pakbrunei
INVESTMENT COMPANY

Annual report 2013

Statements

PAK BRUNEI INVESTMENT COMPANY

PAK BRUNEI INVESTMENT COMPANY | Annual Report 2013

Design: Creative Unit (Pvt) Ltd.

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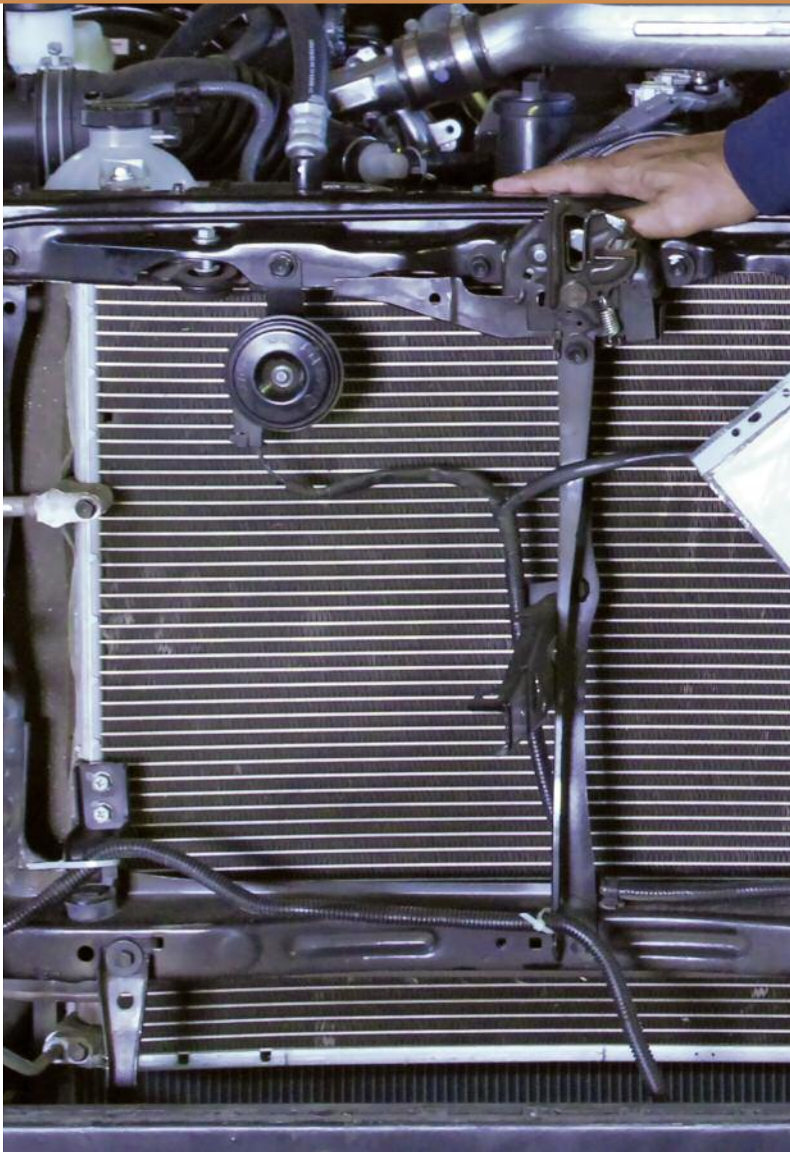
Statements

Creating value out of every relationship is how Pak Brunei Investment Company measures performance.

Our relationships, based on mutual trust, confidence and credibility, are all about financing the changes needed for success.

“Pak Brunei stepped in with a structured finance package for OJ Engineering at a time when we really needed growth capital. They understood the potential of our engineering capability, the benefits of indigenization, and I know we will both come out winners from this partnership.”

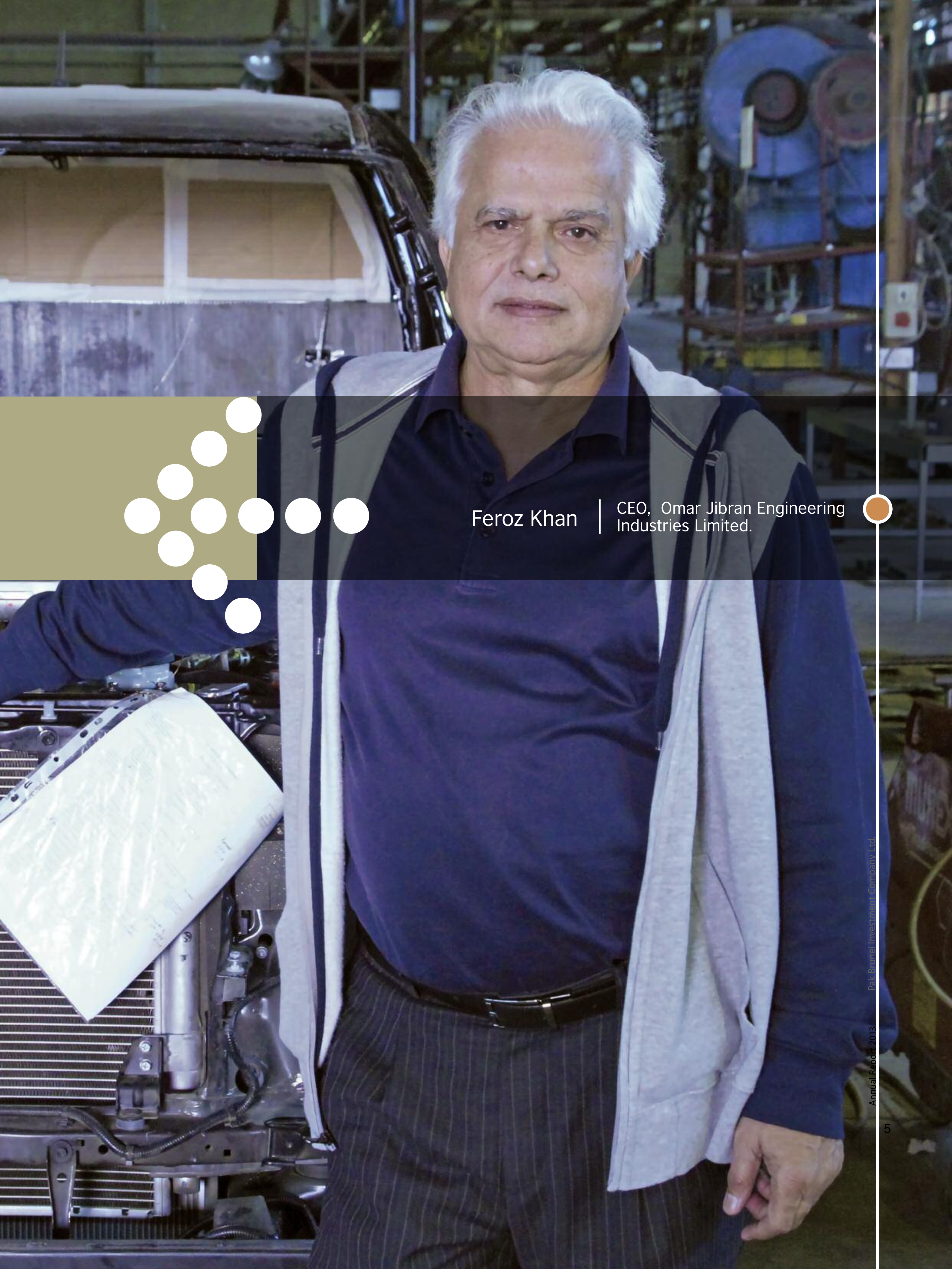
STATEMENT OF STABILITY



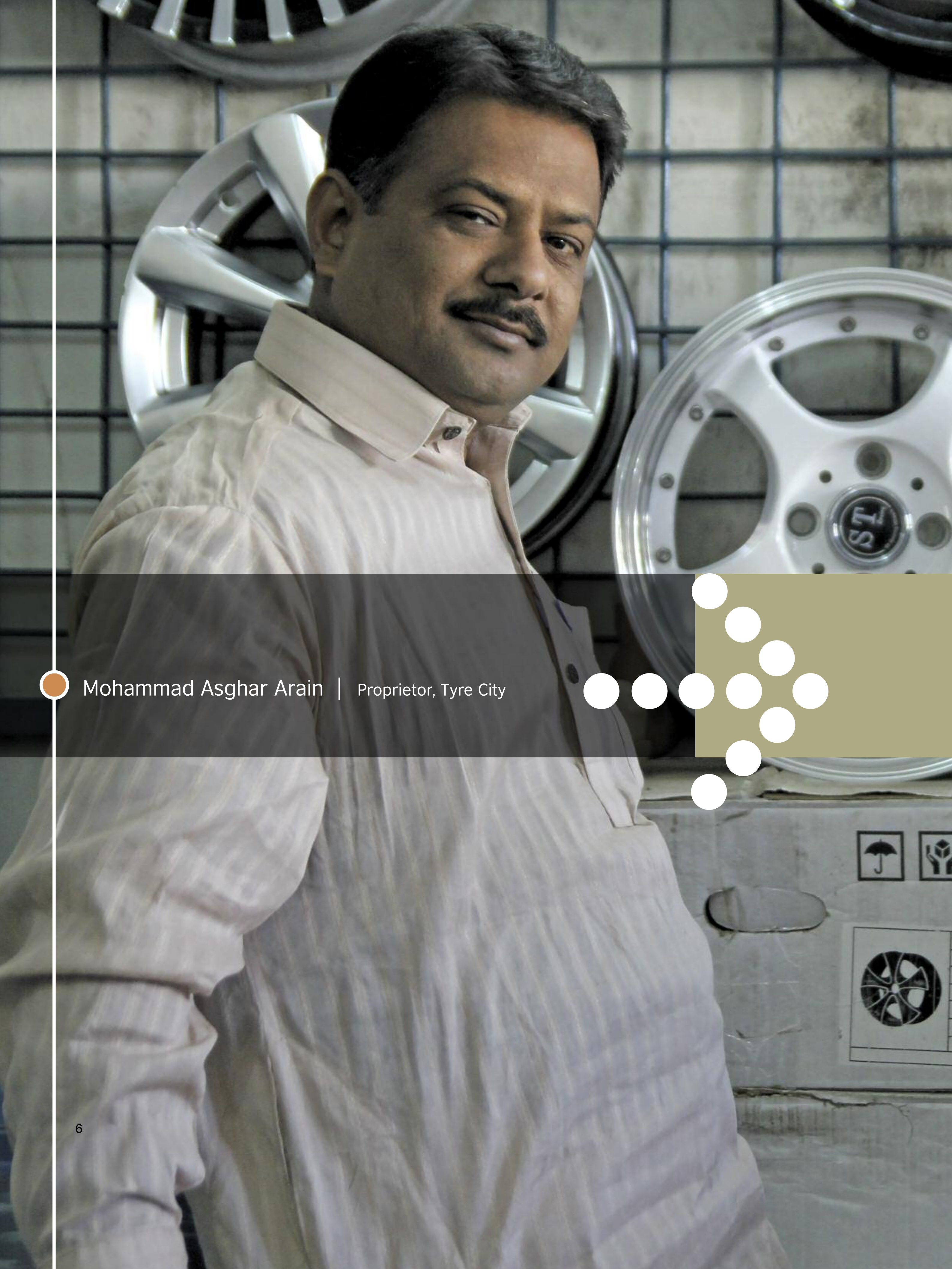
ADVISORY GROUP

Today, everyone talks about the need for financial institutions to be more innovative and risk oriented. At Pak Brunei Investment Company, we have been redefining investment banking since we entered this market.

We understand that financing companies that are in stress requires not just expert advice but also commitment of our own capital. That is why our advisory transactions are anything but plain vanilla.



Feroz Khan | CEO, Omar Jibran Engineering Industries Limited.



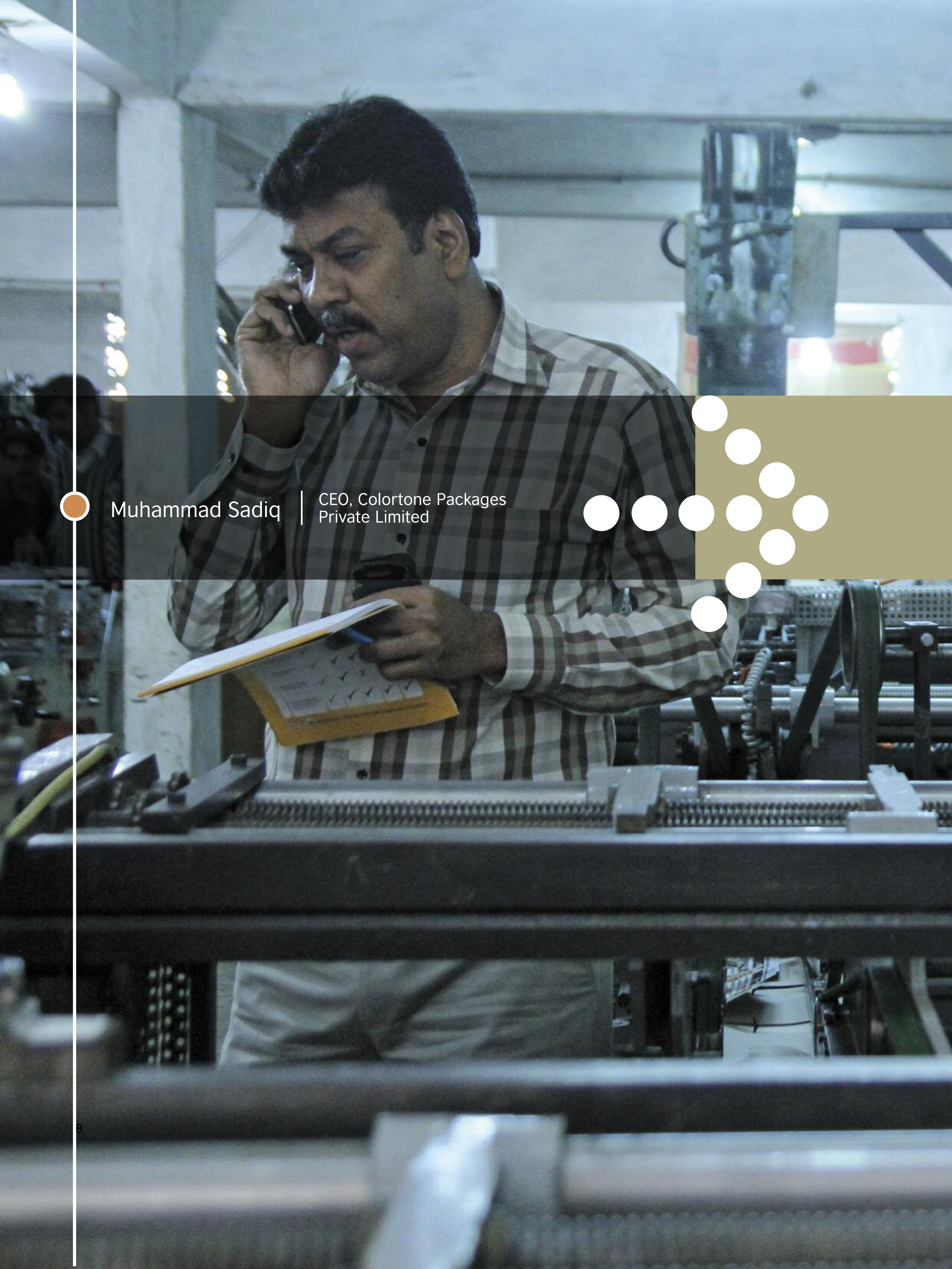
Mohammad Asghar Arain | Proprietor, Tyre City

STATEMENT OF CONFIDENCE

“I knew I needed a digital alignment machine to upgrade my workshop. Pak Brunei understood my dream.”

SME GROUP

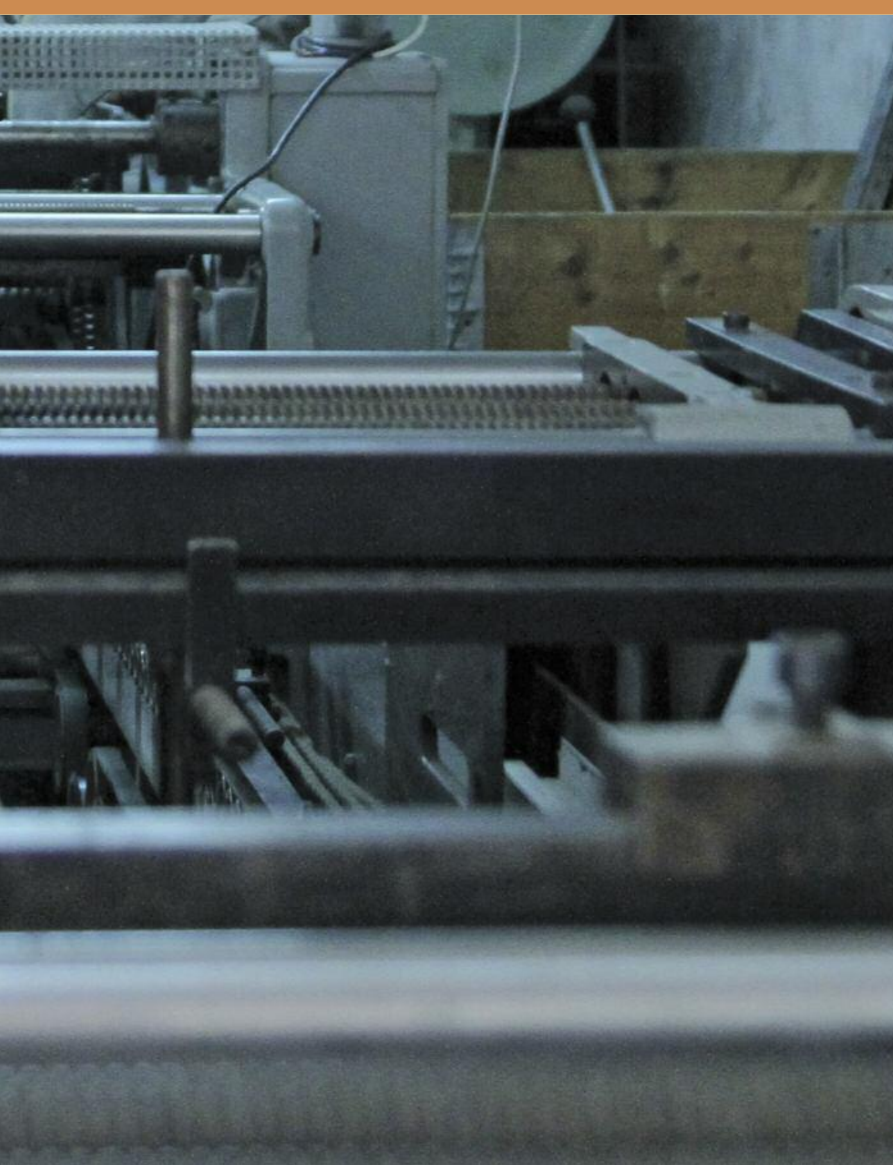
Everyone talks about the vibrancy and resilience of the SME sector but at Pak Brunei Investment Company,we believe in action, not words. Our dedicated team specializes in unconventional risk evaluation for SMEs, providing tailor-made solutions that are based on ground realities for each individual customer.



Muhammad Sadiq | CEO, Colortone Packages Private Limited

"My company has come a long way, from a small-scale proprietorship to an expansive business that serves local and multinational buyers. I needed a lender who has solid insight on the mechanics of my sector and does not evaluate me like a corporate banker. For us in the SME sector, Pak Brunei is a valuable addition – young in years and wise in outlook."

STATEMENT OF GROWTH



SME GROUP

For a rapidly growing printing and packaging concern like Colortone, adequate inventory reserves are crucial for servicing clients efficiently. Pak Brunei Investment Company met Colortone's need for working capital and now plans to facilitate the graduation of Colortone, from SME to a corporate client. We foresee this happening very soon and will play our part in backing this growth story.

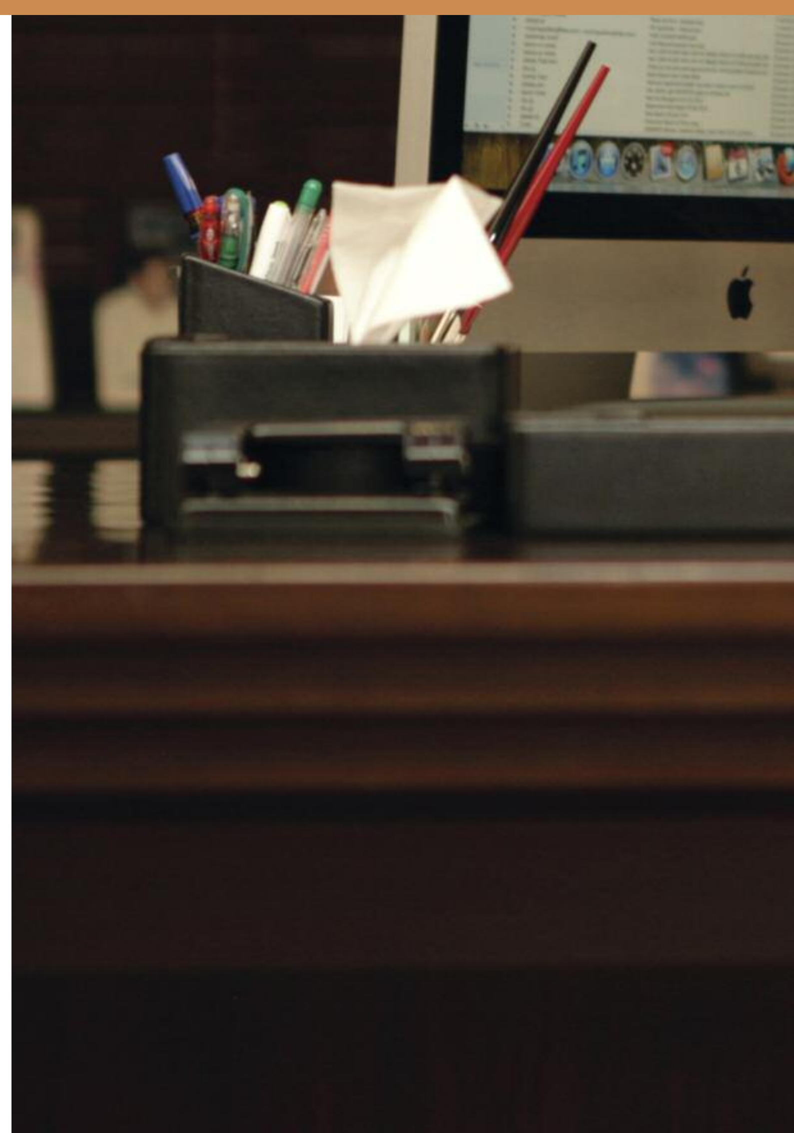
“In 2013, we decided to acquire a sugar mill that could cater to the requirements of our companies: Popular Juice and Popular Food Industries. We were looking for a one stop shop to finance the acquisition of National Sugar Industries; one that could meet our need for speed, confidentiality and delivery. Pak Brunei fitted that bill perfectly.”

STATEMENT OF CREDIBILITY

CORPORATE BANKING GROUP

Pak Brunei Investment Company financed the acquisition of a sugar mill that had a history of operating below capacity, with low sucrose recovery rates and in default with its bankers. Our decision looked beyond the numbers and focused on the sponsors' ability to bring about change. Post acquisition, in its first season, Popular Sugar Mill ran at its maximum capacity with the highest sucrose recovery in its history and with full payment of all outstanding dues to growers.

With us, credibility comes first.




Zubair Imam Malik
Director, Popular Group of Industries

Zafar Mahmood | CEO, Nimir Industrial Chemicals Limited

ADVISORY GROUP

When the foreign sponsor of NICL decided to exit from Pakistan, Pak Brunei Investment Company realized that management had the potential to turn the company around, if provided with the capital they required to put their plans into motion. The buyout was a risk we were willing to finance and our trust was not misplaced. Today, the numbers speak for themselves.

For us, value creation remains the most important goal and we are in the business of taking risks to achieve it.

STATEMENT OF TRUST

"Pak Brunei trusted us with the turnaround of Nimir Industrial Chemicals. They structured and financed a successful management buy-out based on the plans we had on paper. Before the buy-out, we were breaking even with revenues of PKR 1.7 billion. Today, we have revenues of over PKR 3 billion with pre-tax profit of PKR 233 million in 2013. Not only this, we are in the process of doubling our capacity. Sometimes, to perform well, all you need is trust."

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Unconsolidated Financial Statements

Corporate Information

Board of Directors

Mr. Khairuddin Abdul Hamid	Chairman
Mr. Shahid Mahmood	Director
Mr. Junaidi bin Haji Masri	Director
Ms. Ayesha Aziz	Managing Director

Audit Committee

Mr. Shahid Mahmood	Chairman
Mr. Khairuddin Abdul Hamid	Member
Mr. Junaidi bin Haji Masri	Member

Human Resource Committee

Mr. Junaidi bin Haji Masri	Chairman
Mr. Shahid Mahmood	Member
Ms. Ayesha Aziz	Member

Company Secretary

Mr. Abdul Hafeez

Statutory Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Tax Consultant

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

Legal Advisor

Liaquat Merchant & Associates	Advocate and Corporate Legal Consultants

Registered Head Office

Horizon Vista, Commercial 10,
Scheme No. 5, Block-4, Clifton, Karachi.
Tel: (+92-21) 35361215-19, (+92-21) 35839917
Fax: +9221-35361213

Website

www.pakbrunei.com.pk

Vision

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

Mission

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

Core Values

Integrity
We will be honest, professional, and fair in all our dealings with all our stakeholders

Innovation
We will not be held hostage to conventional wisdom

Performance
We will be result-oriented and encourage a competitive culture

Teamwork
We will have shared goals and objectives

Customer Focus
We will understand our customers' needs and try to exceed customer 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 of 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.

Protectoin 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.

Board of Directors' Profile

Khairuddin bin Abd Hamid

Mr. Khairuddin bin Abd Hamid, the acting Managing Director of Brunei Investment Agency (BIA), is the Chairman of the Board of Directors of Pak Brunei Investment Company.

His past roles in BIA include serving as head of department / Deputy General Manager for the Agency External Fund Management, and as the Investment Officer for BIA UK operations.

Mr. Khairuddin gained his BA (Hons) in Management Studies from the University Brunei Darussalam and a diploma in Social Sciences from the University of Canterbury (UK). He has also taken part in advance management programmes at the Henley Business School, University of Reading (UK).

Shahid Mahmood

Mr. Shahid Mahmood is presently Additional Finance Secretary / Special Assistant to Finance Minister in the Ministry of Finance where his responsibilities include providing, amongst others, policy advice / decision making on financial terms and conditions involved in foreign, bilateral, multilateral as well as commercial functions and negotiations.

A career civil service officer, he has more than 27 years of experience in diverse fields and at policy level positions. His particular focus has been on public sector financial management, public sector development policy, international trade and commerce as well as poverty alleviation and rural development.

Beginning his professional career in 1979, Mr. Mahmood started as sub editor at the daily Pakistan Times in Lahore, before entering the civil service in 1984. During the course of his career, he has worked as Project Manager for UNICEF, Deputy Commissioner at Sialkot, Commercial Counselor in Beijing (China), Secretary to the Government of Punjab for Planning and Development, Mines and Minerals and Tourism Departments. He has also been Principal Secretary to the Chief Minister Punjab. In addition, he has served as Programme Director at the Lahore Rapid Mass Transit System, as well as Chief Commissioner, Islamabad.

Mr Mahmood holds a Bachelors degree in Economics and Statistics and a Masters degree in English Literature from Government College, Lahore.

Junaidi bin Haji Masri

Mr. Junaidi bin Haji Masri serves as a director of the Pak Brunei Investment Company. 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.

Serving on the board of directors of a number of companies, both in and outside Brunei Darussalam, Mr. Masri brings a global perspective to the Company with his understanding of international markets and asset classes.

Mr. Marsi holds a B.Sc degree in Computer and Management Sciences from Keele University (UK).

Ayesha Aziz

Ms. Aziz was responsible for setting up Pak Brunei Investment Company and succeeded in 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 including project finance, asset management, corporate finance advisory and treasury operations. She was associated with the ANZ Banking Group for over ten years where, amongst other assignments, she worked on the Financial Engineering desk in ANZ London. Subsequently, Ms. Aziz was involved in establishing and managing business operations and subsidiaries of Pak Oman Investment Company, including a microfinance bank and an asset management company, where she acted as a member on the board and CEO, respectively. She was also responsible for developing a regional investor base comprising private and public sector institutions, successfully raising equity for telecom, energy and financial sector transactions in Pakistan.

Ms. Aziz is an MBA from the Institute of Business Administration and a CFA Charterholder.

Pak Brunei Investment Company

About the Company:

Pak Brunei Investment Company is an Investment Finance Company established as a joint venture between Government of Pakistan and Brunei Investment Agency (BIA) that commenced operations in August 2007. The Company has active platforms for Project and Lease Finance, Corporate Finance & Advisory Services, SME Finance, Private Equity, Trust Services, Capital Market Operations, and Fixed Income Trading & Distribution activities.

Pak Brunei is a leading Investment Company in terms of profitability, asset build-up, quality of credit portfolio and human resource base and has maintained this position since 2008. It follows a defined business plan and clear strategic direction under the guidance of a high powered Board of Directors that is chaired by the Managing Director of Brunei Investment Agency.

The Company employs a qualified team of 69 experienced professionals including MBAs, Chartered Accountants, CFAs, FRMs, Lawyers and Engineers sourced from local and multinational institutions.

BUSINESS REVENUE SEGMENTS

1

Advisory Group

Revival Financing for companies/ projects in distress

Pak Brunei specializes in financing projects facing financial distress where there is scope for revival. The Company is possibly the only financial institution that focuses on clients who are in or close to default with other banks and the deal flow increasingly originates from the Special Asset Management (SAM) departments of other banks that are unable or unwilling to take additional exposure required by already defaulted customers. The activity requires skills that go beyond conventional investment banking, involving operational, legal and financial evaluation before a strategy is devised and implemented to achieve turnaround. This often results in a changed capital structure, divestment, restructuring and business re-orientation with each transaction structured to give high risk-adjusted returns and tailored to match repayment with planned recovery. As part of the financial package, change in internal / external auditors, reconstitution of the Board and stringent cash collection mechanisms are also imposed. After the conclusion of each transaction, a Project Monitoring team independently follows performance benchmarks on an on-going basis to ensure that covenants are properly met.

Repayment ratios on such loans/advances are close to 100%, reaffirming the viability of the strategic focus of the Company. Despite this risk orientation, the Company has the lowest rate of non-performing loans amongst banks and DFIs in Pakistan.

Transactions successfully completed under this area involve Advisory Services, Acquisition Finance, Project Finance, Private Equity and Debt Restructuring for companies in Chemical, Sugar, Agro-based processing, Energy, Steel, Electronics, Pharmaceutical and Auto Vendor industries. Transaction size varies from PKR 50 million to PKR 600 million.

2

SME Group

SME Financing

The financial shake-up of 2008 saw a number of leasing companies go under. This was a set back for the SME sector particularly since many of these leasing companies were more efficient intermediaries and could cater to the needs of the less formal sector through asset financing. Seeing the growing gap in this segment, Pak Brunei successfully set up an independent SME financing department in 2012 for providing leasing services, a viable and affordable alternative to traditional loans in the SME sector. The team inducted is from the SME sector with the competencies needed for unconventional risk assessment. The objective is to eventually convert into a standalone Special Purpose Vehicle so that the activity can be scaled up more effectively.The first SME branch has been opened in Lahore with a further rollout planned to cover other regions.

SME lease financing portfolio has a recovery ratio of 100% to date.

Portfolio includes leases of all sizes and with average exposure of less than PKR 10 million per customer. Existing exposures are in Printing and Packaging, Construction, Healthcare, Livestock, Auto Servicing, Pharmaceutical, Education, Water Purification and Engineering sectors.

3

Corporate Banking Group

Corporate Lending

To ensure risks are adequately diversified, the Company has a reasonable allocation of capital to larger sized corporate entities including Textile, Energy and Sugar sectors. Some cases of green-field Project Finance have also been completed. To ensure higher rated customers are added to the portfolio that the Company is otherwise unable to service due to thin margins, almost the entire portfolio of Textile sector loans includes credit provided through the Long Term Financing Facility for Export Oriented Projects where liquidity is accessible from State Bank of Pakistan.

A significant part of the credit exposure is through Bonds/TFCs that are more marketable and protect liquidity.

This portion of credit portfolio appears under the category of 'Investments'.

Despite a number of large corporate defaults in the banking sector from 2008 onwards, including what were till then considered 'safe' names, Pak Brunei's corporate portfolio remains clean with an infection ratio of less than 2% that stands fully provided for.

4

Asset Management Company

In 2011, Primus Investment Management Ltd. was incorporated with a paid-up capital of PKR 250 million as a wholly owned subsidiary. Within 12 months of commencement, Primus launched three new mutual funds and currently has close to PKR 10 billion under management.

To ensure the subsidiary focuses on core activities, PIML uses PBIC's network and resources on arms length basis to manage functions that can be outsourced. As a result, the subsidiary has managed costs efficiently and has turned in an excellent performance.

Primus Daily Reserve Fund has remained the best performing money market fund since its inception and PIML has received several external accolades as well.

Future funds are planned for trading in instruments that will fund commodity operations through Commercial Paper Issues as well as Warehouse Receipts. The Company is about to launch its first Islamic Fund for which interest will be solicited from foreign investors in due course.

5

Trustee Services

With mandates of PKR 80 billion, Pak Brunei provides Trustee and Agency services for loans, TFCs, Sukuk and Commercial Paper Issues where it closely monitors covenants to protect the rights of and represent the interests of lenders and investors.

Pak Brunei has earned a reputation for excellence based on its meticulous delivery in these mandates. This area actively supports the financing activities carried out by the Company as well as other financial institutions through vigilant monitoring of each covenant so that early warning indicators are flagged on time.

Future Plans

New Strategic Initiatives

Pak Brunei wants to be in markets where potential for change provides better opportunities for growth. It sees a role that goes beyond the traditional definition of a DFI. It is important to redefine the paths that lead to development objectives; remaining efficient and relevant in the market is necessary to ensure sustainability and credibility when other intermediaries, such as commercial banks, have far greater advantages. The focus on revival financing for rehabilitation of companies in stress, establishment of Asset Management Company, setting up of SME leasing division, Private Equity and Structured Finance are components of the vision to position Pak Brunei as a full-service merchant bank. The Company offers multiple financial solutions to its customer base while playing an important role in developing neglected markets. In no way does it aim to ape or follow the traditional corporate or investment banking model that prevails in Pakistan.

The Company plans to establisha Modaraba Management Company (MMC) in 2014 that will offer Shariah compliant products and services to middle sized corporate entities.

The Modaraba will concentrate on equity linked transactions in the same market that forms Pak Brunei's strategic focus,companies in stress that are unable to raise funds for recovery. The model will allow Pak Brunei's customers the ability to access Shariah compliant financing while also allowing risk to be shared with other investors.

Another exciting initiative involves establishment of a Collateral Management Company. This should be a better alternative to existing pledge financing practices and be capable of launching warehouse receipts on a trading platform linked to the Commodity Exchange. As a result, the role of the middleman from commodity markets can be reduced, improving the landscape of financial/commodity markets in Pakistan.

Financial Highlights 2013

The Company has remained successful in maintaining its position as the leading DFI in terms of performance across multiple criteria (profitability, portfolio quality, asset build-up, and efficiency ratios), for the past four years. The balance sheet footing remains the largest amongst peer group.

The Company also has the highest RoE and lowest infection ratio in its credit portfolio (less than 0.5%). In 2012, the Company paid a 16.7% dividend to shareholders. Efficiency ratio, measured in terms of total cost to revenue, also remains satisfactory.

Apart from financial performance, the Company has successfully delivered on a number of revival / rehabilitation mandates over the course of its relatively short history. These transactions have a positive development impact as revival results in greater capacity utilization, productivity and employment generation.

Historical Performance at a Glance

Figures in PKR million unless stated otherwise	CY10	CY11	CY12	CY13
Selected Figures and Ratios				
Assets	14,369	32,544	14,046	35,508
Equity	7,343	7,928	8,581	8,246
Profit Before Tax	882	920	1,076	917
Profit After Tax	581	604	784	706
Earnings Per Share (PKR)	0.98	1.01	1.31	1.18
Divident Payout Ratio (%)	–	3.3	16.7	3.3
Return on Equity (%)	8.5	7.9	9.5	8.4
Return on Assets (%)	4.4	2.6	3.4	2.9
Gross Spread Ratio (%)	54.2	38.6	29.7	31.2
Loan Infection Ratio (%)	0.27	0.06	0.05	0.04

Our Cultural Framework

The cultural framework of any organization defines a company's vision and the guidelines it has established to achieve that vision. Our organizational culture is apparent through a number of indicators:

A Professional Well-Balanced Team

Pak Brunei boasts of a highly qualified team of professionals from foreign and local banks, rating agencies, regulatory bodies and brokerage houses. The team consists of 69 experienced and motivated professionals including MBAs, Chartered Accountants, CFAs, FRMs, lawyers and engineers. To guarantee employee engagement and satisfaction, the company fosters a fair and performance oriented work environment. Training plays a pivotal role in helping employees strive for excellence.

Strong Control Environment

PACRA and JCR VIS, external rating agencies, have rated Pak Brunei a level higher than peer group companies. This is a result of strong systems and controls (risk, compliance, audit and IT), together with the strength of the management team.

Equal Opportunity Environment

Pak Brunei Investment Company is an equal opportunity organization, and welcomes people from all backgrounds, irrespective of class, gender and ethnicity. The cultural and gender mix of the workforce facilitates greater diversity. With a strong performance record, the Company is prepared to achieve higher goals and embrace bigger opportunities. This is only possible in an environment that nurtures healthy competition and promotes fair practices.

Khairuddin bin
Abd Hamid
Chairman

Chairman's Review

I am pleased to present the results for the year ended December 31, 2013 of Pak Brunei Investment Company. The Company has shown strong and sustained growth momentum since commencement of business in 2007 and has demonstrated the ability to withstand external shocks without compromising performance quality. Strong internal controls, sense of ownership and commitment to excel remained the prime drivers for another successful year.

While the Company remains focused on its objectives and optimistic on prospects, the economic landscape where it operates continued to face challenges. Fiscal deficit remains a chronic issue for the Government with the deficit exceeding targets by a wide margin for a second consecutive year. With domestic banks and State Bank financing almost 78% of this deficit, private sector credit off-take remained under pressure in 2013.

On the external front, financial account recorded a net inflow of USD 300 million during FY13, compared to USD 1.3 billion in the previous year. Hefty payments to the IMF, a non financial account item, caused foreign exchange reserves to plunge from USD 8.9 billion in January 2013 to USD 6.0 billion in June 2013 and further to USD 3.0 billion in December 2013. Had Pakistan not entered into another IMF agreement in September 2013, which was essentially a debt refinancing arrangement, reserves position may have deteriorated further.

Some of the positives cannot be overlooked. In 2013, the country saw a democratic government complete its full term with a smooth transition of power following largely peaceful elections. The new Government is seen to be financially savvy and better equipped to deal with a fragile economy. External factors such as soft global commodity prices have also helped and headline inflation dropped to single digits for the first time since 2007. The KSE repeated its performance of 2012 by posting a return of 49% in 2013 and clinching a place as one of the best performing markets in the world. The recently granted GSP-plus status to the textile sector, stable outlook of the cement sector and improving asset health of the banking system should translate into better prospects of growth in these sectors.

During the last decade, Pakistan's economic profile has been marked by stagnation with some short-lived growth spurts. Infrastructure development remained subdued due to declining fixed investment to GDP ratio and muted capacity utilization. Despite increased construction activity that supported the industrial sector during 2013, overall industrial growth remained below official target. The added effects of precarious law & order conditions have made sustainable industrial uplift a difficult goal. Prolonged periods of passive growth have a greater impact on small and medium sized players that find it more difficult to finance their survival, particularly since they lack access to capital just when they need it most. Pak Brunei's focus has and will remain on turnaround financing for viable projects that are in distress due to external factors. Such efforts, if scaled up, can have a meaningful impact on country's sustainable development.

The Company remains committed to innovation and growth. In 2011, the Company launched Primus Investment Management Company, its wholly owned Asset Management Company. Results have exceeded expectations and Primus has established a reputation for performance with the Daily Reserve Fund clearly the market leader in terms of investment returns since its launch in January 2013. In 2012, Pak Brunei established a dedicated division for providing leasing facilities to the SME sector. Specialized resources were inducted and despite the higher risk profile, recovery ratios remain at 100% with plans to gradually expand the activity in 2014. Another strategic initiative in the pipeline is based on the tremendous potential for Islamic finance in the country. In order to tap this market and make use of available financing vehicles, Pak Brunei plans to enter the Shariah compliant space through a Modaraba structure. This will enable the Company to offer conventional and Islamic products while maintaining its strategic focus on revival financing solutions.

Pakistan is at an important crossroad and every institution will have to play a positive role to add value and support stability. Pak Brunei Investment Company remains committed to the economic uplift of the country as it continues to increase its footprint here. Pak Brunei Group is always ready to turn half opportunities into profitable ventures with the help of its dynamic team, unified vision and strong risk absorption capacity.

February 25, 2014

Khairuddin bin Abd Hamid
Chairman

Ayesha Aziz
Managing Director

Directors' Report

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 December 31, 2013.

The team made an all out effort to correctly identify and make use of opportunities across each business area. Advisory, Corporate and SME Groups remained active in soliciting new business, also concentrating on safeguarding the hard-earned reputation of our brand name. Correct timing and selection in Capital and Money Markets supported core activities and helped in meeting aggressive annual targets. Under the guidance and support of the Board of Directors, the Company was able to build strong business momentum in a challenging environment. The key to our success is the team's strong commitment and ownership of challenges.

Selected Financial Indicators

		2008	2009	2010	2011	2012	2013
Total Assets	PKR million	5,529	12,131	14,369	32,544	14,046	35,508
Net Assets	PKR million	5,281	6,306	7,343	7,928	8,581	8,246
Gross Mark up income	PKR million	672	971	1,698	2,395	2,912	1,407
Non mark up income	PKR million	86	254	212	284	406	706
Profit before tax	PKR million	373	667	882	920	1,076	917
Profit after tax	PKR million	222	447	581	604	784	706
Earning per share	PKR	0.52	0.89	0.98	1.01	1.31	1.18
Dividend Payout	–	–	–	–	3.33%	16.7%	3.33%
Return on assets	–	4.5%	5.1%	4.4%	2.6%	3.4%	2.8%
Return on equity	–	5.3%	7.7%	8.5%	7.9%	9.5%	8.4%

Financial Highlights 2013

	2013 PKR in '000	2012 PKR in '000
Net Markup Income	430,021	871,187
Non-markup income	706,018	406,286
Fee, Commission and Brokerage Income	62,660	36,425
Dividend Income	362,680	178,196
Capital Gains	229,666	190,412
Other Income/unrealized loss	51,012	1,253
Profit before Taxation	**916,743**	**1,075,842**
Profit after Taxation	**705,709**	**783,758**
EPS	1.18	1.31

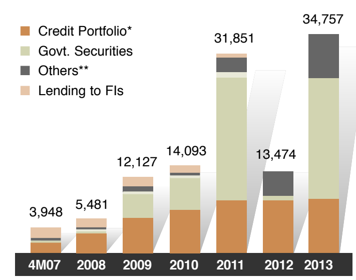
Asset build-up picked up pace from June onwards and since disbursements peaked in the last quarter, the quantum of mark-up income of the company on credit portfolio during the year remained lower than 2012. Decline in interest rates and the fact that the balance sheet remained largely unleveraged for the first few months are also relevant in this regard. Nevertheless, the team made up for lost ground from non-markup avenues. Dividend income from our investments in money market funds managed by our subsidiary compensated for the reduction in mark-up income. During this year, Primus Reserve Fund remained the highest yielding fund in its category. Aggressive growth in the credit portfolio towards the end of the year should bear fruit going forward.

ADVISORY AND STRATEGIC INVESTMENTS GROUP (ASIG)

Since inception, Pak Brunei has developed a niche in structured financing for companies that are in financial stress. Despite the higher risk profile of such transactions, Pak Brunei's recovery ratios are close to 100% reaffirming the viability of the strategic focus of the Company. The scope of work involves carrying out financial, operational and legal due diligence before designing appropriate financial packages including arrangement of debt/equity, change in internal/external auditors, reconstitution of the Board and stringent cash collection mechanisms.

Asset Mix

Figures in PKR million
Cumulative base given above each bar

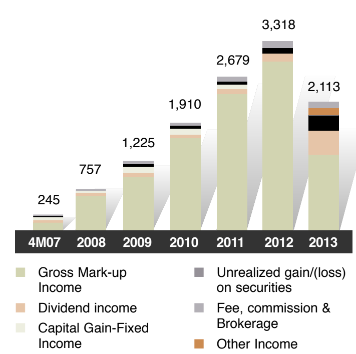


* Inculding Advances and Corporate Debt Instruments

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

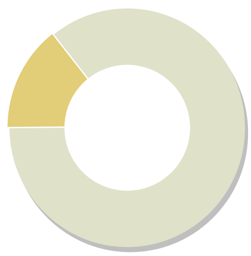
Income Mix

Figures in PKR million
Cumulative income given above each bar



Transactions of Advisory & Strategic Investments Group

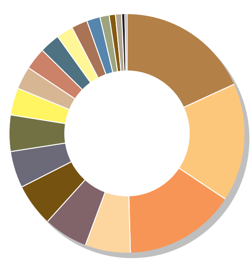
Since inception (PKR 36.6 billion)



- Own participation - PKR 5.1 billion
- Finances arranged from other institutions - PKR 31.5 billion

Credit Portfolio As on Dec, 31, 2013

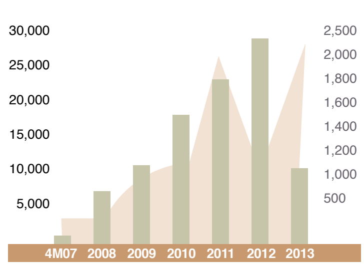
including Advances and Corporate Debt Instruments



Energy	18%	Steel	3%
Textile	16%	Media	2%
Sugar	15%	Telecom	2%
Chemicals, Pharma	6%	Transportation	2%
Agriculture, Diary Poultry	6%	Entertainment	1%
Cement	6%	Construction Real Estate	1%
Fertilizer	5%	Engineering, Automobile	1%
Electronics	5%	Water Purification	0%
Banks, NBFC	4%	Education, Healthcare	0%
Food & Confectionery	3%		
Paper & Board, Packaging	3%		

Treasury Portfolio & Income

Figures in PKR million



Treasury Portfolio (LHS)* Treasury Income (RHS)

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

Our newly established Project Monitoring Unit independently follows performance benchmarks on an on-going basis.

Pak Brunei Investment Company is the only player in this space. Despite this risk orientation, our achievement lies in having a number of financial turnaround cases to our credit. Transactions successfully completed during 2013 included companies in Steel, Engineering and Sugar sectors. Our target market includes mid sized companies that normally would not attract special attention from banks where they may have a default history and therefore continue to operate below optimal capacity. In some of these transactions, existing banks have seen a total reversal in provisions that had been made by them against the same customer. We hope this would generate interest from banks in participating in revival financing alongside Pak Brunei so we can scale up the business. Revival financing has multiple benefits as it can result in higher productivity, employment generation and import substitution. The plan is to continue scaling up this activity without compromising the standards of due diligence and monitoring. We also plan to gradually shift a part of this specialized business into a separate public listed vehicle where we can share risk with other investors. This is included in the strategic plan for 2014.

CORPORATE BANKING GROUP (CBG)

CBG maintains a well diversified lending portfolio across different sectors with more concentration in value added Textiles, Energy, and Agro-based industrial sectors. To protect liquidity, CBG also has a sizeable exposure in loans structured as TFCs. As such, a large portion of credit portfolio appears under the category of 'Investments'. The defensive portfolio booked through CBG provides a natural hedge against the riskier assets booked through ASIG.

Although asset booking was slower during the first three quarters of the year, new business was aggressively solicited to generate momentum without compromising our benchmarks for credit worthiness. This is the reason why, despite a history of large syndicated corporate loans going bad from 2008 onwards in the banking sector, Pak Brunei's loan portfolio remains healthy.

SME GROUP (SMG)

With the reduction in number of leasing companies, small and medium size enterprises that relied on this product for asset financing are left with fewer options or constrained to seek funding from banks that may not give the same attention to their needs. Pak Brunei established an SME division in 2012, under Corporate Banking Group, to provide financing solutions to this segment of the market. Once the division became fully functional, it was carved out and made independent. It now offers both leasing and conventional loans to its target customer base. Current SME portfolio offers a return ranging from 13% to 19%, depending on the variables of each case, and includes a mix of traditional and non-traditional sectors such as stone crushing, healthcare solutions, publishing, entertainment, pharmaceuticals, packaging and medical equipment distribution & marketing.

In order to broaden the base, Pak Brunei plans to open up branch offices in major industrial hubs, centers for downstream industries, of the country. These offices will not only serve as business generating points for SMG, but also help us market other financial services and products provided by Pak Brunei group including mutual funds.

TREASURY AND FUND MANAGEMENT

Our Treasury Group continues to play a critical role in managing liquidity. The primary objective is to safeguard the balance sheet from adverse interest rate movements besides generating high returns by capitalizing on interest rate volatility through timely trading decisions. Generous counterparty lines allow the Company to properly capitalize on available opportunities and arbitrages and a hawkish Middle Office risk-monitoring framework applies controls in a proactive manner. It is important to note that despite many reverses in interest rate environment over the past six years, Treasury has a consistent record of capital gains and positive spreads on money market transactions to its credit.

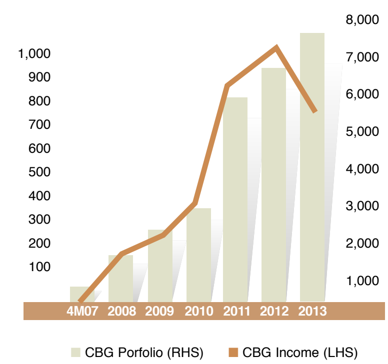
Treasury remains an active counterpart in the money/fixed income market. The Company plays a dynamic role in creating a market for illiquid corporate debt instruments, including TFCs in default, where upside is significant. The investment decision is taken by a committee that makes a detailed evaluation of default-rated TFCs. Such investments have yielded extraordinary profits in the past.

CAPITAL MARKETS

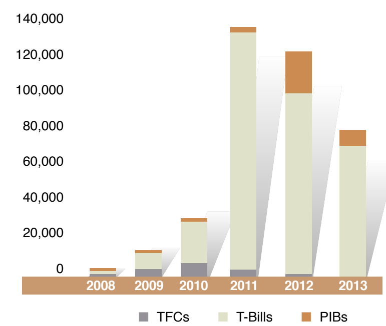
2013 turned out to be another remarkable year for equity markets as KSE-100 index recorded a return of 49% for a second consecutive year. Improvement in the sector dynamics across various industries resulted in strong corporate results, helping the market to continue its upward momentum.

Aggressive profit generation through trading in capital market instruments has never been a core activity of the Company but we do allocate capital to remain invested in what is one of the best performing markets in the world, and one moreover, which our specialized technical trading team understands. The strategy is based on making risk adjusted returns with strong focus on capital preservation. CMG posted an outstanding annual return of 42% in 2013 surpassing our 2012 return of 30%. This was achieved with tight controls over an average portfolio size of PKR 401 million (closing portfolio size at year end was PKR 260 million).

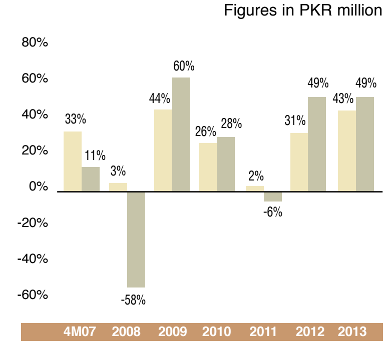
CBG Portolio & Income
Figures in PKR million



Trading Turnover in Fixed Income
Figures in PKR million



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



STRATEGIC INITIATIVES

Primus Investment Management Limited (PIML)

In 2011, Pak Brunei established its wholly owned Asset Management Company, Primus Investment Management Ltd. Within 12 months of commencement, Primus launched three new mutual funds and currently has close to PKR 10 billion under management. PIML's second fund – Primus Daily Reserve Fund – continues to be the best performing money market fund since its inception. Company is starting 2014 with the launch of three more funds ranging from conventional equity to Sharia-compliant investment vehicles.

Despite being at a nascent stage, PIML has already attracted some valuable external accolades. The Company was recognized as one of the top 100 fastest growing companies by Massachusetts Institute of Technology-Enterprise Forum Pakistan (MITEFP). PIML is also listed amongst the Top 500 fastest growing companies by Arabia Fast Growth 500 Forum.

PIML is fully integrated with its parent company and through outsourcing, uses PBIC resources on arms length basis to minimize non-core expenses. The subsidiary was able to pay a hefty dividend of 15% in the first full year of its operations.

Modaraba Management Company

Abiding by its long term development goals, PBIC continues to strengthen itself as a full-service merchant bank offering multiple financial services. In this regard, launching an Asset Management Company and initiating SME financing are not the only initiatives. Pak Brunei plans to launch a Modaraba Management Company (MMC) this year. This idea falls within the strategy of establishing an identity and strength outside conventional markets. Through the MMC, the Company will offer Shariah compliant products and services to middle sized corporate entities. The planned Modaraba will concentrate on structured finance and private equity transactions while remaining true to Pak Brunei's strategic focus on revival financing for distressed units. The model will allow Pak Brunei to concentrate on conventional financing while the Modaraba will be able to provide equity solutions in the same segment. This vehicle will also allow us to share risk with other investors. As with Primus Investments, non-core activities are planned to be outsourced under regulatory framework so as to maintain focus on the actual business.

Collateral Management Company

Financial institutions engaged in transactions involving collateral management are often exposed to operational risks such as loss of value due to damage or fraud. Moreover, such collateral is also completely illiquid. Pak Brunei aspires to play a role in this area through investment in a collateral management company. Our plan is to develop a system that will improve on existing pledge financing practices and be capable of launching warehouse receipts on a trading platform linked to the Commodity Exchange. This should eventually reduce the role of middlemen from commodity markets, and bring a positive change in the landscape of financial/commodity markets in Pakistan. The initiative is planned to be launched in 2015.

RISK MANAGEMENT

Risk management continues to be strengthened 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. We have also continued to improve our systems, focusing on refining internal risk assessment models and streamlining risk reporting. A major achievement involved developing and implementing the SME (internal) rating model and credit policies to cater to the Company's expansion plans in this sector. Tiered sub committees for SME credits also aided in achieving quicker turnaround.

ENTITY RATING

During its June 2013 review, JCR-VIS has reaffirmed its 'AA+' long term rating for Pak Brunei with a stable outlook. This rating signifies strong internal controls and risk management infrastructure of the Company that has resulted in sound portfolio quality indicators.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The directors declare that:

- The financial statements, prepared by management, present its state of affairs fairly, the results of its operations, cash flows and statement of changes in equity.
- Proper books of accounts have been maintained.
- Appropriate accounting policies are consistently applied in preparing financial statements, and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- The system of internal control system is sound in design and has been effectively implemented and monitored.
- There are no doubts about the Company's ability to continue as a going concern.
- There has be no deviation from best practices highlighted in the Code of Corporate Governance except as disclosed in the Statement of Compliance with the Code of Corporate Governance.

INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

The Board of Directors hereby endorses the management's evaluation related to ICFR and overall Internal Controls.

The Board of Directors of the Company held four meetings during the year end December 31, 2013.

The following directors attended the meetings:

Name	Meetings Attended
Mr. Khairuddin Abdul Hamid	2
Mr. Shahid Mahmood	2
Mr. Junaidi bin Haji Masri	4
Ms. Ayesha Aziz, CFA	4
Mr. Mohammad Younus Dagha	2
Mr. Abdul Razak Su – Alternate Director	2

The Audit Committee of Board held four meetings during the year end December 31, 2013.

The following members attended the meetings:

Name	Meetings Attended
Mr. Khairuddin Abdul Hamid	2
Mr. Shahid Mahmood	2
Mr. Junaidi bin Haji Masri	4
Mr. Mohammad Younus Dagha	2
Mr. Abdul Razak Su – Alternate Director	2

The HR Committee of Board held one meeting during the year end December 31, 2013.

The following members attended the meetings:

Name	Meetings Attended
Mr. Junaidi bin Haji Masri	1
Ms. Ayesha Aziz, CFA	1
Mr. Mohammad Younus Dagha	1

CHANGE IN DIRECTORS

There has been a change in the Board of Directors of the Company during the year end December 31, 2013. The Ministry of Finance, Government of Pakistan nominated Mr. Shahid Mahmood on August 19, 2013 in place of Mr. Mohammad Younus Dagha.

STATEMENT OF INVESTMENT OF PROVIDENT FUND

Investments of provident fund as of June 30, 2012 according to audited financial statements amounted to PKR 33.558 million (2012: PKR 28.410 million).

APPOINTMENT OF AUDITORS

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 2014.

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%

We are thankful to our shareholders – Government of Pakistan and Brunei Investment Agency – for their continued support. We believe that the Company, through professional management and a merit-based culture, has bright prospects in Pakistan. We also appreciate our regulators – State Bank of Pakistan and Securities & Exchange Commission of Pakistan – for their guidance and support.

Ayesha Aziz
Managing Director

25 February 2014

7 Years Performance at a Glance

(Rupees in '000)

		2013	2012	2011	2010	2009	2008	2007*
Financial								
Investments		27,430,852	7,121,490	25,741,246	9,868,363	8,415,996	2,687,585	1,956,095
Advances		6,799,210	5,776,014	4,646,661	2,467,643	1,732,493	1,062,744	254,444
Borrowings		26,391,995	2,417,139	23,359,531	5,943,385	5,296,808	186,154	1,150,000
Deposits and other accounts		567,070	2,824,924	979,018	844,000	395,000	–	–
Total Assets		35,507,597	14,045,611	32,544,390	14,368,611	12,130,979	5,528,893	4,362,474
Net Assets		8,246,380	8,580,535	7,927,546	7,342,559	6,305,979	5,281,160	3,136,278
Paid up Capital		6,000,000	6,000,000	6,000,000	6,000,000	5,000,000	5,000,000	3,000,000
Mark up income		1,407,121	2,911,983	2,394,747	1,698,132	971,221	672,254	177,507
Mark up expense		969,079	2,044,815	1,469,277	777,987	207,450	131,801	630
Non mark up income		706,018	406,286	284,325	211,963	254,064	85,608	67,299
Non mark up expense		219,296	201,163	203,103	165,145	132,740	118,675	57,635
Gross income		2,113,139	3,318,269	2,679,072	1,910,095	1,225,285	757,862	244,806
Profit before provision and tax		924,764	1,071,823	1,006,453	963,002	885,092	507,386	186,541
Provisions		8,021	(4,019)	86,874	81,344	217,918	133,921	–
Profit before tax		916,743	1,075,842	919,579	881,658	667,174	373,465	186,541
Profit after tax		705,709	783,758	604,107	581,090	447,453	222,266	140,743
Dividend paid		200,000	1,000,000	200,000	–	–	–	–
Key Financial Ratios								
Profit before tax ratio	%	43.38%	32.42%	34.32%	46.16%	54.45%	49.28%	76.20%
Gross spread ratio	%	31.13%	29.78%	38.65%	54.19%	78.64%	80.39%	99.65%
Return on assets	%	2.85%	3.36%	2.58%	4.39%	5.07%	4.49%	3.23%
Return on equity	%	8.39%	9.50%	7.91%	8.52%	7.72%	5.28%	4.49%
Earning asset to total asset ratio	%	97.06%	94.07%	97.03%	95.27%	97.67%	95.58%	90.34%
EPS (Earning per share)	PKR	1.18	1.31	1.01	0.98	0.89	0.52	0.75
Infection Ratio	%	0.04%	0.05%	0.06%	0.27%	16.05%	0.00%	0.00%
Capital Adequacy Ratio (CAR)	%	35.82%	59.76%	58.47%	84.61%	81.00%	138.00%	114.00%
Dividend payout	%	3.33%	16.67%	3.33%	–	–	–	–

**four months of operations*

Ernst & Young Ford Rhodes Sidat Hyder
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Review Report to the Member on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pak Brunei Investment Company Limited (the Company) for the year ended 31 December 2013 to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by State Bank of Pakistan.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2013.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the note references where these are stated in the Statement of Compliance:

Note Reference	Description
6	The level of materiality has not been defined by the Board of Directors during the year, but it will be defined in the upcoming Board meetings.
8	The Board met four times during the year, however, no Board meeting was held during the first quarter.
16	Four meetings of the Audit Committee were held during the year prior to the approval of interim and final results of the Company and as required by the Code, however, no Audit Committee meeting was held during the first quarter.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Date: 25 February 2014
Karachi

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2013

This Statement is being presented to comply with the revised Code of Corporate Governance 2012 (the CCG) 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 CCG in the following manner:

1. As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Brunei, the Company's board of directors comprises of four directors and all directors are nominated by both the Governments. The Company encourages representation of non-executive directors on its board of directors (the board). At present the Board includes:

Category	Name/(s)	Particulars
Executive Directors	Ms. Ayesha Aziz	Government of Pakistan
Non-Executive Directors	Mr. Khairuddin Abdul Hamid	Government of Brunei
	Mr. Shahid Mahmood	Government of Pakistan
	Mr. Junaidi bin Haji Masri	Government of Brunei

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an 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. However, the Ministry of Finance, Government of Pakistan nominated Mr. Shahid Mahmood on August 19, 2013 in place of Mr. Mohammad Younus Dagha.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The board will define the level of materiality for the Company in the upcoming board meetings.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and the board met four times during the year, however, no board meeting was held during the first quarter. To approve the financial statements for the year ended December 31, 2012, the board meeting was held on May 09, 2013. Extension for the submission of the said financial statements was approved by the SBP vide its letter No. OSED/FRDU/563/2013/5372 dated April 12, 2013. 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. 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 revised Code of Corporate Governance 2012 requirements in the Board meeting. Pakistani directors completed Corporate Governance Leadership Skills (CGLS) program offered by the Pakistan Institute of Corporate Governance (PICG) in 2011. The director appointed during the year will complete a Director's Training Program in the coming year.

10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an audit committee consisting of three non-executive directors, including the Chairman.

16. Four meetings of the audit committee were held during the year prior to the approval of interim and final results of the Company and as required by the CCG, however, no audit committee meeting was held during the first quarter. To review the financial statements of December 31, 2012, the audit committee meeting was held on May 09, 2013. Extension for the submission of the said financial statements was approved by the SBP vide its letter No. OSED/FRDU/563/2013/5372 dated April 12, 2013. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors. The Chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 ICAP.

20. 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.

21. We confirm that all other material principles enshrined in the CCG have been complied with.

Ayesha Aziz

Ayesha Aziz
Managing Director

25-February-2014

Statement of Internal Control For The Year Ended December 31, 2013

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 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.

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 has successfully completed the stages of its ICFR program and submitted the Long Form Report as of 30 June 2013 to SBP on February 14, 2014. The observations and weaknesses identified by the auditors, both internal and external, will be taken care of and necessary steps are being taken by the management in the due time so as to ensure non-repetition of those exceptions and eliminations of such weaknesses to the maximum possible level. The management has also given timely and satisfactory response to the recommendations and suggestions made by its auditors. SBP has issued OSED Circular No.1 of 2014 dated February 7, 2014. Accordingly the company will also comply with the requirements of the said circular.

The Company is continuously making efforts to ensure that an effective and efficient Internal Control System remains active & implemented through consistent & continuous monitoring that would help in further improving the overall control environment.

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

Managing Director

25-February-2014

Ernst & Young Ford Rhodes Sidat Hyder
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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 **31 December 2013** and the related 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, 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 above said 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 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 except for the changes as stated in note 4.1 with which we concur;

  (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 statement of cash flows 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 respectively give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of the profit, its comprehensive income, 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).

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus
Date: 25 February 2014
Karachi

Unconsolidated

Statement of Financial Position

| As at December 31, 2013

December 31 2013	December 31 2012		Note	December 31 2013	December 31 2012
(US $ in '000)				(Rupees in '000)	
		ASSETS			
915	520	Cash and balances with treasury banks	5	**96,289**	54,755
2,224	2,997	Balances with other banks	6	**233,935**	315,314
–	–	Lendings to financial institutions		**–**	–
260,749	67,696	Investments	7	**27,430,852**	7,121,490
64,631	54,905	Advances	8	**6,799,210**	5,776,014
424	518	Operating fixed assets	9	**44,636**	54,476
–	126	Deferred tax assets		**–**	13,302
8,581	6,752	Other assets	10	**902,675**	710,260
337,524	133,514			**35,507,597**	14,045,611
		LIABILITIES			
–	–	Bills payable		**–**	–
250,874	22,977	Borrowings	11	**26,391,995**	2,417,139
5,390	26,853	Deposits and other accounts	12	**567,070**	2,824,924
–	–	Sub-ordinated loans		**–**	–
–	–	Liabilities against assets subject to finance lease		**–**	–
140	–	Deferred tax liabilities	13	**14,771**	–
2,732	2,120	Other liabilities	14	**287,381**	223,013
259,136	51,950			**27,261,217**	5,465,076
78,388	81,564	**NET ASSETS**		**8,246,380**	8,580,535
		REPRESENTED BY			
57,034	57,034	Share capital	15	**6,000,000**	6,000,000
6,626	5,284	Reserves		**697,026**	555,884
15,096	19,235	Unappropriated profit		**1,588,100**	2,023,533
78,756	81,553			**8,285,126**	8,579,417
(368)	11	(Deficit) / surplus on revaluation of assets - net of tax	16	**(38,746)**	1,118
78,388	81,564			**8,246,380**	8,580,535

CONTINGENCIES AND COMMITMENTS 17

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Unconsolidated

Profit and Loss Account

For the Year ended December 31, 2013

December 31 2013	December 31 2012		Note	December 31 2013	December 31 2012
(US $ in '000)				(Rupees in '000)	
13,376	27,680	Mark-up / return / interest earned	18	**1,407,121**	2,911,983
9,212	19,437	Mark-up / return / interest expensed	19	**969,079**	2,044,815
4,164	8,243	**Net mark-up / interest Income**		**438,042**	867,168
2	(172)	Provision / (reversal) against non-performing loans and advances	8.4	**230**	(18,074)
74	134	Provision for diminution in the value of investments	7.3	**7,791**	14,055
–	–	Bad debts written off directly		**–**	–
76	(38)			**8,021**	(4,019)
4,088	8,281	**Net mark-up / interest income after provisions**		**430,021**	871,187
		NON MARK-UP / INTEREST INCOME			
596	346	Fee, commission and brokerage income		**62,660**	36,425
3,448	1,694	Dividend income		**362,680**	178,196
–	–	Income from dealing in foreign currencies		**–**	–
2,183	1,810	Gain on sale of securities - net	20	**229,666**	190,412
–	–	Unrealised loss on revaluation of investments classified as held-for-trading		**–**	–
485	12	Other income	21	**51,012**	1,253
6,712	3,862	**Total non mark-up / interest income**		**706,018**	406,286
10,800	12,143			**1,136,039**	1,277,473
		NON MARK-UP / INTEREST EXPENSES			
2,085	1,877	Administrative expenses	22	**219,296**	197,409
–	36	Other provisions / write off		**–**	3,754
–	4	Other charges		**–**	468
2,085	1,917	**Total non-mark-up / interest expenses**		**219,296**	201,631
8,715	10,226			**916,743**	1,075,842
–	–	Extra ordinary / unusual items		**–**	–
8,715	10,226	**PROFIT BEFORE TAXATION**		**916,743**	1,075,842
1,581	3,078	Taxation - Current		**166,364**	323,802
53	(22)	- Prior years		**5,524**	(2,283)
372	(280)	- Deferred		**39,146**	(29,435)
2,006	2,776		23	**211,034**	292,084
6,709	7,450	**PROFIT AFTER TAXATION**		**705,709**	783,758
19,235	15,176	Unappropriated profit brought forward		**2,023,533**	1,596,527
25,944	22,626	Profit available for appropriation		**2,729,242**	2,380,285
US $				Rupees	
0.01	0.01	**Earnings per share - basic and diluted**	24	**1.18**	1.31

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Chief Executive	Director	Director	Chairman

Unconsolidated
Statement of Comprehensive Income

For the Year ended December 31, 2013

December 31 2013	December 31 2012		Note	December 31 2013	December 31 2012
(US $ in '000)				(Rupees in '000)	
6,709	7,450	Profit after taxation for the year		**705,709**	783,758
–	–	Other comprehensive income		**–**	–
6,709	7,450	**Total comprehensive income for the year**		**705,709**	783,758

(Deficit) / surplus arising on revaluation of assets has been reported in accordance with the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Chief Executive | **Director** | **Director** | **Chairman**

Unconsolidated

Cash Flow Statement

For the Year ended December 31, 2013

December 31 2013	December 31 2012		Note	December 31 2013	December 31 2012
(US $ in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
8,715	10,226	Profit before taxation		**916,743**	1,075,842
3,448	1,694	Less: Dividend income		**362,680**	178,196
5,267	8,532			**554,063**	897,646
		Adjustments for non-cash charges and other items			
143	133	Depreciation	22	**15,064**	14,115
10	9	Amortisation	22	**1,072**	1,043
2	(172)	Provision / (reversal) against non-performing loans and advances		**230**	(18,074)
74	134	Provision for diminution in the value of investments	7.3	**7,791**	14,055
–	36	Other provisions / write off		**–**	3,754
(7)	–	Gain on sale of property and equipment	21	**(712)**	(5)
–	–	Unrealised loss on revaluation of investments classified as held-for-trading		**–**	–
222	140			**23,445**	14,888
5,489	8,672			**577,508**	912,534
		Decrease / (increase) in operating assets			
–	5,967	Lendings to financial institutions		**–**	627,841
–	68,212	Held-for-trading securities		**–**	7,175,900
(9,728)	(10,563)	Advances		**(1,023,426)**	(1,111,279)
(971)	1,126	Others assets (excluding current taxation)		**(102,216)**	118,406
(10,699)	64,742			**(1,125,642)**	6,810,868
		(Decrease) / increase in operating liabilities			
227,898	(199,072)	Borrowings		**23,974,856**	(20,942,392)
(21,462)	17,547	Deposits and other accounts		**(2,257,854)**	1,845,906
612	(524)	Other liabilities (excluding current taxation)		**64,368**	(55,092)
207,048	(182,049)			**21,781,370**	(19,151,578)
201,838	(108,635)			**21,233,236**	(11,428,176)
(2,787)	(3,378)	Income tax paid		**(293,223)**	(355,407)
199,051	(112,013)	Net cash generated from / (used in) operating activities		**20,940,013**	(11,783,583)
		CASH FLOWS FROM INVESTING ACTIVITIES			
(170,614)	137,899	Net investment in available-for-sale securities		**(17,948,642)**	14,506,932
1,818	(8)	Net investment in held to maturity securities		**191,230**	(824)
–	–	Investment in subsidiary		**–**	–
(24,816)	(28,433)	Investment in associates		**(2,610,677)**	(2,991,134)
3,743	1,351	Dividend income received		**393,815**	142,102
(62)	(374)	Investments in operating fixed assets		**(6,470)**	(39,387)
8	1	Sale proceeds from disposal of property and equipment		**885**	71
(189,923)	110,436	Net cash (used in) / generated from investing activities		**(19,979,859)**	11,617,760
		CASH FLOWS FROM FINANCING ACTIVITIES			
(9,506)	(1,901)	Dividend paid		**(1,000,000)**	(200,000)
(9,506)	(1,901)	Net cash used in financing activities		**(1,000,000)**	(200,000)
(378)	(3,478)	**Decrease in cash and cash equivalents**		**(39,845)**	(365,823)
3,517	6,995	Cash and cash equivalents at the beginning of the year		**370,069**	735,892
3,139	3,517	Cash and cash equivalents at the end of the year	25	**330,224**	370,069

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Chief Executive	Director	Director	Chairman

Unconsolidated

Statement of Changes in Equity

For the Year ended December 31, 2013

	Share capital	Statutory reserve	Unappropriated profit	Total
	(Rupees in '000)			
Balance as at January 01, 2012	6,000,000	399,132	1,596,527	7,995,659
Total comprehensive income for the year				
Profit after tax for the year ended December 31, 2012	–	–	783,758	783,758
Other comprehensive income	–	–	–	–
Total comprehensive income for the year ended December 31, 2012	–	–	783,758	783,758
Transfers				
Transfer to statutory reserve	–	156,752	(156,752)	–
Transaction with owners recorded directly in equity during the year ended December 31, 2012				
Final cash dividend - December 31, 2011 declared subsequent to year end @ Re.0.33 per share	–	–	(200,000)	(200,000)
Balance as at December 31, 2012	6,000,000	555,884	2,023,533	8,579,417
Total comprehensive income for the year				
Profit after tax for the year ended December 31, 2013	–	–	705,709	705,709
Other comprehensive income	–	–	–	–
Total comprehensive income for the year ended December 31, 2013	–	–	705,709	705,709
Transfers				
Transfer to statutory reserve	–	141,142	(141,142)	–
Transaction with owners recorded directly in equity during the year ended December 31, 2013				
Final cash dividend - December 31, 2012 declared subsequent to year end @ Rs.1.67 per share	–	–	(1,000,000)	(1,000,000)
Balance as at December 31, 2013	**6,000,000**	**697,026**	**1,588,100**	**8,285,126**

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Chief Executive	Director	Director	Chairman

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 Horizon Vista, Plot No. Comm-10, Block No. 4, Scheme No. 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 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 cash flow statement are stated as additional information solely for the convenience of readers. For this purpose of conversion to US Dollars, the rate of Rs.105.20 to US Dollars has been used for both 2013 and 2012, as it was the prevalent rate on December 31, 2013.

2.3 Separate financial statements

These unconsolidated financial statements represent the separate financial statements of the Company. The consolidated financial statements of the Company and its subsidiary company are presented separately.

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 to Banks / 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 New accounting standards, interpretations and amendments

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

New, Revised and Amended Standards and Interpretations	Effective date (Annual periods beginning on or after)
IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)	01 January 2014
IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment)	01 January 2014
IFRIC 21 - Levies	01 January 2014

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective Date (Annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New, Revised and Amended Standards and Interpretations

The Company has adopted the following revised standards, amendments and interpretations of IFRSs which became effective during the current year:

IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)

IAS 19 - Employee Benefits - (Revised)

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

Improvements to Accounting Standards Issued by the IASB

IAS 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 - Property, Plant and Equipment - Clarification of Servicing Equipment

IAS 32 - Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 - Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

4.2 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.

4.3 Revenue recognition

Mark-up / return / interest income on advances and investments is recognised on time proportion 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 recognised on receipt basis.

Dividend income is recognised when the Company's right to receive income is established.
Fee, commission and brokerage income and remuneration for trustee and advisory services are recognised 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 recognised on time proportion basis using the effective interest rates.

4.4 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 recognised 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 customers.

4.5 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.

Investments in subsidiaries and associates

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

Gains and losses on disposal of investments in subsidiaries and associates is included in the profit and loss account.

4.6 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.

4.7 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.

4.8 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.

4.9 Financial instruments

Financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provision of the instrument. Financial assets are de-recognised 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-recognised 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 recognised 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.

4.10 Taxation

4.10.1 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.

4.10.2 Deferred

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position 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.

4.11 Operating fixed assets

4.11.1 Property and equipment

4.11.1.1 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 9.2. 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.

4.11.1.2 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.

4.11.2 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 9.3. 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 proportion to the period of use.

4.11.3 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.

4.11.4 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 recognised as income.

4.12 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.

4.13 Borrowings / deposits

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

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

4.14 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 realise the assets and to settle the liabilities simultaneously.

4.15 Assets acquired in satisfaction of claims

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

4.16 Staff retirement benefits

Defined contribution plan - Staff provident fund
The Company operates a provident fund scheme for its employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 10% of basic salary.

4.17 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.

4.18 Dividend distribution

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

4.19 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.

4.20 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, 2013.

4.21 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.

4.21.1 Business segments

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

Trading and sales
It includes fixed income, equity, foreign exchange, commodities, credit, funding, lending, repos and brokerage activities.

Commercial banking

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

4.21.2 Geographical segments

The Company operates in Pakistan only.

4.22 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:

4.22.1 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'.

4.22.2 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.

4.22.3 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.

4.22.4 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.

4.22.5 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.

4.22.6 Fixed assets, depreciation and amortisation

In making estimates of the depreciation / amortisation 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 2013	December 31 2012
		(Rupees in '000)	

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2013	2012
With State Bank of Pakistan in			
Local currency current account	5.1	**96,273**	54,739
With National Bank of Pakistan in			
Local currency current account		**16**	16
		96,289	54,755

5.1 This represents 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.

6. BALANCES WITH OTHER BANKS

	Note	2013	2012
In Pakistan			
On current accounts		–	–
On deposit accounts	6.1	**233,935**	315,314
		233,935	315,314

6.1 These carry mark-up at rates ranging from 6.00% to 8.30% per annum (2012: 5.00% to 10.30% per annum).

7. INVESTMENTS

7.1 Investment by types

(Rupees in '000)

	Note	December 31, 2013			December 31, 2012		
		Held by company	Given as collateral	Total	Held by company	Given as collateral	Total
Held-for-trading securities							
Market Treasury Bills		–	–	–	–	–	–
Pakistan Investment Bonds		–	–	–	–	–	–
Ordinary shares of listed companies		–	–	–	–	–	–
		–	–	–	–	–	–
Available-for-sale securities	7.4						
Market Treasury Bills	7.5.1	**1,156,667**	**16,787,541**	**17,944,208**	880,117	–	880,117
Pakistan Investment Bonds	7.5.1	**364,311**	**758,049**	**1,122,360**	–	–	–
Ordinary shares of listed companies	7.6	**312,981**	–	**312,981**	319,707	–	319,707
Ordinary shares of unlisted companies	7.7	**124,670**	–	**124,670**	121,375	–	121,375
Units of mutual funds	7.8	**28,835**	–	**28,835**	28,835	–	28,835
Term Finance Certificates and Sukuks	7.12	**2,155,934**	**84,960**	**2,240,894**	2,511,797	–	2,511,797
Preference shares	7.9	**95,510**	–	**95,510**	85,625	–	85,625
		4,238,908	**17,630,550**	**21,869,458**	3,947,456	–	3,947,456
Held to maturity securities							
Term Finance Certificates and Sukuks	7.12	–	–	–	191,230	–	191,230
Investment in associates	7.11	**5,601,811**	–	**5,601,811**	2,991,134	–	2,991,134
Investment in subsidiary	7.10	**250,000**	–	**250,000**	250,000	–	250,000
Investments at cost		**10,090,719**	**17,630,550**	**27,721,269**	7,379,820	–	7,379,820
Less: Provision for diminution in value of investments	7.3	**(243,965)**	–	**(243,965)**	(262,815)	–	(262,815)
Investments (net of provisions)		**9,846,754**	**17,630,550**	**27,477,304**	7,117,005	–	7,117,005
Deficit on revaluation of held-for-trading securities - net		–	–	–	–	–	–
(Deficit) / surplus on revaluation of available-for-sale securities - net	16.1	**(31,383)**	**(15,069)**	**(46,452)**	4,485	–	4,485
Total investments at market value		**9,815,371**	**17,615,481**	**27,430,852**	7,121,490	–	7,121,490

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

7.2 INVESTMENTS BY SEGMENTS:

	Note	2013	2012
Federal Government Securities:			
Market Treasury Bills	7.5.1	**17,944,208**	880,117
Pakistan Investment Bonds		**1,122,360**	–
Fully paid-up ordinary shares:			
Listed companies	7.6	**312,981**	319,707
Unlisted companies (including subsidiary company)	7.7 & 7.10	**374,670**	371,375
Term Finance Certificates and Sukuks:			
Listed	7.12	**419,188**	801,742
Unlisted	7.12	**1,821,706**	1,901,285
Units of mutual funds (including associates)	7.8 & 7.11	**5,630,646**	3,019,969
Preference shares	7.9	**95,510**	85,625
Total investments at cost		**27,721,269**	7,379,820
Less: Provision for diminution in value of investments	7.3	**(243,965)**	(262,815)
Investments (net of provisions)		**27,477,304**	7,117,005
Deficit on revaluation of held-for-trading securities - net		–	–
(Deficit) / surplus on revaluation of available-for-sale securities - net	16.1	**(46,452)**	4,485
Total investments at market value		**27,430,852**	7,121,490

7.3 Particulars of provision

	Note	2013	2012
Opening balance		**262,815**	409,752
Charge for the year		**14,755**	50,899
Reversal during the year		**(6,964)**	(36,844)
		7,791	14,055
Impairment on equity securities transferred to profit and loss account on disposal		**(26,641)**	(160,992)
Closing balance	7.3.1	**243,965**	262,815

7.3.1 Particulars of provision in respect of type and segment

	2013	2012
Available-for-sale securities		
Ordinary shares of listed companies	**14,060**	29,578
Units of mutual funds	**7,209**	3,576
Preference shares	**6,500**	6,500
Term finance certificates and sukuks	**216,196**	223,161
	243,965	262,815

7.3.2 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.

7.4 Quality of Available-for-Sale Securities

	December 31, 2013		December 31, 2012	
(Rupees in '000)	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Market Treasury Bills (T-bills)				
1 Year T-bills	–	Government Securities	881,769	Government Securities
6 months T-bills	238,515	Government Securities	–	Government Securities
3 months T-bills	17,699,014	Government Securities	–	Government Securities
	17,937,529		881,769	
Pakistan Investment Bonds (PIBs)				
10 years PIBs	408,827	Government Securities	–	Government Securities
5 years PIBs	499,837	Government Securities	–	Government Securities
3 years PIBs	201,764	Government Securities	–	Government Securities
	1,110,428		–	
Ordinary shares of listed companies				
Oil and gas marketing / exploration companies				
Pakistan State Oil Company Limited	–	–	32,293	AA+
Pakistan Petroleum Limited	–	–	3,430	Unrated
Commercial banks				
National Bank of Pakistan	23,224	AAA	–	–
United Bank Limited	45,359	AA+	44,387	AA+
Communication				
Pakistan Telecommunication Company Limited	4,266	Unrated	11,304	Unrated
Power generation and distribution				
Kot Addu Power Company Limited	62,059	AA+	10,298	AA+
Pakgen Power Limited	3,691	A1+	–	–
Nishat Power Limited	19,855	A1	–	–
Lalpir Power Limited	4,288	A1+	–	–
The Hub Power Company Limited	72,864	AA+	20,856	AA+
Cement				
Gharibwal Cement Limited	–	–	71,440	Unrated
Chemicals				
Engro Corporation Limited	–	–	24,207	A
Nimir Industrial Chemicals Limited, a related party	14,920	Unrated	14,050	Unrated
Fertilizers				
Fauji Fertilizers Company Limited	–	–	40,999	Unrated
Agritech Limited	15,956	D	14,695	D
	266,482		287,959	
Ordinary shares of unlisted companies				
Faruki Pulp Mills Limited	100,000	Unrated	100,000	Unrated
Omer Jibran Engineering Industries Limited	24,670	Unrated	21,375	Unrated
	124,670		121,375	

(Rupees in '000)

	December 31, 2013		December 31, 2012	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Preference shares				
Pakistan Mercantile Exchange Limited	**15,000**	**Unrated**	15,000	BBB
Omer Jibran Engineering Industries Limited	**74,010**	**Unrated**	64,125	–
Trust Investment Bank Limited	**–**	**Unrated**	–	Unrated
	89,010		79,125	
Units of mutual funds				
Pak Oman Advantage Fund	**21,626**	**AA+**	26,643	AA- (f)
	21,626		26,643	
Term Finance Certificates (TFCs) and Sukuks				
Listed TFCs				
Commercial banks				
Allied Bank Limited - 1st Issue	**25,217**	**AA**	50,435	AA
Allied Bank Limited - 2nd Issue	**25,185**	**AA**	25,195	AA
Askari Bank Limited - 1st Issue	**–**	**AA-**	581	AA-
Askari Bank Limited - 2nd Issue	**–**	**AA-**	30,335	AA-
Askari Bank Limited - 4th Issue	**107,726**	**AA-**	104,410	AA-
Bank Al Falah Limited - 2nd Issue	**–**	**–**	–	–
Bank Al Falah Limited - 3rd Issue	**–**	**AA-**	6,715	AA-
Bank Al Habib Limited - 1st Issue	**–**	**–**	–	–
Bank Al Habib Limited - 2nd Issue	**–**	**–**	–	–
Faysal Bank Limited - 1st Issue	**2,604**	**AA-**	5,209	AA-
Faysal Bank Limited - 3rd Issue	**–**	**AA-**	4,940	AA-
NIB Bank Limited	**–**	**A+**	131,095	A+
Soneri Bank Limited	**–**	**A+**	2,500	A+
Standard Chartered Bank (Pakistan) Limited - 3rd Issue	**–**	**AAA**	2,552	AAA
Summit Bank Limited	**89,325**	**A- (SO)**	89,366	A(SO)
United Bank Limited - 1st Issue	**–**	**–**	–	–
United Bank Limited - 2nd Issue	**–**	**AA**	69,744	AA
United Bank Limited - 3rd Issue	**1,688**	**AA**	3,375	AA
United Bank Limited - 4th Issue	**–**	**AA**	83,559	AA
Fertilizer				
Engro Chemical Limited	**2,409**	**A+**	2,342	A+
Engro Fertilizer Limited - 3rd Issue	**156**	**A+**	164	A+
Pak Arab Fertilizer Limited	**–**	**–**	–	–
Real estate developers				
Pace Pakistan Limited	**575**	**–**	–	–
NBFCs				
Saudi Pak Leasing Company Limited	**26,200**	**–**	–	–
Telecommunication				
World Call Telecom Limited	**21,501**	**D**	21,630	D
Pakistan Mobile Communication Limited	**121,200**	**AA-**	141,499	AA-
Balance C/F	**423,786**		775,646	

(Rupees in '000)

	December 31, 2013		December 31, 2012	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Balance B/F	**423,786**		775,646	
Unlisted TFCs and Sukuks				
Fertilizer				
Agritech Limited - 1st Issue	**–**	**–**	2,242	D
Agritech Limited - 3rd Issue	**49,003**	**D**	–	–
Agritech Limited - 4th Issue	**7,002**	**D**	26,361	D
Agritech Limited - 5th Issue	**–**	**–**	5,584	D
Engro Fertilizer Limited - 1st Issue	**436,710**	**A+**	453,180	A+
Engro Fertilizer Limited - 2nd Issue	**63,921**	**A+**	63,902	A+
Sugar				
Al Abbas Sugar Mills Limited - 2nd Issue	**–**	**–**	43,718	A+
JDW Sugar Mills Limited - 2nd Issue	**13,748**	**A+**	40,769	A+
Pharmaceutical				
Martin Dow Pharmaceutical Pakistan Limited	**46,035**	**A**	267,060	A
Cement				
Kohat Cement Company Limited	**1,695**	**Unrated**	5,738	D
Maple Leaf Cement Factory Limited - 1st Issue	**128,511**	**BB+**	337,643	D
Maple Leaf Cement Factory Limited - 2nd Issue	**191,571**	**BB+**	2,825	D
NBFCs				
Jahangir Siddiqui & Co. Limited	**–**	**–**	92,212	AA+
Personal goods				
Azgard Nine Limited I	**7,233**	**D**	7,793	D
Azgard Nine Limited II	**–**	**–**	4,370	D
Azgard Nine Limited III	**27,480**	**D**	11,079	D
Azgard Nine Limited IV	**10,838**	**D**	–	–
Real estate developers				
Eden Housing (Private) Limited	**65,462**	**D**	143,363	D
Consumer electronics				
New Allied Electronics (Private) Limited	**125,000**	**Unrated**	–	D
Pak Elektron Limited - 3rd Issue	**200,000**	**Unrated**	200,000	D
Media & Communication				
Independent Media Corporation (Private) Limited	**237,500**	**A+**	–	–
Manufacturing				
Amreli Steels Limited	**210,000**	**A-**	–	–
	2,245,492		2,483,485	
	21,795,237		3,880,356	

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

7.5 Particulars of investments in Federal Government Securities

7.5.1 Available-for-sale

	Note	December 31 2013	December 31 2012
Market Treasury Bills	7.5.1.1	**17,944,208**	880,117
Pakistan Investment Bonds	7.5.1.1	**1,122,360**	–
Carrying value (before revaluation) of investment in federal government securities		**19,066,568**	880,117
(Deficit) / surplus on revaluation of securities		**(18,611)**	1,652
Market value		**19,047,957**	881,769

7.5.1.1 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 9.30% to 10.34% (December 31, 2012: 10.18% to 11.69%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 11.25% to 12.00% (December 31, 2012: 11.50% to 12.00%) per annum on semi-annual basis and will mature within 2 to 8 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

7.6 Particulars of investments in ordinary shares of listed companies - available-for-sale

Name of investee company	December 31, 2013	December 31, 2012	Cost as at December 31 2013	Cost as at December 31, 2012
	No. of shares held		(Rupees in 000)	
Oil and gas marketing / exploration companies				
Pakistan State Oil Company Limited	**–**	139,069	**–**	33,141
Pakistan Petroleum Limited	**–**	19,400	**–**	3,474
Commercial banks				
National Bank of Pakistan	**400,000**	–	**23,692**	–
United Bank Limited	**342,200**	530,500	**48,252**	47,165
Communication				
Pakistan Telecommunication Company Limited	**150,000**	651,500	**4,728**	13,002
Power generation and distribution				
Kot Addu Power Company Limited	**1,005,000**	208,500	**65,921**	10,324
Pakgen Power Limited	**170,000**	–	**3,826**	–
Nishat Power Limited	**660,500**	–	**23,774**	–
Lalpir Power Limited	**215,500**	–	**4,633**	–
The Hub Power Company Limited	**1,200,000**	461,000	**88,915**	21,076
Cement				
Gharibwal Cement Limited	**–**	8,000,000	**–**	66,640
Chemicals				
Engro Corporation Limited	**–**	263,001	**–**	30,056
Nimir Industrial Chemicals Limited, a related party	**2,000,000**	3,678,008	**5,163**	9,494
Fertilizers				
Fauji Fertilizers Company Limited	**–**	350,000	**–**	41,258
Agritech Limited (see note 7.6.1)	**1,259,337**	1,259,337	**44,077**	44,077
Carrying value (before revaluation and provision) of listed shares 'available-for-sale'			**312,981**	319,707
Provision for diminution in value of investments			**(14,060)**	(29,578)
Deficit on revaluation of securities - net			**(32,439)**	(2,170)
Market value as at December 31, 2013			**266,482**	287,959

7.6.1 The SBP, vide Letter No. BPRD / BRD-(Policy) / 2013-11339 dated July 25, 2013, has permitted banks / DFIs to maintain provision equal to 50% of the deficit on revaluation of Ordinary shares of Agritech Limited. Accordingly, provision for diminution in value of investments includes Rs.14.060 (2012: Rs.2.938) million against ordinary shares of Agritech Limited. The remaining provision against exposure amounting to Rs.14.060 (2012: Rs.26.442) million on ordinary shares of Agritech Limited has not been recorded in these financial statements based upon the above relaxation from SBP.

7.7 Particulars of investments in ordinary shares of unlisted companies - available-for-sale

(Rupees in '000)

Name of investee company	Note	Name of Chief Executive	**December 31, 2013**	December 31, 2012	**Cost as at December 31, 2013**	Cost as at December 31, 2012
			Number of shares held			
Faruki Pulp Mills Limited	7.7.1	Mr. Shahid Saleem	**6,666,667**	6,666,667	**100,000**	100,000
Omer Jibran Engineering Industries Limited		Mr. Feroz Khan	**2,467,000**	2,137,500	**24,670**	21,375
Carrying value of shares of unlisted companies - 'available-for-sale'					**124,670**	121,375

7.7.1 The break-up value per share of Faruki Pulp Mills Limited (FPML), based on the annual audited accounts of FPML for the year ended June 30, 2013, is Rs. 3.40 per share as against the cost per share of Rs.15. The Company holds a put option against these shares which is exercisable at any time by the Company, whereby the seller of the shares has agreed to repurchase the above referred shares at Rs.15 per share (cost). Considering the presence of the put option, the Company has not made any provision against the said diminution in the value of these shares.

7.8 Particulars of investment in units of mutual funds - available-for-sale

(Rupees in '000)

Name of investee company	**December 31, 2013**	December 31, 2012	**Cost as at December 31, 2013**	Cost as at December 31, 2012
	Number of units held			
Closed-end mutual fund				
Pak Oman Advantage Fund	**2,883,499**	2,883,499	**28,835**	28,835
Carrying value (before revaluation and provision) of mutual funds units 'available-for-sale'			**28,835**	28,835
Provision for diminution in value of investments			**(7,209)**	(3,576)
Surplus / (deficit) on revaluation of securities - net			**–**	1,384
Market value as at December 31, 2013			**21,626**	26,643

7.9 Particulars of investment in unlisted preference shares - available-for-sale

(Rupees in '000)

Name of investee company	Note	**December 31, 2013**	December 31, 2012	**Cost as at December 31, 2013**	Cost as at December 31, 2012
		Number of shares held			
Pakistan Mercantile Exchange Limited	7.9.1	**1,500,000**	1,500,000	**15,000**	15,000
Omer Jibran Engineering Industries Limited	7.9.2	**7,401,000**	6,412,500	**74,010**	64,125
Trust Investment Bank Limited	7.9.3	**650,000**	650,000	**6,500**	6,500
Carrying value (before revaluation and provision) of preference shares 'available-for-sale'				**95,510**	85,625
Provision for diminution in value of investments				**(6,500)**	(6,500)
Market value as at December 31, 2013				**89,010**	79,125

7.9.1 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of one year Kibor + 250 basis points per annum, of the face value of Rs.10 each.

7.9.2 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 10% per annum applicable after two years from the date of investment i.e. July 06, 2012, of the face value of Rs.10 each. These shares carry call option exercisable at any time after subscription date till termination of this agreement.

7.9.3 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 1 year Kibor + 1% per annum, of the face value of Rs.10 each. These shares carry call option exercisable by the issuer between 3 to 5 years from the date of allotment i.e. May 05, 2010.

7.10 Investment in subsidiary - strategic investment

(Rupees in '000)

Name of investee company	Percentage of holding %	Name of Chief Executive	Breakup Value per share	Number of shares held	**Cost as at December 31, 2013**	Cost as at December 31, 2012
Unlisted public company						
Primus Investment Management Limited	100	Mr. Ahmed Ateeq	10	24,999,997	**250,000**	250,000

7.11 Investment in associates

(Rupees in '000)

Name of investee fund	Percentage of holding %		Number of units held		**Cost as at December 31, 2012**	Cost as at December 31, 2011
	2013	2012	**2013**	2012		
Open-end mutual funds - listed						
Primus Cash Fund	**84.86**	96.25	**27,656,775**	29,640,508	**2,760,428**	2,991,134
Primus Daily Reserve Fund	**47.26**	0.00	**27,591,244**	–	**2,771,237**	–
Primus Strategic Multi Asset Fund	**65.07**	0.00	**701,461**	–	**70,146**	–
			55,949,480	29,640,508	**5,601,811**	2,991,134

7.12 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, 2013** (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	24,985	Mr. Tariq Mehmood
Allied Bank Limited - 2nd Issue	6 Months KIBOR+0.85%	Half Yearly	28-Aug-19	5,000	5,000	25,000	24,364	Mr. Tariq Mehmood
Askari Bank Limited - 4th Issue	6 Months KIBOR+2.50%	Half Yearly	18-Nov-19	20,700	5,000	103,500	103,950	Mr. Syed Majeedullah Husaini
Faysal Bank Limited	6 Months KIBOR+1.40%	Half Yearly	12-Nov-14	1,031	5,000	5,153	2,571	Mr. Naved A. Khan
Summit Bank Limited	6 Months KIBOR+3.25%	Half Yearly	27-Oct-18	18,200	5,000	91,000	90,916	Mr. Hussain Lawai
United Bank Limited - 3rd issue	6 Months KIBOR+1.70%	Half Yearly	8-Sep-14	1,000	5,000	5,000	1,666	Mr. Atif R. Bokhari
Fertilizer								
Engro Fertilizer Limited - 2nd issue	6 Months KIBOR+1.55%	Half Yearly	30-Nov-15	481	5,000	2,405	2,399	Mr. Ruhail Muhammad
Engro Fertilizer Limited - 3rd issue	6 Months KIBOR+2.40%	Half Yearly	17-Dec-16	37	5,000	185	155	Mr. Ruhail Muhammad
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 - 3rd Issue *	6.00% Fixed	Monthly	13-Mar-17	9,099	5,000	45,495	26,200	Mr.Ahsan Ullah Khan
Telecommunication								
World Call Telecom Limited	6 Months KIBOR+1.60%	Half Yearly	7-Oct-13	10,000	5,000	50,000	21,407	Mr. Babar Ali Syed
Pakistan Mobile Communication Limited	3 Months KIBOR+2.65%	Quarterly	18-Apr-16	1,500	100,000	150,000	120,000	Mr. Rashid Khan
							419,188	
Unlisted TFCs								
Fertilizer								
Pak American Fertilizer - 3rd Issue	3 Months KIBOR+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	42,264	Ahmed Jaudet Bilal
Pak American Fertilizer - 3rd Issue	6 Months KIBOR+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	6,739	Ahmed Jaudet Bilal
Pak American Fertilizer - 4th Issue	0% Coupon	Half Yearly	1-Jan-15	1,672	5,000	8,360	7,002	Ahmed Jaudet Bilal
Engro Fertilizer Limited - 1st Issue	6 Months KIBOR+1.70%	Half Yearly	18-Mar-18	90,050	5,000	450,250	436,710	Mr. Ruhail Muhammad
Engro Fertilizer Limited - 2nd Issue	6 Months KIBOR+1.25%	Half Yearly	18-Mar-18	13,000	5,000	65,000	63,921	Mr. Ruhail Muhammad
Sugar								
JDW Sugar Mills Limited	3 Months KIBOR+1.25%	Quarterly	23-Jun-14	24,754	5,000	123,770	13,748	Mr. Jahangir Khan Tareen
Pharmaceuticals								
Martin Dow Pharmaceutical (Pakistan) Limited	3 Months KIBOR+3%	Monthly	31-May-15	100,000	5,000	500,000	46,032	Mr. Muhammad Javaid Akhai
Textiles								
Azgard Nine Limited - 1st Issue *	3 Months KIBOR+1.25%	Quarterly	18-Nov-15	15,000	5,000	75,000	7,233	Mr. Ahmed H Shaikh
Azgard Nine Limited - 3rd Issue *	0% Coupon	Quarterly	28-Jun-17	5,496	5,000	27,480	27,480	Mr. Ahmed H Shaikh
Azgard Nine Limited - 4th Issue *	6 Months KIBOR+2.20%	Half Yearly	4-Dec-17	5,000	5,000	25,000	10,838	Mr. Ahmed H Shaikh
							661,967	
Unlisted Sukuks								
Cement								
Maple Leaf Cement Factory	3 Months KIBOR+1.00%	Quarterly	3-Dec-18	100,200	5,000	501,000	320,082	Mr. Sayeed Tariq Saigol
Kohat Cement Limited - Sukkuk	6 Months KIBOR+2.50%	Half Yearly	20-Dec-15	5,000	5,000	25,000	1,695	Mr. Aizaz Mansoor Sheikh
Consumer electronics								
New Allied Electronics (Private) Limited *	3 Months KIBOR+2.20%	Quarterly	3-Dec-12	–	5,000	–	125,000	Mr. Mian Parvaiz Akhtar
Pak Elektron 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	65,462	Dr. Muhammad Amjad
Media & Communication								
Independent Media Corporation (Private) Limited	3 Months KIBOR+3.00%	Quarterly	5-Aug-18	50,000	5,000	250,000	237,500	Mr. Mir Ibrahim Rahman
Manufacturing								
Amreli Steels Limited	3 Months KIBOR+2.50%	Quarterly	9-Dec-16	50,000	5,000	250,000	210,000	Mr. Abbas Akberali
							1,159,739	
Carrying value (before revaluation and provision) of TFCs and Sukuks 'available-for-sale'							2,240,894	
Provision for diminution in value of investments							(216,196)	
Surplus on revaluation of securities - net							4,598	
Market value as at December 31, 2013							2,029,296	

* This represents non-performing term finance certificates and provision thereagainst has been made as per the Prudential Regulations and the directives issued by the SBP

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, 2012 (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	49,907	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	24,298	Mr. Khalid Ahmed Sherwani
Askari Bank Limited - 4th Issue	6 Months KIBOR+2.50%	Half Yearly	18-Nov-19	20,700	5,000	103,500	104,076	Mr. M.R Mehkari
Askari Bank Limited - 1st issue	6 Months KIBOR+1.50%	Half Yearly	4-Feb-13	115	5,000	575	593	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	29,893	Mr. M.R Mehkari
Bank Alfalah Limited - 3rd Issue	6 Months KIBOR+1.50%	Half Yearly	25-Nov-13	2,000	5,000	10,000	6,627	Mr. Atif Bajwa
Faysal Bank Limited	6 Months KIBOR+1.40%	Half Yearly	12-Nov-14	1,031	5,000	5,153	5,137	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	4,928	Mr. Naved A. Khan
Summit Bank Limited	6 Months KIBOR+3.25%	Half Yearly	27-Oct-18	18,200	5,000	90,975	90,958	Mr. Hussain Lawai
NIB Bank Limited	6 Months KIBOR+1.15%	Half Yearly	5-Mar-16	26,410	5,000	132,050	131,016	Mr. Badar Kazmi
Standard Chartered Bank - 3rd Issue	6 Months KIBOR+2.00%	Half Yearly	1-Feb-13	2,000	5,000	10,000	2,506	Mr. Mohsin Ali Nathani
Soneri Bank Limited	6 Months KIBOR+1.60%	Half Yearly	5-May-13	2,000	5,000	10,000	2,499	Mr. Aftab Manzoor
United Bank Limited - 2nd Issue	9.49% Fixed	Half Yearly	15-Mar-13	14,023	5,000	70,115	69,456	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	3,332	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	81,800	Mr. Atif R. Bokhari
Fertilizer								
Engro Fertilizer Limited - 3rd issue	6 Months KIBOR+2.40%	Half Yearly	17-Dec-16	37	5,000	185	170	Mr. Muhammad Ali Uddin Ansari
Engro Fertilizer Limited - 2nd issue	6 Months KIBOR+1.55%	Half Yearly	30-Nov-15	481	5,000	2,405	2,389	Mr. Muhammad Ali Uddin Ansari
Real estate developers								
Pace Pakistan Limited *	6 Months KIBOR+1.50%	Half Yearly	15-Feb-17	115	5,000	575	574	Ms. Aamna Ali Taseer
NBFCs								
Saudi Pak Leasing Company Limited - 3rd Issue *	6.00% Fixed	Monthly	13-Mar-17	9,099	5,000	45,495	29,142	Mr. Nayyar Alam Ilyas
Telecommunication								
World Call Telecom Limited	6 Months KIBOR+1.60%	Half Yearly	7-Oct-13	10,000	5,000	50,000	19,941	Mr. Babar Ali Syed
Pakistan Mobile Communication Limited	3 Months KIBOR+2.65%	Quarterly	18-Apr-16	1,500	100,000	150,000	142,500	Mr. Rashid Khan
							801,742	
Unlisted TFCs								
Fertilizer								
Agritech Limited - 1st Issue *	6 Months KIBOR+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	3,637	Ahmed Jaudet Bilal
Agritech Limited - 4th Issue *	3 Months KIBOR+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	42,766	Ahmed Jaudet Bilal
Agritech Limited - 5th Issue *	0% Coupon	Half Yearly	1-Jan-15	1,672	5,000	8,360	8,360	Ahmed Jaudet Bilal
Engro Fertilizer Limited - 1st Issue	6 Months KIBOR+1.70%	Half Yearly	18-Mar-18	93,450	5,000	467,250	453,180	Mr. Muhammad Ali Uddin Ansari
Engro Fertilizer Limited - 2nd Issue	6 Months KIBOR+1.25%	Half Yearly	18-Mar-18	13,000	5,000	65,000	63,902	Mr. Muhammad Ali Uddin Ansari
Sugar								
Al-Abbas Sugar Mills Limited - 2nd Issue	6 Months KIBOR+1.75%	Half Yearly	21-Nov-13	44,000	5,000	220,000	43,718	Mr. Shunaid Qureshi
JDW Sugar Mills Limited	3 Months KIBOR+1.25%	Quarterly	23-Jun-14	24,754	5,000	123,770	40,769	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	267,060	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	92,212	Mr. Suleman Lalani
Textiles								
Azgard Nine Limited - 1st Issue *	3 Months KIBOR+1.25%	Quarterly	18-Nov-15	15,000	5,000	75,000,000	7,793	Mr. Ahmed H Shaikh
Azgard Nine Limited - 2nd Issue *	6 Months KIBOR+2.20%	Half Yearly	4-Dec-17	5,000	5,000	25,000,000	10,838	Mr. Ahmed H Shaikh
Azgard Nine Limited - 3rd Issue *	0% Coupon	Quarterly	28-Jun-17	5,496	5,000	27,480,000	27,480	Mr. Ahmed H Shaikh
							1,061,715	
Unlisted Sukuks								
Cement								
Maple Leaf Cement Factory - 1st issue	3 Months KIBOR+1.00%	Quarterly	03-Dec-18	100,200	5,000	501,000,000	337,643	Mr. Sayeed Tariq Saigol
Maple Leaf Cement Factory - 2nd issue	3 Months KIBOR+1.00%	Quarterly	31-Mar-12	1,695	5,000	8,475,000	2,825	Mr. Sayeed Tariq Saigol
Kohat Cement Limited - Sukkuk	6 Months KIBOR+2.50%	Half Yearly	20-Dec-15	5,000	5,000	25,000,000	5,738	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. Mian Parvaiz Akhtar
Pak Elektron 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	143,364	Dr. Muhammad Amjad
							839,570	
Carrying value (before revaluation and provision) of TFCs and Sukuks 'available-for-sale'							2,703,027	
Provision for diminution in value of investments							(223,161)	
Surplus on revaluation of securities - net							3,619	
Market value as at December 31, 2013							2,483,485	

* This represents non-performing term finance certificates and provision thereagainst has been made as per the Prudential Regulations and the directives issued by the SBP

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

8. ADVANCES

	Note	2013	2012
Loans, cash credits, running finances, etc			
In Pakistan		5,122,516	4,292,836
LTFF scheme under State Bank of Pakistan		805,659	936,165
Net investment in finance lease			
In Pakistan	8.2	873,903	549,651
Advances - gross		6,802,078	5,778,652
Provision for non-performing advances - specific	8.3	(2,537)	(2,638)
Provision for non-performing advances - general		(331)	–
	8.4	(2,868)	(2,638)
Advances - net of provision		6,799,210	5,776,014

8.1 Particulars of advances - gross

		2013	2012
8.1.1	In local currency	6,802,078	5,778,652
	In foreign currencies	–	–
		6,802,078	5,778,652
8.1.2	Short-term (for upto one year)	3,273,187	2,289,895
	Long-term (for over one year)	3,528,891	3,488,757
		6,802,078	5,778,652

8.2 Net Investment in Finance Lease

(Rupees in '000)

	December 31, 2013			December 31, 2012		
	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	Total
Lease rentals receivable	324,422	571,272	895,694	210,581	334,411	544,992
Residual value	15,967	131,022	146,989	12,264	81,423	93,687
Minimum lease payments	340,389	702,294	1,042,683	222,845	415,834	638,679
Financial charges for future periods	(82,548)	(86,232)	(168,780)	(49,437)	(39,591)	(89,028)
Present value of minimum lease payments	257,841	616,062	873,903	173,408	376,243	549,651

8.2.1 These leases are executed for a term of 3 to 5 years. Security deposit has been obtained within a range of 10% to 37.50% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 12.57% to 20.00% per annum (2012: 12.40% to 20.16% per annum). Lease rentals are receivable in monthly / quarterly installments. The assets are insured in favour of the Company.

8.3 Advances include Rs.2.537 million (2012: Rs.2.638 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

	December 31, 2013								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of Classification									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–	–
Loss	**2,537**	**–**	**2,537**	**2,537**	**–**	**2,537**	**2,537**	**–**	**2,537**
	2,537	**–**	**2,537**	**2,537**	**–**	**2,537**	**2,537**	**–**	**2,537**

	December 31, 2012								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–	–
Loss	2,638	–	2,638	2,638	–	2,638	2,638	–	2,638
	2,638	–	2,638	2,638	–	2,638	2,638	–	2,638

8.4 Particulars of provision against non-performing advances

(Rupees in '000)

	December 31, 2013			December 31, 2012		
	Specific	**General**	**Total**	Specific	General	Total
Opening balance	**2,638**	**–**	**2,638**	1,723	18,989	20,712
Charge for the year	**–**	**331**	**331**	1,268	–	1,268
Reversal	**(101)**	**–**	**(101)**	(353)	(18,989)	(19,342)
	(101)	**331**	**230**	915	(18,989)	(18,074)
Closing balance	**2,537**	**331**	**2,868**	2,638	–	2,638

8.4.1 Particulars of provisions against non-performing advances

(Rupees in '000)

	December 31, 2013			December 31, 2012		
	Specific	**General**	**Total**	Specific	General	Total
In local currency	**2,537**	**331**	**2,868**	2,638	–	2,638
In foreign currencies	**–**	**–**	**–**	–	–	–
	2,537	**331**	**2,868**	2,638	–	2,638

	December 31 2013	December 31 2012
	(Rupees in '000)	

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

	2013	2012
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	**44,414**	44,416
Loans granted during the year	**31,492**	13,761
Repayments	**(13,559)**	(13,763)
Balance at end of the year	**62,347**	44,414

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

The detail is given in Annexure-I.

9. OPERATING FIXED ASSETS

		2013	2012
Capital work-in-progress		**–**	–
Property and equipment	9.1	**42,100**	52,520
Intangible assets	9.2	**2,536**	1,956
		44,636	54,476

9.1 Property and equipment

(Rupees in '000)

	December 31, 2013									
	COST				DEPRECIATION				Book value	
	As at January 01, 2013	Additions / (Disposals)	Written off	As at December 31, 2013	As at January 01, 2013	Charge for the year	Written off	As at December 31, 2013	as at December 31, 2013	Rate of depreciation
Owned										
Furniture and fixture	**13,519**	**120** **–**	**–**	**13,639**	**7,150**	**2,264** **–**	**–**	**9,414**	**4,225**	**20%**
Leasehold improvement	**42,321**	**–** **–**	**–**	**42,321**	**6,673**	**8,464** **–**	**–**	**15,137**	**27,184**	**20%**
Office equipment	**3,841**	**129** **–**	**–**	**3,970**	**2,447**	**587** **–**	**–**	**3,034**	**936**	**20%**
Computers	**12,037**	**1,332** **(124)**	**–**	**13,245**	**9,315**	**1,500** **(68)**	**–**	**10,747**	**2,498**	**33.33%**
Vehicles	**10,318**	**3,134** **(995)**	**–**	**12,457**	**4,011**	**2,154** **(886)**	**–**	**5,279**	**7,178**	**25%**
Mobile sets	**256**	**103** **(59)**	**–**	**300**	**176**	**95** **(50)**	**–**	**221**	**79**	**50%**
	82,292	**4,818** **(1,178)**	**–**	**85,932**	**29,772**	**15,064** **(1,004)**	**–**	**43,832**	**42,100**	

	December 31, 2012									
	COST				DEPRECIATION				Book value	
	As at January 01, 2012	Additions / (Disposals)	Written off	As at December 31, 2012	As at January 01, 2012	Charge for the year	Written off	As at December 31, 2012	as at December 31, 2012	Rate of depreciation
Owned										
Furniture and fixture	8,066	5,453 –	–	13,519	4,678	2,472 –	–	7,150	6,369	20%
Leasehold improvement	10,446	42,321 –	(10,446)	42,321	6,246	7,119 –	(6,692)	6,673	35,648	20%
Office equipment	2,735	1,106 –	–	3,841	1,753	694 –	–	2,447	1,394	20%
Computers	9,355	2,739 (57)	–	12,037	7,582	1,748 (15)	–	9,315	2,722	33.33%
Vehicles	10,276	42 –	–	10,318	2,025	1,986 –	–	4,011	6,307	25%
Mobile sets	241	67 (52)	–	256	108	96 (28)	–	176	80	50%
	41,119	51,728 (109)	(10,446)	82,292	22,392	14,115 (43)	(6,692)	29,772	52,520	

9.1.1 Assets having cost of Rs.15.221 million (2012: Rs.15.221 million) are fully depreciated.

9.1.2 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	Cost	Net Book Value	Sale proceeds	Gain	Mode of Disposal	Particulars of Purchaser
Property and equipment (having book value of less than Rs.250,000 or cost of less than Rs.1,000,000)	**263**	**82**	**130**	**49**	Various	Employees / Insurance Company/Shah Autos
Motor vehicle	**915**	**92**	**755**	**664**	Negotiation	Primus Investment Management Limited*
2013	**1,178**	**174**	**885**	**712**		
2012	109	66	71	5		

* a related party

9.2 Intangible assets

(Rupees in '000)

	December 31, 2013							
	COST			AMORTIZATION			Book value	
	As at January 01, 2013	Additions	As at December 31, 2013	As at January 01, 2013	Charge for the year	As at December 31, 2013	as at **December 31, 2013**	Rate of Amortization
Computer software	**10,480**	**1,652**	**12,132**	**8,524**	**1,072**	**9,596**	**2,536**	**33.33%**

	December 31, 2012							
	COST			AMORTIZATION			Book value	
	As at January 01, 2012	Additions	As at December 31, 2012	As at January 01, 2012	Charge for the year	As at December 31, 2012	as at December 31, 2012	Rate of Amortization
Computer software	8,772	1,708	10,480	7,481	1,043	8,524	1,956	33.33%

10. OTHER ASSETS

	Note	December 31 **2013**	December 31 2012
		(Rupees in '000)	
Income / mark-up accrued in local currency		**287,567**	278,490
Assets acquired in satisfaction of claims - non-banking assets		**–**	209,652
Advances, deposits and other prepayments		**72,820**	73,195
Advance tax (payment less provision)		**260,342**	139,007
Dividend receivable		**28,146**	59,281
Receivable from Subsidiary - Primus Investment Management Limited		**384**	635
Receivable against sale of shares	10.1	**303,416**	–
		952,675	760,260
Less: Provision held against advances, deposits and other prepayments	10.2 & 10.3	**(50,000)**	(50,000)
Other assets (net of provisions)		**902,675**	710,260

10.1 This includes receivable, amounting to Rs.276.727 million, arising on account of deferred sale consideration for sale of certain listed equity securities and properties (which were previously classified under 'assets acquired in satisfaction of claims') at a marked-up price determined in accordance with the sale agreement dated May 30, 2013. The balance outstanding at the end of the current year will be received by the Company as per the terms and conditions of the underlying agreement latest by August 2015. The shares will be released as and when payments are received while the title to the properties will be transferred by the Company only upon receipt of the entire sale consideration as agreed under the above agreement. The above sale agreement resulted in a gain on settlement of Rs.58.716 million (note 20.1) and Rs.46.155 million (note 21) on derecognition of listed equity securities and assets acquired in satisfaction of claims, respectively.

10.2 This represents Rs.50 million (2012: Rs.50 million) advance against Pre-IPO placement of Term Finance Certificates of Dewan Cement Limited.

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	
10.3 Provision against other assets			
Opening balance		**50,000**	50,000
Charge for the year		**–**	–
Closing balance		**50,000**	50,000

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

11. BORROWINGS

In Pakistan		**26,391,995**	2,417,139
Outside Pakistan		**–**	–
		26,391,995	2,417,139

11.1 Particulars of borrowings with respect to Currencies

In local currency		**26,391,995**	2,417,139
In foreign currencies		**–**	–
		26,391,995	2,417,139

11.2 Details of borrowings secured / unsecured

Secured			
Borrowing from SBP under LTFF Scheme	11.3	**805,659**	937,139
Repurchase agreement borrowings (Repo)	11.4	**17,508,002**	–
Borrowing from Banks	11.5	**1,533,334**	1,100,000
		19,846,995	2,037,139
Unsecured			
Letters of placement	11.6	**6,545,000**	380,000
		26,391,995	2,417,139

11.3 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 (2012: 7.25% to 9.70% per annum). This is repayable within 6 years (2012: 7 years).

11.4 These represent borrowings from various financial institutions at mark-up rate ranging from 9.40% to 10.15% (December 31, 2012: nil to nil) per annum, maturing upto January, 2014. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs.17.631 (December 31, 2012: nil) million have been given as collateral against these borrowings (see note 7).

11.5 These represent borrowings secured against hypothecation of receivables and floating charge over term finance certificates. These carry mark-up at rate ranging from 10.11% to 10.95% per annum (2012: 9.94% to 10.18% per annum) and are repayable within 3 years (2012: 2 years).

11.6 These carry mark-up at rate ranging from 10.00% to 10.25% per annum (2012: 9.40% to 12.00% per annum) and are repayable within 3 months (2012: 2 months).

12. DEPOSITS AND OTHER ACCOUNTS

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	
Customers			
Certificate of investment- remunerative	12.1	**567,070**	2,824,924

12.1 These carry mark-up at rates ranging from 8.95% to 10.25% per annum (2012: 9.70% to 12.00% per annum) and are repayable within 1 month to 11 months (2012: 1 month to 11 months).

12.2 Particulars of deposits

	2013	2012
In local currency	**567,070**	2,824,924
In foreign currencies	**–**	–
	567,070	2,824,924

13. DEFERRED TAX LIABILITIES - NET

	December 31 2013	December 31 2012
	(Rupees in '000)	
Deductible temporary differences		
Provision for compensated absences and bonus	**10,200**	8,400
Unrealised loss on revaluation of held-for-trading securities	**–**	–
Deficit on revaluation of securities - net	**–**	–
Provision for diminution in the value of investments	**60,939**	69,981
Provision against non-performing loans and advances	**975**	923
Provision against other assets	**17,000**	17,500
Taxable temporary differences		
Difference between accounting book value of fixed assets and tax base	**(4,542)**	(7,247)
Amortisation of discount on investments	**(40,533)**	(27,196)
Net investment in finance lease	**(66,516)**	(45,692)
Amortisation of transaction cost	**–**	–
Surplus on revaluation of securities - net	**7,706**	(3,367)
	(14,771)	13,302

13.1 Movement in temporary differences during the year

(Rupees in '000)

	Balance as at January 01, 2012	Recognised in profit and loss account	Recognised in (surplus)/deficit in revaluation of assets account	Balance as at December 31, 2012	Recognised in profit and loss account	Recognised in (surplus)/deficit in revaluation of assets account	**Balance as as at December 31, 2013**
Deductible temporary differences							
Provision for compensated absences and bonus	8,003	397	–	8,400	1,800	–	10,200
Unrealised loss on revaluation of held-for-trading securities	4,340	(4,340)	–	–	–	–	–
(Surplus) / deficit on revaluation of securities - net	12,576	–	(15,943)	(3,367)	–	11,073	7,706
Provision for diminution in the value of investments	66,397	3,584	–	69,981	(9,042)	–	60,939
Provision against non-performing loans and advances	7,249	(6,326)	–	923	52	–	975
Provision against other assets	17,458	42	–	17,500	(500)	–	17,000
Taxable temporary differences							
Difference between accounting book value of fixed assets and tax base	(2,303)	(4,944)	–	(7,247)	2,704	–	(4,543)
Amortisation of discount on investments	(86,972)	59,777	–	(27,195)	(13,337)	–	(40,532)
Net investment in finance lease	(25,270)	(20,422)	–	(45,692)	(20,824)	–	(66,516)
Amortisation of transaction cost	(1,668)	1,668	–	–	–	–	–
	(190)	**29,436**	**(15,943)**	**13,303**	**(39,147)**	**11,073**	**(14,771)**

14. OTHER LIABILITIES

	December 31 2013	December 31 2012
	(Rupees in '000)	
Mark-up / return / interest payable in local currency	**102,319**	67,096
Accrued expenses	**33,883**	26,833
Advance against Certificates of Investment	**–**	–
Payable against purchase of shares	**–**	–
Brokerage commission payable	**2,289**	63
Unearned commission	**7,216**	4,786
Security deposit against lease	**136,989**	93,688
Others	**4,685**	30,547
	287,381	223,013

15. SHARE CAPITAL

15.1 Authorised capital

2013	2012		2013	2012
Number of shares			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs. 10/- each.	**6,000,000**	6,000,000

15.2 Issued, subscribed and paid-up

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

15.3 The Ministry of Finance and Secretary Economic Affairs Division holds 299,995,999 and 4,001 shares (2012: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2012: 300,000,000 shares) are held by the Brunei Investment Agency.

16. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

16.1 (Deficit) / Surplus on revaluation of available-for-sale securities - net of tax

	December 31 2013	December 31 2012
	(Rupees in '000)	
Market treasury bills	**(6,679)**	1,652
Pakistan Investment Bonds	**(11,932)**	–
Listed securities		
- Term finance certificates	**4,598**	3,619
- Units of open-ended mutual funds	**–**	–
- Units of closed-end mutual funds	**–**	1,384
- Ordinary shares of listed companies	**(32,439)**	(2,170)
	(46,452)	4,485
Deferred tax (liability) / asset recognised	**7,706**	(3,367)
	(38,746)	1,118

17. CONTINGENCIES AND COMMITMENTS

17.1 Transaction related contingent liability

	2013	2012
Letter of credit	**117,657**	152,293

17.2 In the year 2009, Burj Bank Limited (formerly Dawood Islamic Bank Limited) filed a legal suit amounting to Rs.200 million 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.

17.3 Tax contingencies have been discussed in note 23.2 to these unconsolidated financial statements.

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

17.4 Commitments in respect of sale of T-bills		**1,590,109**	–
17.5 Commitments to extend credit		**2,080,355**	716,010

17.6 Commitments in respect of government securities

Purchase (reverse repo)		**–**	–
Sale		**17,542,178**	–

18. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:			
Customers		**594,414**	685,225
Financial institutions		**13,022**	32,619
On investments in:			
Available-for-sale securities		**699,148**	2,015,636
Held to maturity securities		**10,931**	26,442
Held-for-trading securities		**12,122**	120,700
On Deposits with financial institutions		**30,175**	12,725
On Securities purchased under resale agreements		**32,936**	18,636
Finance income on deferred sale of assets acquired on satisfaction of claims - non-banking assets		**14,373**	–
		1,407,121	2,911,983

19. MARK-UP / RETURN / INTEREST EXPENSED

Deposits		**209,107**	310,203
Short-term borrowings		**220,076**	103,108
Long-term borrowings		**251,164**	209,945
Securities sold under repurchase agreements		**288,732**	1,421,559
		969,079	2,044,815

20. GAIN ON SALE OF SECURITIES - NET

Federal Government Securities			
- Market Treasury Bills		**1,279**	62,368
- Pakistan Investment Bonds		**6,072**	41,354
Ordinary shares of listed companies	20.1	**201,433**	67,733
Term finance certificates		**114**	6,469
Units of mutual funds		**20,768**	12,488
		229,666	190,412

20.1 This includes gain on settlement of Rs.58.716 million on derecognition of certain listed equity securities, as more fully disclosed in note 10.1.

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

21. OTHER INCOME

	Note	2013	2012
Gain on sale of property and equipment		**712**	5
Gain on sale of assets acquired in satisfaction of claims - non-banking assets	10.1	**46,155**	–
Rent income		**3,675**	750
Income from sale of scrap items		**–**	468
Others		**470**	30
		51,012	1,253

22. ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries and allowances		**121,634**	96,796
Contribution to defined contribution plan	27	**4,695**	4,423
Non-executive directors' fees, allowances and other expenses		**2,585**	1,607
Rent, taxes, insurance, electricity, etc.		**18,269**	19,554
Legal and professional charges		**6,560**	9,365
Travelling and accommodation		**4,340**	1,975
Communications		**1,953**	2,147
Repairs and maintenance		**6,287**	5,392
Brokerage commission		**7,063**	13,620
Stationery and printing		**1,841**	1,619
Advertisement and publicity		**250**	574
Donation	22.1 & 22.2	**–**	1,100
Auditors' remuneration	22.3	**1,686**	767
Depreciation	9.1	**15,064**	14,115
Amortisation	9.2	**1,072**	1,043
Vehicle maintenance and fuel expense		**19,444**	17,794
Medical expense		**2,528**	2,056
Fee and subscription		**921**	792
Bank charges		**867**	391
Others		**2,237**	2,279
		219,296	197,409

22.1 Donations were not made to any donee in which a director or his / her spouse had any interest at any time during the year.

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

	2013	2012
Institute of Business Administration	**–**	1,000
Donations not exceeding Rs.100,000 - others	**–**	–
	–	1,000

22.3 Auditors' remuneration

	2013	2012
Audit fee	**440**	400
Half yearly review fee	**175**	175
Special certifications and other services	**950**	100
Out-of-pocket expenses	**121**	92
	1,686	767

	December 31 2013	December 31 2012
	(Rupees in '000)	

23. TAXATION

For the year		
Current	**166,364**	323,802
Prior years	**5,524**	(2,283)
Deferred	**39,146**	(29,435)
	211,034	292,084

23.1 Relationship between tax expense and accounting profit

Accounting profit before tax	**916,743**	1,075,842
Tax rate	**34%**	35%
Tax on accounting profit	**311,693**	376,545
Tax effect of:		
Income chargeable to tax at special rate	**(153,100)**	(40,417)
Income exempt from tax	**(36,892)**	(37,110)
Expenses that are inadmissible in determining taxable profit	**76,986**	(8,376)
Permanent differences	**7,133**	3,725
Prior year charge	**5,524**	(2,283)
Others	**(310)**	–
	211,034	292,084

23.2 Income tax returns for the tax years 2007 to 2013 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 221/122(5A) of the Income Tax Ordinance, 2001 whereby tax demands of Rs.3.213 million and Rs.46.577 million respectively were created. In the amended assessment orders, besides making other additions to income, the ACIR taxed the amount of amortisation 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 amortisation of discount on securities with specific directions. The tax department has issued appeal effect orders for Tax Years 2008 and 2009 on June 30, 2013 relating to combined Appellate order passed by ATIR on April 02, 2012. Nonetheless, the tax department has failed to issue appeal effect order on issues set aside by CIR(A) within stipulated time as provided under Income Tax Ordinance, 2001. The Company has discharged all tax liabilities created through above-said appeal effect orders with the exception of Tax Year 2009 wherein tax amounting to Rs.18.016 million was short paid.

An appeal filed with the CIR(A) against the rectified order levying Workers' Welfare Fund (WWF) in the tax year 2009 was decided in favour of the Company. The tax department filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the aforesaid decision of CIR(A). In this connection, appeal proceedings are in progress and hearing is yet to be fixed by ATIR.

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. The said order was rectified by ACIR 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 another appeal was also filed against the rectified order. Both the Company and the tax department have filed appeals before the ATIR. The tax department has issued appeal effect order for Tax Year 2010 continuing its previous position for set-aside issues and created further tax demand of Rs.25.245 million which has been discharged by the Company immediately.

Assessment for tax year 2011 was also amended through order under section 122(5A) dated April 30, 2012 creating tax demand of Rs.55.547 million which was reduced to Rs.52.091 million after issuance of rectified order under section 221 of the Income Tax Ordinance, 2001. The Company has paid for Rs.33.381 million out of the reduced tax demand. The remaining tax demand was adjusted by the tax department against available refund relating to tax year 2012. An appeal against the amendment order has already been filed before CIR(A) and appellate order to this effect is yet to be received by the Company.

The unrecognised amount relating to WWF pertaining to above tax years amounted to Rs.44.551 million. Based on the opinion of the legal advisor, relying on relief provided by CIR(A) in respect of tax years 2009 and 2010 in the Company's case, the WWF is not applicable to the Company as it does not fall into the definition of industrial establishment. Consequently, no provision has been made in the current year's financial statements relating to WWF.

		Note	**December 31 2013**	December 31 2012
			(Rupees in '000)	

24. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the year	Rupees in '000	705,709	783,758
Weighted average number of ordinary shares	Numbers in '000	600,000	600,000
Basic earnings per share	Rupees	1.18	1.31

24.1 There were no convertible dilutive potential ordinary shares outstanding as on December 31, 2013 and 2012.

	December 31 2013	December 31 2012
	(Rupees in '000)	

25. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	**96,289**	54,755
Balances with other banks	**233,935**	315,314
	330,224	370,069

26. STAFF STRENGTH

	Numbers	Numbers
Permanent	**44**	43
Temporary / on contractual basis	**24**	26
Total staff strength	**68**	69

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

27. 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 (2012: 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:

Contribution made by the Company	**4,695**	4,423
Contribution made by employees	**4,695**	4,423
	9,390	8,846

Disclosures relating to Provident Fund	**Un-audited December 31, 2013**	Un-audited December 31, 2012
Size of the fund	**29,798**	23,289
Cost of investments made	**25,992**	19,078
Percentage of investments made	**87.23**	81.92
Fair value of investments	**25,601**	18,987
Break-up of investments at fair value		
Term Finance Certificate	**15,946**	8,493
Government Securities	**8,453**	10,494
Mutual Funds	**1,202**	–
	25,601	18,987

Break-up of investments	% of the size of the fund	
Term Finance Certificate	**53.51**	36.47
Government Securities	**28.37**	45.06
Mutual Funds	**4.03**	–
	85.92	81.53

Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for this purpose.

28. COMPENSATION OF DIRECTORS AND EXECUTIVES

(Rupees in '000)

	Chief Executive		Directors		Executives	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012	**December 31, 2013**	December 31, 2012
Managerial remuneration	**25,061**	21,571	**–**	–	**79,096**	75,673
Contribution to defined contribution plan	**1,122**	1,020	**–**	–	**3,543**	3,270
Utilities	**412**	503	**–**	–	**6,595**	4,639
Medical	**400**	325	**–**	–	**1,679**	1,951
Travelling allowance	**299**	210	**2,585**	1,608	**421**	130
	27,294	23,629	**2,585**	1,608	**91,334**	85,663
Number of persons	**1**	1	**3**	3	**32**	34

28.1 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.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

All quoted investments have been stated at their market values as disclosed in note 7. 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 10.1) 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 4.4.

The maturity and re-pricing profile and effective rates are stated in notes 34.3.1 and 34.2.4 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.

30. 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**
2013			
Total income	**62,660**	**1,502,615**	**547,864**
Total expenses	**35,239**	**853,053**	**308,104**
Net income	**27,421**	**649,562**	**239,760**
Segment assets (gross)	**–**	**28,938,109**	**6,815,987**
Segment non performing loans	**–**	**2,537**	**–**
Investment provided for	**–**	**354,100**	**–**
Segment provision required *	**–**	**246,502**	**–**
Segment liabilities	**–**	**22,064,269**	**5,196,945**
Segment return on assets (ROA) (%)	**–**	**3.45%**	**3.85%**
Segment return on net assets (ROA) (%)	**–**	**9.76%**	**15.29%**
Segment cost of funds (%)	**–**	**8.59%**	**8.59%**
2012			
Total income	36,353	2,656,656	625,260
Total expenses	24,611	1,794,519	423,297
Net income	11,742	862,137	201,963
Segment assets (gross)	–	8,685,422	5,625,642
Segment non performing loans	–	2,638	–
Investment provided for	–	428,291	–
Segment provision required *	–	265,453	–
Segment liabilities	–	3,316,769	2,148,307
Segment return on assets (ROA) (%)	–	4.66%	3.93%
Segment return on net assets (ROA) (%)	–	17.21%	6.22%
Segment cost of funds (%)	–	13.83%	13.83%

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

31. 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 registered as Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations 2012 issued by the SECP.

The Company is acting as trustee to various debt instruments (Term Finance Certificates and Sukuk issues) issued by Agritech Limited, Askari Bank Limited–IV, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Faysal Bank Limited, Independent Media Corporation (Pvt) Limited, Jahangir Siddiqi Company Limited, Karachi Electric Supply Corporation Limited, Maple Leaf Cement Factory Limited, Martin Dow Limited, WAPDA and WAPDA Thirs Sukuk Company Limited. The combined value of these TFCs / Sukuks as at December 31, 2013 amounted to PKR 59,777 million (2012: PKR 40,050 million).

32. RELATED PARTY TRANSACTIONS

The Company has related party relationship with:

- subsidiary company (Primus Investment Management Limited)
- associated company (collective investment schemes of Primus Investment Management Limited)
- its employee defined contribution plan;
- its key management personnel;
- other related parties include Maple Leaf Cement Factory Limited, Omer Jibran Engineering Industries Ltd., Nimir Industrial Chemicals Limited and Haq Bahu Sugar Mills (Pvt) Limited due to common directorship.

Details of loans and advances to the executives are given in note 8.5 to these unconsolidated financial statements. There are no transactions with key management personnel other than under their terms of employment. Contribution to approved defined contribution plan are disclosed in note 27 to these unconsolidated financial statements. Remuneration to the executives is disclosed in note 28 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.

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)

	Note	2013 Key management personnel	2013 State Controlled Entities	2013 Other related parties	2013 Subsidiary	2013 Associates	2012 Key management personnel	2012 State Controlled Entities	2012 Other related parties	2012 Subsidiary	2012 Associates
Advances											
As at beginning of the year		**15,520**	**153,423**	**701,671**	**–**	**–**	23,286	146,764	474,000	–	–
Addition/Given during the period		**19,147**	**–**	**117,570**	**–**	**–**	8,634	28,776	300,000	–	–
Deleted during the period		**(1,949)**	**–**	**(300,000)**	**–**	**–**	(8,106)	–	8,106	–	–
Repaid during the period		**(3,524)**	**(25,571)**	**(95,412)**	**–**	**–**	(8,294)	(22,117)	(80,435)	–	–
As at end of the year		**29,194**	**127,852**	**423,829**	**–**	**–**	15,520	153,423	701,671	–	–
Borrowings											
As at beginning of the year		**–**	**2,909,539**	**–**	**–**	**–**	–	9,498,847	–	–	–
Received during the period		**–**	**150,837,364**	**–**	**–**	**5,715,000**	–	287,047,969	500,000	–	–
Repaid during the period		**–**	**(140,483,052)**	**–**	**–**	**(5,140,000)**	–	(293,637,277)	(500,000)	–	–
As at end of the year		**–**	**13,263,851**	**–**	**–**	**575,000**	–	2,909,539	–	–	–
Placements											
As at beginning of the year		**–**	**–**	**–**	**–**	**–**	–	462,841	–	–	–
Placements made during the year		**–**	**27,896,197**	**–**	**–**	**–**	–	18,879,391	–	–	–
Placements matured during the year		**–**	**(27,896,197)**	**–**	**–**	**–**	–	(19,342,232)	–	–	–
As at end of the year		**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Investments											
As at beginning of the year		**–**	**21,366**	**94,975**	**250,000**	**2,991,134**	–	33,149	15,000	250,000	–
Investments/additions made during the year		**–**	**1,640,767**	**232,830**	**–**	**10,224,985**	–	281,071	98,437	–	3,975,000
Transfer		**–**	**–**	**–**	**–**	**–**	–	–	(15,000)	–	–
Redemption during the year		**–**	**(1,632,457)**	**(232,811)**	**–**	**(7,614,308)**	–	(292,854)	(3,462)	–	(983,866)
As at end of the year		**–**	**29,676**	**94,994**	**250,000**	**5,601,811**	–	21,366	94,975	250,000	2,991,134
Mark-up / return / interest earned		**601**	**12,760**	**54,653**	**–**	**–**	681	11,202	83,205	–	–
Mark-up / return / interest expensed		**–**	**346,099**	**–**	**–**	**38,568**	–	588,277	1,342	–	–
Gain on sale of securities - net		**–**	**24,203**	**15,027**	**–**	**20,721**	–	4,367	1,862	–	16,133
Fee income		**–**	**–**	**–**	**–**	**–**	–	–	20,250	–	–
Dividend income		**–**	**2,800**	**–**	**37,500**	**294,682**	–	3,585	–	99,522	–
Salaries and other benefits		**69,370**	**–**	**–**	**–**	**–**	66,032	–	–	–	–
Reimbursement of expenses		**4,997**	**–**	**–**	**–**	**–**	4,036	–	–	–	–
Expenses charged to the subsidiary company	32.1	**–**	**–**	**–**	**6,039**	**–**	–	–	–	1,526	–

*This represents advance given to a key management person of the Company.

32.1 The transactions with related parties during the year include costs (administrative expenses) charged by the Company under the cost sharing agreement entered into between the Company and its Subsidiary.

33. CAPITAL ASSESSMENT AND ADEQUACY

33.1 Scope of Applications

The Basel Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiary - Primus Investment Management Limited and also on a stand alone basis.

33.2 Capital Structure - Basel III transition

During the year, State Bank of Pakistan vide circular No. BPRD 6 dated August 15, 2013 revised and updated Basel II Framework in accordance with Basel III capital reforms and clarifications to further strengthen capital related rules. These instructions form part of transitional arrangement leading to full implementation of Basel III in 2019.

Bank's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid-up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc. after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, reciprocal cross holdings in capital instruments of banking, financial, and insurance entities and deficit on revaluation of available-for-sale investments.

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

Detail of the Bank's eligible capital (on an unconsolidated basis) is as follows:

(Rupees in '000)

	December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully paid-up capital / capital deposited with SBP	**6,000,000**	–	6,000,000
Balance in share premium account	**–**	–	–
Reserve for issue of bonus shares	**–**	–	–
General / statutory reserves	**697,026**	–	555,884
Gain / (losses) on derivatives held as cash flow hedge	**–**	–	–
Unappropriated / unremitted profits / (losses)	**1,588,100**	–	2,023,533
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	**–**	–	–
CET 1 before Regulatory Adjustments	**8,285,126**	–	8,579,417

	December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
	(Rupees in '000)		
Common Equity Tier 1 capital: Regulatory adjustments			
Goodwill (net of related deferred tax liability)	–	–	–
All other intangibles (net of any associated deferred tax liability)	**2,536**	–	1,957
Shortfall of provisions against classified assets	–	–	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	–	–
Defined-benefit pension fund net assets	–	–	–
Reciprocal cross holdings in CET1 capital instruments	–	–	–
Cash flow hedge reserve	–	–	–
Investment in own shares / CET1 instruments	–	–	–
Securitization gain on sale	–	–	–
Capital shortfall of regulated subsidiaries	–	–	–
Deficit on account of revaluation from bank's holdings of property / AFS	38,746	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	–
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–	–
Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences	–	–	–
National specific regulatory adjustments applied to CET1 capital investment in TFCs of other banks exceeding the prescribed limit	–	–	–
Any other deduction specified by SBP (mention details)			
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	**2,068,387**	–	250,000
Total regulatory adjustments applied to CET1	**2,109,669**	–	251,957
Common Equity Tier 1 **a**	**6,175,457**	–	8,327,460
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity	–	–	–
of which: Classified as liabilities	–	–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	–	–	–
AT1 before regulatory adjustments	–	–	–
Additional Tier 1 Capital: regulatory adjustments			
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	**1,818,718**	–	–
Investment in own AT1 capital instruments	–	–	–
Reciprocal cross holdings in Additional Tier 1 capital instruments	–	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	**125,000**	–	125,000
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	**124,669**	–	125,000
Total of Regulatory Adjustment applied to AT1 capital	**2,068,387**	–	250,000

		December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
		(Rupees in '000)		
Additional Tier 1 capital				
Additional Tier 1 capital recognised for capital adequacy	**b**	**–**	–	–
Tier 1 Capital (CET1 + admissible AT1)	**(c=a+b)**	**6,175,457**	–	8,327,460
Tier 2 Capital				
Qualifying Tier 2 capital instruments under Basel III Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		**–**	–	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) of which: instruments issued by subsidiaries subject to phase out		**–**	–	–
General Provisions or general reserves for loan losses - up to maximum of 1.25% of Credit Risk Weighted Assets		**331**	–	–
Revaluation reserves				
of which: Revaluation reserves on property		**–**	–	–
of which: Unrealised gains / losses on AFS		**–**	–	–
Foreign Exchange Translation Reserves		**–**	–	–
Undisclosed/Other Reserves (if any)		**–**	–	–
T2 before regulatory adjustments		**331**	–	–
Tier 2 Capital: regulatory adjustments				
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		**125,000**	–	125,000
Reciprocal cross holdings in Tier 2 instruments		**–**	–	–
Investment in own Tier 2 capital instrument		**–**	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		**–**	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		**–**	–	–
Amount of Regulatory Adjustment applied to T2 capital		**–**	–	–
Tier 2 capital (T2)		**–**	–	–
Tier 2 capital recognised for capital adequacy		**–**	–	–
Excess Additional Tier 1 capital recognised in Tier 2 capital		**–**	–	–
Amount of Regulatory Adjustment applied to T2 capital		**331**	–	–
Total Tier 2 capital admissible for capital adequacy	(d)	**–**	–	–
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	**6,175,457**		8,327,460
Total Risk Weighted Assets	(i=f+g+h)	**17,184,540**	–	13,935,274
Total Credit Risk Weighted Assets	(f)	**9,502,615**	–	11,321,236
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		**10,127,615**	–	11,321,236
of which: recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity of which: deferred tax assets		**–**	–	–
of which: Defined-benefit pension fund net assets		**–**	–	–
of which: [insert name of adjustment]		**–**	–	–
Total Market Risk Weighted Assets	(g)	**5,718,288**	–	621,850
Total Operational Risk Weighted Assets	(h)	**1,963,638**	–	1,992,188

		December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
			(Rupees in '000)	
Capital Ratios and buffers (in percentage of risk weighted assets)				
CET1 to total RWA	(a/i)	**35.94%**	–	59.76%
Tier-1 capital to total RWA	(c/i)	**35.94%**	–	59.76%
Total capital to RWA	(e/i)	**35.94%**	–	59.76%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		**12.50%**	–	–
of which: capital conservation buffer requirement		**2.50%**	–	–
of which: countercyclical buffer requirement		**–**	–	–
of which: D-SIB or G-SIB buffer requirement		**–**	–	–
CET1 available to meet buffers (as a percentage of risk weighted assets)		**25.94%**	–	–
National minimum capital requirements prescribed by SBP				
CET1 minimum ratio		**5.00%**	–	–
Tier 1 minimum ratio		**6.50%**	–	–
Total capital minimum ratio		**10.00%**	–	–
Amounts below the thresholds for deduction (before risk weighting)				
Non-significant investments in the capital of other financial entities		**341,108**	–	–
Significant investments in the common stock of financial entities		**250,000**	–	–
Deferred tax assets arising from temporary differences (net of related tax liability)		**–**	–	–
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		**–**	–	–
Cap on inclusion of provisions in Tier 2 under standardized approach		**–**	–	–
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		**–**	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		**–**	–	–

33.3 Capital Adequacy

Objectives of Managing Capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Bank's Asset & Liability Committee (ALCO). Further, capital adequacy and management is overseen by the Board's Risk Management Committee (RMC).

Bank's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- 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 Bank's assets to allow for an optimal deployment of the Bank's resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to safeguard the Bank'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 Bank to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Externally Imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the DFIs to raise their minimum paid up capital to Rs.6 billion free of losses by the end of financial year 2009.

SBP through its BSD Circular No. 09 dated April 15, 2009 has asked Banks to achieve the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis latest by December 31, 2010.

The paid up capital and CAR of the Bank stands at Rs.8.255 billion and 35.82% of its risk weighted exposure as at December 31, 2013.

The Bank has complied with all externally imposed capital requirements as at year end.

33.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares	Instrument-2	Explanation
1	Issuer	6,000,000		Pak Brunei. Common shares are held by Ministry of Finance, Government of Pakistan and Brunei Investment Agency in a 50:50 ratio
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)			NA
3	Governing law(s) of the instrument Regulatory treatment			Companies Ordinance, 1984, Government of Pakistan
4	Transitional Basel III rules			NA
5	Post-transitional Basel III rules			Common Equity Tier 1
6	Eligible at solo / group / group & solo			Solo
7	Instrument type			Ordinary Shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)			8,285,126
9	Par value of instrument			Rs.10 per share
10	Accounting classification			Shareholder's Equity
11	Original date of issuance			4-Nov-06
12	Perpetual or dated			No maturity
13	Original maturity date			NA
14	Issuer call subject to prior supervisory approval			No
15	Optional call date, contingent call dates and redemption amount			NA
16	Subsequent call dates, if applicable Coupons / dividends			NA
17	Fixed or floating dividend / coupon			NA
18	Coupon rate and any related index/ benchmark			NA
19	Existence of a dividend stopper			Yes (please refer PR-11)
20	Fully discretionary, partially discretionary or mandatory			Fully discretionary
21	Common Equity Tier 1 capital (CET1): Instruments and reserves Existence of step up or other incentive to redeem			No
22	Non-cumulative or cumulative			Non cumulative
23	Convertible or non-convertible			Non-convertible
24	If convertible, conversion trigger (s)			NA
25	If convertible, fully or partially			NA
26	If convertible, conversion rate			NA
27	If convertible, mandatory or optional conversion			NA
28	If convertible, specify instrument type convertible into			NA
29	If convertible, specify issuer of instrument it converts into			NA
30	Write-down feature			No
31	If write-down, write-down trigger(s)			NA
32	If write-down, full or partial			NA
33	If write-down, permanent or temporary			NA
34	If temporary write-down, description of write-up mechanism			NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument			NA
36	Non-compliant transitioned features			No
37	If yes, specify non-compliant features			NA

33.5 Capital Structure Reconciliation

33.5.1 Step 1

	December 31, 2013	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	96,289	96,289
Balances with other banks	233,935	233,935
Lendings to financial institutions	–	–
Investments	27,430,852	27,430,852
Advances	6,799,210	6,799,210
Operating fixed assets	44,636	44,636
Deferred tax assets	–	–
Other assets	902,675	902,675
Total assets	35,507,597	35,507,597
Liabilities & Equity		
Bills payable	–	–
Borrowings	26,391,995	26,391,995
Deposits and other accounts	567,070	567,070
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	14,771	14,771
Other liabilities	287,381	287,381
Total liabilities	27,261,217	27,261,217
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital / Capital deposited with SBP	6,000,000	6,000,000
Reserves	697,026	697,026
Unappropriated / Unremitted profit / (losses)	1,588,100	1,588,100
Minority Interest	–	–
Surplus on revaluation of assets	(38,746)	(38,746)
Total liabilities & equity	8,246,380	8,246,380

33.5.2 Step 2

	References	December 31, 2013 Balance sheet as in published financial statements	Under regulatory scope of consolidation
		(Rupees in '000)	
Assets			
Cash and balances with treasury banks		96,289	96,289
Balanced with other banks		233,935	233,935
Lending to financial institutions		–	–
Investments		27,430,852	27,430,852
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	–	–
of which: significant capital investments in financial sector entities exceeding regulatory threshold	b	–	–
of which: Mutual Funds exceeding regulatory threshold	c	1,818,718	1,818,718
of which :Reciprocal cross holdings in CET1	d	–	–
of which :Reciprocal cross holdings in Tier2		–	–
of which: others (mention details)	e	–	–
Advances	f	6,799,210	6,799,210
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	g	–	–
Fixed Assets	h	44,636	44,636
of which: Intangibles	i	2,536	2,536
Deferred Tax Assets		–	–
of which: DTAs excluding those arising from temporary differences	j	–	–
of which: DTAs arising from temporary differences exceeding regulatory threshold	k	–	–
Other assets	l	902,675	902,675
of which: Goodwill	m	–	–
of which: Intangibles		–	–
of which: Defined-benefit pension fund net assets		–	–
Total assets		35,507,597	35,507,597
Liabilities & Equity			
Bills payable		–	–
Borrowings		26,391,995	26,391,995
Deposits and other accounts		567,070	567,070
Sub-ordinated loans		–	–
of which: eligible for inclusion in AT1	n	–	–
of which: eligible for inclusion in Tier 2	o	–	–
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities		14,771	14,771
of which: DTLs related to goodwill	p	–	–
of which: DTLs related to intangible assets	q	–	–
of which: DTLs related to defined pension fund net assets	r	–	–
of which: other deferred tax liabilities	s	–	–
Other liabilities		287,381	287,381
Total liabilities		27,261,217	27,261,217

	References	December 31, 2013 Balance sheet as in published financial statements	December 31, 2013 Under regulatory scope of consolidation
		(Rupees in '000)	
Share capital		**6,000,000**	**6,000,000**
of which: amount eligible for CET1	t	**6,000,000**	**6,000,000**
of which: amount eligible for AT1	u	–	–
Reserves		**697,026**	**697,026**
of which: portion eligible for inclusion in CET1: Share Premium	v	–	–
of which: portion eligible for inclusion in CET1 General/ Statutory Reserve	w	**697,026**	**697,026**
of which: portion eligible for inclusion in Tier 2	x	–	–
Unappropriated profit / (losses)	y	**1,588,100**	**1,588,100**
Minority Interest		–	–
of which: portion eligible for inclusion in CET1	z	–	–
of which: portion eligible for inclusion in AT1	aa	–	–
of which: portion eligible for inclusion in Tier 2		–	–
Surplus on revaluation of assets	ab	**(38,746)**	**(38,746)**
of which: Revaluation reserves on Property	ac	–	–
of which: Unrealised Gains / Losses on AFS		**(38,746)**	**(38,746)**
In case of Deficit on revaluation (deduction from CET1)	ad	**(38,746)**	**(38,746)**
Total liabilities & Equity		**8,246,380**	**8,246,380**

33.5.3 Step 3

	Source based on reference number from step 2	Component of regulatory capital reported by bank
		(Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital / Capital deposited with SBP	(t)	**6,000,000**
Balance in Share Premium Account		–
Reserve for issue of Bonus Shares		–
General / Statutory Reserves	(w)	**697,026**
Gain / (Losses) on derivatives held as Cash Flow Hedge		–
Unappropriated/unremitted profits/(losses)	(y)	**1,588,100**
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(z)	–
CET 1 before Regulatory Adjustments		**8,285,126**

	Source based on reference number from step 2	Component of regulatory capital reported by bank
	(Rupees in '000)	
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(l) - (p)	–
All other intangibles (net of any associated deferred tax liability)	(m) - (q)	**2,536**
Shortfall of provisions against classified assets	(g)	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h) - (r)} * x%	–
Defined-benefit pension fund net assets	{(l) - (q)} * x%	–
Reciprocal cross holdings in CET1 capital instruments	(d)	–
Cash flow hedge reserve		–
Investment in own shares/ CET1 instruments		–
Securitization gain on sale		–
Capital shortfall of regulated subsidiaries		–
Deficit on account of revaluation from bank's holdings of property/ AFS	(ab)	**38,746**
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	–
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	–
Amount exceeding 15% threshold		
of which: significant investments in the common stocks of financial entities		–
of which: deferred tax assets arising from temporary differences		–
National specific regulatory adjustments applied to CET1 capital		–
Investment in TFCs of other banks exceeding the prescribed limit		–
Any other deduction specified by SBP (mention details)		–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		–
Total regulatory adjustments applied to CET1		**41,282**
Common Equity Tier 1		**8,243,844**

	Source based on reference number from step 2	Component of regulatory capital reported by bank
		(Rupees in '000)
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		–
of which: Classified as equity	(t)	–
of which: Classified as liabilities	(m)	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	–
of which: instrument issued by subsidiaries subject to phase out		–
AT1 before regulatory adjustments		–
Additional Tier 1 Capital: regulatory adjustments		–
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	(c)	**1,818,718**
Investment in own AT1 capital instruments		–
Reciprocal cross holdings in Additional Tier 1 capital instruments		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	–
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		**125,000**
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		**124,669**
Total of Regulatory Adjustment applied to AT1 capital		–
Additional Tier 1 capital		–
Additional Tier 1 capital recognised for capital adequacy		**2,068,387**

	Source based on reference number from step 2	Component of regulatory capital reported by bank
		(Rupees in '000)
Tier 1 Capital (CET1 + admissible AT1)		**6,175,457**
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III		–
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)	–
of which: instruments issued by subsidiaries subject to phase out		–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	**331**
Revaluation Reserves eligible for Tier 2		
of which: portion pertaining to Property	portion of (aa)	–
of which: portion pertaining to AFS securities	portion of (aa)	–
Foreign Exchange Translation Reserves	(v)	–
Undisclosed/Other Reserves (if any)		–
T2 before regulatory adjustments		**331**
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		**125,000**
Reciprocal cross holdings in Tier 2 instruments		–
Investment in own Tier 2 capital instrument		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	–
Amount of Regulatory Adjustment applied to T2 capital		–
Tier 2 capital (T2)		–
Tier 2 capital recognised for capital adequacy		–
Excess Additional Tier 1 capital recognised in Tier 2 capital		–
Amount of Regulatory Adjustment applied to T2 capital		**331**
Total Tier 2 capital admissible for capital adequacy		–
TOTAL CAPITAL (T1 + admissible T2)		**6,175,457**

33.6 Risk Weighted Exposures

The capital requirements for the Bank as per the major risk categories is indicated below:

(Rupees in '000)

	Capital Requirements		Risk Weighted Assets	
Credit risk	**December 31, 2013**	December 31, 2012	**December 31, 2013**	December 31, 2012
Portfolios subject to standardised approach (Simple or Comprehensive)				
(a) Cash and Cash Equivalents	–	–	–	–
(b) Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	–	–	–	–
(c) Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	–	–	–	–
(d) Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	–	–	–	–
(e) Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	–	–	–	–
(f) Claims on Multilateral Development Banks	–	–	–	–
(g) Claims on Public Sector Entities in Pakistan	2,588	3,107	25,879	31,067
(h) Claims on Banks	–	–	–	–
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	–	–	–	–
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	4,679	6,307	46,789	63,066
(k) Claims on Corporates (excluding equity exposures)	607,042	901,250	6,070,419	9,012,504
(l) Claims categorised as retail portfolio	1,881	1,168	18,808	11,684
(m)Claims fully secured by residential property	1,304	1,009	13,044	10,092
(n) Past Due loans:	–	–	–	–
Common Equity Tier 1 capital (CET1): Instruments and reserves				
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:	–	–	–	–
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.	–	–	–	–
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	1,131	–	11,310	–
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	2,366	–	23,662	–
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired	–	–	–	–
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held there against is more than 20% of outstanding amount	–	–	–	–
(o) Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.	–	–	–	–
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	–	–	–	–
(q) Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	27,249	64,155	272,493	641,554
(r) Unlisted equity investments (other than that deducted from capital) held in banking book	32,052	30,075	320,520	300,750
(s) Investments in venture capital	–	–	–	–
(t) Investments in premises, plant and equipment and all other fixed assets	4,210	5,252	42,100	52,520
(u) Claims on all fixed assets under operating lease	–	–	–	–
(v) All other assets	64,581	45,676	645,815	456,756
	749,084	1,057,999	7,490,840	10,579,993
Off - Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes/ Lending of securities or posting of securities as collateral	195,286	66,510	1,952,857	665,097
Performance related contingencies	5,883	7,615	58,828	76,146
Trade Related contingencies / Other Commitments with original maturity of one year or less	–	–	–	–
	201,169	74,125	2,011,685	741,243
Off - Balance Sheet - Market related Exposures	9	–	91	–
Total Credit Risk (A)	950,262	1,132,125	9,502,615	11,321,236
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	61,564	1,764	615,638	22,050
Equity position risk etc.	510,265	47,984	5,102,650	599,800
Foreign exchange risk	–	–	–	–
	571,829	49,748	5,718,288	621,850
Operational Risk				
Capital Requirement for operational risks	196,364	159,375	1,963,638	1,992,188
Total Risk Weighted Assets	1,718,455	1,341,248	17,184,540	13,935,274

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	
Capital Adequacy Ratio			
Total eligible regulatory capital held (Note 33.2)	(e)	**6,175,457**	8,327,460
Total Risk Weighted Assets (Note 33.2)	(i)	**17,184,540**	13,935,276
Capital Adequacy Ratio	(e) / (i)	**35.94%**	59.76%

The Capital Adequacy Ratio of prior year is based on BASEL II framework as applicable on that date.

34. 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 organised 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 fulfil 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 behaviour 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 setup for credit risk management. Risk Management comprises of two areas; Credit Risk Management (CRM) and Middle Office and 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 Management 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.

34.1 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 counter party 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 analysed 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, 2012.

Counter party credit risk on interbank limits
In the normal course of its business, the Company's Treasury utilises 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.

34.1.1 Segmental Information

34.1.1.1 Segments by class of business

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	**278,570**	**4.10**	–	–	–	–
Textile	**919,255**	**13.51**	–	–	**721,496**	**3.38**
Sugar	**1,296,216**	**19.06**	–	–	**387,657**	**1.82**
Chemicals and pharmaceuticals	**336,956**	**4.95**	**2,646**	**0.47**	**300,000**	**1.41**
Production and transmission of energy	**1,638,404**	**24.09**	–	–	**515,000**	**2.41**
Financial	**135,870**	**2.00**	**465,000**	**82.00**	**19,132,287**	**89.70**
Individuals	**62,347**	**0.92**	–	–	–	–
Hotel	**25,741**	**0.38**	–	–	–	–
Telecommunication	**100,000**	**1.47**	–	–	–	–
Paper and board	**133,333**	**1.96**	–	–	–	–
Food and confectionary	**396,941**	**5.84**	–	–	–	–
Oil, gas, petroleum and energy	–	–	–	–	–	–
Entertainment	**80,083**	**1.18**	–	–	**60,000**	**0.28**
Transportation	**203,007**	**2.98**	–	–	–	–
Printing	**59,320**	**0.87**	–	–	–	–
Packaging	**126,681**	**1.86**	–	–	–	–
Services	**2,938**	**0.04**	**74,424**	**13.12**	**60,000**	**0.28**
Electronics and electrical appliances	**229,463**	**3.37**	–	–	**538**	**0.00**
Engineering	**88,836**	**1.31**	–	–	**26,321**	**0.12**
Construction	**102,023**	**1.50**	–	–	–	–
Auto and allied	**781**	**0.01**	–	–	–	–
Others	**585,313**	**8.60**	**25,000**	**4.41**	**127,000**	**0.60**
	6,802,078	**100.00**	**567,070**	**100.00**	**21,330,299**	**100.00**

	December 31, 2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	87,570	1.52	–	–	–	–
Textile	1,168,055	20.21	–	–	403,595	46.48
Sugar	874,671	15.14	–	–	252,293	29.06
Chemicals and pharmaceuticals	478,189	8.28	–	–	–	–
Production and transmission of energy	916,601	15.86	–	–	–	–
Financial	219,304	3.80	2,630,000	93.10	–	–
Individuals	44,414	0.77	–	–	–	–
Hotel	40,000	0.69	–	–	–	–
Telecommunication	116,667	2.02	–	–	–	–
Paper and board	177,778	3.08	–	–	–	–
Food and confectionary	348,732	6.03	–	–	–	–
Oil, gas, petroleum and energy	31,986	0.55	–	–	–	–
Entertainment	194,854	3.37	–	–	–	–
Transportation	245,706	4.25	–	–	5,914	0.68
Packaging	71,740	1.24	–	–	26,967	3.11
Services	–	–	100,000	3.54	30,000	3.46
Electronics and electrical appliances	203,592	3.52	–	–	15,606	1.80
Engineering	85,094	1.47	–	–	14,501	1.67
Others	473,699	8.20	94,924	3.36	119,430	13.75
	5,778,652	100.00	2,824,924	100.00	868,306	100.00

34.1.1.2 Segment by sector

(Rupees in '000)

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	**127,853**	**2**	**–**	**–**	**7,873,777**	**37**
Private	**6,674,225**	**98**	**567,070**	**100**	**13,456,522**	**63**
	6,802,078	**100**	**567,070**	**100**	**21,330,299**	**100**

	December 31, 2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	153,423	3	1,100,000	39	–	–
Private	5,625,229	97	1,724,924	61	868,306	100
	5,778,652	100	2,824,924	100	868,306	100

34.1.1.3 Details of non-performing advances and specific provisions by class of business segments

(Rupees in '000)

	2013		2012	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Financial	**2,537**	**2,537**	2,638	2,638
	2,537	**2,537**	2,638	2,638

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

(Rupees in '000)

	2013		2012	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Public / Government	**–**	**–**	–	–
Private	**2,537**	**2,537**	2,638	2,638
	2,537	**2,537**	2,638	2,638

34.1.1.5 Geographical Segment Analysis

(Rupees in '000)

	December 31, 2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	**916,743**	**35,507,597**	**8,246,380**	**21,330,299**

	December 31, 2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	1,075,842	14,045,611	8,580,535	868,306

34.2 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. The 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 do not fulfil the criteria of trading book falls under the banking Book and are treated as per SBP requirements.

The Company actively measures, controls and manages 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 measures 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 4.5 to these financial statements. Further, composition of equity investments is available in note 7 of these financial statements.

34.2.1 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 minimise 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.

34.2.2 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, 2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	**35,507,593**	**27,261,217**	**–**	**8,246,376**
United States Dollar	**4**	**–**	**–**	**4**
	35,507,597	**27,261,217**	**–**	**8,246,380**

	December 31, 2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	14,045,607	5,465,076	–	8,580,531
United States Dollar	4	–	–	4
	14,045,611	5,465,076	–	8,580,535

34.2.3 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 investments 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.

34.2.4 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, 2013											
	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	–	96,289	–	–	–	–	–	–	–	–	–	96,289
Balances with other banks	8.08%	233,935	58,484	175,451	–	–	–	–	–	–	–	–
Investments	11.13%	27,430,852	6,852,925	12,851,843	242,963	–	205,263	509,455	385,703	29,101	–	6,353,599
Advances	11.72%	6,799,210	2,905,611	2,409,195	705,121	94,428	194,494	214,699	204,125	29,298	17,164	25,075
Other assets	–	343,440	202,796	105,442	19,777	11,636	3,789	–	–	–	–	–
		34,903,726	10,019,816	15,541,931	967,861	106,064	403,546	724,154	589,828	58,399	17,164	6,474,963
Liabilities												
Borrowings	9.47%	26,391,995	22,695,804	2,921,568	85,854	93,610	190,958	186,216	199,435	18,550	–	–
Deposits and other accounts	9.87%	567,070	25,000	139,424	2,646	400,000	–	–	–	–	–	–
Other liabilities	–	555,646	70,097	50,468	19,610	14,283	41,034	38,074	41,915	–	–	280,165
		27,514,711	22,790,901	3,111,460	108,110	507,893	231,992	224,290	241,350	18,550	–	280,165
On-balance sheet gap		7,389,015	(12,771,085)	12,430,471	859,751	(401,829)	171,554	499,864	348,478	39,849	17,164	6,194,798
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		17,542,178	17,542,178	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Short position		–	–	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Long position		–	–	–	–	–	–	–	–	–	–	–
Off–balance sheet gap		17,542,178	17,542,178	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap		24,931,193	4,771,093	12,430,471	859,751	(401,829)	171,554	499,864	348,478	39,849	17,164	6,194,798
Cumulative Yield / Interest Risk Sensitivity Gap			4,771,093	17,201,564	18,061,315	17,659,487	17,831,041	18,330,905	18,679,383	18,719,232	18,736,396	24,931,193

(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, 2012									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	54,755	–	–	–	–	–	–	–	–	–	54,755
Balances with other banks	10.30%	315,314	78,828	236,482	–	4	–	–	–	–	–	–
Lendings to financial institutions	–	–	–	–	–	–	–	–	–	–	–	–
Investments	13.00%	7,121,490	253,288	2,729,758	372,024	2,787	2,786	–	4,612	–	–	3,756,235
Advances	13.91%	5,776,014	2,368,515	1,657,771	545,077	130,974	441,314	191,385	330,707	82,613	12,079	15,579
Other assets	–	288,813	–	–	–	–	–	–	–	–	–	288,813
		13,556,386	2,700,631	4,624,011	917,101	133,765	444,100	191,385	335,319	82,613	12,079	4,115,382
Liabilities												
Borrowings	11.38%	2,417,139	40,354	390,787	26,049	79,336	1,289,894	189,894	327,491	73,334	–	–
Deposits and other accounts	12.22%	2,824,924	25,000	2,307,400	192,524	300,000	–	–	–	–	–	–
Other liabilities	–	218,227	–	–	–	–	–	–	–	–	–	218,227
		5,460,290	65,354	2,698,187	218,573	379,336	1,289,894	189,894	327,491	73,334	–	218,227
On-balance sheet gap		8,096,096	2,635,277	1,925,824	698,528	(245,571)	(845,794)	1,491	7,828	9,279	12,079	3,897,155
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Short position		–	–	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Long position		–	–	–	–	–	–	–	–	–	–	–
Off–balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap		8,096,096	2,635,277	1,925,824	698,528	(245,571)	(845,794)	1,491	7,828	9,279	12,079	3,897,155
Cumulative Yield / Interest Risk Sensitivity Gap			2,635,277	4,561,101	5,259,629	5,014,058	4,168,264	4,169,755	4,177,583	4,186,862	4,198,941	8,096,096

34.3 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 including 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 potential 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.

34.3.1 Maturities of assets and liabilities - on the basis approved by the Assets and Liabilities Management Committee (ALCO) of the Company

(Rupees in ‘000)

	Total	December 31, 2013								
		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	**96,289**	**24,072**	**72,217**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balances with other banks	**233,935**	**58,484**	**175,451**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Investments	**27,430,852**	**7,462,369**	**12,466,137**	**1,843,768**	**2,629,682**	**573,295**	**788,115**	**1,297,795**	**119,691**	**250,000**
Advances	**6,799,210**	**1,126,325**	**948,439**	**224,233**	**974,190**	**1,349,178**	**972,162**	**948,682**	**238,838**	**17,163**
Operating fixed assets	**44,636**	**1,949**	**3,898**	**5,847**	**8,200**	**12,900**	**10,047**	**1,795**	**–**	**–**
Deferred tax assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other assets	**902,675**	**234,797**	**153,920**	**41,961**	**331,973**	**135,953**	**1,157**	**–**	**–**	**2,914**
	35,507,597	**8,907,996**	**13,820,062**	**2,115,809**	**3,944,045**	**2,071,326**	**1,771,481**	**2,248,272**	**358,529**	**270,077**
Liabilities										
Borrowings	**26,391,995**	**22,674,392**	**1,421,605**	**335,891**	**595,552**	**691,104**	**441,108**	**199,028**	**33,315**	**–**
Deposits and other accounts	**567,070**	**25,000**	**139,424**	**2,646**	**400,000**	**–**	**–**	**–**	**–**	**–**
Deferred tax liabilities	**14,771**	**(18,862)**	**(11,490)**	**(76)**	**10,980**	**17,209**	**31,918**	**(16,628)**	**1,720**	**–**
Other liabilities	**287,381**	**72,246**	**53,672**	**23,116**	**17,325**	**41,034**	**38,074**	**41,915**	**–**	**–**
	27,261,217	**22,752,776**	**1,603,211**	**361,577**	**1,023,857**	**749,347**	**511,100**	**224,315**	**35,035**	**–**
Net assets	**8,246,380**	**(13,844,780)**	**12,216,851**	**1,754,232**	**2,920,188**	**1,321,979**	**1,260,381**	**2,023,957**	**323,494**	**270,077**

Share capital	**6,000,000**
Reserves	**697,026**
Unappropriated profit	**1,588,100**
Surplus on revaluation of assets - net of tax	**(38,746)**
	8,246,380

	Total	December 31, 2012								
		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	54,755	6,800	47,955	–	–	–	–	–	–	–
Balances with other banks	315,314	78,828	236,482	4	–	–	–	–	–	–
Lendings to financial institutions	–	–	–	–	–	–	–	–	–	–
Investments	7,121,490	236,475	1,018,242	389,426	1,823,563	1,959,547	275,834	228,859	939,544	250,000
Advances	5,776,014	341,640	488,031	816,917	599,757	1,004,865	900,564	1,163,427	448,734	12,079
Operating fixed assets	54,476	1,996	3,992	5,988	9,102	16,177	13,232	3,989	–	–
Deferred tax assets	13,302	(2,624)	(2,092)	7,111	(7,314)	(21,531)	51,831	(12,079)	–	–
Other assets	710,260	101,094	296,417	87,482	4,265	4,349	216,653	–	–	–
	14,045,611	764,209	2,089,027	1,306,928	2,429,373	2,963,407	1,458,114	1,384,196	1,388,278	262,079
Liabilities										
Borrowings	2,417,139	25,390	392,057	307,661	346,081	723,555	190,222	334,726	97,447	–
Deposits and other accounts	2,824,924	25,000	2,307,400	192,524	300,000	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	223,013	28,380	66,156	15,660	30,427	16,734	42,720	22,936	–	–
	5,465,076	78,770	2,765,613	515,845	676,508	740,289	232,942	357,662	97,447	–
Net assets	8,580,535	685,439	(676,586)	791,083	1,752,865	2,223,118	1,225,172	1,026,534	1,290,831	262,079

Share capital	6,000,000
Reserves	555,884
Unappropriated profit	2,023,533
Deficit on revaluation of assets - net	1,118
	8,580,535

34.3.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Company

(Rupees in '000)

	Total	December 31, 2013 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	96,289	24,072	72,217	–	–	–	–	–	–	–
Balances with other banks	233,935	58,484	175,451	–	–	–	–	–	–	–
Investments	27,430,852	12,499,974	11,323,306	154,575	402,476	594,921	788,115	1,297,795	119,690	250,000
Advances	6,799,210	1,126,325	948,439	224,233	974,190	1,349,178	972,162	948,682	238,838	17,163
Operating fixed assets	44,636	1,949	3,898	5,847	8,200	12,900	10,047	1,795	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	902,675	234,797	153,920	41,961	331,973	135,953	1,157	–	–	2,914
	35,507,597	13,945,601	12,677,231	426,616	1,716,839	2,092,952	1,771,481	2,248,272	358,528	270,077
Liabilities										
Borrowings	26,391,995	22,674,392	1,421,605	335,891	595,552	691,104	441,108	199,028	33,315	–
Deposits and other accounts	567,070	25,000	139,424	2,646	400,000	–	–	–	–	–
Deferred tax liabilities	14,771	(18,862)	(11,490)	(76)	10,980	17,209	31,918	(16,628)	1,720	–
Other liabilities	287,381	72,246	53,672	23,116	17,325	41,034	38,074	41,914	–	–
	27,261,217	22,752,776	1,603,211	361,577	1,023,857	749,347	511,100	224,314	35,035	–
Net assets	8,246,380	(8,807,175)	11,074,020	65,039	692,982	1,343,605	1,260,381	2,023,958	323,493	270,077
Share capital	6,000,000									
Reserves	697,026									
Unappropriated profit	1,588,100									
Surplus on revaluation of assets - net of tax	(38,746)									
	8,246,380									

	Total	December 31, 2012 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	–	–	–	–	–	–	–	–	–	–
Balances with other banks	54,755	6,800	47,955	–	–	–	–	–	–	–
Lendings to financial institutions	315,314	78,828	236,482	–	4	–	–	–	–	–
Investments	7,121,490	236,475	1,018,242	389,426	1,823,563	1,959,547	275,834	228,859	939,544	250,000
Advances	5,776,014	341,640	488,031	816,917	599,757	1,004,865	900,564	1,163,427	448,734	12,079
Operating fixed assets	54,476	1,996	3,992	5,988	9,102	16,177	13,232	3,989	–	–
Deferred tax assets	13,302	(2,624)	(2,092)	7,111	(7,314)	(21,531)	51,831	(12,079)	–	–
Other assets	710,260	101,094	296,417	87,482	4,265	4,349	216,653	–	–	–
	14,045,611	764,209	2,089,027	1,306,924	2,429,377	2,963,407	1,458,114	1,384,196	1,388,278	262,079
Liabilities										
Borrowings	2,417,139	25,390	392,057	307,661	346,081	723,555	190,222	334,726	97,446	–
Deposits and other accounts	2,824,924	25,000	2,307,400	192,524	300,000	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	223,013	28,380	66,156	15,660	30,427	16,734	42,720	22,936	–	–
	5,465,076	78,770	2,765,613	515,845	676,508	740,289	232,942	357,662	97,446	–
Net assets	8,580,535	685,439	(676,586)	791,079	1,752,869	2,223,118	1,225,172	1,026,534	1,290,832	262,079
Share capital	6,000,000									
Reserves	555,884									
Unappropriated profit	2,023,533									
Deficit on revaluation of assets - net	1,118									
	8,580,535									

34.4 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.

35. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2013 of Re. **0.33** per share (2012: Rs.1.67 per share), amounting to Rs. **200** million (2012: Rs.1,000 million) at their meeting held on **February 25, 2014** for approval of the members at the annual general meeting to be held on **March 24, 2014**. The unconsolidated financial statements for the year ended December 31, 2013 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2014.

36. GENERAL

36.1 Credit rating

The Company has been assigned credit rating of 'AA+' (Double A plus) in the medium to long term and A1+ (A One Plus) in the short-term by JCR-VIS Credit Rating Agency Limited, SBP approved rating agency. Outlook on the assigned rating is "Stable".

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

37. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on **February 25, 2014** by the Board of Directors of the Company.

Chief Executive **Director** **Director** **Chairman**

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, 2013

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

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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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), here-in-after referred to as the Group, as at **31 December 2013** 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 Standards on Auditing and accordingly included such tests of accounting records and such other auditing 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 31 December 2013 and the results of their operations for the year then ended.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus
Date: 25 February 2014
Karachi

Consolidated

Statement of Financial Position

| As at December 31, 2013

December 31 2013	December 31 2012		Note	December 31 2013	December 31 2012
(US $ in '000)				(Rupees in '000)	
		ASSETS			
915	520	Cash and balances with treasury banks	5	**96,317**	54,763
2,239	3,014	Balances with other banks	6	**235,581**	317,222
–	–	Lendings to financial institutions		**–**	–
260,519	67,474	Investments	7	**27,416,962**	7,100,816
64,633	54,917	Advances	8	**6,802,019**	5,779,397
495	573	Operating fixed assets	9	**52,142**	60,329
–	127	Deferred tax assets		**–**	13,403
8,479	6,846	Other assets	10	892,311	720,507
337,280	133,471			**35,495,332**	14,046,437
		LIABILITIES			
–	–	Bills payable		**–**	–
250,779	22,968	Borrowings	11	**26,391,995**	2,417,139
5,388	26,843	Deposits and other accounts	12	**567,070**	2,824,924
–	–	Sub-ordinated loans		**–**	–
–	–	Liabilities against assets subject to finance lease		**–**	–
141	–	Deferred tax liabilities	13	**14,787**	–
2,801	2,136	Other liabilities	14	**294,815**	224,841
259,109	51,947			**27,268,667**	5,466,904
78,171	81,524	**NET ASSETS**		**8,226,665**	8,579,533
		REPRESENTED BY			
57,013	57,013	Share capital	15	**6,000,000**	6,000,000
6,623	5,282	Reserves		**697,026**	555,884
14,903	19,218	Unappropriated profit		**1,568,385**	2,022,531
78,539	81,513			**8,265,411**	8,578,415
(368)	11	Surplus / (deficit) on revaluation of assets - net of tax	16	**(38,746)**	1,118
78,171	81,524			**8,226,665**	8,579,533

CONTINGENCIES AND COMMITMENTS 17

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Consolidated
Profit and Loss Account

For the Year ended December 31, 2013

December 31 2013	December 31 2012		Note	December 31 2013	December 31 2012
(US $ in '000)				(Rupees in '000)	
13,372	27,844	Mark-up / return / interest earned	18	**1,407,274**	2,930,250
9,208	19,430	Mark-up / return / interest expensed	19	**969,079**	2,044,815
4,164	8,414	**Net mark-up / interest Income**		**438,195**	885,435
2	(172)	(Reversal) / provision against non-performing loans and advances	8.4	**230**	(18,074)
74	134	Provision for diminution in the value of investments	7.3	**7,791**	14,055
–	–	Bad debts written off directly		**–**	–
76	(38)			**8,021**	(4,019)
4,088	8,452	**Net mark-up / interest income after provisions**		**430,174**	889,454
		NON MARK-UP / INTEREST INCOME			
1,082	485	Fee, commission and brokerage income		**113,922**	51,073
290	1,693	Dividend income		**30,499**	178,196
–	–	Income from dealing in foreign currencies		**–**	–
2,368	1,887	Gain on sale of securities - net	20	**249,200**	198,550
–	–	Unrealised loss on revaluation of investments classified as held-for-trading		**–**	–
480	12	Other income	21	**50,539**	1,273
4,220	4,077	**Total non mark-up / interest income**		**444,160**	429,092
8,308	12,529			**874,334**	1,318,546
		NON MARK-UP / INTEREST EXPENSES			
2,435	2,016	Administrative expenses	22	**256,300**	212,181
–	36	Other provisions / write off		**–**	3,754
–	9	Other charges		**–**	983
2,435	2,061	**Total non-mark-up / interest expenses**		**256,300**	216,918
5,873	10,468			**618,034**	1,101,628
2,714	(197)	Share of profit / (loss) of associates	7.10	**285,633**	(20,684)
8,587	10,271	**PROFIT BEFORE TAXATION**		**903,667**	1,080,944
1,634	3,141	Taxation - Current		**171,984**	330,556
52	(22)	- Prior years		**5,425**	(2,283)
373	(282)	- Deferred		**39,262**	(29,728)
2,059	2,837		23	**216,671**	298,545
6,528	7,434	**PROFIT AFTER TAXATION**		**686,996**	782,399
		Attributable to:			
6,528	7,434	Equity shareholders of the Company		**686,996**	782,399
–	–	Non-controlling interest		**–**	–
6,528	7,434			**686,996**	782,399
(US $)				(Rupees)	
0.01	0.01	Earnings per share - basic and diluted	24	**1.14**	1.30

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Chief Executive	Director	Director	Chairman

Consolidated

Statement of Comprehensive Income

For the Year ended December 31, 2013

December 31 2013	December 31 2012		December 31 2013	December 31 2012
(US $ in '000)			(Rupees in '000)	
6,528	7,434	Profit after taxation for the year	**686,996**	782,399
–	–	Other comprehensive income	**–**	–
6,528	7,434	**Total comprehensive income for the year**	**686,996**	782,399
		Attributable to:		
6,528	7,434	Equity shareholders of the Company	**686,996**	782,399
–	–	Non-controlling interest	**–**	–
6,528	7,434		**686,996**	782,399

Surplus / (deficit) arising on revaluation of assets has been reported in accordance with the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Consolidated

Cash Flow Statement

For the Year ended December 31, 2013

December 31 2013	December 31 2012		Note	December 31 2013	December 31 2012
(US $ in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
8,587	10,271	Profit before taxation		903,667	1,080,944
290	1,693	Less: Dividend income		30,499	178,196
8,297	8,578			873,168	902,748
		Adjustments for non-cash charges and other items			
155	138	Depreciation	22	**16,339**	14,491
23	18	Amortisation	22	**2,443**	1,919
2	(172)	(Reversal) / provision against non-performing loans and advances		**230**	(18,074)
74	134	Provision for diminution in the value of investments	7.3	**7,791**	14,055
–	36	Other provisions / write off		**–**	3,754
–	–	Gain on sale of property and equipment	21	**(48)**	(5)
–	–	Unrealised loss on revaluation of investments classified as held-for-trading		**–**	–
–	–	Unrealised loss on revaluation of interest rate swap contracts		**–**	–
(2,714)	197	Share of (profit) / loss of associates		**(285,633)**	20,684
(2,460)	351			**(258,878)**	36,824
5,837	8,929			**614,290**	939,572
		Decrease / (increase) in operating assets			
–	5,966	Lendings to financial institutions		**–**	627,841
–	68,186	Held-for-trading securities		**–**	7,175,900
(9,719)	(10,592)	Advances		**(1,022,852)**	(1,114,662)
(1,030)	1,036	Others assets (excluding current taxation)		**(108,417)**	109,008
(10,749)	64,596			**(1,131,269)**	6,798,087
		(Decrease) / increase in operating liabilities			
227,811	(198,997)	Borrowings		**23,974,856**	(20,942,392)
(21,454)	17,540	Deposits and other accounts		**(2,257,854)**	1,845,906
665	(518)	Other liabilities (excluding current taxation)		**69,974**	(54,561)
207,022	(181,975)			**21,786,976**	(19,151,047)
202,110	(108,450)			**21,269,997**	(11,413,388)
(2,845)	(3,452)	Income tax paid		**(299,416)**	(363,266)
199,265	(111,902)	Net cash (used in) / generated from operating activities		**20,970,581**	(11,776,654)
		CASH FLOWS FROM INVESTING ACTIVITIES			
(170,550)	137,857	Net investment in available-for-sale securities		**(17,948,643)**	14,508,040
1,817	(8)	Net investment in held-to-maturity securities		**191,230**	(824)
(22,158)	(28,423)	Investment in associates		**(2,331,828)**	(2,991,134)
847	1,350	Dividend income received		**89,120**	142,102
(101)	(443)	Investments in operating fixed assets		**(10,678)**	(46,491)
1	1	Sale proceeds from disposal of property and equipment		**131**	71
(190,144)	110,334	Net cash generated from / (used in) investing activities		**(20,010,668)**	11,611,764
		CASH FLOWS FROM FINANCING ACTIVITIES			
(9,502)	(1,900)	Dividend paid		**(1,000,000)**	(200,000)
(9,502)	(1,900)	Net cash used in financing activities		**(1,000,000)**	(200,000)
(381)	(3,468)	**(Decrease) / increase in cash and cash equivalents**		**(40,087)**	(364,890)
3,535	7,002	Cash and cash equivalents at the beginning of the year		**371,985**	736,875
3,154	3,534	Cash and cash equivalents at the end of the year	25	**331,898**	371,985

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Consolidated

Statement of Changes in Equity

For the Year ended December 31, 2013

	Share capital	Statutory reserve	Unappropriated profit	Total
		(Rupees in '000)		
Balance as at January 01, 2012	6,000,000	399,204	1,596,812	7,996,016
Total comprehensive income for the year				
Profit after tax for the year ended December 31, 2012	–	–	782,399	782,399
Other comprehensive income	–	–	–	–
Total comprehensive income for the year ended December 31, 2012	–	–	782,399	782,399
Transfers				
Transfer to statutory reserve	–	156,752	(156,752)	–
Transfers to unappropriated profit	–	(72)	72	–
Transaction with owners recorded directly in equity during the year ended December 31, 2012				
Final cash dividend - December 31, 2011 declared subsequent to year end @ Re.0.33 per share	–	–	(200,000)	(200,000)
Balance as at December 31, 2012	6,000,000	555,884	2,022,531	8,578,415
Total comprehensive income for the year				
Profit after tax for the year ended December 31, 2013	–	–	686,996	686,996
Other comprehensive income	–	–	–	–
Total comprehensive income for the year ended December 31, 2013	–	–	686,996	686,996
Transfers				
Transfer to statutory reserve	–	141,142	(141,142)	–
Transfers to unappropriated profit	–	–	–	–
Transaction with owners recorded directly in equity during the year ended December 31, 2013				
Final cash dividend - December 31, 2012 declared subsequent to year end @ Rs.1.67 per share	–	–	(1,000,000)	(1,000,000)
Balance as at December 31, 2013	6,000,000	697,026	1,568,385	8,265,411

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive	**Director**	**Director**	**Chairman**

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 Horizon Vista, Plot No. Comm-10, Block No. 4, Scheme No. 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 4th Floor, Horizon Vista, Plot No. Comm-10, Block No. 4, Scheme No. 5, Clifton, Karachi, Pakistan. The Company has obtained the license of an "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).

2. BASIS OF PRESENTATION

2.1 Basis of Measurement

These consolidated financial statements have been prepared under the historical cost convention except that certain investments 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 consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are stated as additional information solely for the convenience of readers. For this purpose of conversion to US Dollars, the rate of Rs.105.20 to US Dollars has been used for both 2013 and 2012, as it was the prevalent rate as on December 31, 2013.

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 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 to Banks / 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 Standards, interpretations and amendments to approved accounting standards that are not yet effective

During the year, the following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)	January 01, 2014
IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment)	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

The Group expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Group's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. The Group expects that such improvements to the standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

The following new standards have been issued by the IASB, but have not yet been notified by the SECP for application in Pakistan.

Standard or Interpretation	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 New and amended standards and interpretations

The Group has adopted the following amendments to IFRSs which became effective during the current year:

IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)

IAS 19 - Employee Benefits - (Revised)

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

Improvements to Accounting Standards Issued by the IASB

IAS 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 - Property, Plant and Equipment - Clarification of Servicing Equipment

IAS 32 - Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 - Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments did not have any effect on the financial statements.

4.2 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 are prepared for the same reporting year as the Group for the purpose of consolidation, using consistent accounting policies except, as disclosed in note 4.6.

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.

4.3 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.

4.4 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 recognised on receipt basis.

Dividend income is recognised when the Group's right to receive income is established.

Fee, commission and brokerage income, management fee and remuneration for trustee and advisory services are recognised 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 recognised on time proportionate basis using the effective interest rates.

4.5 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 recognised 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 customers.

4.6 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.

Investments in associates
Associates are entities over which the Group has a significant influence, but control does not exist.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in the associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee subsequent to the date of acquisition. The increase / decrease in the share of profit or loss of associates is accounted for in the consolidated profit and loss account. The Group applies equity accounting for its own investment in mutual funds managed by its Subsidiary Company.

4.7 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.

4.8 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.

4.9 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.

4.10 Financial instruments

Financial assets and liabilities are recognised at the time when the Group becomes party to the contractual provision of the instrument. Financial assets are de-recognised 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-recognised 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 recognised 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.

4.11 Taxation

4.11.1 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.

4.11.2 Deferred

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position 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.

4.12 Operating fixed assets

4.12.1 Property and equipment

4.12.1.1 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 9.2. 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.

4.12.1.2 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.

4.12.2 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 9.3. 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 proportion to the period of use.

4.12.3 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.

4.12.4 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 recognised as income.

4.13 Provisions

Provision is made when the Group 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.

4.14 Borrowings / deposits

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

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

4.15 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.

4.16 Assets acquired in satisfaction of claims

The Group 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.

4.17 Staff retirement benefits

4.17.1 Defined contribution plan

4.17.1.1 Staff provident fund

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

4.17.1.2 Compensated absences

Compensated absences of employees are accounted for in the period in which these absences are earned. During the year, the Group has terminated its compensated absences policy. Accordingly, no provision in respect of compensated absences have been made in the current year financial statements.

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

4.19 Dividend distribution

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

4.20 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.

4.21 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 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, 2013.

4.22 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.

4.22.1 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 exchange, commodities, credit, funding, 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.

4.22.2 Geographical segments

The Group operates in Pakistan only.

4.23 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:

4.23.1 Classification of investments

– 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.

– 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.

– The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

4.23.2 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.

4.23.3 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.

4.23.4 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.

4.23.5 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.

4.23.6 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.

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	
In hand		**28**	8
With State Bank of Pakistan in Local currency current account	5.1	**96,273**	54,739
With National Bank of Pakistan in Local currency current account		**16**	16
		96,317	54,763

5.1 This represents 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 2013	December 31 2012
		(Rupees in '000)	

6. BALANCES WITH OTHER BANKS

	Note	2013	2012
In Pakistan			
On current accounts		–	–
On deposit accounts	6.1	**235,581**	317,222
		235,581	317,222

6.1 These carry mark-up at rates ranging from 6.00% to 8.30% per annum (2012: 5.00% to 10.30% per annum).

7. INVESTMENTS

7.1 Investment by types

(Rupees in '000)

	Note	December 31, 2013 Held by Group	December 31, 2013 Given as collateral	December 31, 2013 Total	December 31, 2012 Held by Group	December 31, 2012 Given as collateral	December 31, 2012 Total
Held-for-trading securities							
Market Treasury Bills		–	–	–	–	–	–
Pakistan Investment Bonds		–	–	–	–	–	–
Units of mutual funds		–	–	–	–	–	–
Ordinary shares of listed companies		–	–	–	–	–	–
		–	–	–	–	–	–
Available-for-sale securities	7.4						
Market Treasury Bills	7.5.1	**1,156,667**	**16,787,541**	**17,944,208**	880,117	–	880,117
Pakistan Investment Bonds	7.5.1	**364,311**	**758,049**	**1,122,360**	–	–	–
Ordinary shares of listed companies	7.6	**312,981**	–	**312,981**	319,707	–	319,707
Ordinary shares of unlisted companies	7.7	**124,670**	–	**124,670**	121,375	–	121,375
Units of mutual funds	7.8	**28,835**	–	**28,835**	28,835	–	28,835
Term Finance Certificates and Sukuks	7.11	**2,155,934**	**84,960**	**2,240,894**	2,511,797	–	2,511,797
Preference shares	7.9	**95,510**	–	**95,510**	85,625	–	85,625
		4,238,908	**17,630,550**	**21,869,458**	3,947,456	–	3,947,456
Held-to-maturity securities							
Term Finance Certificates and Sukuks	7.11	–	–	–	191,230	–	191,230
Investment in associates	7.10	**5,837,921**	–	**5,837,921**	3,220,460	–	3,220,460
Investments at cost		**10,076,829**	**17,630,550**	**27,707,379**	7,359,146	–	7,359,146
Less: Provision for diminution in value of Investments	7.3	**(243,965)**	–	**(243,965)**	(262,815)	–	(262,815)
Investments (net of provisions)		**9,832,864**	**17,630,550**	**27,463,414**	7,096,331	–	7,096,331
Deficit on revaluation of held-for-trading securities - net		–	–	–	–	–	–
Surplus / (deficit) on revaluation of available-for-sale securities - net	16.1	**(31,383)**	**(15,069)**	**(46,452)**	4,485	–	4,485
Total investments at market value		**9,801,481**	**17,615,481**	**27,416,962**	7,100,816	–	7,100,816

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

7.2 Investments by Segments

	Note	2013	2012
Federal Government Securities:			
Market Treasury Bills	7.5.1	**17,944,208**	880,117
Pakistan Investment Bonds	7.5.1	**1,122,360**	–
Fully Paid up Ordinary Shares:			
Listed Companies	7.6	**312,981**	319,707
Unlisted Companies	7.7	**124,670**	121,375
Term Finance Certificates and Sukuks:			
Listed	7.11	**419,188**	801,742
Unlisted	7.11	**1,821,706**	1,901,285
Units of mutual funds (including associates)	7.8 & 7.10	**5,866,756**	3,249,295
Preference shares	7.9	**95,510**	85,625
Total investments at cost		**27,707,379**	7,359,146
Less: Provision for diminution in value of investments	7.3	**(243,965)**	(262,815)
Investments (net of provisions)		**27,463,414**	7,096,331
Deficit on revaluation of held-for-trading securities - net		**–**	–
Surplus / (deficit) on revaluation of available-for-sale securities - net	16.1	**(46,452)**	4,485
Total investments at market value		**27,416,962**	7,100,816

7.3 Particulars of Provision

	Note	2013	2012
Opening balance		**262,815**	409,752
Charge for the year		**14,755**	50,899
Reversal during the year		**(6,964)**	(36,844)
		7,791	14,055
Impairment on equity securities transferred to profit and loss account on disposal		**(26,641)**	(160,992)
Closing balance	7.3.1	**243,965**	262,815

7.3.1 Particulars of Provision in respect of Type and Segment

	2013	2012
Available-for-sale securities		
Ordinary shares of listed companies	**14,060**	29,578
Units of mutual funds	**7,209**	3,576
Preference shares	**6,500**	6,500
Term finance certificates and sukuks	**216,196**	223,161
	243,965	262,815

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

7.4 Quality of Available-for-Sale Securities

(Rupees in '000)

	December 31, 2013		December 31, 2012	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Market Treasury Bills (T-bills)				
1 Year T-bills	–	Government Securities	881,769	Government Securities
6 months T-bills	238,515	Government Securities	–	Government Securities
3 months T-bills	17,699,014	Government Securities	–	Government Securities
	17,937,529		881,769	
Pakistan Investment Bonds (PIBs)				
10 year PIBs	408,827	Government Securities	–	Government Securities
5 year PIBs	499,837	Government Securities	–	Government Securities
3 year PIBs	201,764	Government Securities	–	Government Securities
	1,110,428		–	
Ordinary shares of listed companies				
Oil and gas marketing / exploration companies				
Pakistan State Oil Company Limited	–	–	32,293	AA+
Pakistan Petroleum Limited	–	–	3,430	–
Commercial banks				
National Bank of Pakistan	23,224	AAA	–	A
United Bank Limited	45,359	AA+	44,387	–
NBFCs				
KASB Securities Limited	–	–	–	A
Communication				
Pakistan Telecommunication Company Limited	4,266	Unrated	11,304	–
Power generation and distribution				
Kot Addu Power Company Limited	62,059	AA+	10,298	AA+
Pakgen Power Limited	3,691	A1+	–	–
Lalpir Power Limited	4,288	A1+	–	AA-
Nishat Power Limited	19,855	A1	–	AA-
The Hub Power Company Limited	72,864	AA+	20,856	AA+
Cement				
D.G Khan Cement Company Limited	–	–	–	Unrated
Gharibwal Cement Limited	–	–	71,440	D
Chemicals				
Engro Corporation Limited	–	–	24,207	AA
Nimir Industrial Chemicals Limited, a related party	14,920	Unrated	14,050	Unrated
Fertilizers				
Fauji Fertilizers Company Limited	–	–	40,999	–
Agritech Limited	15,956	D	14,695	–
Personal goods				
Nishat Mills Limited	–	–	–	AA-
	266,482		287,959	
Ordinary shares of unlisted companies				
Faruki Pulp Mills Limited	100,000	Unrated	100,000	Unrated
Omer Jibran Engineering Industries Limited	24,670	Unrated	21,375	–
	124,670		121,375	
Preference shares				
Pakistan Mercantile Exchange Limited	15,000	Unrated	15,000	BBB
Omer Jibran Engineering Industries Limited	74,010	Unrated	64,125	–
Trust Investment Bank Limited	–	Unrated	–	Unrated
	89,010		79,125	

(Rupees in '000)

	December 31, 2013		December 31, 2012	
	Market value / Carrying value for unlisted investments	**Rating**	Market value / Carrying value for unlisted investments	Rating
Units of mutual funds				
ABL Cash Fund	**–**	**–**	–	AA+ (f)
Askari Sovereign Cash Fund	**–**	**–**	–	AA+ (f)
UBL Government Securities Fund	**–**	**–**	–	AA- (f)
UBL Liquidity Plus Fund	**–**	**–**	–	AA+ (f)
BMA Empress Cash Fund	**–**	**–**	–	AA+ (f)
Pak Oman Advantage Fund	**21,626**	AA+	26,643	AA- (f)
	21,626		26,643	
Term Finance Certificates (TFCs) and Sukuks				
Listed TFCs				
Commercial banks				
Allied Bank Limited - 1st Issue	**25,217**	**AA**	50,435	AA-
Allied Bank Limited - 2nd Issue	**25,185**	**AA**	25,195	AA-
Askari Bank Limited - 1st Issue	**–**	**AA-**	581	AA-
Askari Bank Limited - 2nd Issue	**–**	**AA-**	30,335	AA-
Askari Bank Limited - 4th Issue	**107,726**	**AA-**	104,410	AA-
Bank Al Falah Limited - 2nd Issue	**–**	**–**	–	AA-
Bank Al Falah Limited - 3rd Issue	**–**	**AA-**	6,715	AA-
Bank Al Habib Limited - 1st Issue	**–**	**–**	–	AA-
Bank Al Habib Limited - 2nd Issue	**–**	**–**	–	AA
Faysal Bank Limited - 1st Issue	**2,604**	**AA-**	5,209	AA-
Faysal Bank Limited - 3rd Issue	**–**	**AA-**	4,940	AA-
NIB Bank Limited	**–**	**A+**	131,095	A+
Soneri Bank Limited	**–**	**A+**	2,500	A+
Standard Chartered Bank (Pakistan) Limited - 3rd Issue	**–**	**AAA**	2,552	AAA
Summit Bank Limited	**89,325**	**A- (SO)**	89,366	A(SO)
United Bank Limited - 1st Issue	**–**	**–**	–	AA
United Bank Limited - 2nd Issue	**–**	**AA**	69,744	AA
United Bank Limited - 3rd Issue	**1,688**	**AA**	3,375	AA
United Bank Limited - 4th Issue	**–**	**AA**	83,559	AA
Fertilizer				
Engro Chemical Limited	**2,409**	**A+**	2,342	AA
Engro Fertilizer Limited - 3rd Issue	**156**	**A+**	164	AA
Pak Arab Fertilizer Limited	**–**	**–**	–	AA
Real estate developers				
Pace Pakistan Limited	**575**	**–**	–	D
NBFCs				
Saudi Pak Leasing Company Limited	**26,200**	**–**	–	D
Telecommunication				
World Call Telecom Limited	**21,501**	**D**	21,630	A
Pakistan Mobile Communication Limited	**121,200**	**AA-**	141,499	–
Unlisted TFCs and Sukuks				
Fertilizer				
Agritech Limited - 1st Issue	**–**	**–**	2,242	D
Agritech Limited - 3rd Issue	**49,003**	**D**	26,361	D
Agritech Limited - 4th Issue	**7,002**	**D**	5,584	–
Agritech Limited - 5th Issue	**–**	**–**	453,180	A
Engro Fertilizer Limited - 1st Issue	**436,710**	**A+**	63,902	A
Engro Fertilizer Limited - 2nd Issue	**63,921**	**A+**	–	–
Sugar				
Al Abbas Sugar Mills Limited - 2nd Issue	**–**	**–**	43,718	A+
JDW Sugar Mills Limited - 2nd Issue	**13,748**	**A+**	40,769	A+

(Rupees in '000)

	December 31, 2013		December 31, 2012	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Pharmaceutical				
Martin Dow Pharmaceutical Pakistan Limited	**46,032**	**A**	267,060	A
Cement				
Kohat Cement Company Limited	**1,695**	**Unrated**	5,738	Unrated
Maple Leaf Cement Factory Limited - 1st Issue	**128,511**	**BB+**	337,643	D
Maple Leaf Cement Factory Limited - 2nd Issue	**191,571**	**BB+**	2,825	D
NBFCs				
Jahangir Siddiqui & Co. Limited	**–**	**AA+**	92,212	AA
Personal goods				
Azgard Nine Limited I	**7,233**	**D**	7,793	–
Azgard Nine Limited II	**–**	**–**	4,370	D
Azgard Nine Limited III	**27,480**	**D**	11,079	–
Azgard Nine Limited IV	**10,838**	**D**	–	–
Real estate developers				
Eden Housing (Private) Limited	**65,462**	**D**	143,363	D
Consumer electronics				
New Allied Electronics (Private) Limited	**125,000**	**Unrated**	–	D
Pak Elektron Limited - 3rd Issue	**200,000**	**Unrated**	200,000	A
Media & Communication				
Independent Media Corporation (Private) Limited	**237,500**	**A+**	–	–
Manufacturing				
Amreli Steels Limited	**210,000**	**A-**	–	AA
	2,245,492		2,483,485	
	21,795,237		3,880,356	

	Note	December 31 **2013**	December 31 2012
7.5 Particulars of investments in Federal Government Securities		(Rupees in '000)	
7.5.1 Available-for-sale			
Market Treasury Bills	7.5.1.1	**17,944,208**	880,117
Pakistan Investment Bonds	7.5.1.1	**1,122,360**	–
Carrying value (before revaluation) of investments in federal government securities		**19,066,568**	880,117
Surplus / (deficit) on revaluation of securities		**(18,611)**	1,652
Market value		**19,047,957**	881,769

7.5.1.1 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 9.30% to 10.34% (December 31, 2012: 10.18% to 11.69%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 11.25% to 12.00% (December 31, 2012: 11.50% to 12.00%) per annum on semi-annual basis and will mature within 2 to 8 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

7.6 Particulars of investments in ordinary shares of listed companies - available-for-sale

Name of investee company	December 31, 2013	December 31, 2012	Cost as at December 31 2013	Cost as at December 31, 2012
	No. of shares held		(Rupees in 000)	
Oil and gas marketing / exploration companies				
Pakistan State Oil Company Limited	–	139,069	–	33,141
Pakistan Petroleum Limited	–	19,400	–	3,474
Commercial banks				
National Bank of Pakistan	**400,000**	–	**23,692**	–
United Bank Limited	**342,200**	530,500	**48,252**	47,165
Communication				
Pakistan Telecommunication Company Limited	**150,000**	651,500	**4,728**	13,002
Power generation and distribution				
Kot Addu Power Company Limited	**1,005,000**	208,500	**65,921**	10,324
Pakgen Power Limited	**170,000**	–	**3,826**	–
Nishat Power Limited	**660,500**	–	**23,774**	–
Lalpir Power Limited	**215,500**	–	**4,633**	–
The Hub Power Company Limited	**1,200,000**	461,000	**88,915**	21,076
Cement				
D.G. Khan Cement Company Limited	–	–	–	–
Gharibwal Cement Limited	–	8,000,000	–	66,640
Chemicals				
Engro Corporation Limited	–	263,001	–	30,056
Nimir Industrial Chemicals Limited, a related party	**2,000,000**	3,678,008	**5,163**	9,494
Fertilizers				
Fauji Fertilizers Company Limited	–	350,000	–	41,258
Agritech Limited (see note 7.6.1)	**1,259,337**	1,259,337	**44,077**	44,077
Carrying value (before revaluation and provision) of listed shares 'available-for-sale'			**312,981**	319,707
Provision for diminution in value of investments			**(14,060)**	(29,578)
Deficit on revaluation of securities - net			**(32,439)**	(2,170)
Market value as at December 31, 2013			**266,482**	287,959

7.6.1 The SBP, vide Letter No. BPRD / BRD-(Policy) / 2013-11339 dated July 25, 2013, has permitted banks / DFIs to maintain provision equal to 50% of the deficit on revaluation of Ordinary shares of Agritech Limited. Accordingly, provision for diminution in value of investments includes Rs.14.060 (2012: Rs.2.938) million against ordinary shares of Agritech Limited. The remaining provision against exposure amounting to Rs.14.060 (2012: Rs.26.442) million on ordinary shares of Agritech Limited has not been recorded in these financial statements based upon the above relaxation from SBP.

7.7 Particulars of investments in ordinary shares of unlisted companies - available-for-sale

(Rupees in '000)

Name of investee company	Name of Chief Executive	December 31, 2013	December 31, 2012	Cost as at December 31, 2013	Cost as at December 31, 2012
		Number of shares held			
Faruki Pulp Mills Limited (note 7.7.1)	Mr. Shahid Saleem	**6,666,667**	6,666,667	**100,000**	100,000
Omer Jibran Engineering Industries Limited	Mr. Feroz Khan	**2,467,000**	2,137,500	**24,670**	21,375
				124,670	121,375

7.7.1 The break-up value per share of Faruki Pulp Mills Limited (FPML), based on the annual audited accounts of FPML for the year ended June 30, 2013, is Rs.3.40 per share as against the cost per share of Rs.15. The Company holds a put option against these shares which is exercisable at any time by the Company, whereby the seller of the shares has agreed to repurchase the above referred shares at Rs.15 per share (cost). Considering the presence of the put option, the Company has not made any provision against the said diminution in the value of these shares.

7.8 Particulars of investment in units of mutual funds - available-for-sale

Name of investee company	**December 31, 2013**	December 31, 2012	**Cost as at December 31 2013**	Cost as at December 31, 2012
	No. of units held		(Rupees in 000)	
Closed-end mutual fund				
Pak Oman Advantage Fund	**2,883,499**	2,883,499	**28,835**	28,835
Carrying value (before revaluation and provision) of mutual funds units 'available-for-sale'			**28,835**	28,835
Provision for diminution in value of investments			**(7,209)**	(3,576)
Surplus / (deficit) on revaluation of securities - net			**–**	1,384
Market value as at December 31, 2013			**21,626**	26,643

7.9 Particulars of investment in unlisted preference shares - available-for-sale

Name of investee company	Note	**December 31, 2013**	December 31, 2012	**Cost as at December 31 2013**	Cost as at December 31, 2012
		No. of shares held		(Rupees in 000)	
Pakistan Mercantile Exchange Limited	7.9.1	1,500,000	1,500,000	**15,000**	15,000
Omer Jibran Engineering Industries Limited	7.9.2	7,401,000	6,412,500	**74,010**	64,125
Trust Investment Bank Limited	7.9.3	650,000	650,000	**6,500**	6,500
Carrying value (before revaluation and provision) of preference shares 'available-for-sale'				**95,510**	85,625
Provision for diminution in value of investments				**(6,500)**	(6,500)
Market value as at December 31, 2013				**89,010**	79,125

7.9.1 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of one year Kibor + 250 basis points per annum, of the face value of Rs.10 each.

7.9.2 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 10% per annum applicable after two years from the date of investment i.e. July 06, 2012, of the face value of Rs.10 each. These shares carry call option exercisable at any time after subscription date till termination of this agreement.

7.9.3 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 1 year Kibor + 1% per annum, of the face value of Rs.10 each. These shares carry call option exercisable by the issuer between 3 to 5 years from the date of allotment i.e. May 05, 2010.

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	
7.10 Investment in associates			
Name of Investee fund			
Primus Cash Fund	7.10.1	**2,968,410**	2,970,460
Primus Daily Reserve Fund	7.10.2	**2,762,078**	250,000
Primus Strategic Multi Asset Fund	7.10.3	**107,433**	–
		5,837,921	3,220,460

	2013	2012
7.10.1 Primus Cash Fund		
Investment as at January 01	**2,970,460**	–
Investment made during the year	**2,704,849**	4,215,000
Redemption during the year	**(3,332,476)**	(1,223,856)
Dividend received	**(160,402)**	–
Share of profit for the year	**785,979**	(20,684)
Balance as at December 31	**2,968,410**	2,970,460
Percentage holding as at December 31	**91.00%**	96.25%

7.10.1.1 Primus Cash Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.10.1.2 The details of assets, liabilities, revenues and profits of the Fund as of December 31, 2013 based on unaudited financial statements are as follows:

(Rupees in '000)

		Assets	Liabilities	Revenue	Profit
Primus Cash Fund	2013	**3,278,205**	**16,392**	**128,766**	**100,346**
	2012	3,154,653	68,592	128,483	106,469

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	
7.10.2 Primus Daily Reserve Fund			
Investment as at January 01		**250,000**	–
Investment made during the year		**7,879,374**	250,000
Redemption during the year		**(4,753,721)**	–
Dividend Received		**(110,521)**	–
Share of loss for the year		**(503,054)**	–
Balance as at December 31		**2,762,078**	250,000
Percentage holding as at December 31		**47.26%**	0.00%

7.10.2.1 Primus Daily Reserve Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

(Rupees in '000)

		Assets	Liabilities	Revenue	Profit
Primus Daily Reserve Fund	**2013**	**7,474,249**	**1,629,041**	**231,232**	**207,217**
	2012	–	–	–	–

	Note	December 31 **2013**	December 31 2012
		(Rupees in '000)	

7.10.3 Primus Strategic Multi Asset Fund

Investment as at January 01		**–**	–
Investment made during the year		**369,000**	–
Redemption during the year		**(264,275)**	–
Dividend Received		**–**	–
Share of profit for the year		**2,708**	–
Balance as at December 31		**107,433**	–
Percentage holding as at December 31		**96.75%**	0.00%

7.10.3.1 Primus Strategic Multi Asset Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

(Rupees in '000)

		Assets	Liabilities	Revenue	Profit
Primus Strategic Multi Asset Fund	**2013**	**153,967**	**42,930**	**7,275**	**4,822**
	2012	–	–	–	–

7.11 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, 2013** (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	24,985	Mr. Tariq Mehmood
Allied Bank Limited - 2nd Issue	6 Months KIBOR+0.85%	Half Yearly	28-Aug-19	5,000	5,000	25,000	24,364	Mr. Tariq Mehmood
Askari Bank Limited - 4th Issue	6 Months KIBOR+2.50%	Half Yearly	18-Nov-19	20,700	5,000	103,500	103,950	Mr. Syed Majeedullah Husaini
Faysal Bank Limited	6 Months KIBOR+1.40%	Half Yearly	12-Nov-14	1,031	5,000	5,153	2,571	Mr. Naved A. Khan
Summit Bank Limited	6 Months KIBOR+3.25%	Half Yearly	27-Oct-18	18,200	5,000	91,000	90,916	Mr. Hussain Lawai
United Bank Limited - 3rd issue	6 Months KIBOR+1.70%	Half Yearly	8-Sep-14	1,000	5,000	5,000	1,666	Mr. Atif R. Bokhari
Fertilizer								
Engro Fertilizer Limited - 2nd issue	6 Months KIBOR+1.55%	Half Yearly	30-Nov-15	481	5,000	2,405	2,399	Mr. Ruhail Muhammad
Engro Fertilizer Limited - 3rd issue	6 Months KIBOR+2.40%	Half Yearly	17-Dec-16	37	5,000	185	155	Mr. Ruhail Muhammad
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 - 3rd Issue *	6.00% Fixed	Monthly	13-Mar-17	9,099	5,000	45,495	26,200	Mr.Ahsan Ullah Khan
Telecommunication								
World Call Telecom Limited	6 Months KIBOR+1.60%	Half Yearly	7-Oct-13	10,000	5,000	50,000	21,407	Mr. Babar Ali Syed
Pakistan Mobile Communication Limited	3 Months KIBOR+2.65%	Quarterly	18-Apr-16	1,500	100,000	150,000	120,000	Mr. Rashid Khan
							419,188	

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, 2013**	Name of Chief Executive
Unlisted TFCs								
Fertilizer								
Pak American Fertilizer - 3rd Issue	3 Months KIBOR+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	42,264	Ahmed Jaudet Bilal
Pak American Fertilizer - 3rd Issue	6 Months KIBOR+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	6,739	Ahmed Jaudet Bilal
Pak American Fertilizer - 4th Issue	0% Coupon	Half Yearly	1-Jan-15	1,672	5,000	8,360	7,002	Ahmed Jaudet Bilal
Engro Fertilizer Limited - 1st Issue	6 Months KIBOR+1.70%	Half Yearly	18-Mar-18	90,050	5,000	450,250	436,710	Mr. Ruhail Muhammad
Engro Fertilizer Limited - 2nd Issue	6 Months KIBOR+1.25%	Half Yearly	18-Mar-18	13,000	5,000	65,000	63,921	Mr. Ruhail Muhammad
Sugar								
JDW Sugar Mills Limited	3 Months KIBOR+1.25%	Quarterly	23-Jun-14	24,754	5,000	123,770	13,748	Mr. Jahangir Khan Tareen
Pharmaceuticals								
Martin Dow Pharmaceutical (Pakistan) Limited	3 Months KIBOR+3%	Monthly	31-May-15	100,000	5,000	500,000	46,032	Mr. Muhammad Javaid Akhai
Textiles								
Azgard Nine Limited - 1st Issue *	3 Months KIBOR+1.25%	Quarterly	18-Nov-15	15,000	5,000	75,000	7,233	Mr. Ahmed H Shaikh
Azgard Nine Limited - 3rd Issue *	0% Coupon	Quarterly	28-Jun-17	5,496	5,000	27,480	27,480	Mr. Ahmed H Shaikh
Azgard Nine Limited - 4th Issue *	6 Months KIBOR+2.20%	Half Yearly	04-Dec-17	5,000	5,000	25,000	10,838	Mr. Ahmed H Shaikh
							661,967	
Unlisted sukuks								
Cement								
Maple Leaf Cement Factory	3 Months KIBOR+1.00%	Quarterly	3-Dec-18	100,200	5,000	501,000	320,082	Mr. Sayeed Tariq Saigol
Kohat Cement Limited - Sukkuk	6 Months KIBOR+2.50%	Half Yearly	20-Dec-15	5,000	5,000	25,000	1,695	Mr. Aizaz Mansoor Sheikh
Consumer electronics								
New Allied Electronics (Private) Limited *	3 Months KIBOR+2.20%	Quarterly	3-Dec-12	–	5,000	–	125,000	Mr. Mian Parvaiz Akhtar
Pak Elektron 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	65,462	Dr. Muhammad Amjad
Media & Communication								
Independent Media Corporation (Private) Limited	3 Months KIBOR+3.00%	Quarterly	5-Aug-18	50,000	5,000	250,000	237,500	Mr. Mir Ibrahim Rahman
Manufacturing								
Amreli Steels Limited	3 Months KIBOR+2.50%	Quarterly	9-Dec-16	50,000	5,000	250,000	210,000	Mr. Abbas Akberali
							1,159,739	
Carrying value (before revaluation and provision) of TFCs and Sukuks 'available-for-sale'							2,240,894	
Provision for diminution in value of investments							(216,196)	
Surplus on revaluation of securities - net							4,598	
Market value as at December 31, 2013							**2,029,296**	

* This represents non-performing term finance certificates and provision thereagainst has been made as per the Prudential Regulations and the directives issued by the SBP.

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, 2012 (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	49,907	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	24,298	Mr. Khalid Ahmed Sherwani
Askari Bank Limited - 4th Issue	6 Months KIBOR+2.50%	Half Yearly	18-Nov-19	20,700	5,000	103,500	104,076	Mr. M.R Mehkari
Askari Bank Limited - 1st issue	6 Months KIBOR+1.50%	Half Yearly	4-Feb-13	115	5,000	575	593	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	29,893	Mr. M.R Mehkari
Bank Alfalah Limited - 3rd Issue	6 Months KIBOR+1.50%	Half Yearly	25-Nov-13	2,000	5,000	10,000	6,627	Mr. Atif Bajwa
Faysal Bank Limited	6 Months KIBOR+1.40%	Half Yearly	12-Nov-14	1,031	5,000	5,153	5,137	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	4,928	Mr. Naved A. Khan
Summit Bank Limited	6 Months KIBOR+3.25%	Half Yearly	27-Oct-18	18,200	5,000	90,975	90,958	Mr. Hussain Lawai
NIB Bank Limited	6 Months KIBOR+1.15%	Half Yearly	5-Mar-16	26,410	5,000	132,050	131,016	Mr. Badar Kazmi
Standard Chartered Bank - 3rd Issue	6 Months KIBOR+2.00%	Half Yearly	1-Feb-13	2,000	5,000	10,000	2,506	Mr. Mohsin Ali Nathani
Soneri Bank Limited	6 Months KIBOR+1.60%	Half Yearly	5-May-13	2,000	5,000	10,000	2,499	Mr. Aftab Manzoor
United Bank Limited - 2nd Issue	9.49% Fixed	Half Yearly	15-Mar-13	14,023	5,000	70,115	69,456	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	3,332	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	81,800	Mr. Atif R. Bokhari
Fertilizer								
Engro Fertilizer Limited - 3rd issue	6 Months KIBOR+2.40%	Half Yearly	17-Dec-16	37	5,000	185	170	Mr. Muhammad Ali Uddin Ansari
Engro Fertilizer Limited - 2nd issue	6 Months KIBOR+1.55%	Half Yearly	30-Nov-15	481	5,000	2,405	2,389	Mr. Muhammad Ali Uddin Ansari
Real estate developers								
Pace Pakistan Limited	6 Months KIBOR+1.50%	Half Yearly	15-Feb-17	115	5,000	575	574	Ms. Aamna Ali Taseer
NBFCs								
Saudi Pak Leasing Company Limited - 3rd Issue	6.00% Fixed	Monthly	13-Mar-17	9,099	5,000	45,495	29,142	Mr. Nayyar Alam Ilyas
Telecommunication								
World Call Telecom Limited	6 Months KIBOR+1.60%	Half Yearly	7-Oct-13	10,000	5,000	50,000	19,941	Mr. Babar Ali Syed
Pakistan Mobile Communication Limited	3 Months KIBOR+2.65%	Quarterly	18-Apr-16	1,500	100,000	150,000	142,500	Mr. Rashid Khan
							801,742	
Unlisted TFCs								
Fertilizer								
Agritech Limited - 1st Issue	6 Months KIBOR+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	3,637	Ahmed Jaudet Bilal
Agritech Limited - 4th Issue	3 Months KIBOR+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	42,766	Ahmed Jaudet Bilal
Agritech Limited - 5th Issue	0% Coupon	Half Yearly	1-Jan-15	1,672	5,000	8,360	8,360	Ahmed Jaudet Bilal
Engro Fertilizer Limited - 1st Issue	6 Months KIBOR+1.70%	Half Yearly	18-Mar-18	93,450	5,000	467,250	453,180	Mr. Muhammad Ali Uddin Ansari
Engro Fertilizer Limited - 2nd Issue	6 Months KIBOR+1.25%	Half Yearly	18-Mar-18	13,000	5,000	65,000	63,902	Mr. Muhammad Ali Uddin Ansari
Sugar								
Al-Abbas Sugar Mills Limited - 2nd Issue	6 Months KIBOR+1.75%	Half Yearly	21-Nov-13	44,000	5,000	220,000	43,718	Mr. Shunaid Qureshi
JDW Sugar Mills Limited	3 Months KIBOR+1.25%	Quarterly	23-Jun-14	24,754	5,000	123,770	40,769	Mr. Jahangir Khan Tareen
Pharmaceuticals								
Martin Pharmaceutical (Pak) Limited	3 Months KIBOR+3%	Monthly	31-May-15	100,000	5,000	500,000	267,060	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	92,212	Mr. Suleman Lalani
Textiles								
Azgard Nine Limited - 1st Issue	3 Months KIBOR+1.25%	Quarterly	18-Nov-15	15,000	5,000	75,000,000	7,793	Mr. Ahmed H Shaikh
Azgard Nine Limited - 2nd Issue	6 Months KIBOR+2.20%	Half Yearly	4-Dec-17	5,000	5,000	25,000,000	10,838	Mr. Ahmed H Shaikh
Azgard Nine Limited - 3rd Issue	0% Coupon	Quarterly	28-Jun-17	5,496	5,000	27,480,000	27,480	Mr. Ahmed H Shaikh
							1,061,715	

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)	Balance as at December 31, 2012 (Rupees in '000)	Name of Chief Executive
Unlisted sukuks								
Cement								
Maple Leaf Cement Factory - 1st issue	3 Months KIBOR+1.00%	Quarterly	03-Dec-18	100,200	5,000	501,000,000	337,643	Mr. Sayeed Tariq Saigol
Maple Leaf Cement Factory - 2nd issue	3 Months KIBOR+1.00%	Quarterly	31-Mar-12	1,695	5,000	8,475,000	2,825	Mr. Sayeed Tariq Saigol
Kohat Cement Limited - Sukkuk	6 Months KIBOR+2.50%	Half Yearly	20-Dec-15	5,000	5,000	25,000,000	5,738	Mr. Aizaz Mansoor Sheikh
Consumer electronics								
New Allied Electronics (Private) Limited	3 Months KIBOR+2.20%	Quarterly	03-Dec-12	30,000	5,000	150,000	150,000	Mr. Mian Parvaiz Akhtar
Pak Elektron 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	143,364	Dr. Muhammad Amjad
							839,570	
Carrying value (before revaluation and provision) of TFCs and Sukuks 'available-for-sale'							2,703,027	
Provision for diminution in value of investments							(223,161)	
Surplus on revaluation of securities - net							3,619	
Market value as at December 31, 2012							**2,483,485**	

8. ADVANCES

	Note	December 31 2013 (Rupees in '000)	December 31 2012 (Rupees in '000)
Loans, cash credits, running finances, etc.			
In Pakistan		**5,125,325**	4,296,219
LTFF scheme under State Bank of Pakistan		**805,659**	936,165
Margin financing			
In Pakistan		**–**	–
Net investment in finance lease			
In Pakistan	8.2	**873,903**	549,651
Advances - gross		**6,804,887**	5,782,035
Provision for non-performing advances - specific	8.3	**(2,537)**	(2,638)
Provision for non-performing advances - general		**(331)**	–
	8.4	**(2,868)**	(2,638)
Advances - net of provision		**6,802,019**	5,779,397

8.1 Particulars of advances - gross

		2013	2012
8.1.1	In local currency	**6,804,887**	5,782,035
	In foreign currencies	**–**	–
		6,804,887	5,782,035
8.1.2	Short-term (for upto one year)	**3,274,259**	2,292,588
	Long-term (for over one year)	**3,530,628**	3,489,447
		6,804,887	5,782,035

8.2 Net Investment in Finance Lease

(Rupees in '000)

	December 31, 2013			December 31, 2012		
	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	Total
Lease rentals receivable	**324,422**	**571,272**	**895,694**	210,581	334,411	544,992
Residual value	**15,967**	**131,022**	**146,989**	12,264	81,423	93,687
Minimum lease payments	**340,389**	**702,294**	**1,042,683**	222,845	415,834	638,679
Financial charges for future periods	**(82,548)**	**(86,232)**	**(168,780)**	(49,437)	(39,591)	(89,028)
Present value of minimum lease payments	**257,841**	**616,062**	**873,903**	173,408	376,243	549,651

8.2.1 These leases are executed for a term of 3 to 5 years. Security deposit has been obtained within a range of 10% to 37.5% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 12.57% to 20% per annum (2012: 12.40% to 20.16% per annum). Lease rentals are receivable in monthly / quarterly installments. The assets are insured in favour of the Group.

8.3 Advances include Rs.2.537 million (2012: Rs.2.638 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

	December 31, 2013								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of Classification									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–	–
Loss	**2,537**	–	**2,537**	**2,537**	–	**2,537**	**2,537**	–	**2,537**
	2,537	–	**2,537**	**2,537**	–	**2,537**	**2,537**	–	**2,537**

	December 31, 2012								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of Classification									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–	–
Loss	2,638	–	2,638	2,638	–	2,638	2,638	–	2,638
	2,638	–	2,638	2,638	–	2,638	2,638	–	2,638

8.4 Particulars of provision against non-performing advances

(Rupees in '000)

	December 31, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
Opening balance	2,638	–	2,638	1,723	18,989	20,712
Charge for the year	–	331	331	1,268	–	1,268
Reversal	(101)	–	(101)	(353)	(18,989)	(19,342)
	(101)	331	230	915	(18,989)	(18,074)
Closing balance	2,537	331	2,868	2,638	–	2,638

8.4.1 Particulars of provisions against non-performing advances

(Rupees in '000)

	December 31, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
In local currency	2,537	331	2,868	2,638	–	2,638
In foreign currencies	–	–	–	–	–	–
	2,537	331	2,868	2,638	–	2,638

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	
8.5 Particulars of Loans and Advances to Directors, Associated Companies, etc.			
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons:			
Balance at beginning of the year		47,797	44,416
Loans granted during the year		31,492	17,211
Repayments		(13,559)	(13,830)
Balance at end of the year		65,730	47,797

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

The detail is given in Annexure-I.

9. OPERATING FIXED ASSETS

	Note	December 31 2013	December 31 2012
Capital work-in-progress	9.1	18	18
Property and equipment	9.2	47,306	55,287
Intangible assets	9.3	4,818	5,024
		52,142	60,329

9.1 Capital work-in-progress

Advance to supplier for purchase of furniture and fixtures	18	18

9.2 Property and equipment

(Rupees in ‘000)

December 31, 2013

	COST				DEPRECIATION				Book value	
	As at January 01, 2013	Additions / (Disposals)	Written off	As at December 31, 2013	As at January 01, 2013	Charge for the year	Written off	As at December 31, 2013	as at December 31, 2013	Rate of depreciation
Owned										
Furniture and fixture	**15,658**	**120** **–**	**–**	**15,778**	**7,365**	**2,692** **–**	**–**	**10,057**	**5,721**	**20%**
Leasehold improvement	**42,321**	**–** **–**	**–**	**42,321**	**6,673**	**8,464** **–**	**–**	**15,137**	**27,184**	**20%**
Office equipment	**4,292**	**366** **–**	**–**	**4,658**	**2,501**	**695** **–**	**–**	**3,196**	**1,462**	**20%**
Computers	**12,590**	**2,147** **(124)**	**–**	**14,613**	**9,422**	**1,790** **(68)**	**–**	**11,144**	**3,469**	**33.33%**
Vehicles	**10,318**	**5,705** **(240)**	**–**	**15,783**	**4,011**	**2,603** **(222)**	**–**	**6,392**	**9,391**	**25%**
Mobile sets	**256**	**103** **(59)**	**–**	**300**	**176**	**95** **(50)**	**–**	**221**	**79**	**50%**
	85,435	**8,441** **(423)**	**–**	**93,453**	**30,148**	**16,339** **(340)**	**–**	**46,147**	**47,306**	

December 31, 2012

	COST				DEPRECIATION				Book value	
	As at January 01, 2012	Additions / (Disposals)	Written off	As at December 31, 2012	As at January 01, 2012	Charge for the year	Written off	As at December 31, 2012	as at December 31, 2012	Rate of depreciation
Owned										
Furniture and fixture	8,066	7,592 –	–	15,658	4,678	2,687 –	–	7,365	8,293	20%
Leasehold improvement	10,446	42,321 –	(10,446)	42,321	6,246	7,119 –	(6,692)	6,673	35,648	20%
Office equipment	2,735	1,557 –	–	4,292	1,753	748 –	–	2,501	1,791	20%
Computers	9,355	3,292 (57)	–	12,590	7,582	1,855 (15)	–	9,422	3,168	33.33%
Vehicles	10,276	42 –	–	10,318	2,025	1,986 –	–	4,011	6,307	25%
Mobile sets	241	67 (52)	–	256	108	96 (28)	–	176	80	50%
	41,119	54,871 (109)	(10,446)	85,435	22,392	14,491 (43)	(6,692)	30,148	55,287	

9.2.1 Assets having cost of Rs.15.221 million (2012: Rs.15.221 million) are fully depreciated.

9.2.2 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	Cost	Net Book Value	Sale proceeds	Gain	Mode of Disposal	Particulars of Purchaser
Property and equipment						
(having book value of less than Rs.250,000 or cost of less than Rs.1,000,000)	**423**	**82**	**130**	**49**	Various	Employees / Insurance Company / Shah Autos
2013	**423**	**82**	**130**	**49**		
2012	–	66	71	5		

9.3 Intangible assets

(Rupees in '000)

	December 31, 2013							
	COST			AMORTIZATION			Book value	
	As at January 01, 2013	Additions	As at December 31, 2013	As at January 01, 2013	Charge for the year	As at December 31, 2013	as at December 31, 2013	Rate of Amortization
Computer software	**14,424**	**2,237**	**16,661**	**9,400**	**2,443**	**11,843**	**4,818**	**33.33%**

	December 31, 2012							
	COST			AMORTIZATION			Book value	
	As at January 01, 2012	Additions	As at December 31, 2012	As at January 01, 2012	Charge for the year	As at December 31, 2012	as at December 31, 2012	Rate of Amortization
Computer software	8,772	5,652	14,424	7,481	1,919	9,400	5,024	33.33%

10. OTHER ASSETS

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	
Income / mark-up accrued in local currency		**287,749**	279,491
Assets acquired in satisfaction of claims - non-banking assets		**–**	209,652
Advances, deposits and other prepayments		**74,649**	75,041
Advance tax (payment less provision)		**262,133**	140,125
Dividend receivable		**660**	59,281
Receivable against sale of assets	10.1	**303,416**	–
Receivable from associates		**13,688**	6,917
Others		**16**	–
		942,311	770,507
Less: Provision held against advances, deposits and other prepayments	10.2 & 10.3	**(50,000)**	(50,000)
Other assets (net of provisions)		**892,311**	720,507

10.1 This includes receivable, amounting to Rs.276.727 million, arising on account of deferred sale consideration for sale of certain listed equity securities and properties (which were previously classified under 'assets acquired in satisfaction of claims') at a marked-up price determined in accordance with the sale agreement dated May 30, 2013. The balance outstanding at the end of the current year will be received by the Company as per the terms and conditions of the underlying agreement latest by August 2015. The shares will be released as and when payments are received while the title to the properties will be transferred by the Company only upon receipt of the entire sale consideration as agreed under the above agreement. The above sale agreement resulted in a gain on settlement of Rs.58.716 million (note 20.1) and Rs.46.155 million (note 21) on derecognition of listed equity securities and assets acquired in satisfaction of claims, respectively.

10.2 This represents Rs.50 million (2012: Rs.50 million) advance against Pre-IPO placement of Term Finance Certificates of Dewan Cement Limited.

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

10.3 Provision against other assets

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

11 BORROWINGS

In Pakistan	**26,391,995**	2,417,139
Outside Pakistan	**–**	–
	26,391,995	2,417,139

11.1 Particulars of borrowings with respect to Currencies

In local currency	**26,391,995**	2,417,139
In foreign currencies	**–**	–
	26,391,995	2,417,139

11.2 Details of borrowings secured / unsecured

	Note	2013	2012
Secured			
Borrowing from SBP under LTFF Scheme	11.3	**805,659**	937,139
Repurchase agreement borrowings (Repo)	11.4	**17,508,002**	–
Borrowing from Banks	11.5	**1,533,334**	1,100,000
		19,846,995	2,037,139
Unsecured			
Letters of placement	11.6	**6,545,000**	380,000
		26,391,995	2,417,139

11.3 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 (2012: 7.25% to 9.70% per annum). This is repayable within 6 years (2012: 7 years).

11.4 These represent borrowings from various financial institutions at mark-up rate ranging from 9.40% to 10.15% (December 31, 2012: nil to nil) per annum, maturing upto January, 2014. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs.17.631 (December 31, 2012: nil) million have been given as collateral against these borrowings (see note 7).

11.5 These represent borrowings secured against hypothecation of receivables and floating charge over term finance certificates. These carry mark-up at rate ranging from 10.11% to 10.95% per annum (2012: 9.94% to 10.18% per annum) and are repayable within 3 years (2012: 2 years).

11.6 These carry mark-up at rate ranging from 10.00% to 10.25% per annum (2012: 9.40% to 12.00% per annum) and are repayable within 3 months (2012: 2 months).

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

12. DEPOSITS AND OTHER ACCOUNTS

	Note	2013	2012
Customers			
Certificates of investment- remunerative	12.1	**567,070**	2,824,924

12.1 These carry mark-up at rates ranging from 8.95% to 10.25% per annum (2012: 9.70% to 12.00% per annum) and are repayable within 1 month to 11 months (2012: 1 month to 11 months).

12.2 Particulars of deposits

	2013	2012
In local currency	**567,070**	2,824,924
In foreign currencies	**–**	–
	567,070	2,824,924

13. DEFERRED TAX LIABILITIES- NET

	2013	2012
Deductible temporary differences		
Provision for compensated absences and bonus	**10,200**	8,400
Deficit on revaluation of securities - net	**7,706**	–
Provision for diminution in the value of investments	**60,939**	69,981
Provision against non-performing loans and advances	**975**	923
Provision against other assets	**17,000**	17,500
Pre-incorporation expenses	**195**	301
Taxable temporary differences		
Difference between accounting book value of fixed assets and tax base	**(4,753)**	(7,448)
Amortisation of discount on investments	**(40,533)**	(27,195)
Net investment in finance lease	**(66,516)**	(45,692)
Surplus on revaluation of securities - net	**–**	(3,367)
	(14,787)	13,403

13.1 Movement in temporary differences during the year

(Rupees in '000)

	Balance as at January 01, 2012	Recognised in profit and loss account	Recognised in (surplus)/deficit in revaluation of assets account	Balance as at December 31, 2012	Recognised in profit and loss account	Recognised in (surplus)/deficit in revaluation of assets account	Balance as as at December 31, 2013
Deductible temporary differences							
Provision for compensated absences and bonus	8,003	397	–	8,400	1,800	–	10,200
Unrealised loss on revaluation of held-for-trading securities	4,466	(4,466)	–	–	–	–	–
Deficit on revaluation of securities - net	–	–	–	–	–	7,706	7,706
Provision for diminution in the value of investments	66,397	3,584	–	69,981	(9,042)	–	60,939
Provision against non-performing loans and advances	7,249	(6,326)	–	923	52	–	975
Provision against other assets	17,458	42	–	17,500	(500)	–	17,000
Pre-incorporation expenses	401	(100)	–	301	(106)	–	195
Unused tax losses carried forward	90	(90)	–	–	–	–	–
Taxable temporary difference							
Difference between accounting book value of fixed assets and tax base	(2,303)	(5,145)	–	(7,448)	2,695	–	(4,753)
Amortisation of discount on investments	(87,782)	60,587	–	(27,195)	(13,338)	–	(40,533)
Net investment in finance lease	(25,270)	(20,422)	–	(45,692)	(20,824)	–	(66,516)
Amortisation of transaction cost	(1,668)	1,668	–	–	–	–	–
(Surplus) / deficit on revaluation of securities - net	12,576	–	(15,943)	(3,367)	–	3,367	–
	(383)	**29,729**	**(15,943)**	**13,403**	**(39,263)**	**11,073**	**(14,787)**

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

14. OTHER LIABILITIES

	Note	2013	2012
Mark-up / return / interest payable in local currency		**102,319**	67,096
Accrued expenses		**35,202**	27,432
Brokerage commission payable		**2,289**	63
Unearned commission		**7,216**	4,786
Security deposit against lease		**136,989**	93,688
Payable to tax authorities		**888**	1,138
Federal excise duty payable on management fee	14.1	**5,112**	–
Others		**4,800**	30,638
		294,815	224,841

14.1 The Finance Act, 2013 has extended the scope of the Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. During the year demand notices were received by certain asset management companies for the collection of FED. The Mutual Fund Association of Pakistan (MUFAP) has taken up the matter collectively and filed a petition with the Honorable Sindh High Court (SHC) and has been granted stay in this regard.

During the year, the Subsidiary Company has also received a notice under section 14 of the Federal Excise Act, 2005 demanding payment of FED on management remuneration. As the asset management services rendered to the collective investment schemes (CISs) are already subject to the provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the CISs, the Group is of the view that further levy of FED may result in double taxation, which does not appear to be the spirit of the law. Therefore, the Subsidiary Company has also filed a petition against the demand notice in the SHC and has been granted stay on the basis of the pending constitutional petition from MUFAP in the SHC as referred to above.

In view of the pending decision, as a matter of abundant caution, the management fee charged to the CISs during the period includes the imposed FED.

15. SHARE CAPITAL

15.1 Authorised Capital

2013	2012		2013	2012
Number of shares			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs. 10/- each.	**6,000,000**	6,000,000

15.2 Issued, subscribed and paid up capital

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

15.3 The Ministry of Finance and Secretary Economic Affairs Division holds 299,995,999 and 4,001 shares (2012: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2012: 300,000,000 shares) are held by the Brunei Investment Agency.

	December 31 2013	December 31 2012
	(Rupees in '000)	

16. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

16.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax

	2013	2012
Market treasury bills	**(6,679)**	1,652
Pakistan Investment Bonds	**(11,932)**	–
Listed securities		
- Term finance certificates	**4,598**	3,619
- Units of open-ended mutual funds	**–**	–
- Units of closed-end mutual funds	**–**	1,384
- Ordinary shares of listed companies	**(32,439)**	(2,170)
	(46,452)	4,485
Deferred tax (liability) / asset recognised	**7,706**	(3,367)
	(38,746)	1,118

17. CONTINGENCIES AND COMMITMENTS

17.1 Transaction related contingent liability

	2013	2012
Letters of credit	**117,657**	152,293

17.2 In the year 2009, Burj Bank Limited (formerly Dawood Islamic Bank Limited) filed a legal suit amounting to Rs. 200 million for damages against the Group for alleged non performance of underwriting commitment to issue shares at a premium. Legal advisors of the Group are of the opinion that the possibility of the Group being subject to any liability in relation to the suit is negligible.

17.3 As fully disclosed in the annual audited financial statements of Primus Daily Reserve Fund (the Fund), the Board of Directors of the Subsidiary Company, in the larger interest of the unit holders of the Fund, passed a resolution on April 25, 2013 resolving that the liability of Workers' Welfare Fund (WWF) for the first six months of the Fund's operations ending June 30, 2013, shall be paid by the Subsidiary Company in the event that the constitutional petition pending adjudication with the Honorable High Court of Sindh pertaining to WWF, filed by certain collective investment schemes, is not decided in their favor. The accumulated amount of unrecognised WWF of the Fund as at the year end amounted to Rs.1.112 million.

17.4 Tax contingencies have been discussed in note 23.2 to these consolidated financial statements.

		December 31 2013	December 31 2012
		(Rupees in '000)	
17.5	Commitments in respect of sale of T-bills	**1,590,109**	–
17.6	Commitments to extend credit	**2,080,355**	716,013
17.7	**Commitments in respect of government securities**		
	Purchase (reverse repo)	**–**	–
	Sale	**17,542,178**	–

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

18. MARK-UP / RETURN / INTEREST EARNED

On Loans and advances to:			
Customers		**594,076**	684,792
Financial institutions		**13,022**	32,619
On Investments in:			
Available-for-sale securities		**699,148**	2,032,458
Held-to-maturity securities		**10,931**	26,442
Held-for-trading securities		**12,122**	120,700
On Deposits with financial institutions		**30,666**	14,603
On Securities purchased under resale agreements		**32,936**	18,636
On Interest rate swap contracts		**–**	–
Finance income on deferred sale of assets acquired on satisfaction of claims - non-banking assets		**14,373**	–
		1,407,274	2,930,250

19. MARK-UP / RETURN / INTEREST EXPENSED

Deposits		**209,107**	310,203
Short-term borrowings		**220,076**	103,108
Long-term borrowings		**251,164**	209,945
Securities sold under repurchase agreements		**288,732**	1,421,559
		969,079	2,044,815

20. GAIN ON SALE OF SECURITIES - NET

Federal Government Securities			
- Market Treasury Bills		**1,279**	63,211
- Pakistan Investment Bonds		**6,072**	41,354
Ordinary shares of listed companies	20.1	**201,433**	67,733
Term finance certificates		**114**	6,469
Units of mutual funds		**40,302**	19,783
		249,200	198,550

20.1 This includes gain on settlement of Rs.58.716 million on derecognition of certain listed equity securities, as more fully disclosed in note 10.1.

21. OTHER INCOME

Profit on sale of property and equipment		**48**	5
Gain on sale of assets acquired in satisfaction of claims - non-banking assets	10.1	**46,155**	–
Rent income		**3,675**	750
Income from sale of scrap items		**–**	468
Others		**661**	50
		50,539	1,273

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	

22. ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries and allowances		**144,339**	105,462
Contribution to defined contribution plan	27	**4,695**	4,423
Non-executive directors' fees, allowances and other expenses		**3,000**	1,797
Rent, taxes, insurance, electricity, etc.		**18,752**	19,606
Legal and professional charges		**8,173**	10,633
Travelling and accommodation		**5,764**	2,466
Communications		**2,612**	2,326
Repairs and maintenance		**6,508**	5,537
Brokerage commission		**7,415**	13,620
Stationery and printing		**2,140**	1,767
Advertisement and publicity		**2,333**	1,074
Donation	22.1 & 22.2	**–**	1,100
Auditors' remuneration	22.3	**2,029**	979
Depreciation	9.2	**16,339**	14,491
Amortisation	9.3	**2,443**	1,919
Vehicle maintenance and fuel expense		**20,901**	18,151
Medical expense		**2,528**	2,056
Fee and subscription		**2,748**	1,974
Bank charges		**873**	394
Others		**2,708**	2,406
		256,300	212,181

22.1 Donations were not made to any donee in which a director or his / her spouse had any interest at any time during the year.

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

	December 31 2013	December 31 2012
	(Rupees in '000)	
Institute of Business Administration	**–**	1,000
Donations not exceeding Rs.100,000 - others	**–**	100
	–	1,100

22.3 Auditors' remuneration

	2013	2012
Audit fee	**690**	525
Half yearly review fee	**225**	225
Fee for the audit of provident fund	**–**	–
Special certifications	**965**	125
Tax services	**–**	–
Other services	**–**	–
Out-of-pocket expenses	**149**	104
	2,029	979

	December 31 2013	December 31 2012
	(Rupees in '000)	

23. TAXATION

For the year		
Current	**171,984**	330,556
Prior years	**5,425**	(2,283)
Deferred	**39,262**	(29,728)
	216,671	298,545

23.1 Relationship between tax expense and accounting profit

Accounting profit before tax	**903,667**	1,080,944
Tax rate	**34%**	35%
Tax on accounting profit	**307,247**	385,187
Tax effect of:		
Income chargeable to tax at special rate including FTR	**(142,741)**	(42,606)
Income exempt from tax	**(36,892)**	(37,110)
Expenses that are inadmissible in determining taxable profit	**76,896**	(8,368)
Permanent differences	**7,133**	3,725
Adjustment of prior year business loss	**(87)**	–
Prior year charge	**5,425**	(2,283)
Others	**(310)**	–
	216,671	298,545

23.2 Income tax returns for the tax years 2007 to 2013 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 221/122(5A) of the Income Tax Ordinance, 2001 whereby tax demands of Rs. 3.213 million and Rs. 46.577 million respectively were created. In the amended assessment orders, besides making other additions to income, the ACIR taxed the amount of amortisation 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 amortisation of discount on securities with specific directions. The tax department has issued appeal effect orders for Tax Years 2008 and 2009 on June 30, 2013 relating to combined Appellate order passed by ATIR on April 2, 2012. Nonetheless, the tax deparmtent has failed to issue appeal effect order on issues set aside by CIR(A) within stipulated time as provided under Income Tax Ordinance, 2001. The Company has discharged all tax liabilities created through above-said appeal effect orders with the exception of Tax Year 2009 wherein tax amounting to Rs. 18.016 million was short paid.

An appeal filed with the CIR(A) against the rectified order levying Workers' Welfare Fund (WWF) in the tax year 2009 was decided in favour of the Company. The tax department filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the aforesaid decision of CIR(A). In this connection, appeal proceedings are in progress and hearing is yet to be fixed by ATIR.

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. The said order was rectified by ACIR 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 another appeal was also filed against the rectified order. Both the Company and the tax deparmtent have filed appeals before the ATIR. The tax department has issued appeal effect order for Tax Year 2010 continuing its previous position for set-aside issues and created further tax demand of Rs. 25.245 million which has been discharged by the Company immediately.

Assessment for tax year 2011 was also amended through order under section 122(5A) dated April 30, 2012 creating tax demand of Rs.55.547 million which was reduced to Rs.52.091 million after issuance of rectified order under section 221 of the Income Tax Ordinance, 2001. The Company has paid for Rs.33.381 million out of the reduced tax demand. The remaining tax demand was adjusted by the tax department against available refund relating to tax year 2012. An appeal against the amendment order has already been filed before CIR(A) and appellate order to this effect is yet to be received by the Company.

The unrecognised amount relating to WWF pertaining to above tax years amounted to Rs.44.551 million. Based on the opinion of the legal advisor, relying on relief provided by CIR(A) in respect of tax years 2009 and 2010 in the Company's case, the WWF is not applicable to the Company as it does not fall into the definition of industrial establishment. Consequently, no provision has been made in the current year's financial statements relating to WWF.

24. EARNINGS PER SHARE

		December 31 2013	December 31 2012
		(Rupees in '000)	
Profit for the year	Rupees in '000	**686,996**	782,399
Weighted average number of ordinary shares	Numbers in '000	**600,000**	600,000
Basic earnings per share	Rupees	**1.14**	1.30

24.1 There were no convertible dilutive potential ordinary shares outstanding as on December 31, 2013 and 2012.

25. CASH AND CASH EQUIV ALENTS

	December 31 2013	December 31 2012
	(Rupees in '000)	
Cash and balances with treasury banks	**96,317**	54,763
Balances with other banks	**235,581**	317,222
	331,898	371,985

26. STAFF STRENGTH

	Numbers	Numbers
Permanent	**62**	54
Temporary / on contractual basis	**30**	27
Total staff strength	**92**	81

27. DEFINED CONTRIBUTION PLAN

The Group operates a provident fund scheme for all its permanent employees. Equal monthly contribution at the rate of 10.00% per annum (2012: 10.00% per annum) is made both by the Group (employer) and employees. Contributions made to the provident fund during the year are as follows:

	December 31 2013	December 31 2012
	(Rupees in '000)	
Contribution made by the Group	**4,695**	4,423
Contribution made by employees	**4,695**	4,423
	9,390	8,846
Disclosures relating to Provident Fund		
Size of the fund	**37,005**	29,898
Cost of investments made	**34,094**	28,141
Percentage of investments made	**92.13**	94.12
Fair value of investments	**34,278**	28,410
Break-up of investments at fair value		
Term Finance Certificate	**6,412**	14,943
Government Securities	**25,944**	13,467
Mutual Funds	**1,922**	–
	34,278	28,410
Break-up of investments	% of the size of the fund	
Term Finance Certificate	**17.33**	49.98
Government Securities	**70.11**	45.04
Mutual Funds	**5.19**	–
	92.63	95.02

Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for this purpose.

28. COMPENSATION OF DIRECTORS AND EXECUTIVES

(Rupees in '000)

	Chief Executive		Directors		Executives	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012	**December 31, 2013**	December 31, 2012
Managerial remuneration	**29,594**	24,739	**–**	–	**82,110**	77,904
Contribution to defined contribution plan	**1,319**	1,020	**–**	–	**3,684**	3,270
Utilities	**1,886**	503	**–**	–	**7,952**	4,639
Medical	**676**	465	**–**	–	**1,812**	1,986
Travelling allowance	**299**	210	**2,585**	1,608	**1,393**	130
Fee for attending Board meetings	**–**	–	**415**	190	**–**	–
Other benefits	**1,385**	303	**–**	–	**201**	691
	35,159	27,240	**3,000**	1,798	**97,152**	88,620
Number of persons	**2**	2	**7**	6	**39**	38

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

All quoted investments have been stated at their market values as disclosed in note 7. 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 10.1) 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 4.5.

The maturity and re-pricing profile and effective rates are stated in notes 34.3.1 and 34.2.4 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.

30. 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**
2013			
Total income	**62,660**	**1,581,054**	**547,864**
Total expenses	**35,239**	**890,395**	**308,104**
Net income	**27,421**	**690,659**	**239,760**
Segment assets (gross)	**–**	**29,198,584**	**6,815,987**
Segment non performing loans	**–**	**2,537**	**–**
Investment provided for	**–**	**354,100**	**–**
Segment provision required *	**–**	**246,502**	**–**
Segment liabilities	**–**	**22,072,103**	**5,196,945**
Segment return on assets (ROA) (%)	**–**	**2.37%**	**3.52%**
Segment return on net assets (ROA) (%)	**–**	**9.98%**	**14.81%**
Segment cost of funds (%)	**–**	**8.59%**	**8.59%**
2012			
Total income	50,921	2,683,161	625,260
Total expenses	30,533	1,803,885	423,296
Net income	20,388	858,592	201,964
Segment assets (gross)	–	8,686,248	5,625,642
Segment non performing loans	–	2,638	–
Investment provided for	–	428,291	–
Segment provision required *	–	265,453	–
Segment liabilities	–	3,318,597	2,148,307
Segment return on assets (ROA) (%)	–	4.88%	3.93%
Segment return on net assets (ROA) (%)	–	17.21%	6.22%
Segment cost of funds (%)	–	13.83%	13.83%

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

31. TRUST ACTIVITIES

The Holding 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 Holding Company is fulfilling all its obligations and duties in accordance with the provisions of the respective trust documents. The Holding Company is registered as Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations 2012 issued by the SECP.

The Holding Company is acting as trustee to various debt instruments (Term Finance Certificates and Sukuk issues) issued by Agritech Limited, Askari Bank Limited–IV, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Faysal Bank Limited, Independent Media Corporation (Pvt) Limited, Jahangir Siddiqi Company Limited, Karachi Electric Supply Corporation Limited, Maple Leaf Cement Factory Limited, Martin Dow Limited, WAPDA and WAPDA Thirs Sukuk Company Limited. The combined value of these TFCs / Sukuks as at December 31, 2013 amounted to PKR 59,777 million (2012: PKR 40,050 million).

32. RELATED PARTY TRANSACTIONS

The Group has related party relationship with:

- associated company (collective investment schemes of Primus Investment Management Limited)
- its employee defined contribution plan;
- its key management personnel;
- other related parties include OK Feed Mills (Pvt) Limited, Omer Jibran Engineering Industries Ltd., Nimir Industrial Chemicals Limited and Haq Bahu Sugar Mills (Pvt) Limited due to common directorship.

Details of loans and advances to the executives are given in note 8.5 to these unconsolidated financial statements. There are no transactions with key management personnel other than under their terms of employment. Contribution to approved defined contribution plan are disclosed in note 27 to these consolidated financial statements. Remuneration to the executives is disclosed in note 28 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)

	2013				2012			
	Key management personnel	State Controlled Entities	Other related parties	Associates	Key management personnel	State Controlled Entities	Other related parties	Associates
Advances								
As at beginning of the year	**23,626**	**153,423**	**693,565**	**–**	23,286	146,764	474,000	–
Given during the period	**20,137**	**–**	**117,570**	**–**	8,634	28,776	300,000	–
Deleted during the period	**(1,949)**	**–**	**(300,000)**	**–**	–	–	–	–
Repaid during the period	**(5,088)**	**(25,571)**	**(95,412)**	**–**	(8,294)	(22,117)	(80,435)	–
As at end of the year	**36,726**	**127,852**	**415,723**	**–**	23,626	153,423	693,565	–
Borrowings								
As at beginning of the year	**–**	**2,909,539**	**–**	**–**	–	9,498,847	–	–
Received during the period	**–**	**150,837,364**	**–**	**5,715,000**	–	287,047,969	500,000	–
Repaid during the period	**–**	**(140,483,052)**	**–**	**(5,140,000)**	–	(293,637,277)	(500,000)	–
As at end of the year	**–**	**13,263,851**	**–**	**575,000**	–	2,909,539	–	–
Placements								
As at beginning of the year	**–**	**–**	**–**	**–**	–	462,841	–	–
Placements made during the year	**–**	**27,896,197**	**–**	**–**	–	18,879,391	–	–
Placements matured during the year	**–**	**(27,896,197)**	**–**	**–**	–	(19,342,232)	–	–
As at end of the year	**–**	**–**	**–**	**–**	–	–	–	–
Investments								
As at beginning of the year	**–**	**21,366**	**334,965**	**3,241,144**	–	33,149	15,000	–
Investments made during the year	**–**	**1,640,767**	**233,830**	**10,942,881**	–	281,071	98,437	4,465,000
Transfer	**–**	**–**	**–**	**–**	–	–	(15,000)	–
Redemption during the year	**–**	**(1,632,457)**	**(232,811)**	**(8,360,814)**	–	(292,854)	236,528	(1,223,856)
As at end of the year	**–**	**29,676**	**335,984**	**5,823,211**	–	21,366	334,965	3,241,144
Mark-up / return / interest earned	**939**	**12,760**	**54,653**	**182**	681	11,202	83,205	848
Mark-up / return / interest expensed	**–**	**346,099**	**–**	**38,568**	–	588,277	1,342	–
Gain on sale of securities - net	**–**	**24,203**	**15,027**	**40,302**	–	4,367	1,862	23,428
Fee income	**–**	**–**	**–**	**51,262**	–	–	20,250	14,648
Dividend income	**–**	**2,800**	**–**	**–**	–	3,585	99,522	–
Salaries and other benefits	**132,311**	**–**	**–**	**–**	71,431	–	–	–
Reimbursement of expenses	**4,997**	**–**	**–**	**–**	4,036	–	–	–
Formation cost paid by the Group	**–**	**–**	**–**	**7,231**	–	–	–	2,086
Formation cost reimbursed by the Group	**–**	**–**	**–**	**3,231**	–	–	–	–
Annual rating fee paid	**–**	**–**	**–**	**–**	–	–	–	400
Annual rating fee reimbursed	**–**	**–**	**–**	**200**	–	–	–	–
Others	**–**	**–**	**–**	**14,138**	–	–	–	2,363

33. CAPITAL ASSESSMENT AND ADEQUACY

33.1 Scope of Applications

The Basel Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiary - Primus Investment Management Limited) and also on a stand alone basis.

33.2 Capital Structure - Basel III transition

During the year, State Bank of Pakistan vide circular # BPRD 6 dated August 15, 2013 revised and updated Basel II Framework in accordance with Basel III capital reforms and clarifications to further strengthen capital related rules. These instructions form part of transitional arrangement leading to full implementation of Basel III in 2019.

Bank's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, reciprocal cross holdings in capital instruments of banking, financial, and insurance entities and deficit on revaluation of available for sale investments.

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves) and subordinated debt (up to a maximum of 50% of Tier 1 capital).

Detail of the Bank's eligible capital (on an unconsolidated basis) is as follows:

(Rupees in '000)

	December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
Common Equity Tier 1 capital (CET1):			
Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with SBP	**6,000,000**	–	6,000,000
Balance in Share Premium Account	**–**	–	–
Reserve for issue of Bonus Shares	**–**	–	–
General/ Statutory Reserves	**697,026**	–	555,884
Gain/(Losses) on derivatives held as Cash Flow Hedge	**–**	–	–
Unappropriated/unremitted profits/ (losses)	**1,568,385**	–	2,022,531
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	**–**	–	–
CET 1 before Regulatory Adjustments	**8,265,411**	–	8,578,415

	December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
	(Rupees in '000)		
Common Equity Tier 1 capital: Regulatory adjustments			
Goodwill (net of related deferred tax liability)	**–**	–	–
All other intangibles (net of any associated deferred tax liability)	**4,818**	–	5,024
Shortfall of provisions against classified assets	**–**	–	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**–**	–	–
Defined-benefit pension fund net assets	**–**	–	–
Reciprocal cross holdings in CET1 capital instruments	**–**	–	–
Cash flow hedge reserve	**–**	–	–
Investment in own shares / CET1 instruments	**–**	–	–
Securitization gain on sale	**–**	–	–
Capital shortfall of regulated subsidiaries	**–**	–	–
Deficit on account of revaluation from bank's holdings of property / AFS	**38,746**	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	**–**	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	**–**	–	–
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**–**	–	–
Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences	**–**	–	–
National specific regulatory adjustments applied to CET1 capital investment in TFCs of other banks exceeding the prescribed limit	**–**	–	–
Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	**2,063,988**	–	250,000
Total regulatory adjustments applied to CET1	**2,107,552**	–	255,024
Common Equity Tier 1 **(a)**	**6,157,859**	–	8,573,391
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity	**–**	–	–
of which: Classified as liabilities	**–**	–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	**–**	–	–
AT1 before regulatory adjustments	**–**	–	–
Additional Tier 1 Capital: regulatory adjustments			
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	**2,063,988**	–	–
Investment in own AT1 capital instruments	**–**	–	–
Reciprocal cross holdings in Additional Tier 1 capital instruments	**–**	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	**–**	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	**–**	–	–

		(Rupees in '000)	
	December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	–	–	–
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–	–
Total of Regulatory Adjustment applied to AT1 capital	–	–	–
Additional Tier 1 capital			
Additional Tier 1 capital recognised for capital adequacy (b)	–	–	–
Tier 1 Capital (CET1 + admissible AT1) **(c=a+b)**	**6,157,859**	–	8,573,391
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III	–	–	–
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	–	–	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) of which: instruments issued by subsidiaries subject to phase out	–	–	–
General Provisions or general reserves for loan losses - up to maximum of 1.25% of Credit Risk Weighted Assets	**331**	–	–
Revaluation reserves of which: Revaluation reserves on property	–	–	–
of which: Unrealised gains / losses on AFS	–	–	–
Foreign Exchange Translation Reserves	–	–	–
Undisclosed/Other Reserves (if any)	–	–	–
T2 before regulatory adjustments	**331**	–	–
Tier 2 Capital: regulatory adjustments			
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	–	–	–
Reciprocal cross holdings in Tier 2 instruments	–	–	–
Investment in own Tier 2 capital instrument	–	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–
Amount of Regulatory Adjustment applied to T2 capital	–	–	–
Tier 2 capital (T2)	–	–	–
Tier 2 capital recognised for capital adequacy	–	–	–
Excess Additional Tier 1 capital recognised in Tier 2 capital	–	–	–
Amount of Regulatory Adjustment applied to T2 capital	–	–	–
Total Tier 2 capital admissible for capital adequacy (d)	**331**	–	–
TOTAL CAPITAL (T1 + admissible T2) **(e=c+d)**	**6,158,190**		8,573,391

		December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
			(Rupees in '000)	
Total Risk Weighted Assets	**(i=f+g+h)**	**17,013,622**	–	14,228,244
Total Credit Risk Weighted Assets	(f)	**9,499,022**	–	11,587,829
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		**9,499,022**	–	11,587,829
of which: recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		–	–	–
of which: deferred tax assets		–	–	–
of which: Defined-benefit pension fund net assets		–	–	–
of which: [insert name of adjustment]		–	–	–
Total Market Risk Weighted Assets	(g)	**5,699,963**	–	621,850
Total Operational Risk Weighted Assets	(h)	**1,814,638**	–	2,018,565
Capital Ratios and buffers (in percentage of risk weighted assets)				
CET1 to total RWA	(a/i)	**36.19%**	–	60.26%
Tier-1 capital to total RWA	(c/i)	**36.19%**	–	60.26%
Total capital to RWA	(e/i)	**36.20%**	–	60.26%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		**12.50%**	–	–
of which: capital conservation buffer requirement		**2.50%**	–	–
of which: countercyclical buffer requirement		–	–	–
of which: D-SIB or G-SIB buffer requirement		–	–	–
CET1 available to meet buffers (as a percentage of risk weighted assets)		**26.20%**	–	–
National minimum capital requirements prescribed by SBP				
CET1 minimum ratio		**5.00%**	–	–
Tier 1 minimum ratio		**6.50%**	–	–
Total capital minimum ratio		**10.00%**	–	–
Amounts below the thresholds for deduction (before risk weighting)				
Non-significant investments in the capital of other financial entities		**342,471**	–	–
Significant investments in the common stock of financial entities		–	–	–
Deferred tax assets arising from temporary differences (net of related tax liability)		–	–	–
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		–	–	–
Cap on inclusion of provisions in Tier 2 under standardized approach		–	–	–
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		–	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		–	–	–

33.3 Capital Adequacy

Objectives of Managing Capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Bank's Asset & Liability Committee (ALCO). Further, capital adequacy and management is overseen by the Board's Risk Management Committee (RMC).

Bank's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- 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 Bank's assets to allow for an optimal deployment of the Bank's resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to safeguard the Bank'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 Bank to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Externally Imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the DFIs to raise their minimum paid up capital to Rs. 6 billion free of losses by the end of financial year 2009.

SBP through its BSD Circular No. 09 dated April 15, 2009 has asked Banks to achieve the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis latest by December 31, 2010.

The paid up capital and CAR of the Bank stands at Rs. 8.271 billion and 35.75% of its risk weighted exposure as at December 31, 2013.

The Bank has complied with all externally imposed capital requirements as at year end.

33.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares	Instrument-2	Explanation
1	Issuer	6,000,000		Common shares are held by Ministry of Finance, Government of Pakistan and Brunei Investment Agency in a 50:50 ratio
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)			NA
3	Governing law(s) of the instrument Regulatory treatment			Companies Ordinance, 1984, Government of Pakistan
4	Transitional Basel III rules			NA
5	Post-transitional Basel III rules			Common Equity Tier 1
6	Eligible at solo / group / group & solo			Solo
7	Instrument type			Ordinary Shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)			8,265,411
9	Par value of instrument			Rs.10 per share
10	Accounting classification			Shareholder's Equity
11	Original date of issuance			4-Nov-06
12	Perpetual or dated			No maturity
13	Original maturity date			NA
14	Issuer call subject to prior supervisory approval			No
15	Optional call date, contingent call dates and redemption amount			NA
16	Subsequent call dates, if applicable Coupons / dividends			NA
17	Fixed or floating dividend / coupon			NA
18	Coupon rate and any related index/ benchmark			NA
19	Existence of a dividend stopper			Yes (please refer PR-11)
20	Fully discretionary, partially discretionary or mandatory			Fully discretionary
21	Common Equity Tier 1 capital (CET1): Instruments and reserves Existence of step up or other incentive to redeem			No
22	Non-cumulative or cumulative			Non cumulative
23	Convertible or non-convertible			Non-convertible
24	If convertible, conversion trigger (s)			NA
25	If convertible, fully or partially			NA
26	If convertible, conversion rate			NA
27	If convertible, mandatory or optional conversion			NA
28	If convertible, specify instrument type convertible into			NA
29	If convertible, specify issuer of instrument it converts into			NA
30	Write-down feature			No
31	If write-down, write-down trigger(s)			NA
32	If write-down, full or partial			NA
33	If write-down, permanent or temporary			NA
34	If temporary write-down, description of write-up mechanism			NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument			NA
36	Non-compliant transitioned features			No
37	If yes, specify non-compliant features			NA

33.5 Capital Structure Reconciliation

33.5.1 Step 1

	December 31, 2013	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	96,317	96,317
Balances with other banks	235,581	235,581
Lendings to financial institutions	–	–
Investments	27,416,962	27,416,962
Advances	6,802,019	6,802,019
Operating fixed assets	52,142	52,142
Deferred tax assets	–	–
Other assets	892,311	892,311
Total assets	35,495,332	35,495,332
Liabilities & Equity		
Bills payable	–	–
Borrowings	26,391,995	26,391,995
Deposits and other accounts	567,070	567,070
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	14,787	14,787
Other liabilities	294,815	294,815
Total liabilities	27,268,667	27,268,667
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital / Capital deposited with SBP	6,000,000	6,000,000
Reserves	697,026	697,026
Unappropriated / Unremitted profit / (losses)	1,568,385	1,568,385
Minority Interest	–	–
Surplus on revaluation of assets	(38,746)	(38,746)
Total liabilities & equity	8,226,665	8,226,665

33.5.2 Step 2

	References	December 31, 2013 Balance sheet as in published financial statements	Under regulatory scope of consolidation
		(Rupees in '000)	
Assets			
Cash and balances with treasury banks		**96,317**	**96,317**
Balanced with other banks		**235,581**	**235,581**
Lending to financial institutions		–	–
Investments		**27,416,962**	**27,416,962**
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	–	–
of which: significant capital investments in financial sector entities exceeding regulatory threshold	b	–	–
of which: Mutual Funds exceeding regulatory threshold	c	**2,063,988**	**2,063,988**
of which :Reciprocal cross holdings in CET1	d	–	–
of which :Reciprocal cross holdings in Tier2		–	–
of which: others (mention details)	e	–	–
Advances	f	**6,802,019**	**6,802,019**
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB			
general provisions reflected in Tier 2 capital	g	–	–
Fixed Assets	h	**52,142**	**52,142**
of which: Intangibles	i	**4,818**	**4,818**
Deferred Tax Assets		–	–
of which: DTAs excluding those arising from temporary differences	j	–	–
of which: DTAs arising from temporary differences exceeding regulatory threshold	k	–	–
Other assets	l	**892,311**	**892,311**
of which: Goodwill	m	–	–
of which: Intangibles		–	–
of which: Defined-benefit pension fund net assets		–	–
Total assets		**35,495,332**	**35,495,332**
Liabilities & Equity			
Bills payable		–	–
Borrowings		**26,391,995**	**26,391,995**
Deposits and other accounts		**567,070**	**567,070**
Sub-ordinated loans		–	–
of which: eligible for inclusion in AT1	n	–	–
of which: eligible for inclusion in Tier 2	o	–	–
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities		**14,787**	**14,787**
of which: DTLs related to goodwill	p	–	–
of which: DTLs related to intangible assets	q	–	–
of which: DTLs related to defined pension fund net assets	r	–	–
of which: other deferred tax liabilities	s	–	–
Other liabilities		**294,815**	**294,815**
Total liabilities		**27,268,667**	**27,268,667**

	References	December 31, 2013 Balance sheet as in published financial statements	 Under regulatory scope of consolidation
		(Rupees in '000)	
Share capital		6,000,000	6,000,000
of which: amount eligible for CET1	t	6,000,000	6,000,000
of which: amount eligible for AT1	u	–	–
Reserves		697,026	697,026
of which: portion eligible for inclusion in CET1: Share Premium	v	–	–
of which: portion eligible for inclusion in CET1 General/Statutory Reserve	w	697,026	697,026
of which: portion eligible for inclusion in Tier 2	x	–	–
Unappropriated profit / (losses)	y	1,568,385	1,568,385
Minority Interest		–	–
of which: portion eligible for inclusion in CET1	z	–	–
of which: portion eligible for inclusion in AT1	aa	–	–
of which: portion eligible for inclusion in Tier 2		–	–
Surplus on revaluation of assets	ab	(38,746)	(38,746)
of which: Revaluation reserves on Property	ac	–	–
of which: Unrealised Gains / Losses on AFS		(38,746)	(38,746)
In case of Deficit on revaluation (deduction from CET1)	ad	(38,746)	(38,746)
Total liabilities & Equity		8,226,665	8,226,665

33.5.3 Step 3

	Source based on reference number from step 2	Component of regulatory capital reported by bank
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital / Capital deposited with SBP	(t)	6,000,000
Balance in Share Premium Account		–
Reserve for issue of Bonus Shares		–
General / Statutory Reserves	(v)	697,026
Gain / (Losses) on derivatives held as Cash Flow Hedge		–
Unappropriated/unremitted profits/(losses)	(y)	1,568,385
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(z)	–
CET 1 before Regulatory Adjustments		8,265,411

	Source based on reference number from step 2	Component of regulatory capital reported by bank
		(Rupees in '000)
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(l)-(p)	–
All other intangibles (net of any associated deferred tax liability)	(i)-(q)	**4,818**
Shortfall of provisions against classified assets	(g)	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h)-(r}*x%	–
Defined-benefit pension fund net assets	{(l)-(q)}*x%	–
Reciprocal cross holdings in CET1 capital instruments	(d)	–
Cash flow hedge reserve		–
Investment in own shares/ CET1 instruments		–
Securitization gain on sale		–
Capital shortfall of regulated subsidiaries		–
Deficit on account of revaluation from bank's holdings of property/ AFS	(ab)	**(38,746)**
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a)-(ac)-(ae)	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b)-(ad)-(af)	–
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	–
Amount exceeding 15% threshold		
of which: significant investments in the common stocks of financial entities		–
of which: deferred tax assets arising from temporary differences		–
National specific regulatory adjustments applied to CET1 capital		–
Investment in TFCs of other banks exceeding the prescribed limit		–
Any other deduction specified by SBP (mention details)		–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		–
Total regulatory adjustments applied to CET1		**(43,564)**
Common Equity Tier 1		**8,221,847**

	Source based on reference number from step 2	Component of regulatory capital reported by bank
		(Rupees in '000)
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		–
of which: Classified as equity	(t)	–
of which: Classified as liabilities	(m)	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	–
of which: instrument issued by subsidiaries subject to phase out		–
AT1 before regulatory adjustments		–
Additional Tier 1 Capital: regulatory adjustments		–
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	(c)	**2,063,988**
Investment in own AT1 capital instruments		–
Reciprocal cross holdings in Additional Tier 1 capital instruments		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	–
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		–
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		–
Total of Regulatory Adjustment applied to AT1 capital		–
Additional Tier 1 capital		–
Additional Tier 1 capital recognised for capital adequacy		**2,063,988**
Tier 1 Capital (CET1 + admissible AT1)		**6,157,859**
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III		–
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)	–
of which: instruments issued by subsidiaries subject to phase out		–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	**331**
Revaluation Reserves eligible for Tier 2		–
of which: portion pertaining to Property	portion of (aa)	–
of which: portion pertaining to AFS securities	portion of (aa)	–
Foreign Exchange Translation Reserves	(v)	–
Undisclosed/Other Reserves (if any)		–
T2 before regulatory adjustments		**331**
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		–
Reciprocal cross holdings in Tier 2 instruments		–
Investment in own Tier 2 capital instrument		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	–
Amount of Regulatory Adjustment applied to T2 capital		–
Tier 2 capital (T2)		–
Tier 2 capital recognised for capital adequacy		–
Excess Additional Tier 1 capital recognised in Tier 2 capital		–
Amount of Regulatory Adjustment applied to T2 capital		–
Total Tier 2 capital admissible for capital adequacy		**331**
TOTAL CAPITAL (T1 + admissible T2)		**6,158,190**

33.6 Risk Weighted Exposures

The capital requirements for the Bank as per the major risk categories is indicated below:

(Rupees in '000)

Credit risk	Capital Requirements December 31, 2013	Capital Requirements December 31, 2012	Risk Weighted Assets December 31, 2013	Risk Weighted Assets December 31, 2012
Portfolios subject to standardised approach (Simple or Comprehensive)				
(a) Cash and Cash Equivalents	–	–	–	–
(b) Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	–	–	–	–
(c) Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	–	–	–	–
(d) Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	–	–	–	–
(e) Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	–	–	–	–
(f) Claims on Multilateral Development Banks	–	–	–	–
(g) Claims on Public Sector Entities in Pakistan	2,588	3,107	25,879	31,066
(h) Claims on Banks	–	–	–	–
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	–	–	–	–
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	4,712	6,344	47,119	63,444
(k) Claims on Corporates (excluding equity exposures)	607,042	926,252	6,070,419	9,262,515
(l) Claims categorised as retail portfolio	2,091	1,422	20,915	14,222
(m) Claims fully secured by residential property	1,304	1,009	13,044	10,092
(n) Past Due loans:	–	–	–	–
Common Equity Tier 1 capital (CET1): Instruments and reserves				
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:	–	–	–	–
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.	–	–	–	–
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	1,131	–	11,310	–
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	2,366	–	23,662	–
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired	–	–	–	–
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held there against is more than 20% of outstanding amount	–	–	–	–
(o) Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.	–	–	–	–
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	–	–	–	–
(q) Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	27,249	64,155	272,493	641,553
(r) Unlisted equity investments (other than that deducted from capital) held in banking book	32,052	30,075	320,520	300,750
(s) Investments in venture capital	–	–	–	–
(t) Investments in premises, plant and equipment and all other fixed assets	4,732	5,531	47,324	55,305
(u) Claims on all fixed assets under operating lease	–	–	–	–
(v) All other assets	63,456	46,764	634,562	467,638
	748,725	1,084,659	7,487247	10,846,586
Off - Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes/ Lending of securities or posting of securities as collateral	195,286	66,510	1,952,857	665,097
Performance related contingencies	5,883	7,615	58,828	76,146
Trade Related contingencies / Other Commitments with original maturity of one year or less	–	–	–	–
	201,169	74,125	2,011,684	741,243
Off - Balance Sheet - Market related Exposures	9	–	91	–
Total Credit Risk (A)	949,902	1,158,784	9,499,022	11,587,828
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	61,564	1,764	615,638	22,050
Equity position risk etc.	508,433	47,984	5,084,325	599,800
Foreign exchange risk	–	–	–	–
	569,996	49,748	5,699,963	621,850
Operational Risk				
Capital Requirement for operational risks	181,464	161,485	1,814,638	2,018,565
Total Risk Weighted Assets	1,701,363	1,370,017	17,013,622	14,228,243

	Note	December 31 2013	December 31 2012
		(Rupees in '000)	
Capital Adequacy Ratio			
Total eligible regulatory capital held (Note 33.2)	(e)	**6,158,190**	8,573,391
Total Risk Weighted Assets (Note 33.2)	(i)	**17,013,622**	14,228,243
Capital Adequacy Ratio	(e) / (i)	**36.20%**	60.26%

The Capital Adequacy Ratio of prior year is based on BASEL II framework as applicable on that date.

34. 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 fulfil 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 and 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 Management 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.

34.1 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 Risk Management Policy and Credit Administration Frameworks. The counter party 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, 2012.

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 distressed / non performing 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.

34.1.1 Segmental Information

34.1.1.1 Segments by class of business

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	278,570	4.09	–	–	–	–
Textile	919,255	13.51	–	–	721,496	3.38
Sugar	1,296,216	19.05	–	–	387,657	1.82
Chemicals and pharmaceuticals	193,623	2.85	2,646	0.47	300,000	1.41
Production and transmission of energy	1,638,404	24.08	–	–	515,000	2.41
Financial	135,870	2.00	465,000	82.00	19,132,287	89.70
Individuals	65,155	0.96	–	–	–	–
Hotel	25,741	0.38	–	–	–	–
Telecommunication	100,000	1.47	–	–	–	–
Paper and board	276,667	4.07	–	–	–	–
Food and confectionary	396,941	5.83	–	–	–	–
Oil, gas, petroleum and energy	–	–	–	–	–	–
Entertainment	80,083	1.18	–	–	60,000	0.28
Transportation	203,788	2.99	–	–	–	–
Packaging	178,542	2.62	–	–	–	–
Services	91,773	1.35	74,424	13.12	60,000	0.28
Electronics and electrical appliances	229,463	3.37	–	–	538	0.00
Engineering	98,316	1.44	–	–	26,321	0.12
Others	596,480	8.77	25,000	4.41	127,000	0.60
	6,804,887	100.00	567,070	100.00	21,330,299	100.00

	December 31, 2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	87,570	1.51	–	–	–	–
Textile	1,168,055	20.20	–	–	403,595	46.48
Sugar	874,671	15.13	–	–	252,293	29.06
Chemicals and pharmaceuticals	478,189	8.27	–	–	–	–
Production and transmission of energy	916,601	15.85	–	–	–	–
Financial	219,304	3.79	2,630,000	93.10	–	–
Individuals	44,414	0.77	–	–	–	–
Hotel	40,000	0.69	–	–	–	–
Telecommunication	116,667	2.02	–	–	–	–
Paper and board	177,778	3.07	–	–	–	–
Food and confectionary	348,732	6.03	–	–	–	–
Oil, gas, petroleum and energy	31,986	0.55	–	–	–	–
Entertainment	194,854	3.37	–	–	–	–
Transportation	245,706	4.25	–	–	5,914	0.68
Packaging	71,740	1.24	–	–	26,967	3.11
Services	–	–	100,000	3.54	30,000	3.46
Electronics and electrical appliances	203,592	3.52	–	–	15,606	1.80
Engineering	85,094	1.47	–	–	14,501	1.67
Others	477,082	8.25	94,924	3.36	119,430	13.75
	5,782,035	100.00	2,824,924	100.00	868,306	100.00

34.1.1.2 Segment by sector

(Rupees in '000)

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	**127,853**	**2**	**–**	**–**	**7,873,777**	**37**
Private	**6,677,034**	**98**	**567,070**	**100**	**13,456,522**	**63**
	6,804,887	**100**	**567,070**	**100**	**21,330,299**	**100**

	December 31, 2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	153,423	3	1,100,000	39	–	–
Private	5,628,612	97	1,724,924	61	868,306	100
	5,782,035	100	2,824,924	100	868,306	100

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

	2013 Classified Advances	2013 Specific Provisions Held	2012 Classified Advances	2012 Specific Provisions Held
	(Rupees in '000)			
Financial	**2,537**	**2,537**	2,638	2,638
	2,537	**2,537**	2,638	2,638

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

	2013 Classified Advances	2013 Specific Provisions Held	2012 Classified Advances	2012 Specific Provisions Held
	(Rupees in '000)			
Public / Government	**–**	**–**	–	–
Private	**2,537**	**2,537**	2,638	2,638
	2,537	**2,537**	2,638	2,638

34.1.1.5 Geographical Segment Analysis

(Rupees in '000)

	December 31, 2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	**903,667**	**35,495,332**	**8,226,665**	**21,330,299**

	December 31, 2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	1,080,944	14,046,437	8,579,533	868,306

34.2 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. The 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. The 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 do not fulfil the criteria of trading book falls under the banking Book and are treated as per SBP requirements.

The Group actively measures, controls and manages 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 measures 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 4.6 to these financial statements. Further, composition of equity investments is available in note 7 of these financial statements.

34.2.1 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 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.

34.2.2 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, 2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	**35,495,328**	**27,268,667**	**–**	**8,226,661**
United States Dollar	**4**	**–**	**–**	**4**
	35,495,332	**27,268,667**	**–**	**8,226,665**

	December 31, 2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	14,046,433	5,466,904	–	8,579,529
United States Dollar	4	–	–	4
	14,046,437	5,466,904	–	8,579,533

34.2.3 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 investments 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.

34.2.4 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)

	December 31, 2013											
			Exposed to yield/interest risk									
	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
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	96,317	–	–	–	–	–	–	–	–	–	96,317
Balances with other banks	10.30%	235,581	58,895	176,686	–	–	–	–	–	–	–	–
Investments	13.00%	27,416,962	6,850,925	12,849,843	240,964	–	203,263	504,455	384,814	29,101	–	6,353,597
Advances	13.91%	6,802,019	2,905,768	2,409,510	705,593	94,865	195,184	215,389	204,173	29,298	17,164	25,075
Other assets	–	343,440	202,796	105,442	19,777	11,636	3,789	–	–	–	–	–
		34,894,319	10,018,384	15,541,481	966,334	106,501	402,236	719,844	588,987	58,399	17,164	6,474,989
Liabilities												
Borrowings	12.06%	26,391,995	22,695,804	2,921,568	85,854	93,610	190,958	186,216	199,435	18,550	–	–
Deposits and other accounts	12.74%	567,070	25,000	139,424	2,646	400,000	–	–	–	–	–	–
Other liabilities	–	287,599	–	–	–	–	–	–	–	–	–	287,599
		27,246,664	22,720,804	3,060,992	88,500	493,610	190,958	186,216	199,435	18,550	–	287,599
On-balance sheet gap		7,647,655	(12,702,420)	12,480,489	877,834	(387,109)	211,278	533,628	389,552	39,849	17,164	6,187,390
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		19,132,287	19,132,287	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Short position		–	–	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Long position		–	–	–	–	–	–	–	–	–	–	–
Off–balance sheet gap		19,132,287	19,132,287	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap		26,779,942	6,429,867	12,480,489	877,834	(387,109)	211,278	533,628	389,552	39,849	17,164	6,187,390
Cumulative Yield / Interest Risk Sensitivity Gap			6,429,867	18,910,356	19,788,190	19,401,081	19,612,359	20,145,987	20,535,539	20,575,388	20,592,552	26,779,942

(Rupees in ‘000)

	Effective yield/ interest rate	Total	December 31, 2012									
			Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	54,763	–	–	–	–	–	–	–	–	–	54,763
Balances with other banks	10.30%	317,222	78,828	238,390	–	4	–	–	–	–	–	–
Investments	13.00%	7,100,816	253,288	2,729,758	372,024	2,787	2,786	–	4,612	–	–	3,735,561
Advances	13.91%	5,779,397	2,368,572	1,657,885	545,248	131,316	441,998	192,069	332,038	82,613	12,079	15,579
Other assets	–	338,772	–	–	–	–	–	–	–	–	–	338,772
		13,590,970	2,700,688	4,626,033	917,272	134,107	444,784	192,069	336,650	82,613	12,079	4,144,675
Liabilities												
Borrowings	12.06%	2,490,473	40,354	390,787	26,049	79,336	1,289,894	189,894	327,491	73,334	–	–
Deposits and other accounts	12.74%	2,824,924	25,000	2,307,400	192,524	300,000	–	–	–	–	–	–
Other liabilities	–	220,055	–	–	–	–	–	–	–	–	–	220,055
		5,535,452	65,354	2,698,187	218,573	379,336	1,289,894	189,894	327,491	73,334	–	220,055
On-balance sheet gap		8,055,518	2,635,334	1,927,846	698,699	(245,229)	(845,110)	2,175	9,159	9,279	12,079	3,924,620
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Short position		–	–	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Long position		–	–	–	–	–	–	–	–	–	–	–
Off–balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap		8,055,518	2,635,334	1,927,846	698,699	(245,229)	(845,110)	2,175	9,159	9,279	12,079	3,924,620
Cumulative Yield / Interest Risk Sensitivity Gap			2,635,334	4,563,180	5,261,879	5,016,650	4,171,540	4,173,715	4,182,874	4,192,153	4,204,232	8,128,852

34.3 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’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 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 including 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 potential 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.

34.3.1 Maturities of assets and liabilities - on the basis approved by the Assets and Liabilities Management Committee (ALCO) of the Group

(Rupees in '000)

	Total	December 31, 2013								
		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	96,317	96,317	–	–	–	–	–	–	–	–
Balances with other banks	235,581	58,895	176,686	–	–	–	–	–	–	–
Investments	27,416,962	7,485,954	12,513,406	1,914,582	2,724,099	573,320	788,115	1,297,795	119,691	–
Advances	6,802,019	1,126,313	948,325	224,288	974,924	1,349,287	972,646	948,120	240,954	17,162
Operating fixed assets	52,142	1,988	3,820	5,886	15,728	12,879	10,046	1,795	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	892,311	232,433	151,920	39,961	329,973	133,953	1,157	–	–	2,914
	35,495,332	9,001,900	13,794,157	2,184,717	4,044,724	2,069,439	1,771,964	2,247,710	360,645	20,076
Liabilities										
Borrowings	26,391,995	22,674,392	1,421,604	335,891	595,552	691,104	441,108	199,028	33,316	–
Deposits and other accounts	567,070	25,000	139,424	2,646	400,000	–	–	–	–	–
Deferred tax liabilities	14,787	(18,862)	(11,490)	(60)	10,980	17,209	31,918	(16,628)	1,720	–
Other liabilities	294,815	72,246	53,671	30,549	17,325	41,034	38,072	41,918	–	–
	27,268,667	22,752,776	1,603,209	369,026	1,023,857	749,347	511,098	224,318	35,036	–
Net assets	8,226,665	(13,750,876)	12,190,948	1,815,691	3,020,867	1,320,092	1,260,866	2,023,392	325,609	20,076
Share capital	6,000,000									
Reserves	697,026									
Unappropriated profit	1,568,385									
Surplus on revaluation of assets - net of tax	(38,746)									
	8,226,665									

	Total	December 31, 2012								
		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	54,763	6,808	47,955	–	–	–	–	–	–	–
Balances with other banks	317,222	78,828	238,390	–	4	–	–	–	–	–
Lendings to financial institutions	7,100,816	236,475	997,568	389,426	1,823,563	1,959,547	275,834	228,859	939,544	250,000
Investments	5,779,397	341,697	488,145	817,088	600,099	1,005,549	901,248	1,164,758	448,734	12,079
Advances	60,329	2,132	4,265	6,397	9,920	17,813	14,868	4,934	–	–
Operating fixed assets	13,302	(2,624)	(2,092)	7,111	(7,314)	(21,531)	51,831	(12,079)	–	–
Other assets	720,507	108,519	296,501	87,608	6,423	4,803	216,653	–	–	–
	14,046,336	771,835	2,070,732	1,307,630	2,432,695	2,966,181	1,460,434	1,386,472	1,388,278	262,079
Liabilities										
Borrowings	2,417,139	25,390	392,057	307,661	346,081	723,555	190,222	334,726	97,446	–
Deposits and other accounts	2,824,924	25,000	2,307,400	192,524	300,000	–	–	–	–	–
Other liabilities	224,841	30,208	66,156	15,660	30,427	16,734	42,720	22,936	–	–
	5,466,904	80,598	2,765,613	515,845	676,508	740,289	232,942	357,662	97,446	–
Net assets	8,579,432	691,237	(694,881)	791,785	1,756,187	2,225,892	1,227,492	1,028,810	1,290,832	262,079
Share capital	6,000,000									
Reserves	555,884									
Unappropriated profit	2,022,531									
Deficit on revaluation of assets - net	1,118									
	8,579,533									

34.3.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Group

(Rupees in '000)

	Total	December 31, 2013								
		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	**96,317**	**96,317**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balances with other banks	**235,581**	**58,895**	**176,686**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Investments	**27,416,962**	**12,630,083**	**11,373,306**	**179,575**	**422,476**	**605,921**	**788,115**	**1,297,795**	**119,691**	**–**
Advances	**6,802,019**	**1,126,313**	**948,325**	**224,288**	**974,924**	**1,349,287**	**972,646**	**948,120**	**240,954**	**17,162**
Operating fixed assets	**52,142**	**1,988**	**3,820**	**5,886**	**15,728**	**12,879**	**10,046**	**1,795**	**–**	**–**
Deferred tax assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other assets	**892,311**	**232,433**	**151,920**	**39,961**	**329,973**	**133,953**	**1,157**	**–**	**–**	**2,914**
	35,495,332	**14,146,029**	**12,654,057**	**449,710**	**1,743,101**	**2,102,040**	**1,771,964**	**2,247,710**	**360,645**	**20,076**
Liabilities										
Borrowings	**26,391,995**	**22,674,392**	**1,421,604**	**335,891**	**595,552**	**691,104**	**441,108**	**199,028**	**33,316**	**–**
Deposits and other accounts	**567,070**	**25,000**	**139,424**	**2,646**	**400,000**	**–**	**–**	**–**	**–**	**–**
Deferred tax liabilities	**14,787**	**(18,862)**	**(11,490)**	**(60)**	**10,980**	**17,209**	**31,918**	**(16,628)**	**1,720**	**–**
Other liabilities	**294,815**	**72,246**	**53,671**	**30,549**	**17,325**	**41,034**	**38,072**	**41,918**	**–**	**–**
	27,268,667	**22,752,776**	**1,603,209**	**369,026**	**1,023,857**	**749,347**	**511,098**	**224,318**	**35,036**	**–**
Net assets	**8,226,665**	**(8,606,747)**	**11,050,848**	**80,684**	**719,244**	**1,352,693**	**1,260,866**	**2,023,392**	**325,609**	**20,076**
Share capital	**6,000,000**									
Reserves	**697,026**									
Unappropriated profit	**1,568,385**									
Surplus on revaluation of assets - net of tax	**(38,746)**									
	8,226,665									

	Total	December 31, 2012								
		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	54,763	6,808	47,955	–	–	–	–	–	–	–
Balances with other banks	317,222	78,828	238,390	–	4	–	–	–	–	–
Lendings to financial institutions	7,100,816	236,475	997,568	389,426	1,823,563	1,959,547	275,834	228,859	939,544	250,000
Investments	5,779,397	341,697	488,145	817,088	600,099	1,005,549	901,248	1,164,758	448,734	12,079
Advances	60,329	2,132	4,265	6,397	9,920	17,813	14,868	4,934	–	–
Operating fixed assets	13,302	(2,624)	(2,092)	7,111	(7,314)	(21,531)	51,831	(12,079)	–	–
Other assets	720,507	108,519	296,501	87,608	6,423	4,803	216,653	–	–	–
	14,046,336	771,835	2,070,732	1,307,630	2,432,695	2,966,181	1,460,434	1,386,472	1,388,278	262,079
Liabilities										
Borrowings	2,417,139	25,390	392,057	307,661	346,081	723,555	190,222	334,726	97,446	–
Deposits and other accounts	2,824,924	25,000	2,307,400	192,524	300,000	–	–	–	–	–
Other liabilities	224,841	30,208	66,156	15,660	30,427	16,734	42,720	22,936	–	–
	5,466,904	80,598	2,765,613	515,845	676,508	740,289	232,942	357,662	97,446	–
Net assets	8,579,432	691,237	(694,881)	791,785	1,756,187	2,225,892	1,227,492	1,028,810	1,290,832	262,079
Share capital	6,000,000									
Reserves	555,884									
Unappropriated profit	2,022,531									
Deficit on revaluation of assets - net	1,118									
	8,579,533									

34.4 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.

35. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2013 of Re. **0.33** per share (2012: Rs.1.67 per share), amounting to Rs. **200** million (2012: Rs.1,000 million) at their meeting held on **February 25, 2014** for approval of the members at the annual general meeting to be held on **March 24, 2014**. The consolidated financial statements for the year ended December 31, 2013 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2014.

36. GENERAL

36.1 Credit rating

The Group has been assigned credit rating of 'AA+' (Double A plus) in the medium to long term and A1+ (A One Plus) in the short-term by JCR-VIS Credit Rating Agency Limited, SBP approved rating agency. Outlook on the assigned rating is "Stable".

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

37. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on **February 25, 2014** by the Board of Directors of the Group.

Chief Executive	Director	Director	Chairman

Annexure - I

As referred in note 8.6 of the consolidated 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, 2013

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