777,987
10,329	10,269	**Net mark-up / interest Income**		**925,470**	920,145
147	(196)	Provision / (reversal) against non-performing loans and advances	9.4	**13,183**	(17,602)
822	1,104	Provision for diminution in the value of investments	8.3	**73,691**	98,946
–	–	Bad debts written off directly		**–**	–
969	908			**86,874**	81,344
9,360	9,361	Net mark-up / interest income after provisions		**838,596**	838,801
		NON MARK-UP / INTEREST INCOME			
766	475	Fee, commission and brokerage income		**68,658**	42,550
1,070	142	Dividend income		**95,903**	12,685
–	–	Income from dealing in foreign currencies		**–**	–
1,481	1,742	Gain on sale of securities - net	22	**132,702**	156,055
(147)	–	Unrealized loss on revaluation of investments classified as held-for-trading	8.5	**(13,200)**	–
3	8	Other income	23	**262**	673
3,173	2,367	Total non mark-up / interest income		**284,325**	211,963
12,533	11,728			**1,122,921**	1,050,764
		NON MARK-UP / INTEREST EXPENSES			
2,267	1,843	Administrative expenses	24	**203,103**	165,145
–	–	Other provisions / write off	12.3	**–**	–
3	44	Other charges	25	**239**	3,961
2,270	1,887	Total non-markup / interest expenses		**203,342**	169,106
10,263	9,841			**919,579**	881,658
–	–	Extra ordinary / unusual items		**–**	–
10,263	9,841	PROFIT BEFORE TAXATION		**919,579**	881,658
3,968	2,621	Taxation - Current		**355,528**	234,854
91	(1)	- Prior years		**8,193**	(48)
(538)	734	- Deferred		**(48,249)**	65,762
3,521	3,354		26	**315,472**	300,568
6,742	6,487	**PROFIT AFTER TAXATION**		**604,107**	581,090
12,425	7,236	Unappropriated profit brought forward		**1,113,241**	648,369
19,167	13,723	Profit available for appropriation		**1,717,348**	1,229,459
US $				Rupees	
0.01	0.01	**Basic earnings per share**	27	**1.01**	0.98
0.01	0.01	**Diluted earnings per share**	28	**1.01**	0.98

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

Chief Executive **Director** **Director** **Chairperson**

Unconsolidated
Statement Of Comprehensive Income
For the Year ended December 31, 2011

2011	2010		Note	2011	2010
(US $ in '000)				(Rupees in '000)	
6,742	6,487	Profit after taxation for the year		**604,107**	581,090
–	–	Other comprehensive income		**–**	–
6,742	6,487	**Total comprehensive income for the year**		**604,107**	581,090

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 from 1 to 41 form an integral part of these unconsolidated financial statements.

Chief Executive **Director** **Director** **Chairperson**

Unconsolidated
Cash Flow Statement
For the Year ended December 31, 2011

2011	2010		Note	2011	2010
(US $ in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
10,263	9,840	Profit before taxation		**919,579**	881,658
1,070	142	Less: Dividend income		**95,903**	12,685
9,193	9,698			**823,676**	868,973
		Adjustments for non-cash charges and other items			
84	99	Depreciation	10.2	**7,544**	8,858
18	26	Amortization	10.3	**1,633**	2,367
147	(196)	Provision / (reversal) against non-performing loans and advances		**13,183**	(17,602)
822	1,104	Provision for diminution in value of investments	8.3	**73,691**	98,946
–	–	Other provisions	12.3	**–**	–
(1)	(6)	Gain on sale of property and equipment	23	**(69)**	(518)
147	–	Unrealized loss on revaluation of investments classified as held-for-trading	8.5	**13,200**	–
–	120	Assets transferred from property and equipment to staff loans		**–**	10,788
3	44	Unrealized loss on revaluation of interest rate swap contracts		**239**	3,959
–	12	Finance charges on leased assets		**–**	1,113
1,220	1,203			**109,421**	107,911
10,413	10,901			**933,097**	976,884
		(Increase) / decrease in operating assets			
6,639	3,183	Lendings to financial institutions		**594,886**	285,183
(80,235)	185	Held-for-trading securities		**(7,189,100)**	16,569
(24,467)	(8,008)	Advances		**(2,192,201)**	(717,548)
(1,049)	(3,570)	Others assets (excluding current taxation)		**(93,947)**	(319,848)
(99,112)	(8,210)			**(8,880,362)**	(735,644)
		Increase in operating liabilities			
194,377	7,216	Borrowings		**17,416,146**	646,577
1,507	5,011	Deposits and other accounts		**135,018**	449,000
994	1,173	Other liabilities (excluding current taxation)		**89,105**	105,066
196,878	13,400			**17,640,269**	1,200,643
108,179	16,091			**9,693,004**	1,441,883
(4,217)	(4,065)	Income tax paid		**(377,817)**	(364,233)
–	(14)	Financial charges paid		**–**	(1,268)
103,962	12,012	Net cash flows from operating activities		**9,315,187**	1,076,382
		CASH FLOWS FROM INVESTING ACTIVITIES			
(95,316)	(15,995)	Net investment in available-for-sale securities		**(8,540,366)**	(1,433,161)
(6)	(2,118)	Net investment in held-to-maturity securities		**(654)**	(189,751)
(2,790)	–	Investment in subsidiary		**(250,000)**	–
816	142	Dividend income received		**73,116**	12,685
(265)	(71)	Investments in operating fixed assets		**(23,744)**	(6,322)
18	16	Sale proceeds from disposal of property and equipment		**1,581**	1,428
(97,543)	(18,026)	Net cash used in investing activities		**(8,740,067)**	(1,615,121)
		CASH FLOWS FROM FINANCING ACTIVITIES			
–	(182)	Payment of lease obligations		**–**	(16,273)
–	(5,580)	Advance against issue of share capital		**–**	(500,000)
–	11,161	Issue of share capital		**–**	1,000,000
–	5,399	Net cash flows from financing activities		**–**	483,727
6,419	(615)	**Increase / (decrease) in cash and cash equivalents**		**575,120**	(55,012)
1,794	2,408	Cash and cash equivalents at the beginning of the year		**160,772**	215,784
8,213	1,793	Cash and cash equivalents at the end of the year	29	**735,892**	160,772

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

Chief Executive **Director** **Director** **Chairperson**

Statement of Changes in Equity

	Share capital	Statutory reserve	Unappropriated profit	Total
	(Rupees in '000)			
Balance as at January 01, 2010	5,000,000	162,093	648,369	5,810,462
Total comprehensive income for the year				
Profit after tax for the year ended December 31, 2010	–	–	581,090	581,090
Other comprehensive income	–	–	–	–
Total comprehensive income for the year ended December 31, 2010	–	–	581,090	581,090
Transfers				
Transfer to statutory reserve	–	116,218	(116,218)	–
Transaction with owners recorded directly in equity				
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
Total comprehensive income for the year				
Profit after tax for the year ended December 31, 2011	–	–	604,107	604,107
Other comprehensive income	–	–	–	–
Total comprehensive income for the year ended December 31, 2011	–	–	604,107	604,107
Transfers				
Transfer to statutory reserve	–	120,821	(120,821)	–
Balance as at December 31, 2011	**6,000,000**	**399,132**	**1,596,527**	**7,995,659**

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

Chief Executive	Director	Director	Chairperson

Notes to the Financial Statements

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. Subsequently, the registered office shifted to Horizon Vista, Plot No. commercial - 10, Block-4, Scheme-5, Clifton Karachi, Pakistan.

2. BASIS OF PRESENTATION

2.1 Basis of Measurement

These unconsolidated 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 unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income and unconsolidated 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. 89.60 to US Dollars has been used for both 2011 and 2010, as it was the prevalent rate as on December 31, 2011.

2.3 Separate financial statements

These unconsolidated financial statements are separate financial statements of Pak Brunei Investment Company Limited in which the investments in subsidiary are accounted for at cost and hence not on the basis of reported results and net assets of the investee.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984 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 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 till further instructions. 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 unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 Adoption of New Standards, Amendments and Interpretations to the published approved accounting standards

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

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the unconsolidated financial statements of the Company.

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendment to IAS 1 - Presentation of financial statements	January 1, 2011
IAS 24 (Revised in 2009) - Related Party Disclosures	January 1, 2011
Amendment to IAS 27 (2008) - Consolidated and Separate financial statements	July 1, 2010
Amendments to IAS 32 - Financial Instruments – Presentation	February 1, 2010
Amendment to IAS 34 - Interim Financial Reporting	January 1, 2011
Amendments to IFRS 3 (2008) - Business Combinations	July 1, 2010
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
Amendment to IFRIC 13 - Customer Loyalty Programmes	January 1, 2011
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 1, 2011
Amendment to IFRIC 13 - Customer Loyalty Programmes	January 1, 2011
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 1, 2011

3.3.2 Standards, interpretations and amendments to the published approved accounting standards not yet effective

The following Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's unconsolidated financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendment to IAS 1 - Presentation of financial statements	July 1, 2012
Amendments to IAS 12 - Income Taxes	January 1, 2012
Amendment to IAS 19 - Employees Benefits	January 1, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments have not been adopted locally by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements (due to non-adoption of IFRS 10 and IFRS 11)
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures (due to non-adoption of IFRS 10 and IFRS 11)

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 SBP's 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 unconsolidated 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.

Return on bank deposits is recognized on time proportionate basis using the effective interest rates.

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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the unconsolidated profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to unconsolidated profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

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

Investment in Subsidiary

Investments in subsidiary is valued at cost less impairment, if any. A reversal of an impairment loss on subsidiary is recognized as it arises provided the increased carrying value does not exceed cost.

Gain or loss on sale of investments in subsidiary is included in the unconsolidated profit and loss account for the year.

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 unconsolidated financial statements 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 unconsolidated financial statements, 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 unconsolidated 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

Financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the unconsolidated profit and loss account of the current period. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.9 Taxation

4.9.1 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.

4.9.2 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 reporting 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 reporting 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

4.10.1 Property and equipment

4.10.1.1 Owned assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the unconsolidated 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 unconsolidated profit and loss account during the financial period in which they are incurred.

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

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

4.10.1.2 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.

4.10.2 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. The residual values and useful life are reviewed and adjusted, if appropriate at each reporting date.

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

4.10.3 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.

4.10.4 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 unconsolidated 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 reporting date and are adjusted to reflect the current best estimates.

4.12 Borrowings / deposits

a) Borrowings / deposits are recorded at the proceeds are received.

b) The cost of borrowings / deposits is recognized as an expense in the period in which it is incurred. Any difference between the proceed and the redemption value is recognized in the unconsolidated profit and loss account over the period of the borrowings / deposits using the effective interest method.

4.13 Offsetting

Financial assets and financial liabilities are only set off and the net amount is reported in the unconsolidated 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.

4.14 Assets acquired in satisfaction of claims

The Company occasionally acquires assets in settlement of certain advances. These are stated at lower of the net realizable value of the related advances or the fair value of such assets.

4.15 Staff retirement benefits

4.15.1 Defined contribution plan

4.15.1.1 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 10% of basic salary.

4.15.1.2 Compensated absences

Compensated absences of employees are accounted for in the period in which these absences are earned. Subsequent to the year end this benefit has been discontinued by the Company.

4.16 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 reporting date. Exchange gains and losses are included in income.

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

4.17 Dividend distribution

Dividend is recognised as a liability in the year in which it is approved by shareholders / directors as appropriate.

4.18 Distributions of bonus shares and other appropriations to reserves

The Company recognises all appropriations, other than statutory appropriations, to reserves including those in respect of bonus shares, in the year in which such appropriations are approved by shareholders / directors as appropriate.

4.19 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, 2011.

4.20 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.

4.20.1 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.

4.20.2 Geographical segments

The Company operates in Pakistan only.

4.21 Accounting estimates and judgments

The preparation of unconsolidated 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 unconsolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

4.21.1 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'.

4.21.2 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.

4.21.3 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.

4.21.4 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.

4.21.5 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.

4.21.6 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.

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2011	2010
With State Bank of Pakistan in			
Local currency current account	5.1	**174,784**	30,797
With National Bank of Pakistan in			
Local currency current account		**6**	6
		174,790	30,803

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.

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

6. BALANCES WITH OTHER BANKS

	Note	2011	2010
In Pakistan			
On current account		**–**	–
On deposit accounts	6.1	**561,102**	129,969
		561,102	129,969

6.1 These carry mark-up at rates ranging from 5.00% to 10.00% per annum (2010: 5.00% to 10.50% per annum).

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2011	2010
Repurchase agreement lendings (Reverse repo)	7.2	**462,841**	22,727
Term deposit receipts (TDRs)	7.3	**165,000**	1,100,000
Letter of placement	7.4	**–**	100,000
	7.1	**627,841**	1,222,727

7.1 Particulars of lending

	2011	2010
In local currency	**627,841**	1,222,727
In foreign currencies	**–**	–
	627,841	1,222,727

7.2 This carries mark-up rate at the rate of 11.85% per annum (2010: 12.50% per annum) and will mature within 6 days (2010: 3 days).

7.2.1 Securities held as collateral against lendings to financial institutions:

(Rupees in '000)

	December 31, 2011			December 31, 2010		
	Held by company	Further given as collateral	Total	Held by company	Further given as collateral	Total
Market Treasury Bills	**–**	**462,841**	**462,841**	22,727	–	22,727
	–	**462,841**	**462,841**	22,727	–	22,727

7.2.2 Market value of the securities under repurchase agreement lendings amounted to Rs. 464.094 million (2010: Rs. 22.738 million).

7.3 The profit rates on these TDRs ranges from 12.00% to 14.50% per annum (2010: 13.60% to 14.00% per annum). All TDRs are due for maturity within 1 month (2010: within 2 months).

7.4 This carries mark-up at the rate of Nil (2010: 13.80% per annum) and will mature within Nil days (2010: 3 days).

8. INVESTMENTS - net

8.1 Investments by types:

(Rupees in '000)

	Note	December 31, 2011			December 31, 2010		
		Held by company	Given as collateral	Total	Held by company	Given as collateral	Total
Held-for-trading securities							
Market Treasury Bills	8.6.2	**9,314**	**6,977,094**	**6,986,408**	–	–	–
Pakistan Investment Bonds	8.6.2	**194,855**	**–**	**194,855**	–	–	–
Ordinary shares of listed companies	8.7.2	**7,837**	**–**	**7,837**	–	–	–
		212,006	**6,977,094**	**7,189,100**	–	–	–
Available-for-sale securities	8.4						
Market Treasury Bills	8.6.1	**255,771**	**12,985,868**	**13,241,639**	408,668	4,835,485	5,244,153
Pakistan Investment Bonds	8.6.1	**340,549**	**–**	**340,549**	–	242,930	242,930
Ordinary shares of listed companies	8.7.1	**620,040**	**–**	**620,040**	283,552	–	283,552
Ordinary shares of unlisted companies	8.8	**100,000**	**–**	**100,000**	–	–	–
Units of mutual funds	8.9	**978,890**	**–**	**978,890**	28,840	–	28,840
Term Finance Certificates and Sukuks	8.12	**3,312,763**	**–**	**3,312,763**	4,269,039	–	4,269,039
Preference shares	8.10	**21,500**	**–**	**21,500**	6,500	–	6,500
		5,629,513	**12,985,868**	**18,615,381**	4,996,599	5,078,415	10,075,014
Held-to-maturity securities							
Term Finance Certificates and Sukuks	8.12	**190,406**	**–**	**190,406**	189,751	–	189,751
Investment in subsidiary	8.11	**250,000**	**–**	**250,000**	–	–	–
Investments at cost		**6,281,925**	**19,962,962**	**26,244,887**	5,186,350	5,078,415	10,264,765
Less: Provision for diminution in value of Investments	8.3	**(409,752)**	**–**	**(409,752)**	(336,061)	–	(336,061)
Investments (net of provisions)		**5,872,173**	**19,962,962**	**25,835,135**	4,850,289	5,078,415	9,928,704
Deficit on revaluation of held-for-trading securities - net	8.5	**(3,371)**	**(9,829)**	**(13,200)**	–	–	–
Deficit on revaluation of available-for-sale securities - net	17.1	**(68,090)**	**(12,599)**	**(80,689)**	(32,746)	(27,595)	(60,341)
Total investments at market value		**5,800,712**	**19,940,534**	**25,741,246**	4,817,543	5,050,820	9,868,363

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

8.2 Investments by Segments:

	Note	2011	2010
Federal Government Securities:			
Market Treasury Bills	8.6	**20,228,047**	5,244,153
Pakistan Investment Bonds	8.6	**535,404**	242,930
Fully Paid up Ordinary Shares:			
Listed Companies	8.7	**627,877**	283,552
Unlisted Companies	8.8	**100,000**	–
Term Finance Certificates and Sukuks:			
Listed	8.12	**1,179,472**	1,523,036
Unlisted	8.12	**2,323,697**	2,935,754
Units of mutual funds	8.9	**978,890**	28,840
Preference Shares	8.10	**21,500**	6,500
Subsidiary - unlisted ordinary shares	8.11	**250,000**	–
Total investments at cost		**26,244,887**	10,264,765
Less: Provision for diminution in value of investments	8.3	**(409,752)**	(336,061)
Investments (net of provisions)		**25,835,135**	9,928,704
Deficit on revaluation of Held-for-trading securities - net	8.5	**(13,200)**	–
Deficit on revaluation of Available-for-sale securities - net	17.1	**(80,689)**	(60,341)
Total investments at market value		**25,741,246**	9,868,363

8.3 Particulars of Provision

	Note	2011	2010
Opening balance		**336,061**	249,338
Charge for the year		**73,691**	101,672
Reversal during the year		**–**	(2,726)
		73,691	98,946
Transfer to capital gain due to disposal of relevant investments		**–**	(12,223)
Closing Balance	8.3.1	**409,752**	336,061

8.3.1 Particulars of Provision in respect of Type and Segment

	2011	2010
Available-for-sale securities		
Ordinary shares of listed companies	**184,965**	152,639
Units of mutual funds	**3,576**	3,576
Preference shares	**5,081**	–
Term Finance Certificates and Sukuks	**216,130**	179,846
	409,752	336,061

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, 2011 Market value / Carrying value for unlisted investments	December 31, 2011 Rating	December 31, 2010 Market value / Carrying value for unlisted investments	December 31, 2010 Rating
Market Treasury Bills (T - bills)				
1 Year T-bills	**13,127,672**	**Government**	5,229,887	Government
6 month T-bills	**101,262**	**Securities**	–	Securities
	13,228,934		5,229,887	
Pakistan Investment Bonds (PIBs)				
10 year PIBs	**47,292**	**Government**	40,142	Government
5 year PIBs	**192,618**	**Securities**	188,750	Securities
3 year PIBs	**98,568**		–	
	338,478		228,892	
Ordinary shares of listed companies				
Oil & Gas marketing / exploration companies				
Pakistan State Oil Company Limited	**20,651**	**AA+**	–	–
Commercial banks				
JS Bank Limited	**3,524**	**A**	5,511	A/A1
NBFCs				
KASB Securities Limited	**6,720**	**A**	13,060	A+/A1
Communication				
Pakistan Telecommunication Company Limited	**–**	**–**	50,263	Unrated
Power generation and distribution				
Kot Addu Power Company Limited	**38,059**	**AA+**	57,116	Unrated
Nishat Chunian Power Limited	**8,925**	**AA-**	–	–
Nishat Power Limited	**1,583**	**AA-**	–	–
The Hub Power Company Limited	**133,860**	**AA+**	–	–
Cement				
D.G Khan Cement Company Limited	**39,376**	**Unrated**	–	–
Gharibwal Cement Limited	**45,400**	**D**	–	–
Chemicals				
Engro Corporation Limited	**33,372**	**AA**	–	–
Nimir Industrial Chemicals Limited	**11,683**	**Unrated**	–	–
Personal Goods				
Nishat Mills Limited	**30,094**	**AA-**	–	–
	373,247		125,950	
Ordinary shares of unlisted companies				
Faruki Pulp Mills Limited	**100,000**	**Unrated**	–	–
	100,000		–	
Preference shares				
Pakistan Mercantile Exchange Limited	**15,000**	**BBB**	–	–
Trust Investment Bank Limited	**1,419**	**Unrated**	6,500	–
	16,419		6,500	
Units of mutual funds				
ABL Cash Fund	**243,535**	**AA+ (f)**	–	–
Askari Sovereign Cash Fund	**243,247**	**AA+ (f)**	–	–
CDC Trustee UBL Government Securities Fund	**145,421**	**AA- (f)**	–	–
CDC Trustee UBL Liquidity Plus Fund	**243,908**	**AA+ (f)**	–	–
BMA Empress Cash Fund	**50,111**	**AA+ (f)**	–	–
Pak Oman Advantage Fund	**26,356**	**AA- (f)**	29,850	AA- (f)
	952,578		29,850	

(Rupees in '000)

	December 31, 2011		December 31, 2010	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Term Finance Certificates (TFCs) and Sukuks				
Listed TFCs				
Commercial banks				
Allied Bank Limited - 1st Issue	**50,475**	**AA-**	64,788	AA-
Allied Bank Limited - 2nd Issue	**25,067**	**AA-**	22,027	AA-
Askari Bank Limited - 1st Issue	**594**	**AA-**	24,945	AA-
Askari Bank Limited - 2nd Issue	**30,020**	**AA-**	24,950	AA-
Askari Bank Limited - 4th Issue	**107,980**	**AA-**	184,926	AA-
Bank Al Falah Limited - 2nd Issue	**9,344**	**AA-**	–	–
Bank Al Falah Limited - 3rd Issue	**10,007**	**AA-**	9,981	AA-
Bank Al Habib Limited - 1st Issue	**26,419**	**AA-**	39,607	AA
Bank Al Habib Limited - 2nd Issue	**15,566**	**AA**	–	–
Faysal Bank Limited (formerly Royal Bank Of Scotland Limited)	**4,853**	**AA-**	151	AA-
Faysal Bank Limited (formerly Royal Bank Of Scotland Limited) - 3rd issue	**10,178**	**AA-**	14,770	AA-
NIB Bank Limited	**222,778**	**A+**	182,038	A+
Soneri Bank Limited	**7,500**	**A+**	–	–
Standard Chartered Bank (Pakistan) Limited - 2nd Issue	**–**	**–**	13,481	AAA
Standard Chartered Bank (Pakistan) Limited - 3rd Issue	**7,163**	**AAA**	9,433	AAA
Summit Bank Limited	**200,000**	**A(SO)**	–	–
United Bank Limited - 1st Issue	**87,722**	**AA**	154,693	AA
United Bank Limited - 2nd Issue	**70,829**	**AA**	56,126	AA
United Bank Limited - 3rd Issue	**5,066**	**AA**	4,990	AA
United Bank Limited - 4th Issue	**81,677**	**AA**	148,352	AA
Fertilizer				
Engro Chemical Limited	**2,404**	**AA**	97,146	AA
Engro Fertilizer Limited - 3rd Issue	**185**	**AA**	118,344	AA
Pak Arab Fertilizer Limited	**37,576**	**AA**	185,888	AA
Real Estate Developers				
Pace Pakistan Limited	**433**	**D**	575	A+(-)
NBFCs				
Saudi Pak Leasing Company Limited	**25,508**	**D**	27,187	D
Telecommunication				
World Call Telecom Limited	**28,640**	**A**	–	–
Unlisted TFCs and Sukuks				
Commercial banks				
Askari Bank Limited - 4th Issue	**150,000**	**AA-**	–	–
Bank Al Falah Limited	**–**	**–**	285,677	AA-
Bank Al Habib Limited - PPTFC 2	**261,188**	**AA**	85,547	AA
Faysal Bank Limited - PPTFC	**–**	**–**	200,000	AA-
Fertilizer				
Agritech Limited (formerly Pak American Fertilizer Limited) - 1st Issue	**3,293**	**D**	–	–
Agritech Limited (formerly Pak American Fertilizer Limited) - 2nd Issue	**42,127**	**D**	43,293	CCC
Engro Fertilizer Limited	**–**	**–**	1,741	AA
Engro Fertilizer Limited - 1st Issue	**275,773**	**A**	144,853	AA
Engro Fertilizer Limited - 2nd Issue	**63,888**	**A**	70,057	AA
Sugar				
Al Abbas Sugar Mills Limited	**87,046**	**A+**	130,074	A+
JDW Sugar Mills Limited	**66,595**	**A+**	92,443	A

(Rupees in '000)

	December 31, 2011		December 31, 2010	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Pharmaceutical				
Martin Dow Pharmaceutical Pakistan Limited	**331,699**	**A**	490,787	A
Cement				
Kohat Cement Company Limited	**17,650**	**Unrated**	24,150	Unrated
Maple Leaf Cement Factory Limited	**337,907**	**D**	322,692	BB+
Maple Leaf Cement Factory Limited - 2nd Issue	**8,475**	**D**	8,475	BB+
NBFCs				
Orix Leasing Pakistan Limited - PPTFC	**–**	**–**	61,221	AA+
Pesonal Goods				
Azgard Nine Limited	**24,980**	**D**	24,980	CCC(RW)
Miscellaneous				
Karachi Shipyard and Engineering Works Limited	**–**	**–**	9,984	Unrated
Real Estate Developers				
Eden Housing (Private) Limited	**208,759**	**D**	298,480	D
Consumer Electronics				
New Allied Electronic (Private) Limited	**–**	**D**	–	D
Pak Electron Limited - 3rd Issue	**200,000**	**A**	200,000	A+
Oil & Gas				
Sui Southern Gas Company Limited	**2,600**	**AA**	200,000	AA
	3,149,964		4,078,852	
	18,159,620		9,699,931	

	December 31 2011	December 31 2010
	(Rupees in '000)	
8.5 Unrealised loss on revaluation of investments classified as held-for-trading		
Ordinary shares of listed companies	**(1,121)**	–
Market Treasury Bills	**(9,843)**	–
Pakistan Investment Bonds	**(2,236)**	–
	(13,200)	–
8.6 Particulars of investments in Federal Government Securities		
8.6.1 Available-for-sale		
Market Treasury Bills	**13,241,639**	5,244,153
Pakistan Investment Bonds	**340,549**	242,930
Carrying value (before revaluation) of investments in federal government securities	**13,582,188**	5,487,083
Deficit on revaluation of securities	**(14,777)**	(28,304)
Market value as at December 31, 2011	**13,567,411**	5,458,779
8.6.2 Held-for-trading		
Market Treasury Bills	**6,986,408**	–
Pakistan Investment Bonds	**194,855**	–
Carrying value (before revaluation) of investments in federal government securities	**7,181,263**	–
Deficit on revaluation of securities	**(12,079)**	–
Market value as at December 31, 2011	**7,169,184**	–

8.7 Particulars of investments in ordinary shares of listed companies

Name of investee company	No. of shares held	Nominal / paid-up value per share (Rupees)	Total nominal / paid-up value (Rupees in '000)	Cost as at December 31, 2011 (Rupees in '000)
8.7.1 Available-for-sale				
Oil & Gas marketing / exploration companies				
Pakistan State Oil Company Limited	90,891	10	909	**26,547**
Commercial bank				
JS Bank Limited	2,136,000	10	21,360	**48,242**
NBFCs				
KASB Securities Limited	2,921,617	10	29,216	**122,968**
Power generation and distribution				
Kot Addu Power Company Limited	921,079	10	9,211	**39,665**
The Hub Power Company Limited	3,914,022	10	39,140	**149,254**
Nishat Chunian Power Limited	700,000	10	7,000	**10,764**
Nishat Power Limited	122,204	10	1,222	**1,911**
Cement				
D.G Khan Cement Company Limited	2,069,142	10	20,691	**53,329**
Gharibwal Cement Limited	8,136,192	10	81,362	**67,360**
Chemicals				
Engro Corporation Limited	360,000	10	3,600	**45,794**
Nimir Industrial Chemicals Limited	5,014,100	10	50,141	**12,937**
Personal Goods				
Nishat Mills Limited	743,976	10	7,440	**41,269**
Carrying value (before revaluation and provision) of listed shares 'Available-for-sale'				**620,040**
Provision for diminution in value of investments				**(184,965)**
Deficit on revaluation of securities - net				**(61,828)**
Market value as at December 31, 2011				**373,247**
8.7.2 Held-for-trading				
Communication				
Pakistan Telecommunication Company Limited	277,490	10	2,775	**3,391**
Commercial bank				
National Bank of Pakistan	93,356	10	934	**4,446**
Carrying value (before revaluation and provision) of listed shares 'Held-for-trading'				**7,837**
Provision for diminution in value of investments				**–**
Deficit on revaluation of securities - net				**(1,121)**
Market value as at December 31, 2011				**6,716**

8.8 Particulars of investment in ordinary shares of unlisted companies - Available-for-sale

Name of investee company	Name of Chief Executive	No. of shares / units held	Nominal / paid-up value per shares / units (Rupees)	Total nominal / paid-up value (Rupees in '000)	Cost as at December 31, 2011 (Rupees in '000)
Faruki Pulp Mills Limited	Mr. Shahid Saleem	6,666,667	10	**66,667**	**100,000**

8.9 Particulars of investment in units of mutual funds - Available-for-sale

Closed-end mutual fund				
Pak Oman Advantage Fund	2,890,399	10	28,904	**28,890**
Open-end mutual funds				
Askari Sovereign Cash Fund	2,420,464	10	24,205	**250,000**
ABL Cash Fund	24,307,680	10	243,077	**250,000**
BMA Empress Cash Fund	4,834,702	10	48,347	**50,000**
CDC Trustee UBL Government Securities Fund	1,448,945	10	14,489	**150,000**
CDC Trustee UBL Liquidity Plus Fund	2,427,321	10	24,273	**250,000**
Carrying value (before revaluation and provision) of mutual funds units 'Available-for-sale'				**978,890**
Provision for diminution in value of investments				**(3,576)**
Deficit on revaluation of securities				**(22,736)**
Market value as at December 31, 2011				**952,578**

8.10 Particulars of investment in preference shares - Available-for-sale

Pakistan Mercantile Exchange Limited	1,500,000	10	15,000	**15,000**
Trust Investment Bank Limited	650,000	10	6,500	**6,500**
Carrying value (before revaluation and provision) of preference shares 'Available-for-sale'				**21,500**
Provision for diminution in value of investments				**(5,081)**
Deficit on revaluation of securities				**–**
Market value as at December 31, 2011				**16,419**

8.11 Investment in subsidiary

Name of investee company	Percentage of holding %	Name of Chief Executive	Breakup Value per share (Rupees)	Number of shares held	Cost as at December 31, 2011 (Rupees in '000)
Primus Investment Management Limited	100	Mr. Ahmed Ateeq	10	24,999,997	250,000

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

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	Balance as at December 31, 2011 (Rupees in '000)	Name of Chief Executive
Listed TFCs								
Commercial banks								
Allied Bank Limited - 1st Issue	6 Months KIBOR+1.90%	Half Yearly	6-Dec-14	10,000	5,000	50,000	**49,938**	Mr. Khalid Ahmed Sherwani
Allied Bank Limited - 2nd Issue	6 Months KIBOR+0.85%	Half Yearly	28-Aug-19	5,000	5,000	25,000	**24,995**	Mr. Khalid Ahmed Sherwani
Askari bank Limited - 1st Issue	6 Months KIBOR+1.50%	Half Yearly	4-Feb-13	115	5,000	575	**592**	Mr.M.R Mehkari
Askari bank Limited - 2nd Issue	6 Months KIBOR+1.50%	Half Yearly	31-Oct-13	6,000	5,000	30,000	**29,974**	Mr.M.R Mehkari
Askari bank Limited - 4th Issue	6 Months KIBOR+2.50%	Half Yearly	18-Nov-19	20,700	5,000	103,500	**104,183**	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	**28,732**	Mr. Abbas D. Habib
Bank Al Habib Limited - 2nd Issue	6 Months KIBOR+1.95%	Half Yearly	7-Feb-15	3,000	5,000	15,000	**15,347**	Mr. Abbas D. Habib
Bank Alfalah Limited - 2nd Issue	6 Months KIBOR+1.50%	Half Yearly	23-Nov-12	2,800	5,000	14,000	**9,315**	Mr. Atif Bajwa
Bank Alfalah Limited - 3rd Issue	6 Months KIBOR+1.50%	Half Yearly	25-Nov-13	2,000	5,000	10,000	**9,892**	Mr. Atif Bajwa
Faysal Bank Limited - 1st Issue	6 Months KIBOR+1.40%	Half Yearly	12-Nov-14	1,031	5,000	5,154	**5,134**	Mr.Naved A. Khan
Faysal Bank Limited - 3rd Issue	6 Months KIBOR+1.90%	Half Yearly	10-Feb-13	3,946	5,000	19,730	**9,869**	Mr.Naved A. Khan
NIB Bank Limited	6 Months KIBOR+1.15%	Half Yearly	5-Mar-16	65,510	5,000	327,550	**326,139**	Mr.Badar Kazmi
Standard Chartered Bank- 3rd Issue	6 Months KIBOR+2.00%	Half Yearly	1-Feb-12	2,000	5,000	10,000	**7,022**	Mr. Mohsin Ali Nathani
Soneri Bank Limited	6 Months KIBOR+1.60%	Half Yearly	5-May-13	2,000	5,000	10,000	**7,487**	Mr. Aftab Manzoor
Summit Bank Limited	6 Months KIBOR+3.25%	Half Yearly	27-Oct-18	40,000	5,000	200,000	**200,000**	Mr. Hussain Lawai
United Bank Limited- 1st Issue	8.45% Fixed	Half Yearly	10-Aug-12	28,968	5,000	144,840	**94,745**	Mr.Atif R. Bokhari
United Bank Limited - 2nd Issue	9.49.% Fixed	Half Yearly	15-Mar-13	14,898	5,000	74,490	**70,632**	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	**5,000**	Mr.Atif R. Bokhari
United Bank Limited - 4th Issue	6 Months KIBOR+0.85%	Half Yearly	14-Feb-18	16,400	5,000	82,000	**81,810**	Mr.Atif R. Bokhari
Fertilizer								
Engro Chemical Pakistan Limited - 2nd Issue	6 Months KIBOR+1.55%	Half Yearly	30-Nov-15	481	5,000	2,405	**2,380**	Mr.Asad Umar
Engro Chemical Pakistan Limited - 3rd Issue	6 Months KIBOR+2.40%	Half Yearly	17-Dec-16	37	5,000	185	**185**	Mr.Asad Umar
Pak Arab Fertilizer Limited - 1st Issue	6 Months KIBOR+1.50%	Half Yearly	28-Feb-13	10,153	5,000	50,775	**37,480**	Mr. Fawad Ahmed Mukhtar
Real Estate Developers								
Pace Pakistan Limited	6 Months KIBOR+1.50%	Half Yearly	15-Feb-17	115	5,000	575	**575**	Ms. Aamna Ali Taseer
NBFCs								
Saudi Pak Leasing Company Limited	6.00% Fixed	Monthly	13-Mar-17	9,099	5,000	45,495	**31,362**	Mr.Nayyar Alam Ilyas
Telecommunication								
World Call Telecom Limited TFC	6 Months KIBOR+1.60%	Half Yearly	7-Oct-13	10,000	5,000	50,000	**26,684**	Mr. Babar Ali Syed
							1,179,472	
Unlisted TFCs								
Commercial banks								
Askari Bank Limited - 4th Issue	6 Months KIBOR+1.75%	Half Yearly	23-Dec-21	Units Awaited	1,000,000	150,000	**150,000**	Mr.M.R Mehkari
Bank Al Habib Limited PPTFC	15.00% Fixed	Half Yearly	30-Jun-21	50,000	5,000	250,000	**261,188**	Mr. Abbas D. Habib
Fertilizer								
Agritech Limited (formaly Pak American Fertilizer Limited) - 2nd Issue	6 Months KIBOR+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	**42,127**	Mr. Ahmed Jaudet Bilal
Agritech Limited (formaly Pak American Fertilizer Limited) - 1st Issue	6 Months KIBOR+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	**3,293**	Mr. Ahmed Jaudet Bilal
Engro Fertilizer Limited - 1st Issue	6 Months KIBOR+1.70%	Half Yearly	18-Mar-18	56,940	5,000	284,700	**275,773**	Mr.Asad Umar
Engro Fertilizer Limited - 2nd Issue	6 Months KIBOR+1.25%	Half Yearly	18-Mar-18	13,000	5,000	65,000	**63,888**	Mr.Asad Umar
Sugar								
Al. Abbas Sugar Mill Limited - 2nd Issue	6 Months KIBOR+1.75%	Half Yearly	21-Nov-13	44,000	5,000	220,000	**87,046**	Mr.Shunaid Qureshi
JDW Sugar Mills Limited	3 Months KIBOR+1.25%	Quarterly	23-Jun-14	24,754	5,000	123,770	**66,593**	Mr.Jahangir Khan Tareen
Pharmaceuticals								
Martin Dow Pharmaceutical Pakistan Limited - PPTFC	3 Months KIBOR+3%	Monthly	31-May-15	100,000	5,000	500,000	**331,700**	Mr. Muhammad Javaid Akhai
NBFCs								
Jahangir Siddiqui & Company Limited	6 Months KIBOR+1.70%	Half Yearly	4-Jul-13	18,500	5,000	92,500	**91,715**	Mr. Munaf Ibrahim
Personal Goods								
Azgard Nine Limited	6 Months KIBOR+2.20%	Half Yearly	4-Dec-14	5,000	5,000	25,000	**24,980**	Mr. Ahmed H Shaikh
							1,398,303	
Unlisted Sukuks								
Cement								
Maple Leaf Cement Factory Limited	3 Months KIBOR+1.00%	Quarterly	3-Dec-18	100,200	5,000	501,000	**337,910**	Mr.Sayeed Tariq Saigol
Maple Leaf Cement Factory Limited - 2nd Issue	3 Months KIBOR+1.00%	Quarterly	31-Mar-12	1,695	5,000	8,475	**8,475**	Mr.Sayeed Tariq Saigol
Kohat Cement Limited - Sukuk	6 Months KIBOR+2.50%	Half Yearly	20-Dec-15	5,000	5,000	25,000	**17,650**	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%	Half Yearly	29-Jun-14	66,526	5,000	332,630	**208,759**	Dr. Muhammad Amjad
Oil & Gas								
Sui Southern Gas Company Limited	3 Months KIBOR+0.20%	Quarterly	31-Dec-12	1,300	5,000	6,500	**2,600**	Mr.Azim Iqbal Siddiqui
							925,394	
Carrying value (before revaluation and provision) of TFCs and Sukuks 'available-for-sale							**3,503,169**	
Provision for diminution in value of investments							**(216,130)**	
Surplus on revaluation of securities - net							**18,652**	
Market value as at December 31, 2011							**3,305,691**	

8.12.1 The portfolio of Term Finance Certificates and Sukuks held under available-for-sale category include investments in Agritech Limited, Azgard Nine Limited and Maple Leaf Cement Factory Limited amounting to Rs. 24.98 million, Rs. 45.42 million and Rs. 346.38 million respectively. The State Bank of Pakistan (SBP) vide its letters numbered BSD/BRP - 1/000776/2012 dated January 18, 2012, BSD/BRP-1/001485/2012 dated February 02, 2012 and BSD/BRP-1/34166/274/12 dated January 06, 2012 has granted the relaxation for provisioning requirement under Prudential Regulations on the aforementioned exposures till February 28, 2012. However, the Company has maintained a general provision of Rs. 34.62 million against these investments and accrued markup has been suspended in accordance with SBP instructions given in the aforementioned letters.

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

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
					(Rupees)	(Rupees in '000)		
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. Badar 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. Badar 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								
Agritec Limited (formaly 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
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
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

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
					(Rupees)	(Rupees in '000)		
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	Sayeed Tariq Saigol
Maple Leaf Cement Factory Limited	3 Months Kibor+1.00%	Quarterly	3-Dec-18	100,200	5,000	501,000	322,692	Sayeed 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	

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

9. ADVANCES - net

	Note	2011	2010
Loans, cash credits, running finances, etc.			
In Pakistan		**3,337,302**	1,837,725
LTFF scheme under State Bank of Pakistan		**767,211**	326,109
Margin financing			
In Pakistan		**88,000**	88,200
Net investment in finance lease			
In Pakistan	9.2	**474,860**	223,138
Advances - gross		**4,667,373**	2,475,172
Provision for non-performing advances - Specific	9.3	**(1,723)**	(1,684)
Provision for non-performing advances - General		**(18,989)**	(5,845)
	9.4	**(20,712)**	(7,529)
Advances - net of provision		**4,646,661**	2,467,643

9.1 Particulars of advances - gross

		2011	2010
9.1.1	In local currency	**4,667,373**	2,475,172
	In foreign currencies	**–**	–
		4,667,373	2,475,172
9.1.2	Short term (for upto one year)	**1,603,915**	530,954
	Long term (for over one year)	**3,063,458**	1,944,218
		4,667,373	2,475,172

9.2 Net investment in finance lease

(Rupees in '000)

	December 31, 2011			December 31, 2010		
	Not later than one year	**Later than one year and less than five years**	**Total**	Not later than one year	Later than one yea and less than five years	Total
Lease rentals receivable	**180,713**	**315,038**	**495,751**	82,884	168,783	251,667
Residual value	**–**	**72,874**	**72,874**	–	28,316	28,316
Minimum lease payments	**180,713**	**387,912**	**568,625**	82,884	197,099	279,983
Financial charges for future periods	**(56,490)**	**(37,275)**	**(93,765)**	(28,643)	(28,202)	(56,845)
Present value of minimum lease payments	**124,223**	**350,637**	**474,860**	54,241	168,897	223,138

9.2.1 These leases are executed for a term of 3 to 5 years. Security deposit has been obtained from 10.00% to 15.00% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 14.86% to 21.18% per annum (2010: 15.29% to 20.85% per annum). Lease rentals are receivable in monthly / quarterly installments. The assets are insured in favour of the Company.

9.3 Advances include Rs. 2.99 million (2010: Rs. 6.74 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

	December 31, 2011								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of Classification									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–	–
Doubtful	**2,537**	–	**2,537**	**1,268**	–	**1,268**	**1,268**	–	**1,268**
Loss	**455**	–	**455**	**455**	–	**455**	**455**	–	**455**
	2,992	–	**2,992**	**1,723**	–	**1,723**	**1,723**	–	**1,723**

	December 31, 2010								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of Classification									
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

9.4 Particulars of provision against non-performing advances

(Rupees in '000)

	Note	**December 31, 2011**			December 31, 2010		
		Specific	**General**	**Total**	Specific	General	Total
Opening balance		**1,684**	**5,845**	**7,529**	16,131	9,000	25,131
Charge for the year		**1,089**	**13,144**	**14,233**	11,982	–	11,982
Reversal		**(1,050)**	**–**	**(1,050)**	(26,429)	(3,155)	(29,584)
		39	**13,144**	**13,183**	(14,447)	(3,155)	(17,602)
Closing balance	9.4.2	**1,723**	**18,989**	**20,712**	1,684	5,845	7,529

9.4.1 Particulars of provisions against non-performing advances

(Rupees in '000)

	December 31, 2011			December 31, 2010		
	Specific	**General**	**Total**	Specific	General	Total
In local currency	**1,723**	**18,989**	**20,712**	1,684	5,845	7,529
In foreign currencies	**–**	**–**	**–**	–	–	–
	1,723	**18,989**	**20,712**	1,684	5,845	7,529

9.4.2 This include general provision held against advances pertaining to Wateen Telecom Limited and Maple Leaf Cement Factory Limited. The State Bank of Pakistan (SBP) vide letter no. BSD/BRP-1/0000884/2012 dated January 20, 2012 and BSD/BRP-1/34166/274/12 dated January 06, 2012 has granted the relaxation for provisioning requirement on the aforementioned exposure under Prudential Regulations till February 29, 2012. Consequently the advances have not been classified but accrued markup has been suspended in accordance with the SBP instructions given in the aforementioned letters.

	Note	December 31 **2011**	December 31 2010
		(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:

	2011	2010
Balance at beginning of the year	**38,429**	37,659
Loans granted during the year	**18,224**	19,672
Repayments	**(12,237)**	(18,902)
Balance at end of the year	**44,416**	38,429

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

The detail is given in Annexure-I.

10. OPERATING FIXED ASSETS

	Note	2011	2010
Capital work-in-progress	10.1	**14,049**	101
Property and equipment	10.2	**18,727**	18,762
Intangible assets	10.3	**1,291**	2,150
		34,067	21,013

10.1 Capital work-in-progress

	2011	2010
Advance to supplier	**14,049**	101

10.2 Property and equipment

(Rupees in '000)

	December 31, 2011									
	COST				DEPRECIATION				Book value	
	As at January 01, 2011	Additions / (Disposals)	Transfers	As at December 31, 2011	As at January 01, 2011	Charge for the year / (disposals)	Transfers	As at December 31, 2011	as at December 31, 2011	Rate of depreciation
Owned										
Furniture and fixture	**8,047**	**19** **–**	**–**	**8,066**	**3,066**	**1,612** **–**	**–**	**4,678**	**3,388**	**20%**
Leasehold improvement	**10,661**	**–** **(215)**	**–**	**10,446**	**4,257**	**2,122** **(133)**	**–**	**6,246**	**4,200**	**20%**
Office equipment	**2,706**	**42** **–**	**(13)**	**2,735**	**1,220**	**536** **–**	**(3)**	**1,753**	**982**	**20%**
Computers	**8,528**	**919** **(105)**	**13**	**9,355**	**6,092**	**1,592** **(105)**	**3**	**7,582**	**1,773**	**33.33%**
Vehicles	**6,901**	**7,875** **(4,500)**	**–**	**10,276**	**3,489**	**1,605** **(3,069)**	**–**	**2,025**	**8,251**	**25%**
Mobile sets	**187**	**167** **(113)**	**–**	**241**	**144**	**77** **(113)**	**–**	**108**	**133**	**50%**
	37,030	**9,022** **(4,933)**	**–**	**41,119**	**18,268**	**7,544** **(3,420)**	**–**	**22,392**	**18,727**	

	December 31, 2010									
	COST				DEPRECIATION				Book value	
	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	as at December 31, 2010	Rate of depreciation
Owned										
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 (5,685)	7,753	6,901	556	1,089 (1,529)	3,373	3,489	3,412	20%
Mobile sets	202	15 (30)	–	187	81	90 (27)	–	144	43	50%
	28,658	6,334 (5,715)	7,753	37,030	8,878	7,573 (1,556)	3,373	18,268	18,762	
Assets held under finance lease:										
Vehicles	22,208	– (14,455)	– (7,753)	–	8,337	1,285 (6,249)	– (3,373)	–	–	20%
	50,866	6,334 (20,170)	–	37,030	17,215	8,858 (7,805)	–	18,268	18,762	

10.2.1 Change in estimates

During the year management has revised the estimated economic useful life of vehicle from 5 years to 4 years by virtue of change in the rate of depreciation from 20% to 25%. The decrease in profit caused by the change is as follow:

	(Rupees in '000)
Current year's profit	**373**

10.2.2 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	Sale proceeds	Gain	Mode of Disposal	Particulars of Purchaser
Vehicles						
Mercedes	**4,500**	**1,431**	**1,431**	**–**	Approval from the Board	Ms. Ayesha Aziz - Managing Director
Other assets (having book value of less than Rs.250,000 or cost of less than Rs.1,000,000)	**432**	**81**	**150**	**(69)**	Company policy / Insurance claim	Employees / Insurance Company
	4,932	**1,512**	**1,581**	**(69)**		
2010	20,170	12,365	12,883	(518)		

10.3 Intangible assets

(Rupees in '000)

	December 31, 2011							
	COST			AMORTIZATION			Book value	
	As at January 01, 2011	Additions	As at December 31, 2011	As at January 01, 2011	Charge for the year	As at December 31, 2011	as at **December 31, 2011**	Rate of Amortization
Computer software	**7,998**	**774**	**8,772**	**5,848**	**1,633**	**7,481**	**1,291**	**33.33%**

	December 31, 2010							
	COST			AMORTIZATION			Book value	
	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	as at December 31, 2010	Rate of Amortization
Computer software	6,984	1,014	7,998	3,481	2,367	5,848	2,150	33.33%

11. DEFERRED TAX ASSETS / (LIABILITIES) - net

	December 31 2011	December 31 2010
	(Rupees in '000)	
Taxable temporary differences		
Difference between accounting book value of fixed assets and tax base	**(2,303)**	(1,649)
Amortisation of discount on investments	**(86,972)**	(136,221)
Net investment in finance lease	**(25,270)**	(8,465)
Amortization of transaction cost	**(1,668)**	–
Deductible temporary differences		
Provision for compensated absences and bonus	**8,003**	5,030
Unrealized loss on revaluation of held-for-trading securities	**4,340**	–
Deficit on revaluation of securities - net	**12,576**	11,348
Provision for diminution in the value of investments	**66,397**	60,030
Provision against non-performing loans and advances	**7,249**	2,635
Provision against other assets	**17,458**	17,625
	(190)	(49,667)

11.1 Movement in temporary differences during the year

(Rupees in '000)

	Balance as at January 01, 2010	Recognised in profit and loss account	Recognised in deficit in revaluation of assets account	Balance as at December 31, 2010	Recognised in profit and loss account	Recognised in deficit revaluation of assets account	Balance as as at **December 31, 2011**
Taxable temporary difference							
Difference between accounting book value of fixed assets and tax base	(2,180)	531	–	(1,649)	(654)	–	(2,303)
Amortisation of discount on investments	(54,946)	(81,275)	–	(136,221)	49,249	–	(86,972)
Net investment in finance lease	(9,804)	1,339	–	(8,465)	(16,805)	–	(25,270)
Amortization of transaction cost	–	–	–	–	(1,668)	–	(1,668)
Deductible temporary differences							
Provision for compensated absences and bonus	3,975	1,055	–	5,030	2,973	–	8,003
Unrealized loss on revaluation of held-for-trading securities	–	–	–	–	4,340	–	4,340
Difference between book value of leased assets and obligation under finance lease	841	(841)	–	–	–	–	–
Deficit on revaluation of securities-net	828	–	10,520	11,348	–	1,228	12,576
Provision for diminution in the value of investments	34,160	25,870	–	60,030	6,367	–	66,397
Provision against non-performing loans and advances	8,796	(6,161)	–	2,635	4,614	–	7,249
Provision against other assets	15,987	1,638	–	17,625	(167)	–	17,458
	(2,343)	**(57,844)**	**10,520**	**(49,667)**	**48,249**	**1,228**	**(190)**

12. OTHER ASSETS

	Note	**December 31 2011**	December 31 2010
		(Rupees in '000)	
Income / mark-up accrued in local currency		**353,988**	255,378
Assets acquired in satisfaction of claim			
- non-banking assets	12.1	**209,652**	208,916
- other assets		**–**	66,640
Advances, deposits and other prepayments	12.2	**86,315**	55,778
Unrealized gain on interest rate swap contracts		**119**	359
Advance tax (payment less provision)		**105,118**	91,022
Dividend receivable		**22,787**	–
Receivable from Subsidiary - Primus Investment Management Limited	12.4	**2,948**	–
Receivable against ready sale of shares		**27,756**	–
		808,683	678,093
Less: Provision held against advances, deposits and other prepayments	12.3	**(50,000)**	(50,000)
Other assets (net of provisions)		**758,683**	628,093

12.1 This represents properties acquired in satisfaction of claim. The market value of properties as per the valuation report dated December 31, 2011 amounted to Rs. 220 million.

12.2 This includes Rs. 50 million (2010: Rs. 50 million) advance against Pre-IPO placement of Term Finance Certificates.

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

12.3 Provision against other assets

Opening balance	**50,000**	50,000
Charge for the year	**–**	–
Closing balance	**50,000**	50,000

12.4 This represents amounts receivable from subsidiary in respect of expenses incurred by the Company on behalf of subsidiary.

13. BORROWINGS

In Pakistan	**23,359,531**	5,943,385
Outside Pakistan	**–**	–
	23,359,531	5,943,385

13.1 Particulars of borrowings with respect to Currencies

In local currency	**23,359,531**	5,943,385
In foreign currencies	**–**	–
	23,359,531	5,943,385

13.2 Details of borrowings secured / unsecured

Secured			
Borrowing from SBP under LTFF Scheme	13.3	**767,209**	326,108
Repurchase agreement borrowings (Repo)	13.4	**20,350,655**	5,017,277
Borrowing from Banks	13.5	**1,666,667**	450,000
		22,784,531	5,793,385
Unsecured			
Letters of placement	13.6	**575,000**	150,000
		23,359,531	5,943,385

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 9.70% per annum (2010: 7.25% to 8.20% per annum). This is repayable within 8 years (2010: 7 years).

13.4 These carry mark-up at rate ranging from 11.75% to 13.40% per annum (2010: 12.52% to 13.30% per annum).These are repayable within 1 month to 4 months (2010: 1 month to 6 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 12.43% to 14.42% per annum (2010: 13.05% to 14.42% per annum) and is repayable within 3 years (2010: 4 years).

13.6 These carry mark-up at rate ranging from 11.65% to 12.00% per annum (2010: 13.15% per annum) and is repayable within 1 month (2010: 2 months).

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

14. DEPOSITS AND OTHER ACCOUNTS

Customers			
Certificate of investment- remunerative	14.1	**979,018**	844,000

14.1 These carry mark-up at rates ranging from 11.50% to 13.85% per annum (2010: 12.00% to 13.20% per annum) and are repayable within 1 month to 10 months (2010: 1 month to 10 months).

	December 31 2011	December 31 2010
	(Rupees in '000)	
14.2 Particulars of deposits		
In local currency	**979,018**	844,000
In foreign currencies	**–**	–
	979,018	844,000

15. OTHER LIABILITIES

	December 31 2011	December 31 2010
	(Rupees in '000)	
Mark-up / return / interest payable in local currency	**96,793**	75,451
Accrued expenses	**32,491**	21,385
Advance against equity	**–**	8,923
Advance against Certificates of Investment	**26,971**	–
Payable against purchase of shares	**5,862**	–
Brokerage commission payable	**1,609**	1,500
Unearned commission	**2,904**	2,342
Security deposit against lease	**72,874**	28,316
Others	**38,601**	51,083
	278,105	189,000

16. SHARE CAPITAL

16.1 Authorized Capital

2011	2010		2011	2010
Number of shares			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs. 10/- each.	**6,000,000**	6,000,000

16.2 Issued, subscribed and paid up capital

600,000,000	600,000,000	Ordinary shares fully paid in cash	**6,000,000**	6,000,000

16.3 The Ministry of Finance and Secretary Economic Affairs Division holds 299,995,999 and 4,001 shares (2010: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2010: 300,000,000 shares) are held by the Brunei Investment Agency.

	December 31 2011	December 31 2010
	(Rupees in '000)	

17. DEFICIT ON REVALUATION OF ASSETS - net

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

	2011	2010
Market Treasury Bills	**(12,705)**	(14,266)
Pakistan Investment Bonds	**(2,072)**	(14,038)
Listed securities		
- Term Finance Certificates	**18,652**	(31,660)
- Units of open-ended mutual funds	**(23,779)**	–
- Units of close-ended mutual funds	**1,043**	4,586
- Ordinary shares of listed companies	**(61,828)**	(4,963)
	(80,689)	(60,341)
Deferred tax asset recognised	**12,576**	11,348
	(68,113)	(48,993)

18. CONTINGENCIES AND COMMITMENTS

18.1 Transaction related contingent liability

	2011	2010
Letter of credit	**158,884**	425,001

18.2 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.

18.3 Tax contingencies have been discussed in note 26.2 to these unconsolidated financial statements.

	December 31 2011	December 31 2010
	(Rupees in '000)	
18.4 Commitments in respect of capital expenditure	**28,134**	150
18.5 Commitments to extend credit	**392,750**	785,520
18.6 Commitments for trading in government securities		
Purchase (reverse repo)	**464,944**	22,751
Sale	**20,502,275**	5,097,961

19. 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.

19.1 Product Analysis

(Rupees in '000)

	December 31, 2011		December 31, 2010	
	Interest Rate Swaps		Interest Rate Swaps	
Counter parties	No. of contracts	Notional Principal	No. of contracts	Notional Principal
With Banks for				
Hedging	–	–	–	–
Market Making	**2**	**200,000**	2	200,000
	2	**200,000**	2	200,000

19.2 Maturity Analysis

(Rupees in '000)

December 31, 2011

Remaining maturity	No. of contracts	Notional Principal	Mark to Market Negative	Mark to Market Positive	Mark to Market Net
Within 1 year	**2**	**200,000**	**(5,984)**	**6,103**	**119**

(Rupees in '000)

December 31, 2010

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

20. MARK-UP / RETURN / INTEREST EARNED

	December 31 2011	December 31 2010
	(Rupees in '000)	
On Loans and advances to:		
Customers	**511,800**	331,697
Financial institutions	**19,232**	11,657
On Investments in:		
Available-for-sale securities	**1,764,451**	1,257,104
Held-to-maturity securities	**29,577**	4,698
Held for trading	**2,328**	–
On Deposits with financial institutions	**17,833**	49,542
On Securities purchased under resale agreements	**49,517**	41,486
On Interest rate swap contracts	**9**	1,948
	2,394,747	1,698,132

	December 31 2011	December 31 2010
	(Rupees in '000)	

21. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	**234,292**	84,391
Short-term borrowings	**111,994**	98,226
Long-term borrowings	**72,268**	14,994
Securities sold under repurchase agreements	**1,050,723**	580,376
	1,469,277	777,987

22. GAIN ON SALE OF SECURITIES - net

Federal Government Securities		
- Market Treasury Bills	**90,374**	376
- Pakistan Investment Bonds	**(684)**	865
Ordinary shares of listed companies	**2,079**	77,397
Term Finance Certificates	**35,802**	66,797
Units of mutual funds	**5,131**	10,620
	132,702	156,055

23. OTHER INCOME

Net profit on sale of property and equipment	**69**	518
Others	**193**	155
	262	673

24. ADMINISTRATIVE EXPENSES

Salaries and allowances		**106,710**	86,501
Contribution to defined contribution plan		**4,512**	3,635
Non-executive directors' fees, allowances and other expenses		**3,234**	550
Rent, taxes, insurance, electricity, etc.		**16,362**	14,403
Legal and professional charges		**5,879**	9,073
Travelling and accommodation		**3,574**	4,417
Communications		**2,050**	2,062
Repairs and maintenance		**3,544**	3,120
Finance charges on leased assets		**–**	1,113
Brokerage commission		**12,759**	7,709
Stationery and printing		**1,899**	1,433
Advertisement and publicity		**641**	347
Donation	24.1 & 24.2	**4,120**	250
Auditors' remuneration	24.3	**2,500**	800
Depreciation	10.2	**7,544**	8,858
Amortization	10.3	**1,633**	2,367
Vehicle maintenance and fuel expense		**16,002**	11,451
Medical expense		**2,625**	2,382
Fee and subscription		**4,915**	2,226
Bank charges		**236**	42
Others		**2,364**	2,406
		203,103	165,145

24.1 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 2011	December 31 2010
	(Rupees in '000)	

24.2 Donations made in excess of Rs. 100,000 to a single donee are as follows:

Institute of Business Administration	**1,000**	250
Prime Minister's Flood Relief Fund	**3,000**	–
Citizen's Foundation	**120**	–
	4,120	250

24.3 Auditors' remuneration

Audit fee	**400**	400
Half yearly review fee	**175**	175
Fee for the audit of provident fund	**25**	25
Special certifications	**150**	150
Tax Services	**100**	–
Other services	**1,600**	–
Out-of-pocket expenses	**50**	50
	2,500	800

	December 31 2011	December 31 2010
	(Rupees in '000)	

25. OTHER CHARGES

Exchange loss	**–**	2
Unrealised loss on Interest Rate Swap contracts	**239**	3,959
	239	3,961

26. TAXATION

For the year		
Current	**355,528**	234,854
Deferred	**(48,249)**	65,762
	307,279	300,616
For the prior year		
Current	**8,193**	7,870
Deferred	**–**	(7,918)
	8,193	(48)
	315,472	300,568

	December 31 2011	December 31 2010
	(Rupees in '000)	

26.1 Relationship between tax expense and accounting profit

Accounting profit before tax	**919,579**	881,658
Tax rate	**35%**	35%
Tax on accounting profit	**321,853**	308,580
Tax effect of:		
Income chargeable to tax at special rate	**(31,833)**	(19,534)
Income exempt from tax	**(3,877)**	(14,156)
Expenses that are inadmissible in determining taxable profit	**1,735**	19,141
Permanent differences	**19,401**	6,585
Prior year charge	**8,193**	(48)
	315,472	300,568

26.2 Income tax returns for the tax years 2007 to 2011 have been filed by the Company on due dates that are deemed to be assessed by the Commissioner Inland Revenue under the provisions of section 120 of the Income Tax Ordinance, 2001.

Assessments for the tax years 2008 and 2009 were amended by the Additional Commissioner Inland Revenue (ACIR) vide orders dated July 27, 2010 passed under Section 122 (5A) of the Income Tax Ordinance, 2001 whereby tax demands of Rs. 9.741 million and Rs. 28.34 million respectively were created. In the amendment assessment orders, besides making other additions to income, the ACIR taxed the amount of amortization of discount on securities as against the gain on disposal of securities as offered by the Company.

The Company went into appeal where the Commissioner Inland revenue (Appeals) set aside most of the issues including the issue of amortization of discount on securities with specific directions. The tax department has issued a showcause notice for the purpose of giving effect to matters set-aside by the CIR(A). The Company is in the process of the filing the relevant explaination and details requested by the department.

An appeal filed with the CIR(A) against the rectified order levying Workers Welfare Fund in the tax year 2009 was decided in favour of the Company. However, the tax department has filed an appeal with the Appellate Tribunal Inland Revenue against the aforesaid decision of CIR(A).

Assessment order for tax year 2010 has been amended through order under section 122(5A) passed by the ACIR creating a tax demand of Rs. 106.50 million. The company filed appeal before the CIR(A) and an application for stay of demand against the tax demand. Recently, the said order was rectified by CIR(A) under section 221 of the Ordinance vide order dated January 27, 2012 with a revised tax demand of Rs. 51.26 million. An amount of Rs. 15.8 million has been paid against the said tax demand and an appeal was filed against the order passed under section 122(5A) of the Ordinance. An appeal has been filed by the company before the CIR(A) against the rectification order.

Both the Company and the Commissioner Inland Revenue have filed appeals before the Appellate Tribunal Inland Revenue.

27. BASIC EARNINGS PER SHARE

		December 31 2011	December 31 2010
		(Rupees in '000)	
Profit for the year	Rupees in '000	**604,107**	581,090
Weighted average number of ordinary shares	Numbers in '000	**600,000**	591,507
Basic earnings per share	Rupees	**1.01**	0.98

28. DILUTED EARNINGS PER SHARE

There were no convertible dilutive potential ordinary shares outstanding on December 31, 2011 and 2010.

29. CASH AND CASH EQUIVALENTS

	December 31 2011	December 31 2010
	(Rupees in '000)	
Cash and balance with treasury banks	**174,790**	30,803
Balance with other banks	**561,102**	129,969
	735,892	160,772

30. STAFF STRENGTH

	Number	Number
Permanent	**42**	37
Temporary / on contractual basis	**17**	19
Total staff strength	**59**	56

31. DEFINED CONTRIBUTION PLAN

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contribution at the rate of 10.00% per annum (2010: 10.00% per annum) is made both by the Company (employer) and employees. Contributions made to the provident fund during the year are as follows:

	December 31 2011	December 31 2010
	(Rupees in '000)	
Contribution made by the Company	**4,512**	3,635
Contribution made by employees	**4,512**	3,635
	9,024	7,270

32. COMPENSATION OF DIRECTORS AND EXECUTIVES

(Rupees in '000)

	Chief Executive		Directors		Executives	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Fees	–	–	–	–	–	–
Managerial remuneration	**21,200**	14,086	–	–	**67,406**	59,809
Contribution to defined contribution plan	**1,055**	644	–	–	**3,430**	2,631
Utilities	**303**	347	–	–	**14,460**	9,807
Medical	**341**	502	–	–	**2,153**	1,835
Travelling allowance	**228**	348	**3,234**	550	**302**	420
	23,127	15,927	**3,234**	550	**87,751**	74,502
Number of persons	**1**	1	**3**	3	**36**	35

32.1 The Chief executive is provided with Company maintained car. Executive means employees other than the managing director and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

33. 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 38.3.1 and 38.2.4 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.

34. 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
2011			
Total income	68,659	2,129,242	481,171
Total expenses	42,866	1,416,219	300,408
Net income	25,793	713,023	180,763
Segment assets (gross)	–	28,326,376	4,648,478
Segment non performing loans	–	102,992	89,856
Investment provided for	–	802,084	–
Segment provision required *	–	421,476	8,989
Segment liabilities	–	21,146,599	3,470,246
Segment return on assets (ROA) (%)	–	3.51%	5.09%
Segment return on net assets (ROA) (%)	–	10.87%	16.79%
Segment cost of funds (%)	–	9.44%	9.44%
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%

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

35. 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.

The Company is also acting as trustee to Term Finance Certificates issued by Agritech Limited, Al Abbas Sugar Mills Limited, Askari Bank Limited–IV, Azgard Nine Limited, Bank Alfalah Limited–IV, Bank Al-Habib Limited–IV, Faysal Bank Limited, Martin Dow Pharmaceuticals Limited, National Investment Trust Limited, Soneri Bank Limited, United Bank Limited–IV and SUKUK Issue of Agritech Limited. The combined value of such assets as at December 31, 2011 amounted to PKR 28,442 Million (2010: PKR 29,216 Million).

36. RELATED PARTY TRANSACTIONS

The Company has related party relationship with;

- its employee defined contribution plan;
- its key management personnel;
- other related parties including Pakistan Mercantile Exchange Limited, Nimir Industrial Chemicals Limited and Haq Bahu Sugar Mills (Private) Limited due to common directorship.

Details of loan and advances to the executives are given in note 9.5 to these unconsolidated 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 31 to these unconsolidated financial statements. Remuneration to the executive is disclosed in note 32 to the unconsolidated financial statements. Transactions with owners have been disclosed in ' Unconsolidated 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.

Further, During the current year the Company has made an investment of Rs. 250 million in its subsidiary namely, Primus Investment Management Limited as disclosed in note 8.11 to the unconsolidated financial statements. The Company is providing certain administrative and management services to the subsidiary free of charge. The receivable from subsidiary has been disclosed in note 12.4 to the unconsolidated financial statements.

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

(Rupees in '000)

	December 31, 2011 Key management personnel	December 31, 2011 Other related parties	December 31, 2011 Subsidiary	December 31, 2010 Key management personnel	December 31, 2010 Other related parties	December 31, 2010 Subsidiary
Advances						
As at beginning of the year	**20,063**	**–**	**–**	28,389	–	–
Given during the period	**8,263**	**479,000**	**–**	5,478	–	–
Repaid during the period	**(5,040)**	**(5,000)**	**–**	(13,804)	–	–
As at end of the year	**23,286**	**474,000**	**–**	20,063	–	–
Borrowings						
As at beginning of the year	**–**	**–**	**–**	–	–	–
Given during the period	**–**	**–**	**–**	–	633,445	–
Repaid during the period	**–**	**–**	**–**	–	(633,445)	–
As at end of the year	**–**	**–**	**–**	–	–	–
Placements						
As at beginning of the year	**–**	**–**	**–**	–	7	–
Placements made during the year	**–**	**–**	**–**	–	693,480	–
Placements matured during the year	**–**	**–**	**–**	–	(693,346)	–
As at end of the year	**–**	**–**	**–**	–	–	–
Investments						
As at beginning of the year	**–**	**–**	**–**	–	–	–
Investments made during the year	**–**	**15,000**	**250,000**	–	–	–
Redemption during the year	**–**	**–**	**–**	–	–	–
As at end of the year	**–**	**15,000**	**250,000**	–	–	–
Mark-up / return / interest earned	**642**	**36,966**	**–**	1,272	300	–
Mark-up / return / interest expensed	**–**	**–**	**–**	–	209	–
Salaries and other benefits	**64,880**	**–**	**–**	54,235	–	–
Reimbursement of expenses	**10,013**	**–**	**–**	8,403	–	–

37. CAPITAL - ASSESSMENT AND ADEQUACY

37.1 Scope of Application and Capital Structure

The Basel II Framework is applicable to the Company for determining Capital Adequacy both at consolidated level (Comprising of fully owned subsidiary - Primus Investment Management Limited) and also on stand alone basis. The purpose of this legislation is to provide a modern prudential framework for credit institutions and investment firms across the globe, improving on the previous Basel I Framework through greater risk sensitivity and reflecting more modern approaches and improvements in the risk management practices of credit institutions and investment firms.The different tiers of regulatory capital recognized by SBP are as follows:

Tier I capital, includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements and net un-appropriated profits after deduction of book value of goodwill / intangibles, deficit on revaluation of available for sale investments and 50% of investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position as per the guidelines laid under the Basel II Framework.

Tier II capital includes general provisions for loan losses, reserves on the revaluation of fixed assets and equity investments, foreign exchange translation reserves and subordinated debts (upto maximum of 50% of total eligible tier I capital) after deduction of 50% of investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position as per the guidelines laid under the Basel II Framework.

General provisions for loan losses, eligible for Tier II capital should be against unidentified losses, however the Company has made general provision against some identified losses and hence are ineligible, and the same is not included while determining Tier II capital.

Tier III capital has also been prescribed by the SBP for managing market risk. However the Company does not have any Tier III capital.

The required capital adequacy is achieved by the Company through:

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

37.2 Capital Adequacy

The risk weighted assets to capital ratio is calculated in accordance with the State Bank's guidelines on capital adequacy. Details of Company's eligible capital on an unconsolidated basis is as follows:

	December 31 2011	December 31 2010
	(Rupees in '000)	
Regulatory Capital Base		
Tier I Capital		
Shareholders equity / assigned capital	**6,000,000**	6,000,000
Reserves	**399,132**	278,311
Unappropriated profits	**1,596,527**	1,113,241
	7,995,659	7,391,552
Less:		
Goodwill, other intangible assets and deficit on account of revaluation of available for sale portfolio etc	**1,291**	2,150
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	**80,689**	48,993
Other deductions (50% of investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position)	**125,000**	–
	206,980	86,115
Total Tier I Capital	**7,788,679**	7,305,437
Tier II Capital		
General Provisions subject to 1.25% of Total Risk Weighted Assets	**–**	–
	–	–
Less:		
Other deductions (50% of investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position)	**125,000**	–
Total Tier II Capital	**(125,000)**	–
Eligible Tier III Capital	**–**	–
Total Regulatory Capital Base	**7,663,679**	7,305,437

37.3 Risk Weighted Exposures

(Rupees in '000)

	Capital Requirements		Risk Weighted Assets	
	December 31, 2011	December 31, 2010	**December 31, 2011**	December 31, 2010
Credit Risk				
Portfolios subject to standardized approach On balance sheet exposures				
Claims				
On Public sector entities in Pakistan	**12,514**	4,482	**125,142**	44,817
On Banks	**14,533**	27,124	**145,334**	271,238
On Corporates	**592,157**	371,943	**5,921,570**	3,719,434
Categorized as Retail portfolio	**943**	1,159	**9,428**	11,594
Fully secured by Residential property	**1,115**	806	**11,146**	8,062
Unlisted equity investments	**15,000**	505	**150,000**	5,053
On Listed equity investments and regulatory capital instruments	**152,234**	167,742	**1,522,340**	1,677,416
Past Due Loans	**127**	–	**1,268**	–
On Investments in fixed assets	**3,278**	1,886	**32,775**	18,863
On All other assets	**27,577**	37,361	**275,765**	373,610
	819,478	613,008	**8,194,767**	6,130,087
Off balance sheet exposures				
Non-market related	**43,323**	66,808	**433,230**	668,084
Market related	**2**	27	**24**	272
	43,325	66,835	**433,254**	668,356
	862,803	679,843	**8,628,021**	6,798,443
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**146,145**	31	**1,826,813**	388
Equity position risk	**65,010**	24,928	**812,625**	311,600
Foreign Exchange Risk	**–**	–	**–**	–
	211,155	24,959	**2,639,438**	311,988
Operational Risk				
Capital Requirement for operational risks	**147,124**	121,898	**1,839,050**	1,523,725
TOTAL	**1,221,082**	826,700	**13,106,509**	8,634,156
Capital Adequacy Ratio				
Total eligible regulatory capital held (Note: 37.2) (a)			**7,663,679**	7,305,437
Total Risk Weighted Assets (b)			**13,106,509**	8,634,156
Capital Adequacy Ratio (a) / (b)			**58.47%**	84.61%

37.3.1 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 counter parties by the External Credit Assessment Institutions (ECAIs) duly recognised by SBP for capital adequacy purposes. In this connection, the Company utilizes the credit ratings assigned by ECAIs and has recognised 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 recognised 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.

37.3.1.1 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).

37.3.1.2 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.

37.3.1.3 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.

37.3.1.4 Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA	MOODY's	FITCH	S & P
Corporate	√	√	-	-	-
Banks	√	√	-	-	-
SME's	N/A	N/A	N/A	N/A	N/A
Sovereigns	N/A	N/A	N/A	N/A	N/A
Securitization	N/A	N/A	N/A	N/A	N/A
Others	N/A	N/A	N/A	N/A	N/A

37.3.1.5 Credit exposures subject to Standardized Approach

(Rupees in '000)

Exposures	Rating category No.	Rating risk weighted	Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			December 31, 2011			
Cash and Cash Equivalents		0%	–	–	–	–
Corporate	0	0%	–	–	–	–
	1	20%	1,500,436	–	1,500,436	300,087
	2	50%	1,614,216	–	1,614,216	807,108
	3,4	100%	238,216	–	238,216	238,216
	5,6	150%	814,474	–	814,474	1,221,711
	Unrated	100%	3,354,448	–	3,354,448	3,354,448
			7,521,790	–	7,521,790	5,921,570
Retail		0%	–	–	–	–
		20%	–	–	–	–
		50%	–	–	–	–
		75%	12,571	–	12,571	9,428
			12,571	–	12,571	9,428
Banks						
- Over 3 Months		0%	–	–	–	–
	1	20%	–	–	–	–
	2,3	50%	–	–	–	–
	4,5	100%	–	–	–	–
	6	150%	–	–	–	–
	Unrated	50%	–	–	–	–
			–	–	–	–
- Maturity Upto and under 3 Months in FCY		0%	–	–	–	–
	1,2,3	20%	–	–	–	–
	4,5	50%	–	–	–	–
	6	150%	–	–	–	–
	unrated	20%	–	–	–	–
			–	–	–	–
- Maturity Upto and under 3 Months in PKR		0%	–	–	–	–
		20%	726,667	–	726,667	145,333
			726,667	–	726,667	145,333
Residential Mortgage Finance		35%	31,845	–	31,845	11,146
Public Sector Entity		0%	–	–	–	–
	1	20%	613,163	–	613,163	122,633
	2,3	50%	–	–	–	–
	4,5	100%	–	–	–	–
	6	150%	–	–	–	–
	Unrated	50%	5,018	–	5,018	2,509
			618,181	–	618,181	125,142
Sovereigns (SBP / GoP)		0%	306,859	–	306,859	–
Equity Investments - Listed		100%	1,522,340	–	1,522,340	1,522,340
- Unlisted		150%	100,000	–	100,000	150,000
			1,622,340	–	1,622,340	1,672,340
Past Due Loans						
(Not Secured by Residential Mortgages)	S.P less than 20%	150%	–	–	–	–
	S.P upto 20%	100%	1,268	–	1,268	1,268
	S.P greater than 50%	50%	–	–	–	–
			1,268	–	1,268	1,268
Investment in fixed assets		100%	32,775	–	32,775	32,775
Other assets		100%	275,765	–	275,765	275,765
Total			11,150,061	–	11,150,061	8,194,767

* Credit Risk Mitigation (CRM)

Credit exposures and comparative figures subject to the standardised approach

(Rupees in '000)

Exposures	Rating category No.	Rating risk weighted	Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			December 31, 2010			
Cash and Cash Equivalents		0%	–	–	–	–
Corporate	0	0%	–	–	–	–
	1	20%	1,166,183	–	1,166,183	233,237
	2	50%	1,295,115	–	1,295,115	647,558
	3,4	100%	656,428	–	656,428	656,428
	5,6	150%	405,689	–	405,689	608,534
	Unrated	100%	1,573,677	–	1,573,677	1,573,677
			5,097,092	–	5,097,092	3,719,434
Retail		0%	–	–	–	–
		20%	–	–	–	–
		50%	–	–	–	–
		75%	15,458	–	15,458	11,594
			15,458	–	15,458	11,594
Banks						
- Over 3 Months		0%	–	–	–	–
	1	20%	–	–	–	–
	2,3	50%	–	–	–	–
	4,5	100%	–	–	–	–
	6	150%	–	–	–	–
	Unrated	50%	–	–	–	–
			–	–	–	–
- Maturity Upto and under 3 Months in FCY		0%	–	–	–	–
	1,2,3	20%	4	–	4	1
	4,5	50%	–	–	–	–
	6	150%	–	–	–	–
	unrated	20%	–	–	–	–
			4	–	4	1
- Maturity Upto and under 3 Months in PKR		0%	–	–	–	–
		20%	1,356,185	–	1,356,185	271,237
			1,356,185	–	1,356,185	271,237
Residential Mortgage Finance		35%	23,036	–	23,036	8,063
Public Sector Entity		0%	–	–	–	–
	1	20%	91,377	–	91,377	18,275
	2,3	50%	–	–	–	–
	4,5	100%	–	–	–	–
	6	150%	–	–	–	–
	Unrated	50%	53,083	–	53,083	26,542
			144,460	–	144,460	44,817
Sovereigns (SBP / GoP)		0%	5,499,126	–	5,499,126	–
Equity Investments - Listed		100%	1,677,416	–	1,677,416	1,677,416
- Unlisted		150%	–	–	–	–
			1,677,416	–	1,677,416	1,677,416
Past Due Loans						
(Not Secured by Residential Mortgages)	S.P less than 20%	150%	–	–	–	–
	S.P upto 20%	100%	5,053	–	5,053	5,053
	S.P greater than 50%	50%	–	–	–	–
			5,053	–	5,053	5,053
Investment in fixed assets		100%	18,863	–	18,863	18,863
Other assets		100%	373,610	–	373,610	373,610
Total			14,210,303	–	14,210,303	6,130,088

* Credit Risk Mitigation (CRM)

37.4 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

The paid up capital and CAR of the Company stands at Rs. 6 billion and 58.47 % of its risk weighted exposure as at December 31, 2011 respectively.

38. 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. 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.

38.1 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 Risk Management 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. A new internal rating model to rate corporate and commercial customers has been designed and its framework has been approved by the Board in July, 2011. The new model has been running under parallel testing with the old model in December, 2011.

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 distressed/non performing 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.

38.1.1 Segmental Information

38.1.1.1 Segments by class of business

	December 31, 2011					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	89,856	1.9%	–	–	–	–
Textile	576,718	12.4%	–	–	213,905	1.0%
Sugar	511,116	11.0%	–	–	158,884	0.7%
Chemicals & Pharmaceuticals	561,869	12.0%	2,260	0.2%	1,482	0.0%
Production and Transmission of Energy	935,588	20.0%	–	–	–	–
Financial	190,992	4.1%	800,000	81.7%	20,967,219	97.3%
Individuals	44,416	1.0%	–	–	–	–
Hotel	57,187	1.2%	–	–	–	–
Telecommunication	150,000	3.2%	–	–	–	–
Paper & Board	200,000	4.3%	–	–	–	–
Food & Confectionary	428,270	9.2%	2,000	0.2%	19,461	0.1%
Oil, Gas, Petroleum and Energy	70,093	1.5%	–	–	100,000	0.5%
Advertising	–	–	–	–	–	–
Entertainment	–	–	–	–	–	–
Transportation	203,726	4.4%	–	–	34,694	0.2%
Packaging	74,109	1.6%	–	–	408	0.0%
Services	–	–	174,758	17.9%	50,934	0.2%
Electronics and electrical appliances	230,000	4.9%	–	–	–	–
Engineering	117,505	2.5%	–	–	–	–
Others	225,928	4.8%	–	–	–	–
	4,667,373	100%	979,018	100%	21,546,987	100%

	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	508,583	20.5%	–	–	565,531	8.9%
Financial	96,007	3.9%	250,000	29.6%	5,120,712	80.9%
Individuals	38,494	1.6%	–	–	–	–
Hotel	65,000	2.6%	–	–	–	–
Telecommunication	183,334	7.4%	–	–	–	–
Paper & Board	200,000	8.1%	–	–	–	–
Food & Confectionary	160,000	6.5%	2,000	0.0%	170,000	2.7%
Oil, Gas, Petroleum and Energy	285,532	11.5%	–	–	–	–
Advertising	2,489	0.1%	–	–	–	–
Entertainment	416	0.0%	–	–	–	–
Transportation	159,416	6.4%	250,000	29.6%	109,820	1.7%
Packaging	110,971	4.5%	–	–	–	–
Services	5,387	0.2%	90,000	10.7%	150	0.0%
Electronics and electrical appliances	–	–	–	–	–	–
Engineering	–	–	–	–	–	–
Others	14,998	0.6%	250,000	29.6%	–	–
	2,475,172	100%	844,000	100%	6,331,383	100%

38.1.1.2 Segment by sector

(Rupees in '000)

	December 31, 2011					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	**146,764**	**3%**	**–**	**–**	**152,490**	**1%**
Private	**4,520,609**	**97%**	**979,018**	**100%**	**21,394,497**	**99%**
	4,667,373	**100%**	**979,018**	**100%**	**21,546,987**	**100%**

	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%	–	–	675,351	11%
Private	2,334,049	94%	844,000	100%	5,656,032	89%
	2,475,172	100%	844,000	100%	6,331,383	100%

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

(Rupees in '000)

	December 31, 2011		December 31, 2010	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Financial	**2,992**	**1,723**	6,736	1,684
	2,992	**1,723**	6,736	1,684

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

Public/Government	–	–	–	–
Private	**2,992**	**1,723**	6,736	1,684
	2,992	**1,723**	6,736	1,684

38.1.1.5 Geographical Segment Analysis

(Rupees in '000)

	December 31, 2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	**919,579**	**32,544,390**	**7,927,546**	**21,546,987**

	December 31, 2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	881,658	14,368,611	7,342,559	6,331,383

38.2 Market Risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property etc) as well as their correlations and volatilities. Company is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Capital market groups.

The Company classifies its assets in banking and trading books as per instructions from SBP. Company's trading book comprises positions in financial instruments held with trading intent or in order to hedge other elements of the trading book 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 positions which does not fulfill the criteria of trading book falls under the banking Book and are treated as per SBP requirements.

The Company actively measure, control and manage market risk on day-to-day basis. Controls are applied to all investment portfolios by setting limits to the exposures taken. This includes stop loss limits on shares in 'Held for Trading' portfolio, individual and sectoral concentration limits, volatility and value-at-risk limits etc.

The Company measure market risk using various techniques like duration analysis for interest rate sensitivity, Value-at-Risk for adverse price movement and stress testing etc. The results are communicated to ALCO and Risk Management Committee on monthly and quarterly basis respectively. Market risk is effectively managed at portfolio level.

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.

38.2.1 Interest Rate Risk

Interest rate risk is the uncertainty resulting from changes in interest rates, including changes in the shape of yield curves. Interest rate risk arises from factors such as mismatches between contractual maturities or re-pricing of on and off balance sheet assets and liabilities. The objective of yield / interest rate risk management is to minimize adverse variances in the Company's profitability .

Government securities (PIBs and T-Bills), investment in TFCs and Sukuks, loans and advances and other money market investments are subject to interest rate risk classified under 'Held for Trading' as well as 'Available-for-Sale' category if they meet the SBP criteria. 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.

38.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. The Company is not exposed to any significant funded or non-funded foreign exchange exposure.

(Rupees in '000)

	December 31, 2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	**32,544,386**	**24,616,844**	**–**	**7,927,542**
United States Dollar	**4**	**–**	**–**	**4**
	32,544,390	**24,616,844**	**–**	**7,927,546**

	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

38.2.3 Equity Position Risk

The Company is exposed to equity position risk on its investments in equity capital markets. 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' or 'Available for Sale' Portfolio.

Equity investment in Company's trading book are subject to limits and controls imposed by risk management policy to reduce the risk. The risk is managed by applying trading limit, scrip–wise and portfolio wise nominal limits, stop-loss limits and volatility limits. Stress test and value-at-risk figures are also reported to the management for timely decisions.

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

38.2.4 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, 2011											
	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												
Asset												
Cash and balances with treasury banks	0.0%	174,790	–	–	–	–	–	–	–	–	–	174,790
Balances with other banks	7.37%	561,102	561,102	–	–	–	–	–	–	–	–	–
Lendings to financial institutions	12.66%	627,841	627,841	–	–	–	–	–	–	–	–	–
Investments - net	14.38%	25,491,246	339,439	10,424,120	811,785	12,696,777	169,352	–	192,618	360,403	–	496,752
Advances - net	15.14%	4,646,661	1,468,118	1,413,809	902,672	165,713	119,077	133,941	268,094	149,564	13,101	12,572
Other assets - net	0.0%	413,317	–	–	–	–	–	–	–	–	–	413,317
		31,914,957	2,996,500	11,837,929	1,714,457	12,862,490	288,429	133,941	460,712	509,967	13,101	1,097,431
Liabilities												
Borrowings	12.06%	23,359,531	19,168,992	2,276,265	45,831	51,144	674,543	704,139	274,944	163,673	–	–
Deposits and other accounts	12.74%	979,018	325,000	2,000	149,758	502,260	–	–	–	–	–	–
Other liabilities	0.0%	257,008	–	–	–	–	–	–	–	–	–	257,008
		24,595,557	19,493,992	2,278,265	195,589	553,404	674,543	704,139	274,944	163,673	–	257,008
On-balance sheet gap		7,319,400	(16,497,492)	9,559,664	1,518,868	12,309,086	(386,114)	(570,198)	185,768	346,294	13,101	840,423
Off–balance sheet financial instruments												
Forward purchase of Government Securities		(464,944)	(464,944)	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		20,502,275	19,573,343	457,252	471,680	–	–	–	–	–	–	–
Interest Rate Derivatives – Short position		(5,984)	–	(5,984)	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Long position		6,103	–	6,103	–	–	–	–	–	–	–	–
Off–balance sheet gap		20,037,450	19,108,399	457,371	471,680	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap		27,356,850	2,610,907	10,017,035	1,990,548	12,309,086	(386,114)	(570,198)	185,768	346,294	13,101	840,423
Cumulative Yield / Interest Risk Sensitivity Gap			2,610,907	12,627,942	14,618,490	26,927,576	26,541,462	25,971,264	26,157,032	26,503,326	26,516,427	27,356,850

(Rupees in '000)

	Effective yield/ interest rate	Total	Exposed to yield/interest risk: 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	Non-interest Bearing Financial Instruments
	December 31, 2010											
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												
Forward purchase of Government Securities		(22,751)	(22,751)	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		5,097,961	3,632,107	1,096,191	369,663	–	–	–	–	–	–	–
Interest Rate Derivatives – Short position		(21,248)	–	–	–	–	(21,248)	–	–	–	–	–
Interest Rate Derivatives – Long position		21,607	–	–	–	–	21,607	–	–	–	–	–
Off–balance sheet gap		5,075,569	3,609,356	1,096,191	369,663	–	359	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap		12,231,371	1,864,520	4,579,641	4,658,713	4,250	200,539	257,736	(196,155)	412,092	17,793	432,242
Cumulative Yield / Interest Risk Sensitivity Gap			1,864,520	6,444,161	11,102,874	11,107,124	11,307,663	11,565,399	11,369,244	11,781,336	11,799,129	12,231,371

38.3 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.

Liquidity risk can arise from the Company's activities and can be grouped into three categories:
- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

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. Company monitors all the possible sources from which liquidity risk can emanate inculding market reputation, borrowing terms, deterioration in quality of credit portfolio etc. Other sources are also identified for which early warning indicators have been created and being monitored for early intervention of management sensing a potiental liquidity crunch.

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.

38.3.1 Maturities of Assets and Liabilities

(Rupees in '000)

	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
	December 31, 2011									
Assets										
Cash and balances with treasury banks	**174,790**	**174,790**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balances with other banks	**561,102**	**561,102**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Lendings to financial institutions	**627,841**	**627,841**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Investments - net	**25,741,246**	**257,876**	**8,552,335**	**461,097**	**12,887,649**	**755,997**	**406,326**	**635,139**	**1,534,827**	**250,000**
Advances - net	**4,646,661**	**150,004**	**362,452**	**642,763**	**447,609**	**793,096**	**699,683**	**909,062**	**628,891**	**13,101**
Operating fixed assets	**34,067**	**1,058**	**2,116**	**17,051**	**3,540**	**6,435**	**2,468**	**1,399**	**–**	**–**
Deferred tax assests - net	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other assets	**758,683**	**301,200**	**199,178**	**22,053**	**7,603**	**224,371**	**4,278**	**–**	**–**	**–**
	32,544,390	**2,073,871**	**9,116,081**	**1,142,964**	**13,346,401**	**1,779,899**	**1,112,755**	**1,545,600**	**2,163,718**	**263,101**
Liabilities										
Borrowings	**23,359,531**	**19,168,991**	**2,276,265**	**45,831**	**51,144**	**674,543**	**704,139**	**274,944**	**163,674**	**–**
Deposits and other accounts	**979,018**	**325,000**	**2,000**	**149,758**	**502,260**	**–**	**–**	**–**	**–**	**–**
Liabilities against assets subject to finance lease	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Deferred tax liabilities - net	**190**	**4**	**37**	**50**	**9**	**18**	**21**	**51**	**–**	**–**
Other liabilities	**278,105**	**127,183**	**68,471**	**3,134**	**6,444**	**12,264**	**16,735**	**43,875**	**–**	**–**
	24,616,844	**19,621,178**	**2,346,772**	**198,773**	**559,857**	**686,825**	**720,895**	**318,870**	**163,674**	**–**
Net assets	**7,927,546**	**(17,547,306)**	**6,769,309**	**944,191**	**12,786,544**	**1,093,074**	**391,860**	**1,226,730**	**2,000,044**	**263,101**
Share capital	**6,000,000**									
Reserves	**399,132**									
Unappropriated profit	**1,596,527**									
Deficit on revaluation of assets - net	**(68,113)**									
	7,927,546									

	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
	December 31, 2010									
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	2,628,718	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)									
	7,342,559									

38.4 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.

39. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Group have proposed a final dividend for the year ended December 31, 2011 of Rs. **0.33** per share (2010: Nil), amounting to Rs. **200** million (2010: Nil) at their meeting held on **March 28, 2012**, for approval of the members at the annual general meeting to be held on **April 24, 2012**.

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 unconsolidated financial statements were authorized for issue on **March 28, 2012** by the Board of Directors of the Company.

Chief Executive **Director** **Director** **Chairperson**

Annexure - I

As referred in note 9.6 of the unconsolidated 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, 2011

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

Consolidated Financial Statements

Deloitte.

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Web: www.deloitte.com

Independent Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Pak Brunei Investment Company Limited (the Holding Company) and its subsidiary company (Primus Investment Management Limited) as at December 31, 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standard on Auditing and accordingly included such tests of accounting records and such other audit procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Pak Brunei Investment Company Limited and its subsidiary company as at December 31, 2011 and the results of their operations for the year then ended.

M. Yousuf Adil Saleem & Co

Chartered Accountants

Engagement Partner:
Syed Asad Ali Shah

Karachi
Date: March 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

Consolidated
Statement of Financial Position
As at December 31, 2011

2011 (US $ in '000)	2010 (US $ in '000)		Note	2011 (Rupees in '000)	2010 (Rupees in '000)
		ASSETS			
1,951	344	Cash and balances with treasury banks	5	**174,790**	30,803
6,273	1,451	Balances with other banks	6	**562,085**	129,969
7,007	13,647	Lendings to financial institutions	7	**627,841**	1,222,727
287,303	110,138	Investments - net	8	**25,742,364**	9,868,363
51,860	27,541	Advances - net	9	**4,646,661**	2,467,643
380	235	Operating fixed assets	10	**34,067**	21,013
–	–	Deferred tax assets		**–**	–
8,451	7,010	Other assets	12	**757,208**	628,093
363,225	160,366			**32,545,016**	14,368,611
		LIABILITIES			
–	–	Bills payable		**–**	–
260,709	66,333	Borrowings	13	**23,359,531**	5,943,385
10,927	9,420	Deposits and other accounts	14	**979,018**	844,000
–	–	Sub-ordinated loans		**–**	–
–	–	Liabilities against assets subject to finance lease		**–**	–
4	555	Deferred tax liabilities - net	11	**383**	49,667
3,104	2,110	Other liabilities	15	**278,181**	189,000
274,744	78,418			**24,617,113**	7,026,052
88,481	81,948	**NET ASSETS**		**7,927,903**	7,342,559
		REPRESENTED BY			
66,964	66,964	Share capital	16	**6,000,000**	6,000,000
4,455	3,106	Reserves		**399,204**	278,311
17,822	12,425	Unappropriated profit		**1,596,812**	1,113,241
89,241	82,495			**7,996,016**	7,391,552
(760)	(547)	Deficit on revaluation of assets - net of tax	17	**(68,113)**	(48,993)
88,481	81,948			**7,927,903**	7,342,559

CONTINGENCIES AND COMMITMENTS 18

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

Chief Executive **Director** **Director** **Chairperson**

Consolidated
Profit and Loss Account
For the Year ended December 31, 2011

2011 (US $ in '000)	2010 (US $ in '000)		Note	2011 (Rupees in '000)	2010 (Rupees in '000)
26,755	18,952	Mark-up / return / interest earned	20	**2,397,223**	1,698,132
16,398	8,683	Mark-up / return / interest expensed	21	**1,469,277**	777,987
10,357	10,269	**Net mark-up / interest Income**		**927,946**	920,145
147	(196)	Provision / (reversal) against non-performing loans and advances	9.4	**13,183**	(17,602)
822	1,104	Provision for diminution in the value of investments	8.3	**73,691**	98,946
–	–	Bad debts written off directly		**–**	–
969	908			**86,874**	81,344
9,388	9,361	**Net mark-up / interest income after provisions**		**841,072**	838,801
		NON MARK-UP / INTEREST INCOME			
766	475	Fee, commission and brokerage income		**68,658**	42,550
1,070	142	Dividend income		**95,903**	12,685
–	–	Income from dealing in foreign currencies		**–**	–
1,481	1,742	Gain on sale of securities - net	22	**132,702**	156,055
(151)	–	Unrealized loss on revaluation of investments classified as held-for-trading	8.5	**(13,560)**	–
3	8	Other income	23	**262**	673
3,169	2,367	**Total non mark-up / interest income**		**283,965**	211,963
12,557	11,728			**1,125,037**	1,050,764
		NON MARK-UP / INTEREST EXPENSES			
2,284	1,843	Administrative expenses	24	**204,669**	165,145
–	–	Other provisions / write off	12.3	**–**	–
3	44	Other charges	25	**239**	3,961
2,287	1,887	**Total non-markup / interest expenses**		**204,908**	169,106
10,270	9,841			**920,129**	881,658
–	–	Extra ordinary / unusual items		**–**	–
10,270	9,841	**PROFIT BEFORE TAXATION**		**920,129**	881,658
3,968	2,621	Taxation - Current		**355,528**	234,854
91	(1)	- Prior years		**8,193**	(48)
(536)	734	- Deferred		**(48,056)**	65,762
3,523	3,354		26	**315,665**	300,568
6,747	6,487	**PROFIT AFTER TAXATION**		**604,464**	581,090
		Attributable to:			
6,747	6,487	Equity holders of the Company		**604,464**	581,090
–	–	Non-controlling interest		**–**	–
6,747	6,487			**604,464**	581,090
12,425	7,236	Unappropriated profit brought forward		**1,113,241**	648,369
19,172	13,723	Profit available for appropriation		**1,717,705**	1,229,459
US $				Rupees	
0.01	0.01	**Basic earnings per share**	27	**1.01**	0.98
0.01	0.01	**Diluted earnings per share**	28	**1.01**	0.98

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

Chief Executive **Director** **Director** **Chairperson**

Consolidated
Statement Of Comprehensive Income

For the Year ended December 31, 2011

2011 (US $ in '000)	2010 (US $ in '000)		Note	2011 (Rupees in '000)	2010 (Rupees in '000)
6,747	6,487	Profit after taxation for the year		**604,464**	581,090
–	–	Other comprehensive income		**–**	–
6,747	6,487	**Total comprehensive income for the year**		**604,464**	581,090
		Attributable to:			
6,747	6,487	Equity holders of the Company		604,464	581,090
–	–	Non-controlling interest		**–**	–
6,747	6,487			604,464	581,090

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 from 1 to 41 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairperson**

Consolidated
Cash Flow Statement

For the Year ended December 31, 2011

2011 (US $ in '000)	2010 (US $ in '000)		Note	2011 (Rupees in '000)	2010 (Rupees in '000)
		CASH FLOWS FROM OPERATING ACTIVITIES			
10,269	9,840	Profit before taxation		**920,129**	881,658
1,070	142	Less: Dividend income		**95,903**	12,685
9,199	9,698			**824,226**	868,973
		Adjustments for non-cash charges and other items			
84	99	Depreciation	10.2	**7,544**	8,858
18	26	Amortization	10.3	**1,633**	2,367
147	(196)	Provision / (reversal) against non-performing loans and advances		**13,183**	(17,602)
822	1,104	Provision for diminution in value of investments	8.3	**73,691**	98,946
–	–	Other provisions	12.3	**–**	–
(1)	(6)	Gain on sale of property and equipment	23	**(69)**	(518)
151	–	Unrealized loss on revaluation of investments classified as held-for-trading	8.5	**13,560**	–
–	120	Assets transferred from property and equipment to staff loans		**–**	10,788
3	44	Unrealized loss on revaluation of interest rate swap contracts		**239**	3,959
–	12	Finance charges on leased assets		**–**	1,113
1,224	1,203			**109,781**	107,911
10,423	10,901			**934,007**	976,884
		(Increase) / decrease in operating assets			
6,639	3,183	Lendings to financial institutions		**594,886**	285,183
(83,042)	185	Held-for-trading securities		**(7,440,578)**	16,569
(24,467)	(8,008)	Advances		**(2,192,201)**	(717,548)
(1,032)	(3,570)	Others assets (excluding current taxation)		**(92,472)**	(319,848)
(101,902)	(8,210)			**(9,130,365)**	(735,644)
		Increase in operating liabilities			
194,377	7,216	Borrowings		**17,416,146**	646,577
1,507	5,011	Deposits and other accounts		**135,018**	449,000
995	1,173	Other liabilities (excluding current taxation)		**89,181**	105,066
196,879	13,400			**17,640,345**	1,200,643
105,400	16,091			**9,443,987**	1,441,883
(4,217)	(4,065)	Income tax paid		**(377,817)**	(364,233)
–	(14)	Financial charges paid		**–**	(1,268)
101,183	12,012	Net cash flows from operating activities		**9,066,170**	1,076,382
		CASH FLOWS FROM INVESTING ACTIVITIES			
(95,317)	(15,995)	Net investment in available-for-sale securities		**(8,540,365)**	(1,433,161)
(7)	(2,118)	Net investment in held-to-maturity securities		**(655)**	(189,751)
816	142	Dividend income received		**73,116**	12,685
(265)	(71)	Investments in operating fixed assets		**(23,744)**	(6,322)
18	16	Sale proceeds from disposal of property and equipment		**1,581**	1,428
(94,755)	(18,026)	Net cash used in investing activities		**(8,490,067)**	(1,615,121)
		CASH FLOWS FROM FINANCING ACTIVITIES			
–	(182)	Payment of lease obligations		**–**	(16,273)
–	(5,580)	Advance against issue of share capital		**–**	(500,000)
–	11,161	Issue of share capital		**–**	1,000,000
–	5,399	Net cash flows from financing activities		**–**	483,727
6,428	(615)	**Increase / (decrease) in cash and cash equivalents**		**576,103**	(55,012)
1,794	2,408	Cash and cash equivalents at the beginning of the year		**160,772**	215,784
8,222	1,793	Cash and cash equivalents at the end of the year	29	**736,875**	160,772

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

Chief Executive **Director** **Director** **Chairperson**

Consolidated
Statement of Changes in Equity

For the Year ended December 31, 2011

	Share capital	Statutory reserve	Unappropriated profit	Total
		(Rupees in '000)		
Balance as at January 01, 2010	5,000,000	162,093	648,369	5,810,462
Total comprehensive income for the year				
Profit after tax for the year ended December 31, 2010	–	–	581,090	581,090
Other comprehensive income	–	–	–	–
Total comprehensive income for the year ended December 31, 2010	–	–	581,090	581,090
Transfers				
Transfer to statutory reserve	–	116,218	(116,218)	–
Transaction with owners recorded directly in equity				
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
Total comprehensive income for the year				
Profit after tax for the year ended December 31, 2011	–	–	604,464	604,464
Other comprehensive income	–	–	–	–
Total comprehensive income for the year ended December 31, 2011	–	–	604,464	604,464
Transfers				
Transfer to statutory reserve	–	120,893	(120,893)	–
Balance as at December 31, 2011	**6,000,000**	**399,204**	**1,596,812**	**7,996,016**

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

Chief Executive **Director** **Director** **Chairperson**

Consolidated
Notes to the Financial Statements

For the Year ended December 31, 2011

1. STATUS AND NATURE OF BUSINESS

The Group comprises of Pak Brunei Investment Company Limited (the "holding company" or "parent") and a subsidiary, Primus Investment Management Limited. Brief profile of the holding company and its subsidiary is as follows:

1.1 Holding Company

Pak Brunei Investment Company Limited (the "holding company" or "parent") 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 Holding Company is a joint venture between the Government of Pakistan and the Brunei Investment Agency. The Holding 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. Subsequently, the registered office shifted to Horizon Vista, Plot No. commercial - 10, Block-4, Scheme-5, Clifton Karachi, Pakistan.

1.2 Subsidiary Company

Primus Investment Management Limited is a public unlisted company incorporated in Pakistan on August 10, 2011 under the Companies Ordinance, 1984. The registered office of the Company is situated at Khadija Towers, Plot No. 11/5 Block No. 2, Scheme No. 5, Clifton, Karachi, Pakistan. Subsequently, the registered office shifted to Horizon Vista, Plot No. commercial - 10, Block-4, Scheme-5, Clifton Karachi, Pakistan. The Company has obtained the licenses of "Investment Advisor" and "Asset Management Company" (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and intends to launch mutual funds in near future.

2. BASIS OF PRESENTATION AND CONSOLIDATION

2.1 Basis of presentation

These consolidated financial statements have been prepared from the information available in the audited financial statements of the holding company for the year ended December 31, 2011 and the audited financial statements of subsidiary, Primus Investment Management Limited and cover a period from the date of incorporation i.e. August 10, 2011 until December 31, 2011. Certain disclosures relating to Primus Investment Management Limited as incorporated in these consolidated financial statements were not included in its audited financial statements as of December 31, 2011. The accounting policies used by Primus Investment Management Company in preparation of their financial statements are consistent with that of the holding company.

2.2 Basis of measurement

These consolidated 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).

2.3 US Dollar equivalent

The US dollar amounts shown in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated 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. 89.60 to US Dollars has been used for both 2011 and 2010, as it was the prevalent rate as on December 31, 2011.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the State Bank Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984 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 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 till further instructions. 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 consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 Adoption of New Standards, Amendments and Interpretations to the published approved accounting standards

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

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the consolidated financial statements of the Group.

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendment to IAS 1 - Presentation of financial statements	January 1, 2011
IAS 24 (Revised in 2009) - Related Party Disclosures	January 1, 2011
Amendment to IAS 27 (2008) - Consolidated and Separate financial statements	July 1, 2010
Amendments to IAS 32 - Financial Instruments – Presentation	February 1, 2010
Amendment to IAS 34 - Interim Financial Reporting	January 1, 2011
Amendments to IFRS 3 (2008) - Business Combinations	July 1, 2010
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
Amendment to IFRIC 13 - Customer Loyalty Programmes	January 1, 2011
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 1, 2011

Amendment to IFRIC 13 - Customer Loyalty Programmes	January 1, 2011
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	January 1, 2011

3.3.2 Standards, interpretations and amendments to the published approved accounting standards not yet effective

The following Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures.

Standards / Amendments / Interpretations	Effective date (accounting period beginning on or after)
Amendment to IAS 1 - Presentation of financial statements	July 1, 2012
Amendments to IAS 12 - Income Taxes	January 1, 2012
Amendment to IAS 19 - Employees Benefits	January 1, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Group as the standards and their relevant amendments have not been adopted locally by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements (due to non-adoption of IFRS 10 and IFRS 11)
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures (due to non-adoption of IFRS 10 and IFRS 11)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

- Subsidiary is the enterprise in which the Group directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors.
- Subsidiary company is consolidated from the date on which more than 50 percent of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The financial statements of the subsidiary is prepared for the same reporting year as the Group for the purpose of consolidation, using consistent accounting policies except where specified otherwise.
- The assets, liabilities, income and expenses of subsidiary have been consolidated on a line by line basis and the carrying value of investment in subsidiary held by the Group is eliminated against the shareholders equity in the consolidated financial statements.

- Non-Controlling Interest in equity of the subsidiary company is measured at proportionate share of net assets of the acquiree.
- Material intra-group balances and transactions have been eliminated.

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 SBP's Prudential Regulations on which mark-up / return / interest is recognized on receipt basis.

Dividend income is recognized when the Group'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 consolidated 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.

Return on bank deposits is recognized on time proportionate basis using the effective interest rates.

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 consolidated 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 Group 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 consolidated profit and loss account. The Group 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 consolidated profit and loss account.

Held-to-maturity
These are securities with fixed or determinable payments and fixed maturity in respect of which the Group 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 consolidated 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.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the consolidated profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to consolidated profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

The carrying values of investments are reviewed for impairment at each reporting date. Where any such indications exist that the carrying values exceed the estimated recoverable amounts, provision for impairment is made through the consolidated 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 consolidated financial statements 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 consolidated financial statements, as the Group 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 consolidated 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 Group 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

Financial assets and liabilities are recognized at the time when the Group becomes party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the consolidated profit and loss account of the current period. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.9 Taxation

4.9.1 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.

4.9.2 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 reporting 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 reporting 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

4.10.1 Property and equipment

4.10.1.1 Owned assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the consolidated 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 Group 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 consolidated profit and loss account during the financial period in which they are incurred.

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

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

4.10.1.2 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.

4.10.2 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. The residual values and useful life are reviewed and adjusted, if appropriate at each reporting date.

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

4.10.3 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.

4.10.4 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 consolidated 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 Group have 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 reporting date and are adjusted to reflect the current best estimates.

4.12 Borrowings / deposits

a) Borrowings / deposits are recorded when the proceeds are received.

b) The cost of borrowings / deposits is recognized as an expense in the period in which it is incurred. Any difference between the proceed and the redemption value is recognized in the unconsolidated profit and loss account over the period of the borrowings / deposits using the effective interest method.

4.13 Offsetting

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

4.14 Assets acquired in satisfaction of claims

The holding company occasionally acquires assets in settlement of certain advances. These are stated at lower of the net realizable value of the related advances or the fair value of such assets.

4.15 Staff retirement benefits

4.15.1 Defined contribution plan

4.15.1.1 Staff provident fund

The holding company operates a provident fund scheme for its employees. Equal monthly contributions are made both by the holding company and the employees to the fund at the rate of 10% of basic salary.

4.15.1.2 Compensated absences

Compensated absences of employees are accounted for in the period in which these absences are earned.Subsequent to the year end this benefit has been discontinued by the holding company.

4.16 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 reporting date. Exchange gains and losses are included in income.

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

4.17 Dividend distribution

Dividend is recognised as a liability in the year in which it is approved by shareholders / directors as appropriate.

4.18 Distributions of bonus shares and other appropriations to reserves

The Group recognises all appropriations, other than statutory appropriations, to reserves including those in respect of bonus shares, in the year in which such appropriations are approved by shareholders / directors as appropriate.

4.19 Earnings per share

The Group 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 Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, 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. There were no dilutive potential ordinary shares in issue at December 31, 2011.

4.20 Segment Reporting

A segment is a distinguishable component of the Group 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.

4.20.1 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.

4.20.2 Geographical segments

The Group operates in Pakistan only.

4.21 Accounting estimates and judgments

The preparation of consolidated 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 Group'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 Group's consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

4.21.1 Classification of investments

i In classifying investments as 'held-for-trading', the Group 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 Group 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 Group 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'.

4.21.2 Provision against non-performing loans and advances

The Group 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.

4.21.3 Impairment of available-for-sale equity investments

The Group 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 Group 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.

4.21.4 Taxation

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

4.21.5 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.

4.21.6 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 Group. 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.

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2011	2010
With State Bank of Pakistan in			
Local currency current account	5.1	**174,784**	30,797
With National Bank of Pakistan in			
Local currency current account		**6**	6
		174,790	30,803

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.

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

6. BALANCES WITH OTHER BANKS

	Note	2011	2010
In Pakistan			
On current accounts		–	–
On deposit accounts	6.1	**562,085**	129,969
		562,085	129,969

6.1 These carry mark-up at rates ranging from 5.00% to 10.00% per annum (2010: 5.00% to 10.50% per annum).

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2011	2010
Repurchase agreement lendings (Reverse repo)	7.2	**462,841**	22,727
Term deposit receipts (TDRs)	7.3	**165,000**	1,100,000
Letter of placement	7.4	**–**	100,000
	7.1	**627,841**	1,222,727

7.1 Particulars of lending

	2011	2010
In local currency	**627,841**	1,222,727
In foreign currencies	**–**	–
	627,841	1,222,727

7.2 This carries mark-up rate at the rate of 11.85% per annum (2010: 12.50% per annum) and will mature within 6 days (2010: 3 days).

7.2.1 Securities held as collateral against lendings to financial institutions:

(Rupees in '000)

	December 31, 2011 Held by company	Further given as collateral	Total	December 31, 2010 Held by company	Further given as collateral	Total
Market Treasury Bills	**–**	**462,841**	**462,841**	22,727	–	22,727
	–	**462,841**	**462,841**	22,727	–	22,727

7.2.2 Market value of the securities under repurchase agreement lendings amounted to Rs.464.094 million (2010: Rs. 22.738 million).

7.3 The profit rate on these TDRs ranges from 12.00% to 14.50% per annum (2010: 13.60% to 14.00% per annum). All TDRs are due for maturity within 1 month (2010: within 2 months).

7.4 This carries mark-up at the rate of Nil (2010: 13.80% per annum) and will mature within Nil days (2010: 3 days).

8. INVESTMENTS - net

8.1 Investments by types:

(Rupees in '000)

	Note	December 31, 2011 Held by the company	Given as collateral	Total	December 31, 2010 Held by the company	Given as collateral	Total
Held-for-trading securities							
Market Treasury Bills	8.6.2	**260,792**	**6,977,094**	**7,237,886**	–	–	–
Pakistan Investment Bonds	8.6.2	**194,855**	–	**194,855**	–	–	–
Ordinary shares of listed companies	8.7.2	**7,837**	–	**7,837**	–	–	–
		463,484	**6,977,094**	**7,440,578**	–	–	–
Available-for-sale securities	8.4						
Market Treasury Bills	8.6.1	**255,771**	**12,985,868**	**13,241,639**	408,668	4,835,485	5,244,153
Pakistan Investment Bonds	8.6.1	**340,549**	–	**340,549**	–	242,930	242,930
Ordinary shares of listed companies	8.7.1	**620,040**	–	**620,040**	283,552	–	283,552
Ordinary shares of unlisted companies	8.8	**100,000**	–	**100,000**	–	–	–
Units of mutual funds	8.9	**978,890**	–	**978,890**	28,840	–	28,840
Term Finance Certificates and Sukuks	8.11	**3,312,763**	–	**3,312,763**	4,269,039	–	4,269,039
Preference shares	8.10	**21,500**	–	**21,500**	6,500	–	6,500
		5,629,513	**12,985,868**	**18,615,381**	4,996,599	5,078,415	10,075,014
Held-to-maturity securities							
Term Finance Certificates and Sukuks	8.11	**190,406**	–	**190,406**	189,751	–	189,751
Investments at cost		**6,283,403**	**19,962,962**	**26,246,365**	5,186,350	5,078,415	10,264,765
Less: Provision for diminution in value of Investments	8.3	**(409,752)**	–	**(409,752)**	(336,061)	–	(336,061)
Investments (net of provisions)		**5,873,651**	**19,962,962**	**25,836,613**	4,850,289	5,078,415	9,928,704
Deficit on revaluation of held-for-trading securities - net	8.5	**(3,731)**	**(9,829)**	**(13,560)**	–	–	–
Deficit on revaluation of available-for-sale securities - net	17.1	**(68,090)**	**(12,599)**	**(80,689)**	(32,746)	(27,595)	(60,341)
Total investments at market value		**5,801,830**	**19,940,534**	**25,742,364**	4,817,543	5,050,820	9,868,363

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

8.2 Investments by Segments:

	Note	2011	2010
Federal Government Securities:			
Market Treasury Bills	8.6	**20,479,525**	5,244,153
Pakistan Investment Bonds	8.6	**535,404**	242,930
Fully Paid up Ordinary Shares:			
Listed Companies	8.7	**627,877**	283,552
Unlisted Companies	8.8	**100,000**	–
Term Finance Certificates and Sukuks:			
Listed	8.11	**1,179,472**	1,523,036
Unlisted	8.11	**2,323,697**	2,935,754
Units of mutual funds	8.9	**978,890**	28,840
Preference Shares	8.10	**21,500**	6,500
Total investments at cost		**26,246,365**	10,264,765
Less: Provision for diminution in value of investments	8.3	**(409,752)**	(336,061)
Investments (net of provisions)		**25,836,613**	9,928,704
Deficit on revaluation of Held-for-trading securities - net	8.5	**(13,560)**	–
Deficit on revaluation of Available-for-sale securities - net	17.1	**(80,689)**	(60,341)
Total investments at market value		**25,742,364**	9,868,363

8.3 Particulars of Provision

	Note	2011	2010
Opening balance		**336,061**	249,338
Charge for the year		**73,691**	101,672
Reversal during the year		**–**	(2,726)
		73,691	98,946
Transfer to capital gain due to disposal of relevant investments		**–**	(12,223)
Closing Balance	8.3.1	**409,752**	336,061

8.3.1 Particulars of Provision in respect of Type and Segment

	2011	2010
Available-for-sale securities		
Ordinary shares of listed companies	**184,965**	152,639
Units of mutual funds	**3,576**	3,576
Preference shares	**5,081**	–
Term Finance Certificates and Sukuks	**216,130**	179,846
	409,752	336,061

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

8.4 Quality of Available-for-Sale securities

(Rupees in '000)

	December 31, 2011 Market value / Carrying value for unlisted investments	December 31, 2011 Rating	December 31, 2010 Market value / Carrying value for unlisted investments	December 31, 2010 Rating
Market Treasury Bills (T - bills)				
1 Year T-bills	**13,331,148**	**Government**	5,229,887	Government
6 month T-bills	**148,904**	**Securities**	–	Securities
	13,480,052		5,229,887	
Pakistan Investment Bonds (PIBs)				
10 year PIBs	**47,292**	**Government**	40,142	Government
5 year PIBs	**192,618**	**Securities**	188,750	Securities
3 year PIBs	**98,568**		–	
	338,478		228,892	
Ordinary shares of listed companies				
Oil & Gas marketing / exploration companies				
Pakistan State Oil Company Limited	**20,651**	**AA+**	–	–
Commercial banks				
JS Bank Limited	**3,524**	**A**	5,511	A/A1
NBFCs				
KASB Securities Limited	**6,720**	**A**	13,060	A+/A1
Communication				
Pakistan Telecommunication Company Limited	**–**	**–**	50,263	Unrated
Power generation and distribution				
Kot Addu Power Company Limited	**38,059**	**AA+**	57,116	Unrated
Nishat Chunian Power Limited	**8,925**	**AA-**	–	–
Nishat Power Limited	**1,583**	**AA-**	–	–
The Hub Power Company Limited	**133,860**	**AA+**	–	–
Cement				
D.G Khan Cement Company Limited	**39,376**	**Unrated**	–	–
Gharibwal Cement Limited	**45,400**	**D**	–	–
Chemicals				
Engro Corporation Limited	**33,372**	**AA**	–	–
Nimir Industrial Chemicals Limited	**11,683**	**Unrated**	–	–
Personal Goods				
Nishat Mills Limited	**30,094**	**AA-**	–	–
	373,247		125,950	
Ordinary shares of unlisted companies				
Faruki Pulp Mills Limited	**100,000**	**Unrated**	–	–
	100,000		–	
Preference shares				
Pakistan Mercantile Exchange Limited	**15,000**	**BBB**	–	–
Trust Investment Bank Limited	**1,419**	**Unrated**	6,500	–
	16,419		6,500	
Units of mutual funds				
ABL Cash Fund	**243,535**	**AA+ (f)**	–	–
Askari Sovereign Cash Fund	**243,247**	**AA+ (f)**	–	–
CDC Trustee UBL Government Securities Fund	**145,421**	**AA- (f)**	–	–
CDC Trustee UBL Liquidity Plus Fund	**243,908**	**AA+ (f)**	–	–
BMA Empress Cash Fund	**50,111**	**AA+ (f)**	–	–
Pak Oman Advantage Fund	**26,356**	**AA- (f)**	29,850	AA- (f)
	952,578		29,850	

(Rupees in '000)

	December 31, 2011		December 31, 2010	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Term Finance Certificates (TFCs) and Sukuks				
Listed TFCs				
Commercial banks				
Allied Bank Limited - 1st Issue	**50,475**	**AA-**	64,788	AA-
Allied Bank Limited - 2nd Issue	**25,067**	**AA-**	22,027	AA-
Askari Bank Limited - 1st Issue	**594**	**AA-**	24,945	AA-
Askari Bank Limited - 2nd Issue	**30,020**	**AA-**	24,950	AA-
Askari Bank Limited - 4th Issue	**107,980**	**AA-**	184,926	AA-
Bank Al Falah Limited - 2nd Issue	**9,344**	**AA-**	–	–
Bank Al Falah Limited - 3rd Issue	**10,007**	**AA-**	9,981	AA-
Bank Al Habib Limited - 1st Issue	**26,419**	**AA-**	39,607	AA
Bank Al Habib Limited - 2nd Issue	**15,566**	**AA**	–	–
Faysal Bank Limited (formerly Royal Bank Of Scotland Limited)	**4,853**	**AA-**	151	AA-
Faysal Bank Limited (formerly Royal Bank Of Scotland Limited) - 3rd issue	**10,178**	**AA-**	14,770	AA-
NIB Bank Limited	**222,778**	**A+**	182,038	A+
Soneri Bank Limited	**7,500**	**A+**	–	–
Standard Chartered Bank (Pakistan) Limited - 2nd Issue	**–**	**–**	13,481	AAA
Standard Chartered Bank (Pakistan) Limited - 3rd Issue	**7,163**	**AAA**	9,433	AAA
Summit Bank Limited	**200,000**	**A(SO)**	–	–
United Bank Limited - 1st Issue	**87,722**	**AA**	154,693	AA
United Bank Limited - 2nd Issue	**70,829**	**AA**	56,126	AA
United Bank Limited - 3rd Issue	**5,066**	**AA**	4,990	AA
United Bank Limited - 4th Issue	**81,677**	**AA**	148,352	AA
Fertilizer				
Engro Chemical Limited	**2,404**	**AA**	97,146	AA
Engro Fertilizer Limited - 3rd Issue	**185**	**AA**	118,344	AA
Pak Arab Fertilizer Limited	**37,576**	**AA**	185,888	AA
Real Estate Developers				
Pace Pakistan Limited	**433**	**D**	575	A+(-)
NBFCs				
Saudi Pak Leasing Company Limited	**25,508**	**D**	27,187	D
Telecommunication				
World Call Telecom Limited	**28,640**	**A**	–	–
Unlisted TFCs and Sukuks				
Commercial banks				
Askari Bank Limited - 4th Issue	**150,000**	**AA-**	–	–
Bank Al Falah Limited	**–**	**–**	285,677	AA-
Bank Al Habib Limited - PPTFC 2	**261,188**	**AA**	85,547	AA
Faysal Bank Limited - PPTFC	**–**	**–**	200,000	AA-
Fertilizer				
Agritech Limited (formerly Pak American Fertilizer Limited) - 1st Issue	**3,293**	**D**	–	–
Agritech Limited (formerly Pak American Fertilizer Limited) - 2nd Issue	**42,127**	**D**	43,293	CCC
Engro Fertilizer Limited	**–**	**–**	1,741	AA
Engro Fertilizer Limited - 1st Issue	**275,773**	**A**	144,853	AA
Engro Fertilizer Limited - 2nd Issue	**63,888**	**A**	70,057	AA
Sugar				
Al Abbas Sugar Mills Limited	**87,046**	**A+**	130,074	A+
JDW Sugar Mills Limited	**66,595**	**A+**	92,443	A
Pharmaceutical				
Martin Dow Pharmaceutical Pakistan Limited	**331,699**	**A**	490,787	A

(Rupees in '000)

	December 31, 2011		December 31, 2010	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Cement				
Kohat Cement Company Limited	**17,650**	Unrated	24,150	Unrated
Maple Leaf Cement Factory Limited	**337,907**	**D**	322,692	BB+
Maple Leaf Cement Factory Limited - 2nd Issue	**8,475**	**D**	8,475	BB+
NBFCs				
Orix Leasing Pakistan Limited - PPTFC	**–**	**–**	61,221	AA+
Personal Goods				
Azgard Nine Limited	**24,980**	**D**	24,980	CCC(RW)
Miscellaneous				
Karachi Shipyard and Engineering Works Limited	**–**	**–**	9,984	Unrated
Real Estate Developers				
Eden Housing (Private) Limited	**208,759**	**D**	298,480	D
Consumer Electronics				
New Allied Electronic (Private) Limited	**–**	**D**	–	D
Pak Electron Limited - 3rd Issue	**200,000**	**A**	200,000	A+
Oil & Gas				
Sui Southern Gas Company Limited	**2,600**	**AA**	200,000	AA
	3,149,964		4,078,852	
	18,410,738		9,699,931	

	December 31 **2011**	December 31 2010
	(Rupees in '000)	
8.5 Unrealised loss on revaluation of investments classified as held-for-trading		
Ordinary shares of listed companies	**(1,121)**	–
Market Treasury Bills	**(10,203)**	–
Pakistan Investment Bonds	**(2,236)**	–
	(13,560)	–
8.6 Particulars of investments in Federal Government Securities		
8.6.1 Available-for-sale		
Market Treasury Bills	**13,241,639**	5,244,153
Pakistan Investment Bonds	**340,549**	242,930
Carrying value (before revaluation) of investments in federal government securities	**13,582,188**	5,487,083
Deficit on revaluation of securities	**(14,777)**	(28,304)
Market value as at December 31, 2011	**13,567,411**	5,458,779
8.6.2 Held-for-trading		
Market Treasury Bills	**7,237,886**	–
Pakistan Investment Bonds	**194,855**	–
Carrying value (before revaluation) of investments in federal government securities	**7,432,741**	–
Deficit on revaluation of securities	**(12,439)**	–
Market value as at December 31, 2011	**7,420,302**	–

8.7 Particulars of investments in ordinary shares of listed companies

Name of investee company	No. of shares / held	Nominal / paid-up value per share / (Rupees)	Total nominal / paid-up value (Rupees in '000)	Cost as at December 31, 2011
8.7.1 Available-for-sale				
Oil & Gas marketing / exploration companies				
Pakistan State Oil Company Limited	90,891	10	909	**26,547**
Commercial bank				
JS Bank Limited	2,136,000	10	21,360	**48,242**
NBFCs				
KASB Securities Limited	2,921,617	10	29,216	**122,968**
Power generation and distribution				
Kot Addu Power Company Limited	921,079	10	9,211	**39,665**
The Hub Power Company Limited	3,914,022	10	39,140	**149,254**
Nishat Chunian Power Limited	700,000	10	7,000	**10,764**
Nishat Power Limited	122,204	10	1,222	**1,911**
Cement				
D.G Khan Cement Company Limited	2,069,142	10	20,691	**53,329**
Gharibwal Cement Limited	8,136,192	10	81,362	**67,360**
Chemicals				
Engro Corporation Limited	360,000	10	3,600	**45,794**
Nimir Industrial Chemicals Limited	5,014,100	10	50,141	**12,937**
Personal Goods				
Nishat Mills Limited	743,976	10	7,440	**41,269**
Carrying value (before revaluation and provision) of listed shares 'Available-for-sale'				**620,040**
Provision for diminution in value of investments				**(184,965)**
Deficit on revaluation of securities - net				**(61,828)**
Market value as at December 31, 2011				**373,247**
8.7.2 Held-for-trading				
Communication				
Pakistan Telecommunication Company Limited	277,490	10	2,775	**3,391**
Commercial bank				
National Bank of Pakistan	93,356	10	934	**4,446**
Carrying value (before revaluation and provision) of listed shares 'Held-for-trading'				**7,837**
Provision for diminution in value of investments				**–**
Deficit on revaluation of securities - net				**(1,121)**
Market value as at December 31, 2011				**6,716**

8.8 Particulars of investment in ordinary shares of unlisted companies- Available-for-sale

Name of investee company	Name of Chief Executive	No. of shares / units held (Rupees)	Nominal / paid-up value per shares / units	Total nominal / paid-up value (Rupees in '000)	Cost as at December 31, 2011
Faruki Pulp Mills Limited	Mr. Shahid Saleem	6,666,667	10	**66,667**	**100,000**

8.9 Particulars of investment in units of mutual funds - Available-for-sale

Closed-end mutual fund				
Pak Oman Advantage Fund	2,890,399	10	28,904	**28,890**
Open-end mutual funds				
Askari Sovereign Cash Fund	2,420,464	10	24,205	**250,000**
ABL Cash Fund	24,307,680	10	243,077	**250,000**
BMA Empress Cash Fund	4,834,702	10	48,347	**50,000**
CDC Trustee UBL Government Securities Fund	1,448,945	10	14,489	**150,000**
CDC Trustee UBL Liquidity Plus Fund	2,427,321	10	24,273	**250,000**
Carrying value (before revaluation and provision) of mutual funds units 'Available-for-sale'				**978,890**
Provision for diminution in value of investments				**(3,576)**
Deficit on revaluation of securities				**(22,736)**
Market value as at December 31, 2011				**952,578**

8.10 Particulars of investment in preference shares - Available-for-sale

Pakistan Mercantile Exchange Limited	1,500,000	10	15,000	**15,000**
Trust Investment Bank Limited	650,000	10	6,500	**6,500**
Carrying value (before revaluation and provision) of preference shares 'Available-for-sale'				**21,500**
Provision for diminution in value of investments				**(5,081)**
Deficit on revaluation of securities				**–**
Market value as at December 31, 2011				**16,419**

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

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	**Balance as at December 31, 2011**	Name of Chief Executive
Listed TFCs								
Commercial banks								
Allied Bank Limited - 1st Issue	6 Months KIBOR+1.90%	Half Yearly	6-Dec-14	10,000	5,000	50,000	**49,938**	Mr. Khalid Ahmed Sherwani
Allied Bank Limited - 2nd Issue	6 Months KIBOR+0.85%	Half Yearly	28-Aug-19	5,000	5,000	25,000	**24,995**	Mr. Khalid Ahmed Sherwani
Askari bank Limited - 1st Issue	6 Months KIBOR+1.50%	Half Yearly	4-Feb-13	115	5,000	575	**592**	Mr.M.R Mehkari
Askari bank Limited - 2nd Issue	6 Months KIBOR+1.50%	Half Yearly	31-Oct-13	6,000	5,000	30,000	**29,974**	Mr.M.R Mehkari
Askari bank Limited - 4th Issue	6 Months KIBOR+2.50%	Half Yearly	18-Nov-19	20,700	5,000	103,500	**104,183**	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	**28,732**	Mr. Abbas D. Habib
Bank Al Habib Limited - 2nd Issue	6 Months KIBOR+1.95%	Half Yearly	7-Feb-15	3,000	5,000	15,000	**15,347**	Mr. Abbas D. Habib
Bank Alfalah Limited - 2nd Issue	6 Months KIBOR+1.50%	Half Yearly	23-Nov-12	2,800	5,000	14,000	**9,315**	Mr. Atif Bajwa
Bank Alfalah Limited - 3rd Issue	6 Months KIBOR+1.50%	Half Yearly	25-Nov-13	2,000	5,000	10,000	**9,892**	Mr. Atif Bajwa
Faysal Bank Limited - 1st Issue	6 Months KIBOR+1.40%	Half Yearly	12-Nov-14	1,031	5,000	5,154	**5,134**	Mr.Naved A. Khan
Faysal Bank Limited - 3rd Issue	6 Months KIBOR+1.90%	Half Yearly	10-Feb-13	3,946	5,000	19,730	**9,869**	Mr.Naved A. Khan
NIB Bank Limited	6 Months KIBOR+1.15%	Half Yearly	5-Mar-16	65,510	5,000	327,550	**326,139**	Mr.Badar Kazmi
Standard Chartered Bank- 3rd Issue	6 Months KIBOR+2.00%	Half Yearly	1-Feb-12	2,000	5,000	10,000	**7,022**	Mr. Mohsin Ali Nathani
Soneri Bank Limited	6 Months KIBOR+1.60%	Half Yearly	5-May-13	2,000	5,000	10,000	**7,487**	Mr. Aftab Manzoor
Summit Bank Limited	6 Months KIBOR+3.25%	Half Yearly	27-Oct-18	40,000	5,000	200,000	**200,000**	Mr. Hussain Lawai
United Bank Limited- 1st Issue	8.45% Fixed	Half Yearly	10-Aug-12	28,968	5,000	144,840	**94,745**	Mr.Atif R. Bokhari
United Bank Limited - 2nd Issue	9.49.% Fixed	Half Yearly	15-Mar-13	14,898	5,000	74,490	**70,632**	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	**5,000**	Mr.Atif R. Bokhari
United Bank Limited - 4th Issue	6 Months KIBOR+0.85%	Half Yearly	14-Feb-18	16,400	5,000	82,000	**81,810**	Mr.Atif R. Bokhari
Fertilizer								
Engro Chemical Pakistan Limited - 2nd Issue	6 Months KIBOR+1.55%	Half Yearly	30-Nov-15	481	5,000	2,405	**2,380**	Mr.Asad Umar
Engro Chemical Pakistan Limited - 3rd Issue	6 Months KIBOR+2.40%	Half Yearly	17-Dec-16	37	5,000	185	**185**	Mr.Asad Umar
Pak Arab Fertilizer Limited - 1st Issue	6 Months KIBOR+1.50%	Half Yearly	28-Feb-13	10,153	5,000	50,775	**37,481**	Mr. Fawad Ahmed Mukhtar
Real Estate Developers								
Pace Pakistan Limited	6 Months KIBOR+1.50%	Half Yearly	15-Feb-17	115	5,000	575	**575**	Ms. Aamna Ali Taseer
NBFCs								
Saudi Pak Leasing Company Limited	6.00% Fixed	Monthly	13-Mar-17	9,099	5,000	45,495	**31,362**	Mr.Nayyar Alam Ilyas
Telecommunication								
World Call Telecom Limited TFC	6 Months KIBOR+1.60%	Half Yearly	7-Oct-13	10,000	5,000	50,000	**26,684**	Mr. Babar Ali Syed
							1,179,472	
Unlisted TFCs								
Commercial banks								
Askari Bank Limited - 4th Issue	6 Months KIBOR+1.75%	Half Yearly	23-Dec-21	Units Awaited	1,000,000	150,000	**150,000**	Mr.M.R Mehkari
Bank Al Habib Limited PPTFC	15.00% Fixed	Half Yearly	30-Jun-21	50,000	5,000	250,000	**261,188**	Mr. Abbas D. Habib
Fertilizer								
Agritech Limited (formaly Pak American Fertilizer Limited) - 1st Issue	6 Months KIBOR+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	**3,293**	Mr. Ahmed Jaudet Bilal
Agritech Limited (formaly Pak American Fertilizer Limited) - 2nd Issue	6 Months KIBOR+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	**42,127**	Mr. Ahmed Jaudet Bilal
Engro Fertilizer Limited - 1st Issue	6 Months KIBOR+1.70%	Half Yearly	18-Mar-18	56,940	5,000	284,700	**275,773**	Mr.Asad Umar
Engro Fertilizer Limited - 2nd Issue	6 Months KIBOR+1.25%	Half Yearly	18-Mar-18	13,000	5,000	65,000	**63,888**	Mr.Asad Umar
Sugar								
Al. Abbas Sugar Mill Limited - 2nd Issue	6 Months KIBOR+1.75%	Half Yearly	21-Nov-13	44,000	5,000	220,000	**87,046**	Mr.Shunaid Qureshi
JDW Sugar Mills Limited	3 Months KIBOR+1.25%	Quarterly	23-Jun-14	24,754	5,000	123,770	**66,593**	Mr.Jahangir Khan Tareen
Pharmaceuticals								
Martin Dow Pharmaceutical Pakistan Limited - PPTFC	3 Months KIBOR+3%	Monthly	31-May-15	100,000	5,000	500,000	**331,700**	Mr. Muhammad Javaid Akhai
NBFCs								
Jahangir Siddiqui & Company Limited	6 Months KIBOR+1.70%	Half Yearly	4-Jul-13	18,500	5,000	92,500	**91,715**	Mr. Munaf Ibrahim
Textiles								
Azgard Nine Limited	6 Months KIBOR+2.20%	Half Yearly	4-Dec-14	5,000	5,000	25,000	**24,980**	Mr. Ahmed H Shaikh
							1,398,303	
Unlisted Sukuks								
Cement								
Maple Leaf Cement Factory Limited	3 Months KIBOR+1.00%	Quarterly	3-Dec-18	100,200	5,000	501,000	**337,910**	Mr.Sayeed Tariq Saigol
Maple Leaf Cement Factory Limited- 2nd Issue	3 Months KIBOR+1.00%	Quarterly	31-Mar-12	1,695	5,000	8,475	**8,475**	Mr.Sayeed Tariq Saigol
Kohat Cement Limited Sukuk	6 Months KIBOR+2.50%	Half Yearly	20-Dec-15	5,000	5,000	25,000	**17,650**	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%	Half Yearly	29-Jun-14	66,526	5,000	332,630	**208,759**	Dr. Muhammad Amjad
Oil & Gas								
Sui Southern Gas Company Limited	3 Months KIBOR+0.20%	Quarterly	31-Dec-12	1,300	5,000	6,500	**2,600**	Mr.Azim Iqbal Siddiqui
							925,394	
Carrying value (before revaluation and provision) of TFCs and Sukuks 'available-for-sale						'	**3,503,169**	
Provision for diminution in value of investments							**(216,130)**	
Surplus on revaluation of securities - net							**18,652**	
Market value as at December 31, 2011							**3,305,691**	

8.11.1 The portfolio of Term Finance Certificates and Sukuks held under available-for-sale category include investments in Agritech Limited, Azgard Nine Limited and Maple Leaf Cement Factory Limited amounting to Rs. 24.98 million, Rs. 45.42 million and Rs. 346.38 million respectively. The State Bank of Pakistan vide its letters numbered BRP - 1/000776/2012 dated January 18, 2012, BSD/BRP-1/001485/2012 dated February 02, 2012 and BSD/BRP-1/34166/274/12 dated January 06, 2012 has granted the relaxation for provisioning requirement under Prudential Regulations on the aforementioned exposures till February 28, 2012. However, the Company has maintained a general provision of Rs. 34.63 million against these investments and accrued markup has been suspended in accordance with SBP instructions given in the aforementioned letters.

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

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	Balance as at December 31, 2010 (Rupees in '000)	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								
Agritec Limited (formaly 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

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	Balance as at December 31, 2010 (Rupees in '000)	Name of Chief Executive
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
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
							1,505,322	
Unlisted Sukuks								
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
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**	Mr. Sayeed Tariq Saigol
Maple Leaf Cement Factory Limited	3 Months KIBOR+1.00%	Quarterly	3-Dec-18	100,200	5,000	501,000	**322,692**	Mr. Sayeed 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'							**4,243,880**	
Provision for diminution in value of investments							**(179,846)**	
Deficit on revaluation of securities - net							**(31,660)**	
Market value as at December 31, 2010							**4,032,374**	

9. ADVANCES - net

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		**3,337,302**	1,837,725
LTFF scheme under State Bank of Pakistan		**767,211**	326,109
Margin financing			
In Pakistan		**88,000**	88,200
Net investment in finance lease			
In Pakistan	9.2	**474,860**	223,138
Advances - gross		**4,667,373**	2,475,172
Provision for non-performing advances - Specific	9.3	**(1,723)**	(1,684)
Provision for non-performing advances - General		**(18,989)**	(5,845)
	9.4	**(20,712)**	(7,529)
Advances - net of provision		**4,646,661**	2,467,643

9.1 Particulars of advances - gross

		2011	2010
9.1.1	In local currency	**4,667,373**	2,475,172
	In foreign currencies	**–**	–
		4,667,373	2,475,172
9.1.2	Short term (for upto one year)	**1,603,915**	530,954
	Long term (for over one year)	**3,063,458**	1,944,218
		4,667,373	2,475,172

9.2 Net investment in finance lease

(Rupees in '000)

	December 31, 2011			December 31, 2010		
	Not later than one year	**Later than one year and less than five years**	**Total**	Not later than one year	Later than one year and less than five years	Over five years
Lease rentals receivable	**180,713**	**315,038**	**495,751**	82,884	168,783	251,667
Residual value	**–**	**72,874**	**72,874**	–	28,316	28,316
Minimum lease payments	**180,713**	**387,912**	**568,625**	82,884	197,099	279,983
Financial charges for future periods	**(56,490)**	**(37,275)**	**(93,765)**	(28,643)	(28,202)	(56,845)
Present value of minimum lease payments	**124,223**	**350,637**	**474,860**	54,241	168,897	223,138

9.2.1 These leases are executed for a term of 3 to 5 years. Security deposit has been obtained from 10.00% to 15.00% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 14.86% to 21.18% per annum (2010: 15.29% to 20.85% per annum). Lease rentals are receivable in monthly / quarterly installments. The assets are insured in favour of the Group.

9.3 Advances include Rs. 2.99 million (2010: Rs. 6.74 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

	December 31, 2011								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of Classification									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–	–
Doubtful	**2,537**	**–**	**2,537**	**1,268**	**–**	**1,268**	**1,268**	**–**	**1,268**
Loss	**455**	**–**	**455**	**455**	**–**	**455**	**455**	**–**	**455**
	2,992	**–**	**2,992**	**1,723**	**–**	**1,723**	**1,723**	**–**	**1,723**

	December 31, 2010								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of Classification									
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

9.4 Particulars of provision against non-performing advances

(Rupees in '000)

		December 31, 2011			December 31, 2010		
	Note	**Specific**	**General**	**Total**	Specific	General	Total
Opening balance		**1,684**	**5,845**	**7,529**	16,131	9,000	25,131
Charge for the year		**1,089**	**13,144**	**14,233**	11,982	–	11,982
Reversal		**(1,050)**	**–**	**(1,050)**	(26,429)	(3,155)	(29,584)
		39	**13,144**	**13,183**	(14,447)	(3,155)	(17,602)
Closing balance	9.4.2	**1,723**	**18,989**	**20,712**	1,684	5,845	7,529

9.4.1 Particulars of provisions against non-performing advances

(Rupees in '000)

	December 31, 2011			December 31, 2010		
	Specific	**General**	**Total**	Specific	General	Total
In local currency	**1,723**	**18,989**	**20,712**	1,684	5,845	7,529
In foreign currencies	**–**	**–**	**–**	–	–	–
	1,723	**18,989**	**20,712**	1,684	5,845	7,529

9.4.2 This include general provision held against advances pertaining to Wateen Telecom Limited and Maple Leaf Cement Factory Limited. The State Bank of Pakistan vide letter no. BSD/BRP-1/0000884/2012 dated January 20, 2012 and BSD/BRP-1/34166/274/12 dated January 06, 2012 has granted the relaxation for provisioning requirement on the aforementioned exposure under Prudential Regulations till February 29, 2012. Consequently, the advances have not been classified but accrued markup has been suspended in accordance with the SBP instructions given in the aforementioned letters.

	Note	December 31 2011	December 31 2010
		(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	**38,429**	37,659
Loans granted during the year	**18,224**	19,672
Repayments	**(12,237)**	(18,902)
Balance at end of the year	**44,416**	38,429

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

The detail is given in Annexure-I.

10. OPERATING FIXED ASSETS

	Note	2011	2010
Capital work-in-progress	10.1	**14,049**	101
Property and equipment	10.2	**18,727**	18,762
Intangible assets	10.3	**1,291**	2,150
		34,067	21,013

10.1 Capital work-in-progress

Advance to supplier	**14,049**	101

10.2 Property and equipment

(Rupees in '000)

	December 31, 2011									
	COST				DEPRECIATION				Book value	
	As at January 01, 2011	Additions / (Disposals)	Transfers	As at December 31, 2011	As at January 01, 2011	Charge for the year / (disposals)	Transfers	As at December 31, 2011	as at December 31, 2011	Rate of depreciation
Owned										
Furniture and fixture	**8,047**	**19** **–**	**–**	**8,066**	**3,066**	**1,612** **–**	**–**	**4,678**	**3,388**	**20%**
Leasehold improvement	**10,661**	**–** **(215)**	**–**	**10,446**	**4,257**	**2,122** **(133)**	**–**	**6,246**	**4,200**	**20%**
Office equipment	**2,706**	**42** **–**	**(13)**	**2,735**	**1,220**	**536** **–**	**(3)**	**1,753**	**982**	**20%**
Computers	**8,528**	**919** **(105)**	**13**	**9,355**	**6,092**	**1,592** **(105)**	**3**	**7,582**	**1,773**	**33.33%**
Vehicles	**6,901**	**7,875** **(4,500)**	**–**	**10,276**	**3,489**	**1,605** **(3,069)**	**–**	**2,025**	**8,251**	**25%**
Mobile sets	**187**	**167** **(113)**	**–**	**241**	**144**	**77** **(113)**	**–**	**108**	**133**	**50%**
	37,030	**9,022** **(4,933)**	**–**	**41,119**	**18,268**	**7,544** **(3,420)**	**–**	**22,392**	**18,727**	

(Rupees in '000)

	December 31, 2010									
	COST				DEPRECIATION				Book value	
	As at January 01, 2010	Additions / (Disposals)	Transfer	As at December 31, 2010	As at January 01, 2010	Charge for the year / (disposals)	Transfer	As at December 31, 2010	as at December 31, 2010	Rate of depreciation
Owned										
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 (5,685)	7,753	6,901	556	1,089 (1,529)	3,373	3,489	3,412	20%
Mobile sets	202	15 (30)	–	187	81	90 (27)	–	144	43	50%
	28,658	6,334 (5,715)	7,753	37,030	8,878	7,573 (1,556)	3,373	18,268	18,762	
Assets held under finance lease:										
Vehicles	22,208	– (14,455)	– (7,753)	–	8,337	1,285 (6,249)	– (3,373)	–	–	20%
	50,866	6,334 (20,170)	–	37,030	17,215	8,858 (7,805)	–	18,268	18,762	

10.2.1 Change in estimates

During the year management has revised the estimated economic useful life of vehicle from 5 years to 4 years by virtue of change in the rate of depreciation from 20% to 25%. The decrease in profit caused by the change is as follow:

	Rupees in '000
Current year's profit	**373**

10.2.2 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	Sale proceeds	Gain	Mode of Disposal	Particulars of Purchaser
Vehicles						
Mercedes	**4,500**	**1,431**	**1,431**	**–**	Approval from the Board	Ms. Ayesha Aziz - Managing Director
Other assets (having book value of less than Rs.250,000 or cost of less than Rs.1,000,000)	**432**	**81**	**150**	**(69)**	Company policy / Insurance claim	Employees / Insurance Company
	4,932	**1,512**	**1,581**	**(69)**		
2010	20,170	12,365	12,883	(518)		

10.3 Intangible assets

(Rupees in '000)

December 31, 2011

	COST			AMORTIZATION			Book value	
	As at January 01, 2011	Additions	As at December 31, 2011	As at January 01, 2011	Charge for the year	As at December 31, 2011	as at December 31, 2011	Rate of Amortization
Computer software	**7,998**	**774**	**8,772**	**5,848**	**1,633**	**7,481**	**1,291**	**33.33%**

December 31, 2010

	COST			AMORTIZATION			Book value	
	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	as at December 31, 2010	Rate of Amortization
Computer software	6,984	1,014	7,998	3,481	2,367	5,848	2,150	33.33%

11. DEFERRED TAX ASSETS / (LIABILITIES) - net

	December 31 2011	December 31 2010
	(Rupees in '000)	
Taxable temporary differences		
Difference between accounting book value of fixed assets and tax base	**(2,303)**	(1,649)
Amortisation of discount on investments	**(87,782)**	(136,221)
Net investment in finance lease	**(25,270)**	(8,465)
Amortization of transaction cost	**(1,668)**	–
Deductible temporary differences		
Provision for compensated absences and bonus	**8,003**	5,030
Unrealized loss on revaluation of held-for-trading securities	**4,466**	–
Deficit on revaluation of securities - net	**12,576**	11,348
Provision for diminution in the value of investments	**66,397**	60,030
Provision against non-performing loans and advances	**7,249**	2,635
Provision against other assets	**17,458**	17,625
Tax Loss	**491**	–
	(383)	(49,667)

11.1 Movement in temporary differences during the year

(Rupees in '000)

	Balance as at January 01, 2010	Recognised in profit and loss account	Recognised in deficit in revaluation of assets account	Balance as at December 31, 2010	Recognised in profit and loss account	Recognised in deficit revaluation of assets account	Balance as at December 31, 2011
Taxable temporary difference							
Difference between accounting book value of fixed assets and tax base	(2,180)	531	–	(1,649)	(654)	–	(2,303)
Amortisation of discount on investments	(54,946)	(81,275)	–	(136,221)	48,439	–	(87,782)
Net investment in finance lease	(9,804)	1,339	–	(8,465)	(16,805)	–	(25,270)
Amortization of transaction cost	–	–	–	–	(1,668)	–	(1,668)
Deductible temporary differences							
Provision for compensated absences and bonus	3,975	1,055	–	5,030	2,973	–	8,003
Unrealized loss on revaluation of held-for-trading securities	–	–	–	–	4,466	–	4,466
Difference between book value of leased assets and obligation under finance lease	841	(841)	–	–	–	–	–
Deficit on revaluation of securities	828	–	10,520	11,348	–	1,228	12,576
Provision for diminution in the value of investments	34,160	25,870	–	60,030	6,367	–	66,397
Provision against non-performing loans and advances	8,796	(6,161)	–	2,635	4,614	–	7,249
Provision against other assets	15,987	1,638	–	17,625	(167)	–	17,458
Tax Loss	–	–	–	–	491	–	491
	(2,343)	(57,844)	10,520	(49,667)	48,056	1,228	(383)

12. OTHER ASSETS

	Note	**December 31 2011**	December 31 2010
		(Rupees in '000)	
Income / mark-up accrued in local currency		**353,988**	255,378
Assets acquired in satisfaction of claim			
- non-banking assets	12.1	**209,652**	208,916
- other assets		**–**	66,640
Advances, deposits and other prepayments	12.2	**87,773**	55,778
Unrealized gain on interest rate swap contracts		**119**	359
Advance tax (payment less provision)		**105,118**	91,022
Dividend receivable		**22,787**	–
Receivable against ready sale of shares		**27,756**	–
Others		**15**	–
		807,208	678,093
Less: Provision held against advances,deposits and other prepayments	12.3	**(50,000)**	(50,000)
Other assets (net of provisions)		**757,208**	628,093

12.1 This represents properties acquired in satisfaction of claim. The market value of properties as per the valuation report dated December 31, 2011 amounted to Rs. 220 million.

12.2 This includes Rs. 50 million (2010: Rs. 50 million) advance against Pre-IPO placement of Term Finance Certificates.

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	
12.3 Provision against other assets			
Opening balance		**50,000**	50,000
Charge for the year		**–**	–
Closing balance		**50,000**	50,000

13. BORROWINGS

	Note	December 31 2011	December 31 2010
In Pakistan		**23,359,531**	5,943,385
Outside Pakistan		**–**	–
		23,359,531	5,943,385
13.1 Particulars of borrowings with respect to Currencies			
In local currency		**23,359,531**	5,943,385
In foreign currencies		**–**	–
		23,359,531	5,943,385
13.2 Details of borrowings secured / unsecured			
Secured			
Borrowing from SBP under LTFF Scheme	13.3	**767,209**	326,108
Repurchase agreement borrowings (Repo)	13.4	**20,350,655**	5,017,277
Borrowing from Banks	13.5	**1,666,667**	450,000
		22,784,531	5,793,385
Unsecured			
Letters of placement	13.6	**575,000**	150,000
		23,359,531	5,943,385

13.3 The Group 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 Group at the due date by directly debiting the current account maintained by the Group with SBP. The rate of return ranges from 7.25% to 9.70% per annum (2010: 7.25% to 8.20% per annum). This is repayable within 8 years (2010: 7 years).

13.4 These carry mark-up at rate ranging from 11.75% to 13.40% per annum (2010: 12.52% to 13.30% per annum).These are repayable within 1 month to 4 months (2010: 1 month to 6 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 12.43% to 14.42% per annum (2010: 13.05% to 14.42% per annum) and is repayable within 3 years (2010: 4 years).

13.6 These carry mark-up at rate ranging from 11.65% to 12.00% per annum (2010: 13.15% per annum) and is repayable within 1 month (2010: 2 months).

	Note	December 31 2011	December 31 2010
		(Rupees in '000)	

14. DEPOSITS AND OTHER ACCOUNTS

	Note	2011	2010
Customers			
Certificate of investment- remunerative	14.1	**979,018**	844,000

14.1 These carry mark-up at rates ranging from 11.50% to 13.85% per annum (2010: 12.00% to 13.20% per annum) and are repayable within 1 month to 10 months (2010: 1 month to 10 months).

	December 31 2011	December 31 2010
	(Rupees in '000)	
14.2 Particulars of deposits		
In local currency	**979,018**	844,000
In foreign currencies	**–**	–
	979,018	844,000

15. OTHER LIABILITIES

	December 31 2011	December 31 2010
	(Rupees in '000)	
Mark-up / return / interest payable in local currency	**96,793**	75,451
Accrued expenses	**32,566**	21,385
Advance against equity	**–**	8,923
Advance against Certificates of Investment	**26,971**	–
Payable against purchase of shares	**5,862**	–
Brokerage commission payable	**1,609**	1,500
Unearned commission	**2,904**	2,342
Security deposit against lease	**72,874**	28,316
Others	**38,602**	51,083
	278,181	189,000

16. SHARE CAPITAL

16.1 Authorized Capital

2011	2010		2011	2010
Number of shares			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs. 10/- each.	**6,000,000**	6,000,000

16.2 Issued, subscribed and paid up

600,000,000	600,000,000	Ordinary shares fully paid in cash	**6,000,000**	6,000,000

16.3 The Ministry of Finance and Secretary Economic Affairs Division holds 299,995,999 and 4,001 shares (2010: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2010: 300,000,000 shares) are held by the Brunei Investment Agency.

	December 31 2011	December 31 2010
	(Rupees in '000)	

17. DEFICIT ON REVALUATION OF ASSETS - net

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

	2011	2010
Market Treasury Bills	**(12,705)**	(14,266)
Pakistan Investment Bonds	**(2,072)**	(14,038)
Listed securities		
- Term Finance Certificates	**18,652**	(31,660)
- Units of open-ended mutual funds	**(23,779)**	–
- Units of close-ended mutual funds	**1,043**	4,586
- Ordinary shares of listed companies	**(61,828)**	(4,963)
	(80,689)	(60,341)
Deferred tax asset recognised	**12,576**	11,348
	(68,113)	(48,993)

18. CONTINGENCIES AND COMMITMENTS

18.1 Transaction related contingent liability

	2011	2010
Letter of credit	**158,884**	425,001

18.2 Dawood Islamic Bank Limited filed a legal suit for damages against the holding company for alleged non performance of underwriting commitment to issue shares at a premium. Legal advisors of the holding company are of the opinion that the possibility of the holding company being subject to any liability in relation to the suit is negligible.

18.3 Tax contingencies have been discussed in note 26.2 to these consolidated financial statements.

	December 31 2011	December 31 2010
	(Rupees in '000)	
18.4 Commitments in respect of capital expenditure	**28,134**	150
18.5 Commitments to extend credit	**392,750**	785,520
18.6 Commitments for trading in government securities		
Purchase (reverse repo)	**464,944**	22,751
Sale	**20,502,275**	5,097,961

19. DERIVATIVE INSTRUMENTS

The Group 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.

19.1 Product Analysis

(Rupees in '000)

	December 31, 2011		December 31, 2010	
	Interest Rate Swaps		Interest Rate Swaps	
Counter parties	No. of contracts	Notional Principal	No. of contracts	Notional Principal
With Banks for				
Hedging	–	–	–	–
Market Making	**2**	**200,000**	2	200,000
	2	**200,000**	2	200,000

19.2 Maturity Analysis

(Rupees in '000)

December 31, 2011

Remaining maturity	No. of contracts	Notional Principal	Mark to Market Negative	Mark to Market Positive	Mark to Market Net
Within 1 year	**2**	**200,000**	**(5,984)**	**6,103**	**119**

(Rupees in '000)

December 31, 2010

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

	December 31 2011	December 31 2010
	(Rupees in '000)	

20. MARK-UP / RETURN / INTEREST EARNED

	2011	2010
On Loans and advances to:		
Customers	**511,800**	331,697
Financial institutions	**19,232**	11,657
On Investments in:		
Available-for-sale securities	**1,764,451**	1,257,104
Held-to-maturity securities	**29,577**	4,698
Held for trading	**4,658**	–
On Deposits with financial institutions	**17,979**	49,542
On Securities purchased under resale agreements	**49,517**	41,486
On Interest rate swap contracts	**9**	1,948
	2,397,223	1,698,132

	December 31 2011	December 31 2010
	(Rupees in '000)	

21. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	**234,292**	84,391
Short-term borrowings	**111,994**	98,226
Long-term borrowings	**72,268**	14,994
Securities sold under repurchase agreements	**1,050,723**	580,376
	1,469,277	777,987

22. GAIN ON SALE OF SECURITIES - net

Federal Government Securities		
- Market Treasury Bills	**90,374**	376
- Pakistan Investment Bonds	**(684)**	865
Ordinary shares of listed companies	**2,079**	77,397
Term Finance Certificates	**35,802**	66,797
Units of mutual funds	**5,131**	10,620
	132,702	156,055

23. OTHER INCOME

Net profit on sale of property and equipment	**69**	518
Others	**193**	155
	262	673

24. ADMINISTRATIVE EXPENSES

Salaries and allowances		**106,710**	86,501
Contribution to defined contribution plan		**4,512**	3,635
Non-executive directors' fees, allowances and other expenses		**3,234**	550
Rent, taxes, insurance, electricity, etc.		**16,362**	14,403
Legal and professional charges		**7,360**	9,073
Travelling and accommodation		**3,574**	4,417
Communications		**2,050**	2,062
Repairs and maintenance		**3,544**	3,120
Finance charges on leased assets		**–**	1,113
Brokerage commission		**12,759**	7,709
Stationery and printing		**1,908**	1,433
Advertisement and publicity		**641**	347
Donation	24.1 & 24.2	**4,120**	250
Auditors' remuneration	24.3	**2,575**	800
Depreciation	10.2	**7,544**	8,858
Amortization	10.3	**1,633**	2,367
Vehicle maintenance and fuel expense		**16,002**	11,451
Medical expense		**2,625**	2,382
Fee and subscription		**4,915**	2,226
Bank charges		**236**	42
Others		**2,365**	2,406
		204,669	165,145

24.1 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 2011	December 31 2010
	(Rupees in '000)	

24.2 Donations made in excess of Rs. 100,000 to a single donee are as follows:

Institute of Business Administration	**1,000**	250
Prime Minister's Flood Relief Fund	**3,000**	–
Citizen's Foundation	**120**	–
	4,120	250

24.3 Auditors' remuneration

Audit fee	**470**	400
Half yearly review fee	**175**	175
Fee for the audit of provident fund	**25**	25
Special certifications	**150**	150
Tax services	**100**	–
Other services	**1,600**	–
Out-of-pocket expenses	**55**	50
	2,575	800

	December 31 2011	December 31 2010
	(Rupees in '000)	

25. OTHER CHARGES

Exchange loss	**–**	2
Unrealised loss on Interest Rate Swap contracts	**239**	3,959
	239	3,961

26. TAXATION

For the year		
Current	**355,528**	234,854
Deferred	**(48,056)**	65,762
	307,472	300,616
For the prior year		
Current	**8,193**	7,870
Deferred	**–**	(7,918)
	8,193	(48)
	315,665	300,568

	December 31 2011	December 31 2010
	(Rupees in '000)	
26.1 Relationship between tax expense and accounting profit		
Accounting profit before tax	**920,129**	881,658
Tax rate	**35%**	35%
Tax on accounting profit	**322,045**	308,580
Tax effect of:		
Income chargeable to tax at special rate	**(31,858)**	(19,534)
Income exempt from tax	**(3,877)**	(14,156)
Expenses that are inadmissible in determining taxable profit	**1,735**	19,141
Permanent differences	**19,427**	6,585
Prior year charge	**8,193**	(48)
	315,665	300,568

26.2 Income tax returns for the tax years 2007 to 2011 have been filed by the holding company on due dates that are deemed to be assessed by the Commissioner Inland Revenue under the provisions of section 120 of the Income Tax Ordinance, 2001.

Assessments for the tax years 2008 and 2009 were amended by the Additional Commissioner Inland Revenue (ACIR) vide orders dated July 27, 2010 passed under Section 122 (5A) of the Income Tax Ordinance, 2001 whereby tax demands of Rs. 9.741 million and Rs. 28.339 million respectively were created. In the amendment assessment orders, besides making other additions to income, the ACIR taxed the amount of amortization of discount on securities as against the gain on disposal of securities as offered by the holding company.

The holding company went into appeal where the Commissioner Inland revenue (Appeals) set aside most of the issues including the issue of amortization of discount on securities with specific directions. The tax department has issued a show cause notice for the purpose of giving effect to matters set-aside by the CIR(A). The holding company is in the process of filing the relevant explanation and details requested by the department.

An appeal filed with the CIR(A) against the rectified order levying Workers Welfare Fund in the tax year 2009 was decided in favour of the holding company. However, the tax department has filed an appeal with the Appellate Tribunal Inland Revenue against the aforesaid decision of CIR(A).

Assessment order for tax year 2010 has been amended through order under section 122(5A) passed by the ACIR creating a tax demand of Rs. 106.50 million. The holding company filed appeal before the CIR(A) and an application for stay of demand against the tax demand. Recently, the said order was rectified by CIR(A) under section 221 of the Ordinance vide order dated January 27, 2012 with a revised tax demand of Rs. 51.26 million. An amount of Rs. 15.80 million has been paid against the said tax demand and an appeal was filed against the order passed under section 122(5A) of the Ordinance. An appeal has been filed by the holding company before the CIR(A) against the rectification order.

Both the holding company and the Commissioner Inland Revenue have filed appeals before the Appellate Tribunal Inland Revenue.

27. BASIC EARNINGS PER SHARE

		December 31 2011	December 31 2010
		(Rupees in '000)	
Profit for the year	Rupees in '000	**604,464**	581,090
Weighted average number of ordinary shares	Numbers in '000	**600,000**	**591,507**
Basic earnings per share	Rupees	**1.01**	0.98

28. DILUTED EARNINGS PER SHARE

There were no convertible dilutive potential ordinary shares outstanding on December 31, 2011 and 2010.

29. CASH AND CASH EQUIVALENTS

	December 31 2011	December 31 2010
	(Rupees in '000)	
Cash and balance with treasury banks	**174,790**	30,803
Balance with other banks	**562,085**	129,969
	736,875	160,772

30. STAFF STRENGTH

	Number	Number
Permanent	**42**	37
Temporary / on contractual basis	**17**	19
Total staff strength	**59**	56

31. DEFINED CONTRIBUTION PLAN

The holding company operates a provident fund scheme for all its permanent employees. Equal monthly contribution at the rate of 10.00% per annum (2010: 10.00% per annum) is made both by the holding company (employer) and employees. Contributions made to the provident fund during the year are as follows:

	December 31 2011	December 31 2010
	(Rupees in '000)	
Contribution made by the holding company	**4,512**	3,635
Contribution made by employees	**4,512**	3,635
	9,024	7,270

32. COMPENSATION OF DIRECTORS AND EXECUTIVES

(Rupees in '000)

	Chief Executive		Directors		Executives	
	December 31, 2011	December 31, 2010	**December 31, 2011**	December 31, 2010	**December 31, 2011**	December 31, 2010
Fees	–	–	–	–	–	–
Managerial remuneration	**21,200**	14,086	–	–	**67,406**	59,809
Contribution to defined contribution plan	**1,055**	644	–	–	**3,430**	2,631
Utilities	**303**	347	–	–	**14,460**	9,807
Medical	**341**	502	–	–	**2,153**	1,835
Travelling allowance	**228**	348	**3,234**	550	**302**	420
	23,127	15,927	**3,234**	550	**87,751**	74,502
Number of persons	**1**	1	**3**	3	**36**	35

32.1 The Chief executive of the holding company is provided with Company maintained car. Executive means employees other than the managing director and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

33. 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 38.3.1 and 38.2.4 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.

34. 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
2011			
Total income	68,659	2,131,718	481,171
Total expenses	42,866	1,418,145	300,408
Net income	25,793	713,573	180,763
Segment assets (gross)	–	28,580,310	4,648,478
Segment non performing loans	–	102,992	89,856
Investment provided for	–	802,084	–
Segment provision required *	–	421,476	8,989
Segment liabilities	–	21,146,867	3,470,246
Segment return on assets (ROA) (%)	–	3.49%	5.09%
Segment return on net assets (ROA) (%)	–	11.09%	16.79%
Segment cost of funds (%)	–	9.44%	9.44%
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%

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

35. TRUST ACTIVITIES

The Group 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 Group is fulfilling all its obligations and duties in accordance with the provisions of the respective trust documents.

The Group is also acting as trustee to Term Finance Certificates issued by Agritech Limited, Al Abbas Sugar Mills Limited, Askari Bank Limited–IV, Azgard Nine Limited, Bank Alfalah Limited–IV, Bank Al-Habib Limited–IV, Faysal Bank Limited, Martin Dow Pharmaceuticals Limited, National Investment Trust Limited, Soneri Bank Limited, United Bank Limited–IV, and Sukuk issue of Agritech Limited. The combined value of such assets as at December 31, 2011 amounted to PKR 28,442 Million (2010: PKR 29,216 Million)

36. RELATED PARTY TRANSACTIONS

The Group has related party relationship with:

- its employee defined contribution plan;
- its key management personnel;
- other related parties include Pakistan Mercantile Exchange Limited, Nimir Industrial Chemicals Limited and Haq Bahu Sugar Mills (Private) Limited due to common directorship.

Details of loan and advances to the executives are given in note 9.5 to these consolidated 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 31 to these consolidated financial statements. Remuneration to the executive is disclosed in note 32 to the consolidated financial statements. Transactions with owners have been disclosed in 'Consolidated Statement of Changes in Equity'. All other transactions between the Group 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 consolidated financial statements, are as follows:

(Rupees in '000)

	December 31, 2011 Key management personnel	December 31, 2011 Other related parties	December 31, 2010 Key management personnel	December 31, 2010 Other related parties
Advances				
As at beginning of the year	20,063	–	28,389	–
Given during the period	8,263	479,000	5,478	–
Repaid during the period	(5,040)	(5,000)	(13,804)	–
As at end of the year	23,286	474,000	20,063	–
Borrowings				
As at beginning of the year	–	–	–	–
Given during the period	–	–	–	633,445
Repaid during the period	–	–	–	(633,445)
As at end of the year	–	–	–	–
Placements				
As at beginning of the year	–	–	–	7
Placements made during the year	–	–	–	693,339
Placements matured during the year	–	–	–	(693,346)
As at end of the year	–	–	–	–
Investments				
As at beginning of the year	–	–	–	–
Investments made during the year	–	15,000	–	–
Redemption during the year	–	–	–	–
As at end of the year	–	15,000	–	–
Mark-up / return / interest earned	642	36,966	1,272	300
Mark-up / return / interest expensed	–	–	–	209
Salaries and other benefits	64,880	–	54,235	–
Reimbursement of expenses	10,013	–	8,403	–

37. CAPITAL - ASSESSMENT AND ADEQUACY

37.1 Scope of Application and Capital Structure

The Basel II Framework is applicable to the Group for determining Capital Adequacy both at consolidated level (comprising of fully owned subsidiary - Primus Investment Management Limited) and also on stand alone basis. The purpose of this legislation is to provide a modern prudential framework for credit institutions and investment firms across the globe, improving on the previous Basel I Framework through greater risk sensitivity and reflecting more modern approaches and improvements in the risk management practices of credit institutions and investment firms.The different tiers of regulatory capital recognized by SBP are as follows:

Tier I capital, includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements and net un-appropriated profits after deduction of book value of goodwill / intangibles, deficit on revaluation of available for sale investments and 50% of investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position as per the guidelines laid under the Basel II Framework.

Tier II capital includes general provisions for loan losses, reserves on the revaluation of fixed assets and equity investments, foreign exchange translation reserves and subordinated debts (upto maximum of 50% of total eligible tier I capital) after deduction of 50% of investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position as per the guidelines laid under the Basel II Framework.

General provisions for loan losses, eligible for Tier II capital should be against unidentified losses, however the Group has made general provision against some identified losses and hence are ineligible and the same is not included while determining Tier II capital.

Tier III capital has also been prescribed by the SBP for managing market risk. However the Group does not have any Tier III capital.

The required capital adequacy is achieved by the Group through:

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

37.2 Capital Adequacy

The risk weighted assets to capital ratio is calculated in accordance with the State Bank's guidelines on capital adequacy. Details of Group's eligible capital on consolidated basis is as follows:

	December 31 2011	December 31 2010
	(Rupees in '000)	
Regulatory Capital Base		
Tier I Capital		Restated
Shareholders equity / assigned capital	6,000,000	6,000,000
Reserves	399,204	278,311
Unappropriated profits	1,596,812	1,113,241
Non - controlling interest	–	–
	7,996,016	7,391,552
Less: Goodwill, other intangible assets and deficit on account of revaluation of available for sale portfolio etc	1,291	2,150
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	80,689	48,993
	81,980	86,115
Total Tier I Capital	7,914,036	7,305,437
Eligible Tier II Capital	–	–
Eligible Tier III Capital	–	–
Total Regulatory Capital Base	7,914,036	7,305,437

37.3 Risk Weighted Exposures

(Rupees in '000)

	Capital Requirements		Risk Weighted Assets	
	December 31, 2011	December 31, 2010	**December 31, 2011**	December 31, 2010
Credit Risk				
Portfolios subject to standardized approach On balance sheet exposures				
Claims				
On Public sector entities in Pakistan	**12,514**	4,482	**125,142**	44,817
On Banks	**14,553**	27,124	**145,530**	271,238
On Corporates	**591,862**	371,943	**5,918,621**	3,719,434
Categorized as Retail portfolio	**943**	1,159	**9,428**	11,594
Fully secured by Residential property	**1,115**	806	**11,146**	8,062
Unlisted equity investments	**15,000**	505	**150,000**	5,053
On Listed equity investments and regulatory capital instruments	**152,234**	167,742	**1,522,340**	1,677,416
Past Due Loans	**127**	–	**1,268**	–
On Investments in fixed assets	**3,278**	1,886	**32,775**	18,863
On All other assets	**27,724**	37,361	**277,239**	373,610
	819,350	613,008	**8,193,489**	6,130,087
Off balance sheet exposures				
Non-market related	**43,323**	66,808	**433,230**	668,084
Market related	**2**	27	**24**	272
	43,325	66,835	**433,254**	668,356
	862,675	679,843	**8,626,743**	6,798,443
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**147,759**	31	**1,846,988**	388
Equity position risk	**65,010**	24,928	**812,625**	311,600
Foreign Exchange Risk	**–**	–	**–**	–
	212,769	24,959	**2,659,613**	311,988
Operational Risk				
Capital Requirement for operational risks	**147,230**	121,898	**1,840,375**	1,523,725
TOTAL	**1,222,674**	826,700	**13,126,731**	8,634,156
Capital Adequacy Ratio				
Total eligible regulatory capital held (Note: 37.2) (a)			**7,914,036**	7,305,437
Total Risk Weighted Assets (b)			**13,126,731**	8,634,156
Capital Adequacy Ratio (a) / (b)			**60.29%**	84.61%

37.3.1 Credit Risk Approach

The Group 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 counter parties by the External Credit Assessment Institutions (ECAIs) duly recognised by SBP for capital adequacy purposes. In this connection, the Group utilizes the credit ratings assigned by ECAIs and has recognised 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 recognised 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.

37.3.1.1 Selection of ECAIs

The Group 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).

37.3.1.2 Use of ECAI Ratings

The Group 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.

37.3.1.3 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.

37.3.1.4 Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA	MOODY's	FITCH	S & P
Corporate	√	√	-	-	-
Banks	√	√	-	-	-
SME's	N/A	N/A	N/A	N/A	N/A
Sovereigns	N/A	N/A	N/A	N/A	N/A
Securitization	N/A	N/A	N/A	N/A	N/A
Others	N/A	N/A	N/A	N/A	N/A

37.3.1.5 Credit exposures subject to Standardized Approach

(Rupees in '000)

Exposures	Rating category No.	Rating risk weighted	December 31, 2011 Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
Cash and Cash Equivalents		0%	–	–	–	–
Corporate	0	0%	–	–	–	–
	1	20%	1,500,437	–	1,500,437	300,087
	2	50%	1,614,216	–	1,614,216	807,108
	3,4	100%	238,216	–	238,216	238,216
	5,6	150%	814,474	–	814,474	1,221,711
	Unrated	100%	3,351,499	–	3,351,499	3,351,499
			7,518,842	–	7,518,842	5,918,621
Retail		0%	–	–	–	–
		20%	–	–	–	–
		50%	–	–	–	–
		75%	12,571	–	12,571	9,428
			12,571	–	12,571	9,428
Banks						
- Over 3 Months		0%	–	–	–	–
	1	20%	–	–	–	–
	2,3	50%	–	–	–	–
	4,5	100%	–	–	–	–
	6	150%	–	–	–	–
	Unrated	50%	–	–	–	–
			–	–	–	–
- Maturity Upto and under 3 Months in FCY		0%	–	–	–	–
	1,2,3	20%	–	–	–	–
	4,5	50%	–	–	–	–
	6	150%	–	–	–	–
	Unrated	20%	–	–	–	–
			–	–	–	–
- Maturity Upto and under 3 Months in PKR		0%	–	–	–	–
		20%	727,650	–	727,650	145,530
			727,650	–	727,650	145,530
Residential Mortgage Finance		35%	31,845	–	31,845	11,146
Public Sector Entity		0%	–	–	–	–
	1	20%	613,163	–	613,163	122,633
	2,3	50%	–	–	–	–
	4,5	100%	–	–	–	–
	6	150%	–	–	–	–
	Unrated	50%	5,018	–	5,018	2,509
			618,181	–	618,181	125,142
Sovereigns (SBP / GoP)		0%	306,859	–	306,859	–
Equity Investments - Listed		100%	1,522,340	–	1,522,340	1,522,340
- Unlisted		150%	100,000	–	100,000	150,000
			1,622,340	–	1,622,340	1,672,340
Past Due Loans						
(Not Secured by	S.P less than 20%	150%	–	–	–	–
Residential Mortgages)	S.P upto 20%	100%	1,268	–	1,268	1,268
	S.P greater than 50%	50%	–	–	–	–
			1,268	–	1,268	1,268
Investment in fixed assets		100%	32,775	–	32,775	32,775
Other assets		100%	277,239	–	277,239	277,239
Total			11,149,570	–	11,149,570	8,193,489

* Credit Risk Mitigation (CRM)

Credit exposures and comparative figures subject to the standardised approach

(Rupees in '000)

Exposures	Rating category No.	Rating risk weighted	December 31, 2010 Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
Cash and Cash Equivalents		0%	–	–	–	–
Corporate	0	0%	–	–	–	–
	1	20%	1,166,183	–	1,166,183	233,237
	2	50%	1,295,115	–	1,295,115	647,558
	3,4	100%	656,428	–	656,428	656,428
	5,6	150%	405,689	–	405,689	608,534
	Unrated	100%	1,573,677	–	1,573,677	1,573,677
			5,097,092	–	5,097,092	3,719,434
Retail		0%	–	–	–	–
		20%	–	–	–	–
		50%	–	–	–	–
		75%	15,458	–	15,458	11,594
			15,458	–	15,458	11,594
Banks						
- Over 3 Months		0%	–	–	–	–
	1	20%	–	–	–	–
	2,3	50%	–	–	–	–
	4,5	100%	–	–	–	–
	6	150%	–	–	–	–
	Unrated	50%	–	–	–	–
			–	–	–	–
- Maturity Upto and under 3 Months in FCY		0%	–	–	–	–
	1,2,3	20%	4	–	4	1
	4,5	50%	–	–	–	–
	6	150%	–	–	–	–
	Unrated	20%	–	–	–	–
			4	–	4	1
- Maturity Upto and under 3 Months in PKR		0%	–	–	–	–
		20%	1,356,185	–	1,356,185	271,237
			1,356,185	–	1,356,185	271,237
Residential Mortgage Finance		35%	23,036	–	23,036	8,063
Public Sector Entity		0%	–	–	–	–
	1	20%	91,377	–	91,377	18,275
	2,3	50%	–	–	–	–
	4,5	100%	–	–	–	–
	6	150%	–	–	–	–
	Unrated	50%	53,083	–	53,083	26,542
			144,460	–	144,460	44,817
Sovereigns (SBP / GoP)		0%	5,499,126	–	5,499,126	–
Equity Investments - Listed		100%	1,677,416	–	1,677,416	1,677,416
- Unlisted		150%	-	–	–	–
			1,677,416	–	1,677,416	1,677,416
Past Due Loans						
(Not Secured by Residential Mortgages)	S.P less than 20%	150%	–	–	–	–
	S.P upto 20%	100%	5,053	–	5,053	5,053
	S.P greater than 50%	50%	–	–	–	–
			5,053	–	5,053	5,053
Investment in fixed assets		100%	18,863	–	18,863	18,863
Other assets		100%	373,610	–	373,610	373,610
Total			14,210,303	–	14,210,303	6,130,088

* Credit Risk Mitigation (CRM)

37.4 Capital Management

Objectives of Managing Capital

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

Group'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 Group's assets to allow for an optimal deployment of the Group's resources;
- to protect the Group against unexpected events and maintain strong ratings;
- to safeguard the Group'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 Group to expand; and
- to achieve overall low cost of capital with appropriate mix of capital elements.

Externally Imposed Capital Requirements

The paid up capital and CAR of the Group stands at Rs. 6 billion and 60.29% of its risk weighted exposure as at December 31, 2011 respectively.

38. RISK MANAGEMENT

The Risk Management Framework (the Framework) provides principles for identifying, assessing, and monitoring risk within the Group. 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 Group 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 Group 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 Group (this risk is also known as price risk).
Liquidity Risk	The risk that the Group 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 Group.

A separate unit has been set up for credit risk management. Risk Management comprises of two areas; Credit Risk Management (CRM) and Middle Office & Operational Risk (MOOR). CRM oversees credit risk taken by the Group while MOOR function overviews market, interest rate, liquidity and operational risks of the Group. 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 Group 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.

38.1 Credit Risk

Credit risk, the potential default of one or more debtors, is the largest source of risk for the Group. The Group 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 Group 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 Group 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 Group 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. A new internal rating model to rate corporate and commercial customers has been designed and its framework has been approved by the Board in July, 2011. The new model has been running under parallel testing with the old model in December, 2011.

Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Group'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 Group.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Group 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 Group 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 Group 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 Group 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 Group 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.

38.1.1 Segmental Information

38.1.1.1 Segments by class of business

	December 31, 2011					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	**89,856**	**1.9%**	**–**	**–**	**–**	**–**
Textile	**576,718**	**12.4%**	**–**	**–**	**213,905**	**1.0%**
Sugar	**511,116**	**11.0%**	**–**	**–**	**158,884**	**0.7%**
Chemicals & Pharmaceuticals	**561,869**	**12.0%**	**2,260**	**0.2%**	**1,482**	**0.0%**
Production and Transmission of Energy	**935,588**	**20.0%**	**–**	**–**	**–**	**–**
Financial	**190,992**	**4.1%**	**800,000**	**81.7%**	**20,967,219**	**97.3%**
Individuals	**44,416**	**1.0%**	**–**	**–**	**–**	**–**
Hotel	**57,187**	**1.2%**	**–**	**–**	**–**	**–**
Telecommunication	**150,000**	**3.2%**	**–**	**–**	**–**	**–**
Paper & Board	**200,000**	**4.3%**	**–**	**–**	**–**	**–**
Food & Confectionary	**428,270**	**9.2%**	**2,000**	**0.2%**	**19,461**	**0.1%**
Oil, Gas, Petroleum and Energy	**70,093**	**1.5%**	**–**	**–**	**100,000**	**0.5%**
Advertising	**–**	**–**	**–**	**–**	**–**	**–**
Entertainment	**–**	**–**	**–**	**–**	**–**	**–**
Transportation	**203,726**	**4.4%**	**–**	**–**	**34,694**	**0.2%**
Packaging	**74,109**	**1.6%**	**–**	**–**	**408**	**0.0%**
Services	**–**	**–**	**174,758**	**17.9%**	**50,934**	**0.2%**
Electronics and electrical appliances	**230,000**	**4.9%**	**–**	**–**	**–**	**–**
Engineering	**117,505**	**2.5%**	**–**	**–**	**–**	**–**
Others	**225,928**	**4.8%**	**–**	**–**	**–**	**–**
	4,667,373	**100%**	**979,018**	**100%**	**21,546,987**	**100%**

	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	508,583	20.5%	–	–	565,531	8.9%
Financial	96,007	3.9%	250,000	29.6%	5,120,712	80.9%
Individuals	38,494	1.6%	–	–	–	–
Hotel	65,000	2.6%	–	–	–	–
Telecommunication	183,334	7.4%	–	–	–	–
Paper & Board	200,000	8.1%	–	–	–	–
Food & Confectionary	160,000	6.5%	2,000	0.0%	170,000	2.7%
Oil, Gas, Petroleum and Energy	285,532	11.5%	–	–	–	–
Advertising	2,489	0.1%	–	–	–	–
Entertainment	416	0.0%	–	–	–	–
Transportation	159,416	6.4%	250,000	29.6%	109,820	1.7%
Packaging	110,971	4.5%	–	–	–	–
Services	5,387	0.2%	90,000	10.7%	150	0.0%
Electronics and electrical appliances	–	–	–	–	–	–
Engineering	–	–	–	–	–	–
Others	14,998	0.6%	250,000	29.6%	–	–
	2,475,172	100%	844,000	100%	6,331,383	100%

38.1.1.2 Segment by sector

(Rupees in '000)

	December 31, 2011					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	**146,764**	**3%**	**–**	**0%**	**152,490**	**1%**
Private	**4,520,609**	**97%**	**979,018**	**100%**	**21,394,497**	**99%**
	4,667,373	**100%**	**979,018**	**100%**	**21,546,987**	**100%**

	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	11%
Private	2,334,049	94%	844,000	100%	5,656,032	89%
	2,475,172	100%	844,000	100%	6,331,383	100%

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

(Rupees in '000)

	December 31, 2011		December 31, 2010	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Financial	**2,992**	**1,723**	6,736	1,684
	2,992	**1,723**	6,736	1,684

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

Public / Government	**–**	**–**	–	–
Private	**2,992**	**1,723**	6,736	1,684
	2,992	**1,723**	6,736	1,684

38.1.1.5 Geographical Segment Analysis

(Rupees in '000)

	December 31, 2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	**920,129**	**32,545,016**	**7,927,903**	**21,546,987**

	December 31, 2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	881,658	14,368,611	7,342,559	6,331,383

38.2 Market Risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property etc) as well as their correlations and volatilities. Group is exposed to market risk primarily through its trading activities, which are centered in the treasury and capital market groups.

The Group classifies its assets in banking and trading books as per instructions from SBP. Group's trading book comprises positions in financial instruments held with trading intent or in order to hedge other elements of the trading book 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 positions which does not fulfill the criteria of trading book falls under the banking book and are treated as per SBP requirements.

The Group actively measure, control and manage market risk on day-to-day basis. Controls are applied to all investment portfolios by setting limits to the exposures taken. This includes stop loss limits on shares in 'Held for Trading' portfolio, individual and sectoral concentration limits, volatility and value-at-risk limits etc.

The Group measure market risk using various techniques like duration analysis for interest rate sensitivity, value-at-risk for adverse price movement and stress testing etc. The results are communicated to ALCO and Risk Management Committee on monthly and quarterly basis respectively. Market risk is effectively managed at portfolio level.

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.

38.2.1 Interest Rate Risk

Interest rate risk is the uncertainty resulting from changes in interest rates, including changes in the shape of yield curves. Interest rate risk arises from factors such as mismatches between contractual maturities or re-pricing of on and off balance sheet assets and liabilities. The objective of yield / interest rate risk management is to minimize adverse variances in the Group's profitability .

Government securities (PIBs & T-Bills), investment in TFCs & sukuks, loans & advances and other money market investments are subject to interest rate risk classified under 'Held for Trading' as well as 'Available-for-Sale' category if they meet the SBP criteria. 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.

38.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. The Group is not exposed to any significant funded or non-funded foreign exchange exposure.

(Rupees in '000)

	December 31, 2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	**32,545,012**	**24,617,113**	**–**	**7,927,899**
United States Dollar	**4**	**–**	**–**	**4**
	32,545,016	**24,617,113**	**–**	**7,927,903**

	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

38.2.3 Equity Position Risk

The Group is exposed to equity position risk on its investments in equity capital markets. 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' or 'Available for Sale' portfolio.

Equity investment in Group's trading book are subject to limits and controls imposed by Risk Management Policy to reduce the risk. The risk is managed by applying trading limit, scrip–wise and portfolio wise nominal limits, stop-loss limits and volatility limits. Stress test and value-at-risk figures are also reported to the management for timely decisions.

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

38.2.4 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 Group 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)

	Effective yield/ interest rate	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	Non-interest Bearing Financial Instruments
	December 31, 2011											
			Exposed to yield/interest risk									
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	0.0%	174,790	–	–	–	–	–	–	–	–	–	174,790
Balances with other banks	7.37%	562,085	562,085	–	–	–	–	–	–	–	–	–
Lendings to financial institutions	12.66%	627,841	627,841	–	–	–	–	–	–	–	–	–
Investments - net	14.38%	25,742,364	339,439	10,424,120	859,427	12,900,253	169,352	-	192,618	360,403	–	496,752
Advances - net	15.14%	4,646,661	1,469,207	1,413,809	901,583	165,713	119,077	133,941	268,094	149,564	13,101	12,572
Other assets - net	0.0%	411,842	–	–	–	–	–	–	–	–	–	411,842
		32,165,583	2,998,572	11,837,929	1,761,010	13,065,966	288,429	133,941	460,712	509,967	13,101	1,095,956
Liabilities												
Borrowings	12.06%	23,354,764	19,168,850	2,275,982	45,406	50,295	672,844	702,770	274,944	163,673	–	–
Deposits and other accounts	12.74%	979,018	325,000	2,000	149,758	502,260	–	–	–	–	–	–
Other liabilities	0.0%	257,084	–	–	–	–	–	–	–	–	–	257,084
		24,590,866	19,493,850	2,277,982	195,164	552,555	672,844	702,770	274,944	163,673	–	257,084
On-balance sheet gap		7,574,717	(16,495,278)	9,559,947	1,565,846	12,513,411	(384,415)	(568,829)	185,768	346,294	13,101	838,872
Off-balance sheet financial instruments												
Forward purchase of Government Securities		(464,944)	(464,944)	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		20,502,275	19,573,343	457,252	471,680	–	–	–	–	–	–	–
Interest Rate Derivatives - Short position		(5,984)	–	(5,984)	–	–	–	–	–	–	–	–
Interest Rate Derivatives - Long position		6,103	–	6,103	–	–	–	–	–	–	–	–
Off-balance sheet gap		20,037,450	19,108,399	457,371	471,680	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap		27,612,167	2,613,121	10,017,318	2,037,526	12,513,411	(384,415)	(568,829)	185,768	346,294	13,101	838,872
Cumulative Yield / Interest Risk Sensitivity Gap			2,613,121	12,630,439	14,667,965	27,181,376	26,796,961	26,228,132	26,413,900	26,760,194	26,773,295	27,612,167

(Rupees in '000)

	Effective yield/ interest rate	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	Non-interest Bearing Financial Instruments
	December 31, 2010											
			Exposed to yield/interest risk									
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												
Forward purchase of Government Securities		(22,751)	(22,751)	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		5,097,961	3,632,107	1,096,191	369,663	–	–	–	–	–	–	–
Interest Rate Derivatives - Short position		(21,248)	–	–	–	–	(21,248)	–	–	–	–	–
Interest Rate Derivatives - Long position		21,607	–	–	–	–	21,607	–	–	–	–	–
Off-balance sheet gap		5,075,569	3,609,356	1,096,191	369,663	–	359	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap		12,231,371	1,864,520	4,579,641	4,658,713	4,250	200,539	257,736	(196,155)	412,092	17,793	432,242
Cumulative Yield / Interest Risk Sensitivity Gap			1,864,520	6,444,161	11,102,874	11,107,124	11,307,663	11,565,399	11,369,244	11,781,336	11,799,129	12,231,371

38.3 Liquidity Risk

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

Liquidity risk can arise from the Group activities and can be grouped into three categories:
- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

The Group'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. Group's MIS provides information on expected cash inflows / out flows which allow the Group to take timely decisions based on the future requirements. Group monitors all the possible sources from which liquidity risk can emanate inculding market reputation, borrowing terms, deterioration in quality of credit portfolio etc. Other sources are also identified for which early warning indicators have been created and being monitored for early intervention of management sensing a potiental liquidity crunch.

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.

38.3.1 Maturities of Assets and Liabilities

(Rupees in '000)

	Total	December 31, 2011								
		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	174,790	174,790	–	–	–	–	–	–	–	–
Balances with other banks	562,085	562,085	–	–	–	–	–	–	–	–
Lendings to financial institutions	627,841	627,841	–	–	–	–	–	–	–	–
Investments - net	25,742,364	257,876	8,552,335	508,739	13,091,125	755,997	406,326	635,139	1,534,827	–
Advances - net	4,646,661	150,004	362,452	642,763	447,609	793,096	699,683	909,062	628,891	13,101
Operating fixed assets	34,067	1,058	2,116	17,051	3,540	6,435	2,468	1,399	–	–
Deferred tax assets - net	–	–	–	–	–	–	–	–	–	–
Other assets	757,208	299,725	199,178	22,053	7,603	224,371	4,278	–	–	–
	32,545,016	2,073,379	9,116,081	1,190,606	13,549,877	1,779,899	1,112,755	1,545,600	2,163,718	13,101
Liabilities										
Borrowings	23,359,531	19,168,991	2,276,265	45,831	51,144	674,543	704,139	274,944	163,674	–
Deposits and other accounts	979,018	325,000	2,000	149,758	502,260	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities - net	383	8	75	100	17	36	43	72	32	–
Other liabilities	278,181	127,258	68,471	3,134	6,444	12,264	16,735	43,875	–	–
	24,617,113	19,621,257	2,346,811	198,823	559,865	686,843	720,917	318,891	163,706	–
Net assets	7,927,903	(17,547,878)	6,769,270	991,783	12,990,012	1,093,056	391,838	1,226,709	2,000,012	13,101
Share capital	6,000,000									
Reserves	399,204									
Unappropriated profit	1,596,812									
Deficit on revaluation of assets - net	(68,113)									
Advance against equity	–									
	7,927,903									

	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									

38.4 Operational Risk

The Group, 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 Group maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Group'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 Group has developed a Business Continuity Plan applicable to all its functional areas. Currently the Group uses the Basic Indicator Approach for assessing its operational risk capital charge.

39. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Group have proposed a final dividend for the year ended December 31, 2011 of Rs. **0.33** per share (2010: Nil), amounting to Rs. **200** million (2010: Nil) at their meeting held on **March 28, 2012**, for approval of the members at the annual general meeting to be held on **April 24, 2012**.

40. GENERAL

40.1 Credit rating

The holding 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 holding company to discharge financial obligations.

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

41. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on **March 28, 2012** by the Board of Directors of the Group.

Chief Executive	Director	Director	Chairperson

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, 2011

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