



**PAKISTAN KUWAIT INVESTMENT
COMPANY (PRIVATE) LIMITED**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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Fax: +9221 3568 1965
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Pakistan Kuwait Investment Company (Private) Limited (the Holding Company) and its subsidiary companies (together referred to as Group) as at 31 December 2010 and the related consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flow statement, and consolidated statement of comprehensive income together with the notes forming part thereof for the year then ended. We have also expressed separate opinion/review reports on the financial statements of the Holding Company and its subsidiary companies, First Choice Securities Limited and Pak Kuwait Financial Services Limited.

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.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010 and the results of its operations, its changes in equity, cash flows and comprehensive income for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants


Audit Engagement Partner: Omer Chughtai

26 January 2011
Karachi

Pakistan Kuwait Investment Company (Private) Limited
 Consolidated Statement of Financial Position
 As at December 31, 2010

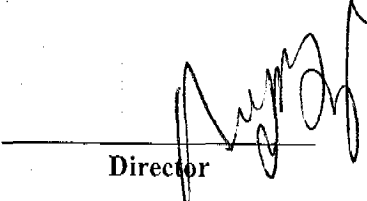
	Note	2010	2009
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	51,424	92,512
Balances with other banks	7	1,409,688	1,842,834
Lendings to financial institutions	8	250,000	800,000
Investments	9	17,521,580	18,930,038
Advances	10	4,969,190	3,607,442
Operating fixed assets	11	260,736	151,366
Deferred tax assets	12	3,539	154,595
Other assets	13	556,774	323,993
		25,022,931	25,902,780
LIABILITIES			
Bills payable		-	-
Borrowings	14	9,807,369	10,377,872
Deposits and other accounts	15	3,138,512	4,075,951
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	16	334,277	693,414
		13,280,158	15,147,237
NET ASSETS		11,742,773	10,755,543
REPRESENTED BY			
Share capital	17	6,000,000	6,000,000
Reserves	17	2,992,287	2,884,894
Accumulated profit		2,510,618	1,649,279
		11,502,905	10,534,173
Surplus / (deficit) on revaluation of 'available-for-sale' securities - net of tax	18	239,868	221,370
		11,742,773	10,755,543
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 41 and annexure I, II and III form an integral part of these financial statements.


 Deputy General Manager / Chief Financial Officer


 Director

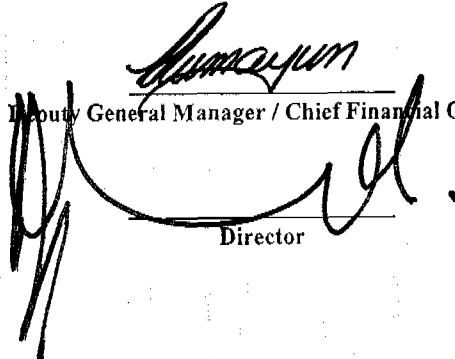

 Chief Executive


 Director

Pakistan Kuwait Investment Company (Private) Limited
 Consolidated Profit and Loss Account
 For the year ended December 31, 2010

	Note	2010 (Rupees in '000)	2009 (Rupees in '000)
Mark-up / return / interest earned	20	2,111,019	1,803,730
Mark-up / return / interest expensed	21	1,452,508	1,189,263
Net mark-up / interest income		658,511	614,467
Provision against non-performing loans and advances - net	10.4	24,959	527,226
(Reversal of provision) against non-performing lending to financial institutions	8.2	(129,178)	-
Provision for diminution / impairment in the value of investments	9.3	67,119	189,093
Bad debts written off directly		-	-
		(37,100)	716,319
Net mark-up / interest income after provisions		695,611	(101,852)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		7,857	6,129
Dividend income		148,754	136,543
Income from dealing in foreign currencies		-	-
Gain on sale of securities	22	297,159	817,777
Unrealised (loss) / gain on revaluation of 'held-for-trading' securities	9.4	(880)	938
Share in results of associates - net		563,802	841,437
Other income	23	21,982	18,345
Total non mark-up / interest income		1,038,674	1,821,169
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	24	411,259	314,860
Other provisions / write offs		-	-
Other charges	25	1,149	203
Total non mark-up / interest expenses		412,408	315,063
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,321,877	1,404,254
Taxation			
- Current	26	176,089	318,763
- Prior years		-	-
- Deferred	26	177,056	(143,850)
		353,145	174,913
PROFIT AFTER TAXATION		968,732	1,229,341
Accumulated profit / (loss) brought forward		1,649,279	(3,142,880)
Accumulated profit / (loss) carried forward		2,618,011	(1,913,539)
Basic earnings per share (On share of Rs. 25,000 each)	27	4,036	5,122
Diluted earnings per share (On share of Rs. 25,000 each)	28	4,036	5,122

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 Deputy General Manager / Chief Financial Officer

Director

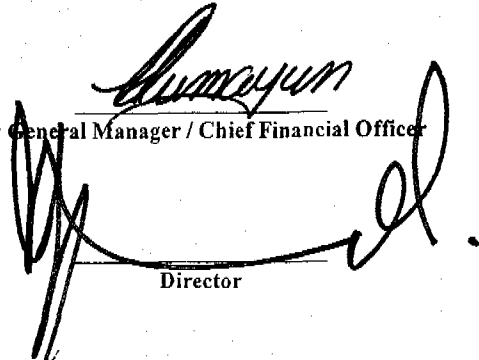

 Chief Executive

Director

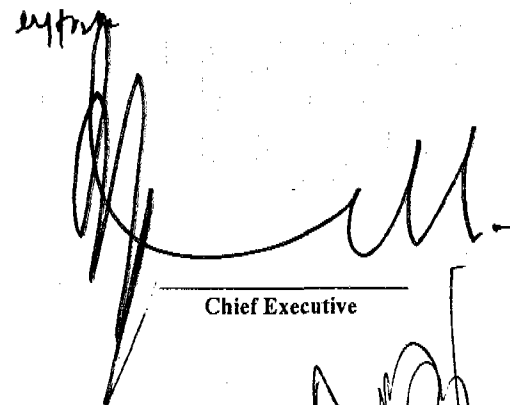
Pakistan Kuwait Investment Company (Private) Limited
 Consolidated Statement of Changes in Equity
 For the year ended December 31, 2010

	Share capital	Reserves		Accumulated profit/ (loss)	Total
		Statutory	Revenue		
(Rupees in '000)					
Balance as at December 31, 2008	6,000,000	3,288,822	3,158,890	(3,142,880)	9,304,832
Profit for the year ended December 31, 2009	-	-	-	1,229,341	1,229,341
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	1,229,341	1,229,341
Transfer from contingencies reserve to accumulated loss	-	-	(274,837)	274,837	-
Transfer from marketable and government securities reserve to accumulated loss	-	-	(2,884,053)	2,884,053	-
Transfer to statutory reserve	-	103,273	-	(103,273)	-
Transfer from statutory reserve to accumulated loss	-	(507,201)	-	507,201	-
Balance as at December 31, 2009	6,000,000	2,884,894	-	1,649,279	10,534,173
Profit for the year ended December 31, 2010	-	-	-	968,732	968,732
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	968,732	968,732
Transfer to statutory reserve	-	107,393	-	(107,393)	-
Balance as at December 31, 2010	6,000,000	2,992,287	-	2,510,618	11,502,905

The annexed notes 1 to 41 and annexure I, II and III form an integral part of these financial statements.


 Deputy General Manager / Chief Financial Officer

Director


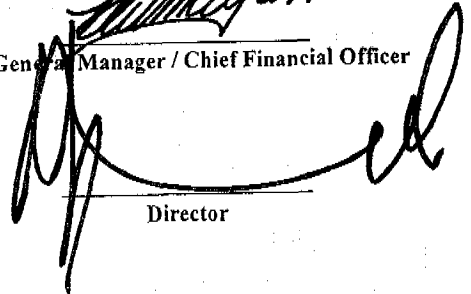

 Chief Executive

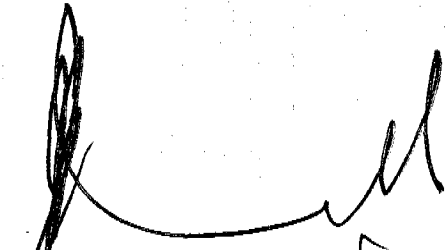
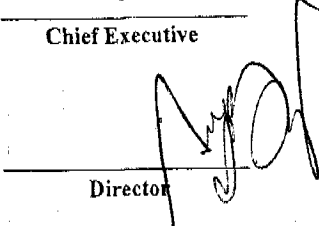
Director

Pakistan Kuwait Investment Company (Private) Limited
 Consolidated Statement of Changes in Equity
 For the year ended December 31, 2010

	Share capital	Reserves		Accumulated profit/ (loss)	Total
		Statutory	Revenue		
(Rupees in '000)					
Balance as at December 31, 2008	6,000,000	3,288,822	3,158,890	(3,142,880)	9,304,832
Profit for the year ended December 31, 2009	-	-	-	1,229,341	1,229,341
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	1,229,341	1,229,341
Transfer from contingencies reserve to accumulated loss	-	-	(274,837)	274,837	-
Transfer from marketable and government securities reserve to accumulated loss	-	-	(2,884,053)	2,884,053	-
Transfer to statutory reserve	-	103,273	-	(103,273)	-
Transfer from statutory reserve to accumulated loss	-	(507,201)	-	507,201	-
Balance as at December 31, 2009	6,000,000	2,884,894	-	1,649,279	10,534,173
Profit for the year ended December 31, 2010	-	-	-	968,732	968,732
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	968,732	968,732
Transfer to statutory reserve	-	107,393	-	(107,393)	-
Balance as at December 31, 2010	6,000,000	2,992,287	-	2,510,618	11,502,905

The annexed notes 1 to 41 and annexure I, II and III form an integral part of these financial statements.


 Deputy General Manager / Chief Financial Officer

 Director

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 Chief Executive

 Director

Pakistan Kuwait Investment Company (Private) Limited

Consolidated Cash Flow Statement

For the year ended December 31, 2010

Note	2010 (Rupees in '000)	2009
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,321,877	1,404,254
Less: Dividend income	<u>(148,754)</u>	<u>(136,543)</u>
	1,173,123	1,267,711
Adjustments for:		
Depreciation	14,067	11,885
Amortisation	513	40
Provision against non-performing advances	24,959	527,226
(Reversal of provision) against lending to financial institutions	(129,178)	-
Provision for diminution / impairment in the value of investments	67,119	189,093
Gain on sale of operating fixed assets	(4,395)	(1,106)
Share in results of associates - net	(563,802)	(841,437)
Unrealised loss / (gain) on revaluation of 'held-for-trading' securities	880	(938)
	<u>(589,837)</u>	<u>(115,237)</u>
	583,286	1,152,474
Decrease / (increase) in operating assets		
Lendings to financial institutions	557,805	(300,000)
'Held-for-trading' securities	203,496	(118,483)
Advances	(1,386,707)	(775,733)
Others assets (excluding advance taxation)	71,763	(147,877)
	<u>(553,643)</u>	<u>(1,342,093)</u>
(Decrease) / increase in operating liabilities		
Borrowings	(570,503)	4,007,090
Deposits	(937,439)	4,038,451
Other liabilities (excluding current taxation)	(113,902)	164,808
	<u>(1,621,844)</u>	<u>8,210,349</u>
	(1,592,201)	8,020,730
Income tax paid	(744,620)	(542,510)
Net cash (outflow) / inflow from operating activities	<u>(2,336,821)</u>	<u>7,478,220</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in 'available-for-sale' securities / subsidiaries	1,607,397	(8,499,104)
Dividend income	253,372	152,896
Investment in operating fixed assets	(29,545)	(18,240)
Sale proceeds from sale of operating fixed assets	31,363	3,293
Net cash inflow / (outflow) from investing activities	<u>1,862,587</u>	<u>(8,361,155)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash used in financing activities		
Decrease in cash and cash equivalents	(474,234)	(882,935)
Cash and cash equivalents at beginning of the year	1,935,346	2,818,281
Cash and cash equivalents at end of the year	<u>1,461,112</u>	<u>1,935,346</u>

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Deputy General Manager / Chief Financial Officer

Director

Chief Executive

Director

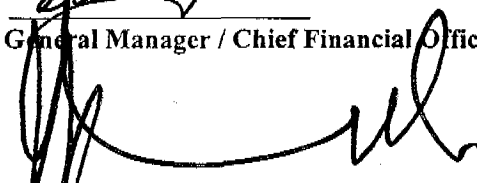
Pakistan Kuwait Investment Company (Private) Limited
 Consolidated Statement of Comprehensive Income
 For the year ended December 31, 2010


	2010	2009
	(Rupees in '000)	
Profit for the year	968,732	1,229,341
Other comprehensive income	-	-
Comprehensive income transferred to equity	968,732	1,229,341
Component of comprehensive income not transferred to equity		
Surplus on revaluation of 'available-for-sale' securities- net of tax	18,498	280,227
Total comprehensive income	987,230	1,509,568

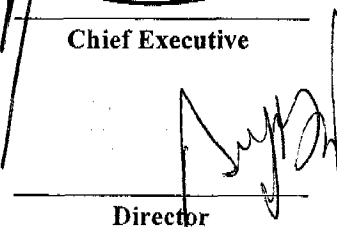
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up to date


 Deputy General Manager / Chief Financial Officer


 Director


 Chief Executive


 Director

Pakistan Kuwait Investment Company (Private) Limited
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended December 31, 2010

1. STATUS AND NATURE OF BUSINESS

Pakistan Kuwait Investment Company (Private) Limited ("the holding company") was incorporated in Pakistan as a Private Limited Company on March 17, 1979. The registered office is situated at 4th Floor, Block 'C', Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The holding company is a 50:50 joint venture between the Governments of Pakistan and Kuwait. The objective of the holding company is to profitably promote industrial investments in Pakistan.

The Group has two 100% owned subsidiaries, First Choice Securities Limited (FCSL) and Pak Kuwait Financial Services Limited (PKFSL). FCSL principal business includes equity brokerage, money market and foreign exchange brokerage, equity research and corporate financial advisory services. The principal business of PKFSL was to provide assets management services. FCSL has not started its operations, while PKFSL has applied for liquidation by opting Easy Exit Scheme of Securities and Exchange Commission of Pakistan (SECP). The Company has its representative offices in Islamabad and Lahore.

The Group's associates are as follows:

Entity / Fund	Nature of Business	Percentage holding	
		2010	2009
Meezan Bank Limited (MBL)	Scheduled Islamic Commercial Bank engaged in commercial, consumer and investment banking activities	30.00	30.00
Plexus (Private) Limited	Business of development and export of IT enabled services and internet solution	50.00	50.00
Pak Kuwait Takaful Company Limited (PKTCL)	To undertake Takaful (insurance) business	30.00	30.00
Falcon Greenwood (Private) Limited (FGL)	Engaged in business of real estate	25.45	25.45
The General Tyre and Rubber Company of Pakistan Limited (GTR)	Manufacturing of tyres and tubes for automobiles	28.06	28.06
Al Meezan Investment Management Limited (AMIML)	Investment advisory, portfolio management, equity research, under-writing and corporate finance	30.00	30.00
Al Meezan Mutual Fund Limited (AMMFL)*	Closed end mutual fund. Formed under the Investment Companies and Investment Advisor Rules, 1971.	12.28	12.28
Meezan Balanced Fund (MBF)*	Closed-end scheme established under a trust deed executed between AMIML as the investment advisor and the Central Depository holding company of Pakistan Limited (CDC) as the trustee	9.21	9.21

Signature

Entity / Fund	Nature of Business	Percentage holding	
National Clearing Company Limited (NCCL)*	Business of clearing and settlement of securities through the National Clearing and Settlement System (NCSS)	17.65	17.65
National Commodity Exchange Limited (NCEL)*	Operations of Commodity exchange and market place for commodities future contracts	5.26	9.09

All of the associates are incorporated in Pakistan.

*These have been treated as associates due to Group's representation on their Board of Directors.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the requirements of the format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006 and BSD Circular letter No. 07, dated 20 April 2010.

3. STATEMENT OF COMPLIANCE

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

The SBP through its BSD Circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Accordingly, the requirements of these International Accounting Standards (IASs) and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis as modified for revaluation of certain investments at market rates in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004 as amended through BSD Circular No. 11 dated August 04, 2004 and BSD Circular No. 14 dated September 24, 2004.

The financial statements are presented in Pakistan Rupees which is Group's functional currency.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of Consolidation

5.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. This in general is evidenced when the company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of the subsidiaries are prepared, using consistent accounting policies, for the same reporting year except for PKFSL, the audited financials of which as at 28 October 2010 (i.e. the date of application of liquidation) have been considered for the purpose of consolidation. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases.

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5.1.2 Associates

Associates are those entities in which the Group has significant influence, but does not have control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligation.

5.1.3 Transactions eliminated on consolidation

Intra group balances and any unrealized gains and losses or income and expenses arising from intra group transactions are eliminated in preparing consolidated financial statements.

5.2 Standards, Interpretations and Amendments Effective in Current year

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

The Group has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 – Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions

IFRS 3 – Business Combinations (Revised)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IFRIC 17 - Distributions of Non-cash Assets to owners

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

5.3 Accounting Standards Not Yet Effective

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

Standard or Interpretation	Effective date (accounting periods) beginning
IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	01 February 2010
IAS 24 - Related Party Disclosures (Revised)	01 January 2011
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

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

Signature

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Group expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

5.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury and other banks in current and deposit account.

5.5 Repurchase/resale agreements

The holding company enters into securitised borrowing transactions of repurchase agreements (Repos) and reverse repurchase agreements (Reverse repos) at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase agreement

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

Purchase under resale agreement

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these agreements are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repos agreement.

5.6 Investments

The Group classifies its investments other than those in associates as 'Available-for-sale', 'Held-for-trading' and 'Held-to-maturity', based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated July 13, 2004, August 04, 2004 and September 24, 2004 respectively.

Investments in government securities and quoted investments, categorised as 'held-for-trading' and 'available-for-sale' are valued at rates quoted on PKRV (Reuters Page) and market prices as at the balance sheet date respectively. Any surplus or deficit other than impairment arising as a result of revaluation of securities categorised as 'held-for-trading' is taken to profit and loss account and that of 'available-for-sale' is taken to the balance sheet, and shown below equity.

Furthermore, investments classified as 'held-to-maturity' are stated at their amortised cost.

Unquoted investments are stated at lower of cost and break-up value based on latest available financial statements.

Impairment loss is recognised whenever the carrying amount of an investment exceeds its recoverable amount. An impairment loss is recognised in income currently. Profit and loss on sale of investments during the year is included in income currently.

Premium or discount on acquisition of government securities is amortised over the period to maturity under effective interest method.

Companies where there are common directors but the Group does not have significant influence are classified as 'Investment in associated undertakings'. These are stated in accordance with their classification either as 'held-for-trading' or 'available-for-sale' securities.

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5.7 Trade date accounting

All purchase and sale of investment that require delivery within the time frame established by regulations or market convention are recognized at trade date. Trade date is a date on which the Group commits to purchase and sell the investments.

5.8 Advances including net investment in finance leases

Advances are stated net of provision for doubtful debts. Provision for doubtful debts is determined on the basis of 'Prudential Regulations' issued by the State Bank of Pakistan and Credit policy of the holding company. The provision is charged to the profit and loss account.

Advances are written off when there are no realistic prospects of recovery.

Leases, where substantially all risks and rewards incidental to ownership of an asset are transferred to the lessee, are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

5.9 Operating fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss (if any) except leasehold land which is stated at cost.

Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged in the month of purchase and no depreciation is charged in the month of disposal. Depreciation is charged at the rates stated in Note 11.1.

Maintenance and normal repairs are charged to income as and when incurred.

Profit or loss on the sale or retirement of fixed assets is included in income currently.

5.10 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortization and accumulated impairment loss (if any). Amortization is charged by the holding company on a straight line basis over their estimated useful lives.

5.11 Revenue recognition

- i) Dividend income is recognised when the Group's right to receive payment is established.
- ii) Income from loans, term finance certificates, debentures, bank deposits, government securities and reverse repo transactions is recognised under effective interest method, except where recovery is considered doubtful, the income is recognised on receipt basis.
- iii) The Group follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.
- iv) Gain on sale of securities is recognised at the time of sale of relevant securities.
- v) Advisory income is recognised as the services are rendered.
- vi) Brokerage, commission, advisory fees and other income of FCSL are accrued as and when due. Interest income is recognised on a time proportion basis taking into account effective yield on the asset.

Signature

5.12 Taxation

Current

The charge for current taxation of the Group is based on taxable income at the current rates of taxation after taking into account the tax credits and tax rebates available, if any and any adjustments to any tax payable relating to prior years.

Deferred

The Group accounts for deferred taxation using the balance sheet liability method providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5.13 Staff retirement benefits

Defined benefit plan

The holding company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. Actuarial gains or losses in excess of 10% of the actuarial liability or plan assets are recognised over the expected average working life of the employees.

The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2010.

Defined contribution plan

The holding company also operates a recognised 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 the basic salary. Effective October 2010, monthly contributions are made on the basis of Salary.

5.14 Employees' compensated absences

Liability in respect of employees' compensated absences is recognised on the basis of actuarial valuation and is accounted for in the period in which these are earned. The actuarial valuation is carried out using 'Projected unit credit method'.

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2010.

5.15 Derivative financial instruments

Derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The gain or loss on remeasurement to fair value is recognised in profit and loss account.

5.16 Impairment

The carrying amount of the assets, other than deferred tax asset and investments, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

5.17 Foreign currency

Foreign currency transactions are recorded at the rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currency are reported in Pakistan Rupees at the rates of exchange prevailing on the balance sheet date. Exchange gains and losses are included in income currently.

5.18 Off-setting of financial assets and financial liabilities

'Financial assets' and 'financial liabilities' are only offset and the net amount is reported in the balance sheet if the Group has a legal right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5.19 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by weighted average number of ordinary shares outstanding during the year.

5.20 Segment information

A segment is distinguishable component of the Group that is engaged in providing products 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. The Group's primary format of reporting is based on business segments.

Business segments

Following are the main segments of the Group:

Corporate Finance	Includes loans, advances, leases and other transactions with corporate customers.
Treasury	Undertakes holding company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the holding company.
Capital Market	Includes trading in listed securities with a view to trade and earn the benefit of market fluctuations and to hold securities for dividend income and capital gain.
Investment Banking	Undertakes advisory services including mergers and acquisitions, listed debt syndication, trustee activities and other investment banking activities.

Geographical segments

All the Group's business segments operate in Pakistan only.

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5.21 Accounting Estimates and Judgement

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgements about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 39.

6	CASH AND BALANCES WITH TREASURY BANKS	Note	2010 (Rupees in '000)	2009
	Cash in hand in local currency		60	30
	With State Bank of Pakistan in local currency current account	6.1	51,131	92,300
	With National Bank of Pakistan in local currency current account		233	182
			<u>51,424</u>	<u>92,512</u>

6.1 This includes Rs.43 million (2009: Rs.80 million) held as minimum cash reserve required to be maintained with the SBP in accordance with its requirements issued from time to time. The balance amount is available to the holding company for its operation.

7	BALANCES WITH OTHER BANKS	Note	2010 (Rupees in '000)	2009
	In Pakistan			
	- current account		35,290	9,452
	- deposit account	7.1	1,374,398	1,833,382
			<u>1,409,688</u>	<u>1,842,834</u>

7.1 This includes placements of Rs. 1,350 million (2009: Rs. 1,700 million). The return on these placements ranges between 13.99 and 14.00 (2009: 11.50 and 13.0) percent per annum and the placements mature between 28 days and 88 days (2009: 15 days and 81 days).

8	LENDINGS TO FINANCIAL INSTITUTIONS	Note	2010 (Rupees in '000)	2009
	Certificates of investment (COIs) in local currency	8.1	270,822	950,000
	Provision against COI	8.2	(20,822)	(150,000)
			<u>250,000</u>	<u>800,000</u>

8.1 The return on the COI is 14.25 (2009: 12.61 to 12.75) percent per annum and are due for maturity by March 24, 2011 (2009: March 11, 2010).

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8.2 This represents provision against clean lending under COI to an investment bank. The lending was made on September 20, 2008 and matured on December 20, 2008. On maturity the investment bank was unable to repay and the holding company had initiated legal proceedings for recovery of the outstanding amount. Based on the principle of prudence the holding company had fully provided the amount.

During the year, the holding company recovered Rs. 129.178 million in the form of property valuing Rs. 121.373 million and the balance amount in cash. The balance amount will be received in fourteen monthly installments in 2011 and 2012.

8.3 The holding company does not hold any securities as collateral against lendings to financial institutions.

9 INVESTMENTS

9.1 Investments by type

Note	2010			2009		
	Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
	(Rupees in '000)					
Held-for-trading securities						
Shares of listed companies	36,592	-	36,592	189,068	-	189,068
Pakistan investment bonds	-	-	-	49,202	-	49,202
Available-for-sale securities						
Market treasury bills	3,547,284	5,008,370	8,555,654	2,394,775	8,077,406	10,472,181
Pakistan investment bonds	449,199	1,175,573	1,624,772	1,670,908	-	1,670,908
Shares of listed companies	1,921,789	-	1,921,789	1,866,808	-	1,866,808
Shares of unlisted companies	125,122	-	125,122	119,968	-	119,968
Listed preference shares	93,399	-	93,399	93,489	-	93,489
Listed term finance certificates	153,687	-	153,687	364,765	-	364,765
Unlisted term finance certificates	458,598	-	458,598	136,111	-	136,111
	6,749,078	6,183,943	12,933,021	6,646,824	8,077,406	14,724,230
Associates	4,587,944	-	4,587,944	4,111,632	-	4,111,632
Total investments - at cost	11,373,614	6,183,943	17,557,557	10,996,726	8,077,406	19,074,132
Provision for diminution / impairment in the value of investments	9.3 & 39.3 (190,203)	-	(190,203)	(306,017)	-	(306,017)
Total investments - net of provisions	11,183,411	6,183,943	17,367,354	10,690,709	8,077,406	18,768,115
Surplus / (deficit) on revaluation of 'held-for-trading' securities	9.4 (880)	-	(880)	938	-	938
Surplus / (deficit) on revaluation of 'available-for-sale' securities	275,084	(119,978)	155,106	175,002	(14,017)	160,985
Total investments at market value	11,457,615	6,063,965	17,521,580	10,866,649	8,063,389	18,930,038

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9.2 Investments by segments	Note	2010 (Rupees in '000)	2009 (Rupees in '000)
Federal Government Securities			
- Market treasury bills	9.2.1	8,555,654	10,472,181
- Pakistan investment bonds	9.2.2	1,624,772	1,720,110
Fully paid up Ordinary Shares			
- Listed companies		1,958,381	2,055,876
- Unlisted companies	9.2.3	125,122	119,968
		2,083,503	2,175,844
Preference Shares			
- Listed companies		93,399	93,489
Term Finance Certificates (TFCs)			
- Listed TFCs		153,687	364,765
- Unlisted TFCs		458,598	136,111
		612,285	500,876
Investments in Associates	9.2.3 & 9.2.4	4,587,944	4,111,632
Total investments - at cost		17,557,557	19,074,132
Provision for diminution / impairment in the value of investments	9.3 & 39.3	(190,203)	(306,017)
Total investments - net of provisions		17,367,354	18,768,115
Surplus / (deficit) on revaluation of 'held-for-trading' securities	9.4	(880)	938
Surplus / (deficit) on revaluation of 'available-for-sale' securities		155,106	160,985
		154,226	161,923
Total investments		17,521,580	18,930,038

9.2.1 The investments in market treasury bills are maturing between 13 January 2011 and 16 June 2011 (2009: 28 January 2010 and 7 October 2010) and the effective interest ranges between 12.20 and 12.41 percent per annum (2009: 11.20 and 13.30 percent per annum).

9.2.2 The investments in Pakistan investment bonds are maturing between 30 August 2013 and 03 September 2019 (2009: 30 August 2013 and 03 September 2019) and the effective interest ranges between 11.45 and 13.18 percent per annum (2009: 11.45 and 13.18 percent per annum).

9.2.3 The investments also include Faysal Management Services (Private) Limited and Al-Meezan Investment Management Limited which can be sold only with prior permission of SECP.

9.2.4 Investments in associates includes shares of Meezan Bank Limited costing Rs. 1,520 million and market value of Rs. 3,540 million (2009: Cost Rs. 1,520 million, market value Rs.3,140 million) which are held as strategic investment in terms of Prudential Regulation applicable to Corporate / Commercial Banking which can be sold only with prior permission of SBP.

9.3 Particulars for impairment / diminution in the value of investments	2010 (Rupees in '000)	2009 (Rupees in '000)
Opening balance	306,017	4,026,046
Charge for the year	67,119	189,093
Reversals	(182,933)	(3,909,122)
	(115,814)	(3,720,029)
Closing balance	190,203	306,017
9.3.1 Particulars of provision in respect of type and segment		
'Available-for-sale' securities	190,203	306,017
	190,203	306,017
9.4 Unrealized (loss) / gain on revaluation of 'held-for-trading' securities		
Federal government securities	-	(901)
Fully paid up ordinary shares	(880)	1,839
	(880)	938

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9.5 Information relating to quality of 'available-for-sale' securities and investments in shares of listed and unlisted companies, redeemable capital required to be disclosed as part of the financial statements under the SBP's BSD Circular No. 4 dated February 17, 2006, are given in Annexure "I" and "II", which are an integral part of these financial statements.

9.6 Summary of financial information of associates

Associates	Accounting date	Assets	Liabilities	Equity	Revenue	Profit / (loss)
(Rupees in '000)						
2010						
Meezan Bank Limited	30-Sep-10	144,758,246	133,400,626	11,357,620	9,037,744	1,109,948
Plexus (Private) Limited	31-Dec-09	15,980	7,146	8,834	9,368	(2,100)
Pak Kuwait Takaful Company Limited	30-Sep-10	598,847	165,078	433,769	173,510	46,055
Falcon Green Wood (Private) Limited	30-Jun-08	706,750	38,006	668,744	-	8,044
The General Tyre & Rubber Company of Pakistan Limited	30-Sep-10	4,910,128	3,681,379	1,228,749	1,393,328	17,622
Al Meezan Investment Management Limited	30-Sep-10	1,226,945	318,756	908,189	68,291	40,143
Al Meezan Mutual Fund Limited	31-Dec-10	1,649,358	12,680	1,636,678	111,497	170,155
Meezan Balanced Fund	31-Dec-10	1,432,776	19,401	1,413,375	92,174	104,233
National Clearing Company of Pakistan Limited	30-Sep-10	753,253	388,291	364,962	21,402	(4,042)
National Commodity Exchange Limited	30-Sep-10	338,811	473,332	(134,521)	11,818	(11,974)

The above information is based on latest available financial statements.

2009

Meezan Bank Limited	30-Sep-09	109,406,789	99,467,933	9,938,856	8,557,909	1,350,173
Plexus (Private) Limited	31-Dec-09	15,980	7,146	8,834	9,368	(2,100)
Pak Kuwait Takaful Company Limited	30-Sep-09	400,564	168,560	232,004	243,708	44,112
Falcon Green Wood (Private) Limited	30-Jun-08	706,750	38,006	668,744	-	8,044
The General Tyre & Rubber Company of Pakistan Limited	30-Sep-09	4,020,773	2,841,284	1,179,489	1,335,278	67,145
Al Meezan Investment Management Limited	31-Dec-09	1,024,064	221,509	802,555	265,384	149,064
Al Meezan Mutual Fund Limited	31-Dec-09	1,420,456	24,235	1,396,221	386,280	369,113
Meezan Balanced Fund	31-Dec-09	1,278,539	38,057	1,240,482	247,130	226,138
National Clearing Company of Pakistan Limited	30-Sep-09	901,913	505,541	396,372	47,895	2,274
National Commodity Exchange Limited	30-Jun-09	176,126	312,399	(136,273)	25,186	(120,702)

Note
2010
2009
(Rupees in '000)

10 ADVANCES

In Pakistan

Advances		4,735,906	3,744,176
Net investment in finance leases	10.2	1,653,899	1,258,922
		<u>6,389,805</u>	<u>5,003,098</u>
Provision for non-performing advances	10.4	(1,420,615)	(1,395,656)
Advances net of provision		<u>4,969,190</u>	<u>3,607,442</u>

10.1 Particulars of gross advances

In local currency		<u>6,389,805</u>	<u>5,003,098</u>
Short term (for upto one year)		2,145,421	1,377,787
Long term (for over one year)		<u>4,244,384</u>	<u>3,625,311</u>
		<u>6,389,805</u>	<u>5,003,098</u>

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10.2 Net investment in finance leases

	2010				2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
(Rupees in '000)								
Lease rentals receivable	907,442	1,006,845	47,850	1,962,137	822,024	535,759	34,428	1,392,211
Residual value	56,888	63,747	1,878	122,513	58,223	51,289	-	109,512
Minimum lease payments	964,330	1,070,592	49,728	2,084,650	880,247	587,048	34,428	1,501,723
Financial charges for future periods	216,208	213,801	742	430,751	145,566	90,443	6,792	242,801
Present value of minimum lease payments	748,122	856,791	48,986	1,653,899	734,681	496,605	27,636	1,258,922

10.2.1 The holding company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2020 and are subject to finance income at rates ranging between 7.0 and 21.83 (2009: 7.0 and 21.83) percent per annum.

10.2.2 In respect of the aforementioned finance leases the holding company holds an aggregate sum of Rs. 100.154 million (2009: Rs. 99.735 million) as security deposits on behalf of the lessees which are included under other liabilities (note 16).

10.3 Advances include Rs. 1,648.540 million (2009: Rs 1,693.697 million) which have been placed under non-performing status as detailed below:

Category of classification	2010			2009		
	Classified Advances	Provision Required	Provision Held	Classified Advances	Provision Required	Provision Held
(Rupees in '000)						
Substandard	121,725	30,431	30,431	235,389	58,847	58,847
Doubtful	273,263	136,631	136,631	242,999	121,500	121,500
Loss	1,253,552	1,253,553	1,253,553	1,215,309	1,215,309	1,215,309
	1,648,540	1,420,615	1,420,615	1,693,697	1,395,656	1,395,656

10.4 Particulars of provision against non-performing advances - specific

	2010	2009
	(Rupees in '000)	
Opening balance	1,395,656	910,181
Charge for the year	87,089	598,945
Reversals	(62,130)	(71,719)
	24,959	527,226
Amounts written off	-	(41,751)
Closing balance	1,420,615	1,395,656

10.5 Local currency
Foreign currency

Local currency	1,420,615	1,395,656
Foreign currency	-	-
	1,420,615	1,395,656

10.6 Particulars of write offs

10.6.1 Against provisions

Against provisions	-	41,751
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10.6.2 Write offs of Rs. 500,000 and above
Write offs of below Rs. 500,000

Write offs of Rs. 500,000 and above	-	39,079
Write offs of below Rs. 500,000	-	2,672
	-	41,751

10.7 The statement in respect of written off loans or any financial relief of five hundred thousand rupees or above allowed to persons during the year ended 31 December 2010 is given in Annexure III.

10.8 Particulars of loans and advances to directors and associated companies

2010 2009
(Rupees in '000)

Debts due by directors, executives and officers of the holding company or any of them severally or jointly with any other persons

Balance at beginning of the year

Balance at beginning of the year	-	12,500
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Repayments

Repayments	-	(12,500)
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Balance at end of the year

Balance at end of the year	-	-
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	Note	2010 (Rupees in '000)	2009
11 OPERATING FIXED ASSETS			
Property and equipment	11.1	215,811	110,906
Capital work in progress	11.2	2,350	2,350
Intangible assets	11.3	42,575	38,110
		<u>260,736</u>	<u>151,366</u>

11.1 Property and equipment

	2010						Net book value as at December 31, 2010	Rate of depreciation %	
	Cost			Depreciation					
	As at January 1, 2010	Additions / transfers/ (disposals)	As at December 31, 2010	As at January 1, 2010	Charge / (disposals)	Transfers			
	(Rupees in '000)								
Leasehold land	100	-	100	-	-	-	100		
Building on lease hold land	112,149	121,373	233,522	30,992	3,348	-	34,340	2.50	
Furniture and fixtures	23,318	(13,134)	10,184	22,977	145	-	9,988	20.00	
Motor vehicles	67,333	14,752 (61,804)	20,281	40,526	7,164 (34,836)	-	12,854	20.00	
Office equipment	34,806	9,761 (5,821)	38,746	32,402	3,338 (5,821)	-	29,919	33.33	
Electrical appliances	3,051	54 (1,133)	1,972	2,954	72 (1,133)	-	1,893	20.00	
	<u>240,757</u>	<u>145,940</u> <u>(81,892)</u>	<u>304,805</u>	<u>129,851</u>	<u>14,067</u> <u>(54,924)</u>	<u>-</u>	<u>88,994</u>	<u>215,811</u>	

	2009						Net book value as at December 31, 2009	Rate of depreciation %	
	Cost			Depreciation					
	As at January 1, 2009	Additions / transfers/ (disposals)	As at December 31, 2009	As at January 1, 2009	Charge / (disposals)	Transfers			
	(Rupees in '000)								
Leasehold land	100	-	100	-	-	-	100		
Building on lease hold land	112,149	-	112,149	28,186	2,806	-	30,992	2.50	
Furniture and fixtures	31,254	171 (8,107)	23,318	29,643	339 (6,649)	(356)	22,977	20.00	
Motor vehicles	65,808	15,846 (14,321)	67,333	46,755	7,219 (13,448)	-	40,526	20.00	
Office equipment	32,833	2,160 (187)	34,806	31,001	1,316 (185)	270	32,402	33.33	
Electrical appliances	4,931	109 (1,989)	3,051	4,352	205 (1,689)	86	2,954	20.00	
	<u>247,075</u>	<u>18,286</u> <u>(24,604)</u>	<u>240,757</u>	<u>139,937</u>	<u>11,885</u> <u>(21,971)</u>	<u>-</u>	<u>129,851</u>	<u>110,906</u>	

11.1.1 Included in cost of property and equipment are fully depreciated items still in use having cost of:

	2010 (Rupees in '000)
Furniture and fixture	9,828
Motor vehicles	9,148
Office equipment	26,882
Electrical appliances	1,746

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11.1.2 Details of disposals of fixed assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 which ever is less and assets disposed off to the chief executive or to a director or to executives or to any related party, irrespective of the value, are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particular of purchaser
------(Rupees in '000)-----						
Motor vehicles						
Honda Civic	1,245	1,245	-	748	Auction	Mr. Zahid Qadri
Kia Sportage	1,549	1,549	-	600	Auction	Mr. Zeeshan Tariq
Honda Accord	1,861	1,861	-	-	Surrendered	Custom Authority
Honda Accord	2,221	2,221	-	-	Surrendered	Custom Authority
Toyota Crown	1,574	1,574	-	-	Surrendered	Custom Authority
Toyota Corolla	1,209	1,190	19	121	Company Policy	Mr. Tasnimul Haq Farooqui (Former Employee)
Honda Civic	1,564	885	679	679	Company Policy	Mr. Mujahid Hussain Naqvi (Former Employee)
Suzuki Cultus	560	560	-	56	Company policy	Syed Sharique Farid (Employee)
Suzuki Cultus	560	560	-	56	Company policy	Mr. Naeem Abdul Sattar (Employee)
Suzuki Cultus	560	560	-	56	Company policy	Syed Ehtesham Mukhtar (Employee)
Toyota Corolla	879	879	-	-	Company policy	Mr. Muhammad Inam (Employee)
Honda City	846	730	116	116	Company policy	Ms. Ishret Ispahany (Employee)
Suzuki Cultus	560	483	77	77	Company policy	Mr. Malik Mansoor (Employee)
Toyota Corolla	879	745	134	134	Company policy	Mr. Aamir Ali Zaidi (Employee)
Suzuki Cultus	560	474	86	86	Company policy	Mr. Shamim Ahmed (Employee)
Suzuki Cultus	560	474	86	86	Company policy	Mr. Muhammad Jawed (Employee)
Suzuki Cultus	560	474	86	86	Company policy	Syed Hussain Ali (Employee)
Suzuki Cultus	560	410	150	150	Company policy	Mr. Umar Farooq (Employee)
Suzuki Cultus	560	400	160	160	Company policy	Mr. Mustafa Zaheer (Employee)
Toyota Corolla	969	685	284	284	Company policy	Ms. Rukhsana Moghal (Former Employee)
Toyota Corolla	969	685	284	284	Company policy	Mr. Atif Anwer (Employee)
Honda Civic	1,390	963	427	427	Company policy	Mr. Rana Ahmed Humayun (Employee)
Honda Civic	1,390	963	427	427	Company policy	Ms. Sadia Muzaffar (Employee)
Toyota Corolla	969	672	297	297	Company policy	Mr. Zubair Mumtaz (Former Employee)
Toyota Corolla	1,005	690	315	315	Company policy	Syed Khurshid Anwar (Employee)
Honda Civic	1,390	954	436	436	Company policy	Mr. Imran Amin (Employee)
Honda Civic	1,429	971	457	457	Company policy	Mr. Mazhar Sharif (Employee)
Suzuki Cultus	590	398	192	192	Company policy	Mr. Ali Akbar (Employee)
Honda Civic	1,429	954	474	474	Company policy	Syed Ehsan Ahmed (Employee)
Suzuki Cultus	576	313	263	263	Company policy	Mr. Inam-ur-Rahman (Employee)
Toyota Corolla	1,014	530	484	484	Company policy	Ms. Farah Akber (Employee)
Toyota Corolla	1,014	530	484	484	Company policy	Mr. Sarfaraz Salik (Employee)
Suzuki Cultus	606	310	296	296	Company policy	Mr. Omer Azim (Employee)
Suzuki Cultus	606	310	296	296	Company policy	Syed Zafar Gardezi (Employee)
Honda Civic	1,775	860	915	915	Company policy	Mr. Nabil Daud ur Rahman (Employee)
Toyota Corolla	1,389	417	972	972	Company policy	Mr. Samiullah Tariq (Employee)
Honda Civic	1,850	555	1,295	1,295	Company policy	Mr. Faisal Khan (Employee)
Honda Civic	1,744	523	1,221	1,221	Company policy	Ms. Shabnam Ansari (Employee)
Suzuki Cultus	755	189	566	566	Company policy	Syed Aquib Hashmi (Employee)
Suzuki Cultus	755	189	566	566	Company policy	Mr. Mohammad Rais (Employee)
Suzuki Cultus	755	189	566	566	Company policy	Mr. Salman Khan (Employee)
Toyota Corolla	1,354	293	1,061	1,061	Company policy	Mr. Muhammad Haris (Employee)
Toyota Corolla	1,354	293	1,061	1,061	Company policy	Mr. Ahmed Abdulla (Employee)
Suzuki Cultus	755	151	604	604	Company policy	Mr. Fahad Adil (Employee)
Suzuki Cultus	750	150	600	600	Company policy	Mr. Zafar Ahmad (Employee)
Toyota Corolla	1,354	226	1,128	1,128	Company policy	Mr. Aurangzeb Amin (Employee)
Suzuki Cultus	795	106	689	689	Company policy	Syed Ali Abid (Employee)
Suzuki Cultus	810	54	756	756	Company policy	Mr. Mohammad Farooq (Employee)
Suzuki Cultus	810	54	756	756	Company policy	Syed Sharique Farid (Employee)
Toyota Corolla	1,784	119	1,665	1,665	Company policy	Mr. Tauseef Ansari (Employee)
Toyota Corolla	1,414	71	1,343	1,343	Company policy	Mr. Naeem Abdul Sattar (Employee)
Toyota Corolla	1,414	71	1,343	1,343	Company policy	Syed Ehtesham Mukhtar (Employee)
Toyota Corolla	1,426	-	1,426	1,426	Company policy	Mr. Muhammad Inam (Employee)
Toyota Corolla	1,426	-	1,426	1,426	Company policy	Mr. Umer Rasool (Employee)

During the year, due to monetization of the employee benefits by the holding company, motor vehicles were disposed off at book values to the respective employees.

11.2 Capital work-in-progress

2010 2009
(Rupees in '000)

Advance for purchase of room

2,350 2,350

The above comprise of advance in respect of a room at National Commodity Exchange Limited and the possession of the room has not yet been given in the name of the subsidiary company. The company is pursuing the transfer of room in its name and considers that the fair value of advance is higher than the carrying value.

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11.3 Intangible assets

	2010							Rate of amortization %
	Cost			Amortization		Net book value as at December 31, 2010		
	As at January 1, 2010	Additions / (disposals)	As at December 31, 2010	As at January 1, 2010	Charge / (disposals)		As at December 31, 2010	
(Rupees in '000)								
Software	400	4,978	5,378	40	513	553	4,825	20
KSE (Guarantee) Limited Card	34,750	-	34,750	-	-	-	34,750	-
NCEL Card	3,000	-	3,000	-	-	-	3,000	-
	<u>38,150</u>	<u>4,978</u>	<u>43,128</u>	<u>40</u>	<u>513</u>	<u>553</u>	<u>42,575</u>	
	2009							Rate of amortization %
	Cost			Amortization		Net book value as at December 31, 2009		
	As at January 1, 2009	Additions / (disposals)	As at December 31, 2009	As at January 1, 2009	Charge / (disposals)		As at December 31, 2009	
(Rupees in '000)								
Software	-	400	400	-	40	40	360	20
KSE (Guarantee) Limited Card	34,750	-	34,750	-	-	-	34,750	-
NCEL Card	3,000	-	3,000	-	-	-	3,000	-
	<u>37,750</u>	<u>400</u>	<u>38,150</u>	<u>-</u>	<u>40</u>	<u>40</u>	<u>38,110</u>	

12 DEFERRED TAX ASSETS

	Balance January 01, 2010	Recognised in profit and loss	Recognised in equity	Balance December 31, 2010
(Rupees in '000)				
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	885	(12,715)	-	(11,830)
Provision for staff retirement gratuity and compensated absences	6,579	1,220	-	7,799
Other staff benefits	4,970	(4,970)	-	-
Finance lease arrangements	(194,032)	(76,111)	-	(270,143)
Share of profits from associates	(227,588)	(48,091)	(415)	(276,094)
Provision against non-performing advances	548,898	(36,477)	-	512,421
Surplus / (deficit) on revaluation of 'held-for-trading' securities	-	88	-	88
Surplus / (deficit) on revaluation of 'available-for-sale' securities	14,883	-	26,415	41,298
	<u>154,595</u>	<u>(177,056)</u>	<u>26,000</u>	<u>3,539</u>
	Balance January 01, 2009	Recognised in profit and loss	Recognised in equity	Balance December 31, 2009
(Rupees in '000)				
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	4,236	(3,351)	-	885
Provision for staff retirement gratuity and compensated absences	5,229	1,350	-	6,579
Other staff benefits	4,970	-	-	4,970
Finance lease arrangements	(252,088)	58,056	-	(194,032)
Share of profits from associates	(124,410)	(96,734)	(6,444)	(227,588)
Provision against non-performing advances	364,369	184,529	-	548,898
Surplus / (deficit) on revaluation of 'available-for-sale' securities	(486)	-	15,369	14,883
	<u>1,820</u>	<u>143,850</u>	<u>8,925</u>	<u>154,595</u>

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13	OTHER ASSETS	Note	2010	2009
			(Rupees in '000)	
	Income / mark-up accrued in local currency		167,966	232,742
	Advances, deposits, prepayments and other receivables		64,847	91,251
	Advance Tax		323,961	-
			<u>556,774</u>	<u>323,993</u>
14	BORROWINGS			
	In Pakistan		<u>9,807,369</u>	<u>10,377,872</u>
14.1	Particulars of borrowings with respect to currencies			
	In local currency		<u>9,807,369</u>	<u>10,377,872</u>
14.2	Details of borrowings secured / unsecured			
	Secured			
	Repurchase agreement borrowings	14.2.1	6,067,160	8,067,577
	TFCs	14.2.2	1,250,000	1,450,000
	Borrowings from SBP			
	Under Long Term Facility - Export Oriented Project (LTF-EOP)	14.2.3	188,757	300,412
	Under Long Term Finance Facility (LTFF)	14.2.4	301,452	59,883
	Unsecured			
	Murabaha	14.2.5	2,000,000	500,000
			<u>9,807,369</u>	<u>10,377,872</u>

14.2.1 Repurchase agreement borrowings

The holding company has arranged borrowings from various financial institutions against sale and repurchase of government securities. The mark-up on these finances range between 12.60 and 13.90 (2009: 12.00 and 12.35) percent per annum with maturity ranging from three days to sixty days (2009: four days to sixty three days).

14.2.2 TFCs (non-participatory)

This represents finance obtained through issue of privately placed TFC's of five years maturity. The mark-up is payable on quarterly basis and the principal is repayable in five equal semi annual installments commencing 36 months from the date of disbursement. The facility is secured by first hypothecation charge ranking pari passu, on existing and future assets of the holding company. The rate of profit is 3 months KIBOR ask rate plus 65 (2009: 65) basis points. As at December 31, 2010 the effective rate ranges between 13.47 and 13.63 (2009: 13.02 and 13.24) percent per annum.

14.2.3 LTF-EOP facility from SBP

This represent a one time swap facility option under the scheme LTF - EOP allowed by the SBP through their SMED Circular No. 19 of 2006. The loan is repayable over a maximum period of 7.5 years from the date of first disbursement with mark-up payable at maximum of 5 percent per annum. The sanctioned limit was Rs. 1,000 million. The outstanding balance under swap arrangement amounts to Rs. 188.757 million as at December 31, 2010 (2009: Rs. 300.412 million).

14.2.4 Borrowings from SBP under LTFF

Represents Long Term Finance Facility on concessional rates to promote industrial growth leading to exports. The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years. SBP allocates an overall yearly limit under the facility to individual PFI. The sanctioned limit was Rs. 500 million. The outstanding balance under the arrangement amounts to Rs. 301.452 million as at December 31, 2010 (2009: 59.833).

14.2.5 Murabaha

This represents finance obtained from an Islamic bank. The profit rate on the finance range between 12.75 and 13.00 (2009: 11.65) percent per annum with maturity between 03 January 2011 to 14 January 2011 (2009: 15 January 2010).

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15	DEPOSITS AND OTHER ACCOUNTS		2010	2009
			(Rupees in '000)	
	Certificates of investment (COI) / deposits		<u>3,138,512</u>	<u>4,075,951</u>
15.1	Particulars of deposits			
	In local currency		<u>3,138,512</u>	<u>4,075,951</u>
	The profit rates on these COIs / deposits ranges between 11.50 and 13.75 (2009: 11.40 and 14.00) percent per annum. The COIs / deposits are due for maturity between January 11, 2011 and March 22, 2015 (2009: January 2, 2010 and May 5, 2012). Included in COIs / deposits is an amount of Rs. 3,106.012 million (2009: Rs. 4,045.951 million) payable within twelve months.			
16	OTHER LIABILITIES	Note	2010	2009
			(Rupees in '000)	
	Mark-up / return / interest payable in local currency		135,584	134,295
	Accrued liabilities		71,702	73,446
	Retention money payable		22	22
	Taxation		-	247,154
	Staff retirement gratuity	31.1.4	12,415	10,471
	Security deposits against finance lease	10.2.2	100,154	99,735
	Employees' compensated absences		9,611	8,070
	Payable on account of purchase of marketable securities		-	116,443
	Other liabilities		4,789	3,778
			<u>334,277</u>	<u>693,414</u>
17	SHARE CAPITAL			
17.1	Authorised Share Capital			
	2010	2009		
	(Number of shares)			
	<u>400,000</u>	<u>400,000</u>	Ordinary shares of Rs. 25,000 each	<u>10,000,000</u>
17.2	Issued, Subscribed and Paid-up Share Capital			
	2010	2009		
	(Number of shares)			
	25,950	25,950	Ordinary shares of Rs. 25,000 each issued for cash	648,750
	214,050	214,050	Ordinary shares of Rs. 25,000 each issued as bonus shares	5,351,250
	<u>240,000</u>	<u>240,000</u>		<u>6,000,000</u>
	The SBP on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each hold 120,000 (2009 : 120,000) ordinary shares of the holding company as at December 31, 2010.			
17.3	Reserves	Note	2010	2009
			(Rupees in '000)	
	Statutory reserve	17.3.1	<u>2,992,287</u>	<u>2,884,894</u>
17.3.1	Statutory reserve - compulsory reserve			
	At beginning of the year		2,884,894	3,288,822
	Add: Transfer during the year		107,393	103,273
	Less: Transfer to accumulated loss		-	(507,201)
			<u>2,992,287</u>	<u>2,884,894</u>
	According to BPD Circular No. 15 dated May 31, 2004 issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve. The holding company has transferred 20% of its after tax profit for the year to this reserve amounting to Rs. 107.393 million (2009: 103.273 million).			
18	SURPLUS / (DEFICIT) ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES-NET OF TAX		2010	2009
			(Rupees in '000)	
	Federal and provincial government securities		(167,798)	(42,525)
	Quoted shares		323,967	213,037
	Quoted TFCs		(1,065)	(9,527)
	Share of surplus on revaluation held by associates		50,325	51,946
			<u>205,429</u>	<u>212,931</u>
	Deferred tax		34,439	8,439
			<u>239,868</u>	<u>221,370</u>

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19 CONTINGENCIES AND COMMITMENTS

19.1	Direct Credit Substitute	2010	2009
		(Rupees in '000)	
	Direct credit substitute – guarantee issued	<u>-</u>	<u>1,550</u>

19.2 Other Contingencies

The Income Tax Department has amended the deemed assessment orders for the tax years from 2004 to 2010, raising a tax demand of Rs. 1,856 million, mainly due to additions in respect of allocation of expenses against exempt capital gains and dividend income subject to tax at reduced rate.

The tax department has not accepted the holding company's contention on the matter of allocation of expenses on exempt capital gains and dividend income for the tax years 2004 to 2010. The total additions made in tax years 2004 to 2010 under this head amounts to Rs. 3,612 million.

In tax year 2003, the same issue has been set aside by the Appellate Tribunal Inland Revenue (ATIR), with direction to the tax authorities that the allocation of financial cost has to be made taking into account the 'cost of investment' rather than 'gross turnover'. Further, the holding company has made representation before Federal Board of Revenue for necessary clarification and has also referred the above matter to Alternate Dispute Resolution Committee (ADRC) a mechanism available to provide an opportunity to tax payers for an easy and efficient resolution of disputes.

An appeal has been filed with the Commissioner of Inland Revenue (Appeal) for the tax years 2004 to 2009 and appeal for tax year 2010 will be filed within due date. The holding company has already made provision of Rs. 723 million against the demand for the above-mentioned years based on cost of investment. The management is confident that the ultimate outcome of the appeal would be in favor of the holding company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

19.3	Other Commitments	2010	2009
		(Rupees in '000)	
	Commitment - acquisition of software	15,634	48,817
	Undisbursed sanctions for financial assistance in the form of:		
	- equity participation	16,220	166,220
	- loans and advances	161,287	317,945
		<u>193,141</u>	<u>532,982</u>

20 MARK - UP / RETURN / INTEREST EARNED

	On loans and advances to customers	601,966	400,372
	On investments in:		
	- 'Available-for-sale' securities	1,353,346	1,028,277
	- 'Held-for-trading' securities	498	13,989
	On lendings to financial institutions	142,223	338,131
	On securities purchased under resale agreements	12,986	22,961
		<u>2,111,019</u>	<u>1,803,730</u>

21 MARK-UP / RETURN / INTEREST EXPENSED

	Deposits / borrowings	730,528	569,211
	Securities sold under repurchase agreement	721,980	619,187
	Other short term borrowings	-	865
		<u>1,452,508</u>	<u>1,189,263</u>

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	Note	2010	2009
		(Rupees in '000)	
22	GAIN ON SALE OF SECURITIES		
	Federal government securities		
	- Market treasury bills	501	1,143
	- Pakistan investment bonds	1,024	8,258
	Shares - listed securities - net	295,634	808,376
		<u>297,159</u>	<u>817,777</u>
23	OTHER INCOME		
	Profit on sale of operating fixed assets	4,395	1,106
	Others	17,587	17,239
		<u>21,982</u>	<u>18,345</u>
24	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and employees' benefits	188,864	158,726
	Directors' remuneration (including remuneration of Chief Executive)	26,969	28,035
	Provision for gratuity	31.1.5 12,414	10,929
	Employer's contribution to the provident fund	8,414	5,477
	Travelling and conveyance	4,530	4,971
	Rent and rates	6,976	7,981
	Utilities	2,317	2,248
	Communication	7,246	7,360
	Professional training and staff welfare	1,072	1,420
	Advertisements, periodicals and membership dues	2,520	1,838
	Printing and stationery	2,911	2,638
	Depreciation	11.1 14,067	11,885
	Amortization	11.3 513	40
	Auditors' remuneration	24.1 3,005	3,782
	Legal, consultancy and other professional services	33,228	20,910
	Repairs and maintenance	13,308	14,686
	Motor vehicle expenses	6,493	6,627
	Insurance	2,494	2,162
	Donations	24.2 25,000	200
	Workers' Welfare Fund	41,258	11,899
	Entertainment	274	408
	Bank charges	138	184
	Miscellaneous	7,248	10,454
		<u>411,259</u>	<u>314,860</u>
24.1	Auditor's remuneration		
	Audit fee	1,210	1,090
	Fee for half yearly review	446	365
	Special certifications and sundry advisory services	1,214	2,150
	Out of pocket expenses	135	177
		<u>3,005</u>	<u>3,782</u>
24.2	During the year, the holding company made a donation of Rs. 25 million to the 'Prime Minister's Flood Relief Fund'. None of the directors or their spouse had any interest in the donation made.		
25	OTHER CHARGES	2010	2009
		(Rupees in '000)	
	Penalties imposed by the SBP	1,149	203

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		2010	2009
		(Rupees in '000)	
26	TAXATION		
	For the year		
	- Current	176,089	318,763
	- Deferred	177,056	(143,850)
		<u>353,145</u>	<u>174,913</u>
26.1	Relationship between tax expense and accounting profit		
	Profit before taxation	<u>1,321,877</u>	<u>1,404,254</u>
	Tax at the applicable rate of 35% (2009: 35%)	462,657	491,489
	Net tax effect on income taxed at reduced rates	(177,841)	(226,407)
	Net tax effect of expenses not subject to tax	21,740	(66,182)
	Others	46,589	(23,987)
		<u>353,145</u>	<u>174,913</u>
27	BASIC EARNINGS PER SHARE		
	Profit for the year	<u>968,732</u>	<u>1,229,341</u>
		(Number in '000)	
	Weighted average number of ordinary shares	<u>240</u>	<u>240</u>
		(Rupees)	
	Basic earnings per share	<u>4,036</u>	<u>5,122</u>
28	DILUTED EARNINGS PER SHARE		
	Profit for the year	<u>968,732</u>	<u>1,229,341</u>
		(Number in '000)	
	Weighted average number of ordinary shares	<u>240</u>	<u>240</u>
		(Rupees)	
	Diluted earnings per share	<u>4,036</u>	<u>5,122</u>
28.1	There were no convertible diluted potential ordinary shares outstanding as on December 31, 2010 and December 31, 2009.		
29	CASH AND CASH EQUIVALENTS	<i>Note</i>	2010 (Rupees in '000)
	Cash and balances with treasury banks	6	51,424
	Balances with other banks	7	1,409,688
			<u>1,461,112</u>
			<u>1,935,346</u>
30	STAFF STRENGTH		(Number)
	Permanent		79
	Temporary / on contractual basis		5
	Own staff strength at the end of the year		<u>84</u>
	Outsourced		<u>31</u>
	Total staff strength		<u>115</u>

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31 DEFINED BENEFIT PLAN

31.1 Staff retirement gratuity

31.1.1 The holding company operates a funded gratuity scheme for all its eligible permanent and contractual employees. 'Projected unit credit method' has been used for actuarial valuation.

31.1.2 Principal actuarial assumptions	<i>Note</i>	2010	2009
		(% per annum)	
Discount rate		<u>14.50</u>	<u>12.75</u>
Expected rate of increase in salaries		<u>14.50</u>	<u>12.75</u>
Expected rate of return on investments		<u>12.00</u>	<u>12.75</u>
Normal retirement age		<u>60 years</u>	<u>60 years</u>
31.1.3 Reconciliation of payable to defined benefit plan		2010	2009
		(Rupees in '000)	
Present value of defined benefit obligations	<i>31.1.6</i>	43,568	42,248
Fair value of plan assets	<i>31.1.7</i>	<u>(17,517)</u>	<u>(14,111)</u>
		<u>26,051</u>	28,137
Unrecognised actuarial losses		<u>(13,636)</u>	<u>(17,666)</u>
		<u>12,415</u>	<u>10,471</u>
31.1.4 Movement in payable to defined benefit plan			
Opening balance		10,471	5,393
Expense charged in the current year	<i>31.1.5</i>	12,414	10,929
Company's contribution to gratuity fund		<u>(10,470)</u>	<u>(5,851)</u>
Closing balance		<u>12,415</u>	<u>10,471</u>
31.1.5 Charge for defined benefit plan			
Current service cost		7,501	4,884
Interest cost		5,752	6,278
Expected return on plan assets		<u>(1,799)</u>	<u>(1,741)</u>
Actuarial loss amortised		960	1,508
		<u>12,414</u>	<u>10,929</u>
31.1.6 Reconciliation of present value of defined benefit obligation			
Opening balance of defined benefit obligation		42,248	40,136
Current service cost		7,501	4,884
Interest cost		5,752	6,278
Actuarial benefits paid during the year		<u>(8,626)</u>	<u>(2,628)</u>
Actuarial gain on obligation		<u>(3,307)</u>	<u>(6,422)</u>
Closing balance of defined benefit obligation		<u>43,568</u>	<u>42,248</u>
31.1.7 Reconciliation of fair value of plan assets			
Opening fair value of plan assets		14,111	9,620
Expected return on plan assets during the year		1,800	1,741
Actual contributions made by the employer		10,470	5,851
Actual benefits paid during the year		<u>(8,626)</u>	<u>(2,628)</u>
Actuarial (loss) / gain on plan assets		<u>(238)</u>	<u>(473)</u>
Closing fair value of plan assets		<u>17,517</u>	<u>14,111</u>

Actual return on plan assets is 12.20 % as at December 31, 2010 (11.50% as at December 31, 2009).

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31.1.8 Historical information of defined benefit plan

	Present value of the defined benefit plan	Fair value of the plan assets	Deficit in the plan	Gain / (loss) on plan liabilities due to experience	Gain / (loss) on plan assets due to experience
(Rupees in '000)					
2010	43,568	17,517	(26,051)	3,307	(238)
2009	42,248	14,111	(28,137)	3,655	(473)
2008	40,136	9,620	(30,516)	(10,335)	126
2007	27,370	7,198	(20,172)	(2,247)	(53)
2006	44,720	6,243	(38,477)	(3,461)	(221)
2005	35,320	2,427	(32,893)	(4,351)	(593)

31.1.9 Break up of investments

	2010	2009
	%	
Bank balances	1	40
Musharika deposits	-	60
COI deposits	99	-
	<u>100</u>	<u>100</u>

31.1.10 The expected gratuity expense for the year ending December 31, 2011 works out to be Rs.16.018 million.

32. DEFINED CONTRIBUTION PLAN

The holding company operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the holding company (at 10 % of basic salary), and by the employees (at the rate of 10 % - 30 %) of basic salary. Effective October 2010, monthly contributions are made on the basis of Salary.

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
(Rupees in '000)						
Fee	-	-	11,210	12,809	-	-
Managerial remuneration	12,000	11,722	-	-	80,336	56,832
Charge for defined benefit plan	-	-	-	-	6,379	4,305
Contribution to defined contribution plan	-	-	-	-	7,655	5,167
Rent and house maintenance	1,800	1,758	-	-	22,849	25,574
Utilities	1,263	1,238	-	-	4,995	5,683
Medical	167	35	-	-	3,546	4,061
Others	529	474	-	-	5,161	-
	<u>15,759</u>	<u>15,227</u>	<u>11,210</u>	<u>12,809</u>	<u>130,921</u>	<u>101,622</u>
No. of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>55</u>	<u>47</u>

33.1 The Chief Executive and certain executives are also provided with other facilities, including the free use of Company maintained car.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On balance sheet financial instruments

	2010		2009	
	Book value	Fair value	Book value	Fair value
(Rupees in '000)				
Financial Assets				
- Cash balances with treasury banks	51,424	51,424	92,512	92,512
- Balances with other banks	1,409,688	1,409,688	1,842,834	1,842,834
- Lendings to financial institutions	250,000	250,000	800,000	800,000
- Investments	17,521,580	17,681,508	18,930,038	19,167,289
- Advances	4,969,190	4,969,190	3,607,442	3,607,442
- Other assets	168,075	168,075	232,832	232,832
	<u>24,369,957</u>	<u>24,529,885</u>	<u>25,505,658</u>	<u>25,742,909</u>
Financial Liabilities				
- Borrowings	9,807,369	9,807,369	10,377,872	10,377,872
- Deposits and other accounts	3,138,512	3,138,512	4,075,951	4,075,951
- Other liabilities	322,018	322,018	435,789	435,789
	<u>13,267,899</u>	<u>13,267,899</u>	<u>14,889,612</u>	<u>14,889,612</u>

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The fair value of investments in listed securities is based on market rates of the Karachi Stock Exchange. Fair value of unquoted equity investments is determined on the basis of break-up value based on the latest available financial statements.

Fair value of fixed term loans and advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

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SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activities is as follows:

	2010					Total
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	
	(Rupees in '000)					
Total income - gross	662,576	1,488,198	7,812	971,888	20,099	3,150,573
Total mark-up / return / interest expense	(202,789)	(1,249,719)	-	-	-	(1,452,508)
Segment provision / impairment / unrealised losses	(30,517)	129,179	-	(62,441)	-	36,221
	(233,306)	(1,120,540)	-	(62,441)	-	(1,416,287)
Net operating income	429,270	367,658	7,812	909,447	20,099	1,734,286
Administrative expenses and other charges						(412,408)
Profit before taxation						1,321,878
Segment assets - net	5,885,142	11,820,169	-	6,261,507	1,056,112	25,022,930
Segment non-performing loans	1,648,540	-	-	-	-	1,648,540
Segment provision required and held	1,420,615	-	-	-	-	1,420,615
Segment liabilities	1,852,024	11,329,595	-	-	98,539	13,280,158
Segment return on net assets (ROA) %	13.62	12.53	-	12.49	2.32	-
Segment cost of funds (%)	10.65	12.11	-	-	-	-

	2009					Total
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	
	(Rupee in '000)					
Total income - gross	538,230	1,389,282	5,009	1,674,705	16,735	3,623,961
Total mark-up / return / interest expense	(252,290)	(936,973)	-	-	-	(1,189,263)
Segment provision / impairment / unrealised gains	(509,918)	(900)	-	(204,563)	-	(715,381)
	(762,208)	(937,873)	-	(204,563)	-	(1,904,644)
Net operating income	(223,978)	451,409	5,009	1,470,142	16,735	1,719,317
Administrative expenses and other charges						(315,063)
Profit before taxation						1,404,254
Segment assets - net	4,584,710	14,972,506	-	5,678,006	667,558	25,902,780
Segment non-performing loans/financings	1,693,697	-	-	-	-	1,693,697
Segment provision required and held	1,395,656	-	-	-	-	1,395,656
Segment liabilities	1,931,927	12,757,835	-	-	457,475	15,147,237
Segment return on net assets (ROA) %	12.97	13.57	-	22.12	1.86	-
Segment cost of funds (%)	11.53	12.71	-	-	-	-

35.1

Under the holding company policy, capital market department assets are financed through equity funds.

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36. **RELATED PARTY TRANSACTIONS**

The Group has related party relationship with its associates, associated undertakings, employee benefit plans, key management personnel and its directors.

The Group enters into transactions with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

	2010	2009
	(Rupees in '000)	
Expenses charged to a related party	14,988	15,840
Expenses charged by		
- associates	2,703	3,269
- other related party	13,089	17,368
Dividend income from		
- associates	85,867	27,953
Mark-up earned on bank deposit with an associat	1,054	1,098
Mark-up earned on loans and advances		
- associates	-	1,088
Loans and advances to key management personnel		
Balance as at January 1,	22,523	6,704
Disbursement during the year	29,043	19,000
Recovery during the year	(9,119)	(3,181)
	19,924	15,819
Balance as at December 31,	<u>42,447</u>	<u>22,523</u>
Mark-up expense on COI		
- associates	14,348	5,678
- other related party	1,215	1,201
Deposits / COIs		
- associates	125,000	100,000
- other related party	2,500	2,500
Bank balances with an associate	11,611	57,089
Mark-up receivable on bank deposit with an associate	75	297
Mark-up payable to related party		
- associates	5,041	4,072
- other related party	239	88
Investments in		
- associates	4,587,944	4,111,632
- other related parties	500	500
Commitments for investment in equity of / loan to associates	16,220	166,220
Contribution made to provident fund	8,414	5,477
Contribution made to gratuity fund	10,470	5,851

up from

Key management personnel

Key management personnel include the Managing Director, Deputy General Manager / Chief Financial Officer, Head of Corporate Finance & Investment Banking, Head of Risk Management, Head of Capital Markets & Treasury, Head of Compliance, Head of Internal Audit, Head of Wealth Management and Head of Human Resources. Their salaries and other benefits amount to Rs. 67.783 million (2009: Rs. 53.349 million) and staff retirement benefits amount to Rs. 5.313 million (2009: Rs. 2.896 million).

37 CAPITAL ADEQUACY

37.1 State Bank of Pakistan (SBP) sets and monitors capital requirements for the group as a whole. In implementing current capital requirements, SBP requires to maintain a prescribed ratio of 10% total capital to total risk-weighted assets on standalone as well as on consolidated basis based upon the Standardized approach of Basel-II.

The Group maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The Group's regulatory capital is analyzed in following tiers:

- Tier 1 Capital which includes fully paid up capital (including the bonus shares), balances in share premium account, general reserves as the financial statements and net un-appropriated profits etc after deduction for deficit on revaluation of 'available-for-sale' investments and 50% deduction for investment in the subsidiary companies and significant minority investments in entities engaged in banking and financial activities.

- Tier 2 Capital, which includes general provisions for loan losses (up to a maximum of 1.25% of risk weighted), reserves on revaluation of fixed assets and equity investments up to a maximum of 45% balance, foreign exchange translation reserves etc after 50% deduction for investment in the equity of subsidiary companies and significant minority investments in entities engaged in banking and financial activities.

The capital of the Group is managed keeping in the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular no 30 dated November 25, 2008. The adequacy of the capital is tested with reference to risk weighted assets of the DFI. The total risk-weighted exposures comprise the credit, market and operational risk.

The calculation of capital adequacy enables the holding company to assess the long-term soundness. It is crucial to continuously monitor the exposure across entire organization and aggregate risk so as to take an integrated approach/view. Maximization of the return on risk adjusted capital is the principal basis to be used in determining how capital is allocated within the Group to particular operations or activities.

The holding company also developed Internal Capital Adequacy Assessment Process (ICAAP) document. In the ICAAP document risks other than the pillar I risks were identified, measured and adjusted with the capital to arrive at CAR based on pillar I and pillar II risks. Considering ICAAP as an on going process, during the year the ICAAP document was updated based on the financial projections for next five years.

The holding company also stress tests its capital adequacy to various risks as per SBP stress testing guidelines.

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37.2 Capital adequacy ratio

	2010	2009
	(Rupees in '000)	
CAP 1		
Tier 1 Capital		
Fully paid-up capital	6,000,000	6,000,000
General Reserves as disclosed on the balance sheet	2,992,287	2,884,894
Accumulated profit	2,510,618	1,649,279
Sub-Total	11,502,905	10,534,173
Deductions:		
Deficit on account of revaluation of investments held AFS category	-	-
Other deductions (50% of the amount as calculated on CAP 2)	1,838,945	1,625,129
Sub-Total	1,838,945	1,625,129
Total eligible Tier 1 Capital	9,663,960	8,909,044
Supplementary Capital		
Tier 2 Capital	107,941	72,443
Deductions		
Other deductions (50% of the amount as calculated on CAP 2)	1,838,945	1,625,129
Total deductions	1,838,945	1,625,129
Total supplementary capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier 1 capital)	(1,731,004)	(1,552,686)
Total eligible capital	7,932,956	7,356,358

Risk weighted exposures	Capital Requirements		Risk Weighted Assets	
	2010	2009	2010	2009
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Credit risk				
PSE's	7,773	2,699	77,726	26,987
Banks	28,238	40,877	282,376	408,771
Corporates	293,353	267,903	2,933,531	2,679,033
Retail portfolio	2,571	228	25,713	2,281
Secured by residential property	3,430	2,449	34,299	24,490
Past due loans	22,793	30,101	227,925	301,014
Listed equity investments	141,072	98,637	1,410,719	986,366
Unlisted equity investments	44,771	46,697	447,714	466,967
Investments in fixed assets	26,074	15,137	260,736	151,366
Other assets	39,224	24,530	392,237	245,299
	609,299	529,258	6,092,976	5,292,574
Credit risk on off balance sheet				
Non market related	133,204	46,890	1,332,042	468,898
Equity position risk	425,744	431,633	4,257,444	4,316,332
Operational risk	198,671	204,586	1,986,707	2,045,861
	1,366,918	1,212,367	13,669,169	12,123,665
Capital adequacy ratios				
Total eligible regulatory capital			7,932,956	7,356,358
Total risk weighted assets			13,669,169	12,123,665
TOTAL CAPITAL ADEQUACY RATIO			58.04%	60.68%

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37.3 Types of exposures and ECAI's used

Exposures
PSE's
Banks
Corporates
Sovereigns and GOP other than PKR

JCR-VIS	PACRA
-	-
✓	✓
✓	✓
-	-

37.4 Credit exposures subject to standardised approach

Exposures	Rating Category	Amount	Deduction	Net amount
		Outstanding	CRM	
(Rupees in '000)				
Banks	-	1,398,124	-	1,398,124
	1	13,757	-	13,757
Corporates	1	1,530,888	-	1,530,888
	2	1,175,981	-	1,175,981
	Unrated	2,039,363	-	2,039,363
		<u>6,158,113</u>	<u>-</u>	<u>6,158,113</u>

38. RISK MANAGEMENT

Risk taking is central to all financing activities. The holding company evaluated business opportunities in terms of the risk-reward relationship. The risks that the holding company takes are reasonable, controlled within its financial resources and credit competence. The primary objective of this risk management is to ensure that the process of achieving an appropriate balance between risks the holding company wishes to accept (at a price that is commensurate to that risk) and risks the holding company wishes to mitigate, or whenever capital is put at risk, is done in an objective, documented and transparent fashion and also to ensure that these risks are taken within predefined and pre-approved tolerance limits / levels and when these tolerance limits / levels are breached, the exceptions are reported and addressed at the appropriate levels.

The ultimate responsibility for risk management and setting of the risk management policy rests with the Board of Directors. The Board manages this responsibility through its subcommittee known as the Risk Management Committee (RMC). The Risk Management Committee is updated on quarterly basis by the risk management function on the risk exposures, trends and benchmarks for each risk type covered within the scope of risk management policy. Various committees at functional level oversee the implementation of risk management practices and exposure levels. Market and Liquidity Risk are managed by a well-represented Asset Liability Committee (ALCO) and the Credit Committee oversees credit risk.

The Head of Risk Management and the risk management function works with the senior management, ALCO and Credit Committee on a day to day basis to tackle and address issues directly related to the policy as well as improve and refine the policy based on experiences and market conditions.

The risk management framework is based on prudent risk identification, measurement, monitoring and management process which are closely aligned with all activities of the holding company so as to ensure that risks are kept within an acceptable level.

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During the year the Board of Directors approved revised Risk Management Policy of the holding company developed by the consultants. The revised Risk Policy is supported by a new procedural manual. The holding company's risk management function is working rigorously towards implementation and compliance of recently approved revised risk policy.

The holding company is also in the process of implementing Risk Management System Oracle Reveleus. The system will cater all the major risk areas which include Credit Risk, Market Risk, Operational Risk and Liquidity Risk. The system once implemented will help in achieving transparency in processes, efficiency and accuracy in risk measurement techniques, facilitating requirements to develop advance risk models, improving risk reporting frequency, improving the overall control environment by developing system in-built controls, facilitate towards implementation of advance approaches of Basel - II and to achieve various revised policy requirements.

38.1 Credit risk

Credit risk is the risk of loss due to the failure of a counterparty to meet its credit obligations in accordance with agreed contract terms and conditions.

The holding company's credit risk management process takes place at pre and post-disbursement stages. The objective to manage credit risk is to reduce future credit losses by creating effective standards for assessing and processing new credit and credit renewal applications. All the credit applications and reviews are thoroughly analyzed by the risk management function. The application approval process is further supplemented by regular review of the existing credit limits, overall credit portfolio and the monitoring of early warning indicators that can trigger a tightening of lending standards and an increase in the frequency and depth of credit portfolio review.

Holding company's credit process is guided by centrally established credit policies, rules and guidelines continuing to close to the market approach with aim to maintain a well-diversified portfolio of credit risk which produces a reliable and consistent return. During the year revised Credit Policy of the holding company was approved by the Board of Directors.

The holding company has a system of checks and balances in place around the extension of credit that are:

- risk management function;
- multiple credit reviewers;
- independent audit function

An internal rating system for Obligor Risk Rating and Facility Risk Rating are in-place. The holding company also reviews its Obligor rating model periodically and makes necessary amendments in the model.

During the year revised sector concentration limits were put in place which were reviewed and implemented by the Credit Committee. Various analysis and reports are also performed on periodic basis and are reported to the Risk Management Committee of the Board. These analyses mainly include past due analysis, migration analysis, risk-based pricing, Sector-wise & Rating wise portfolio distribution analysis etc. The holding company performs stress testing on its credit portfolio as SBP stress testing guidelines.

The disbursement & administration of credit facilities is managed by Credit Administration Department (CAD) linked to various business units.

The holding company monitors its credit portfolio on continuous basis. Procedures are in place to identify at an early stage, credit exposure for which there may be a risk of loss.

The holding company is using Basel-II standardized approach to calculate risk weighted assets against credit risk.

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38.1.1 Segment by class of business

	2010					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agriculture, forestry, hunting and fishing	-	-	-	-	-	-
Textile	2,698,316	42.23	-	-	9,580	4.96
Chemical and pharmaceutical	889,468	13.92	75,000	2.39	-	-
Cement	93,333	1.46	-	-	-	-
Sugar	183,375	2.87	-	-	-	-
Footwear and leather garments	31,286	0.49	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	11,679	0.18	-	-	-	-
Construction	446,766	6.99	-	-	16,220	8.40
Transport, storage and communication	279,510	4.37	-	-	-	-
Financial and Insurance	-	-	400,000	12.74	-	-
Power	1,052,070	16.47	-	-	149,062	77.18
Trusts	-	-	1,786,012	56.91	-	-
Services	230,104	3.60	377,500	12.03	15,634	8.09
Individuals	132,280	2.07	-	-	-	-
Others	341,618	5.35	500,000	15.93	2,645	1.37
	6,389,805	100.00	3,138,512	100.00	193,141	100.00

	2009					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agriculture, forestry, hunting and fishing	-	-	-	-	-	-
Textile	1,773,401	35.45	-	-	11,220	2.10
Chemical and pharmaceutical	926,143	18.51	65,000	1.59	100,000	18.71
Cement	103,783	2.07	200,000	4.91	-	-
Sugar	216,875	4.33	-	-	-	-
Footwear and leather garments	38,620	0.77	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	11,679	0.23	-	-	-	-
Construction	315,796	6.31	-	-	16,220	3.03
Transport, storage and communication	585,080	11.69	1,400,000	34.36	149,062	27.89
Financial and Insurance	-	-	186,000	4.56	150,000	28.06
Power	327,659	6.56	-	-	1,550	0.29
Trusts	-	-	2,010,451	49.32	-	-
Services	207,492	4.15	202,500	4.97	106,480	19.92
Individuals	73,014	1.46	-	-	-	-
Others	423,556	8.47	12,000	0.29	-	-
	5,003,098	100.00	4,075,951	100.00	534,532	100.00

38.1.2 Segment by sector

	2010					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	152,070	2.38	-	-	149,062	77.18
Private	6,237,735	97.62	3,138,512	100.00	44,079	22.82
	6,389,805	100.00	3,138,512	100.00	193,141	100.00

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	2009					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	102,659	2.05	1,300,000	31.89	1,550	0.29
Private	4,900,439	97.95	2,775,951	68.11	532,982	99.71
	<u>5,003,098</u>	<u>100.00</u>	<u>4,075,951</u>	<u>100.00</u>	<u>534,532</u>	<u>100.00</u>

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

	2010		2009	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Textile	1,163,045	971,370	1,080,412	911,091
Construction	214,944	180,569	252,027	189,840
Cement	93,333	93,333	93,333	93,333
Others	177,218	175,343	267,925	201,392
	<u>1,648,540</u>	<u>1,420,615</u>	<u>1,693,697</u>	<u>1,395,656</u>

38.1.4 Details of non-performing advances and specific provisions sector - wise

	2010		2009	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Public / government	-	-	-	-
Private	1,648,540	1,420,615	1,693,697	1,395,656
	<u>1,648,540</u>	<u>1,420,615</u>	<u>1,693,697</u>	<u>1,395,656</u>

38.2 Liquidity risk

Liquidity Risk is the risk that the Group is unable to fund its current obligations and operations in the most cost effective manner.

To limit this risk the holding company maintains statutory deposits with the central bank. In addition, ALCO is the forum to oversee liquidity management. The holding company's key funding source is the inter-bank money market. Changes in government monetary policy and market expectations of interest rate are the factors that can affect the holding company's key funding source. Comprehensive gap analysis is done on monthly basis to evaluate match/mismatch of assets and liabilities. Based on the results, ALCO devise the liquidity management strategy to maintain sufficient liquidity.

Major liquidity ratios are also reported to the Risk Management Committee of the Board.

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38.2.1 Maturities of assets and liabilities

	2010									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	51,424	51,424	-	-	-	-	-	-	-	-
Balances with other banks	1,409,688	509,688	900,000	-	-	-	-	-	-	-
Lendings to financial institutions	250,000	-	250,000	-	-	-	-	-	-	-
Investments	17,521,580	2,038,874	1,407,871	6,404,361	1,237,733	1,321,325	1,564,617	1,864,315	1,682,484	-
Advances	4,969,190	163,800	321,077	249,067	334,683	765,326	740,681	1,456,179	895,481	42,896
Operating fixed assets	260,736	40,970	1,738	2,606	5,216	10,430	10,430	14,975	24,910	149,461
Deferred tax assets	3,539	-	-	-	-	3,539	-	-	-	-
Other assets	556,774	369,204	92,788	87,247	1,776	1,005	-	4,754	-	-
Total	25,022,931	3,173,960	2,973,474	6,743,281	1,579,408	2,101,625	2,315,728	3,340,223	2,602,875	192,357
Liabilities										
Borrowings	9,807,369	6,987,157	2,370,030	39,830	51,207	93,108	76,993	120,843	68,201	-
Deposits and other accounts	3,138,512	142,354	603,558	497,000	1,863,100	30,000	-	2,500	-	-
Other liabilities	334,277	49,486	211,993	17,205	4,350	7,454	16,485	27,304	-	-
Total	13,280,158	7,178,997	3,185,581	554,035	1,918,657	130,562	93,478	150,647	68,201	-
Net assets	11,742,773	(4,005,037)	(212,107)	6,189,246	(339,249)	1,971,063	2,222,250	3,189,576	2,534,674	192,357
Share capital	6,000,000	-	-	-	-	-	-	-	-	-
Reserves	2,992,287	-	-	-	-	-	-	-	-	-
Accumulated profit	2,510,618	-	-	-	-	-	-	-	-	-
Surplus on revaluation of 'available-for-sale' securities - net of tax	239,868	-	-	-	-	-	-	-	-	-
Total	11,742,773	-	-	-	-	-	-	-	-	-

	2009									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	92,512	92,512	-	-	-	-	-	-	-	-
Balances with other banks	1,842,834	1,142,834	700,000	-	-	-	-	-	-	-
Lendings to financial institutions	800,000	-	800,000	-	-	-	-	-	-	-
Investments	18,930,038	63,001	6,197,694	2,659,888	3,283,854	1,101,109	1,709,901	2,839,463	1,075,128	-
Advances	3,607,442	324,464	98,391	238,438	716,494	396,180	1,326,798	32,018	449,485	25,144
Operating fixed assets	151,366	40,797	1,393	2,090	4,181	8,362	8,362	15,081	10,157	60,943
Deferred tax assets	154,595	-	-	-	-	154,595	-	-	-	-
Other assets	323,993	121,187	97,645	78,947	7,898	1,898	3,572	7,024	5,822	-
Total	25,902,780	1,784,795	7,895,123	2,979,363	4,012,427	1,662,144	3,048,633	2,893,616	1,540,592	86,087
Liabilities										
Borrowings	10,377,872	5,605,142	2,967,253	28,958	268,133	1,413,532	52,153	24,522	18,179	-
Deposits and other accounts	4,075,951	2,045,470	723,981	21,500	1,255,000	-	30,000	-	-	-
Other liabilities	693,414	1,500	325,525	281,853	1,578	82,419	539	-	-	-
Total	15,147,237	7,652,112	4,016,759	332,311	1,524,711	1,495,951	82,692	24,522	18,179	-
Net assets	10,755,543	(5,867,317)	3,878,364	2,647,052	2,487,716	166,193	2,965,941	2,869,094	1,522,413	86,087
Share capital	6,000,000	-	-	-	-	-	-	-	-	-
Reserves	2,884,894	-	-	-	-	-	-	-	-	-
Un-appropriated profit	1,649,279	-	-	-	-	-	-	-	-	-
Surplus on revaluation of 'available-for-sale' securities - net of tax	221,370	-	-	-	-	-	-	-	-	-
Total	10,755,543	-	-	-	-	-	-	-	-	-

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38.3 Market risk

It is the risk that the value of on and off – balance sheet positions of a financial institution will be adversely affected by movements in market variables, such as interest rates, foreign exchange rates, equity prices and credit spreads.

The Group is exposed to interest rate risk and equity price risk. Market Risk at the holding company is managed by the risk management function which makes sure that exposure in Money Market and Equity Market adheres with the risk tolerance level and matches with overall business goals set by Board of Directors (BOD), Risk Management Committee (RMC) and Assets & Liability Committee (ALCO).

Market risk pertaining to the Trading Book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. The trading book includes equity and money market securities classified as 'held-for-trading'. These positions are actively managed by the capital market and money market desks.

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

- Available-for-sale Securities
- Held-to-maturity Securities
- Other Strategic Investments

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

To manage and control market risk the holding company has a well-defined limits structure in place. These limits are reviewed, adjusted and approved periodically by ALCO. Middle Office monitors these limits mostly on daily basis.

The Group is using Basel-II Standardized approach to calculate risk weighted assets against market risk exposures.

To manage various types of Market Risk, the holding company carries out stress testing of its balance sheet by varying sources of market risk as per SBP guidelines.

The holding company is also implementing new transactional system for recording capital market & money market system Oracle Treasury.

18.3.1 Interest rate risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specific period. The holding company manages its interest rate risk by entering into floating rate agreements with its customers. To discuss the interest rate risk strategy ALCO conducts a meeting on monthly basis. The risk management function carries out stress testing to ascertain the interest rate risk on the balance sheet and also prepares the interest rate risk profile on monthly basis.

The proceedings of ALCO are also reported to the Risk Management Committee of the Board.

Effective yield / interest rate %	2010										Not exposed to yield / interest rate risk	
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years		
(Rupees in '000)												
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks		51,424	-	-	-	-	-	-	-	-	-	51,424
Balances with other banks	13.91	1,409,688	474,398	900,000	-	-	-	-	-	-	-	35,290
Lendings to financial institutions	14.25	250,000	-	250,000	-	-	-	-	-	-	-	-
Investments	12.46	17,521,580	2,009,654	1,372,160	5,166,721	92	33,684	326,975	340	1,682,484	-	6,929,470
Advances	14.34	4,969,190	162,512	317,255	241,462	319,906	752,664	730,729	1,449,351	881,259	29,042	85,010
Other assets		168,075	-	-	-	-	-	-	-	-	-	168,075
		24,369,957	2,646,564	2,839,415	5,408,183	319,998	786,348	1,057,704	1,449,691	2,563,743	29,042	7,269,269
Financial Liabilities												
Borrowings	12.63	9,807,369	6,987,157	2,370,030	39,830	51,207	93,108	76,993	120,843	68,201	-	-
Deposits and other accounts	12.66	3,138,512	142,354	603,558	497,000	1,863,100	30,000	-	2,500	-	-	-
Other liabilities		322,018	-	-	-	-	-	-	-	-	-	322,018
		13,267,899	7,129,511	2,973,588	536,830	1,914,307	123,108	76,993	123,343	68,201	-	322,018
On balance sheet gap		11,102,058	(4,482,947)	(134,173)	4,871,353	(1,594,309)	663,240	980,711	1,326,348	2,495,542	29,042	6,947,251

Effective yield / interest rate %	2009										Not exposed to yield / interest rate risk	
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years		
(Rupees in '000)												
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks		92,512	-	-	-	-	-	-	-	-	-	92,512
Balances with other banks	12.5	1,842,834	1,142,834	700,000	-	-	-	-	-	-	-	-
Lendings to financial institutions	12.68	800,000	-	800,000	-	-	-	-	-	-	-	-
Investments	12.26	18,930,038	-	6,069,787	2,070,953	2,613,799	5,2174	512,174	362,788	462,428	-	6,325,935
Advances	14.22	3,607,442	323,312	96,619	234,923	710,001	390,431	1,322,328	24,211	432,603	-	73,014
Other assets		232,832	-	-	-	-	-	-	-	-	-	232,832
		25,505,658	1,466,146	7,666,406	2,305,876	3,323,800	902,605	1,834,502	386,999	895,031	-	6,724,293
Financial Liabilities												
Borrowings	12.03	10,377,872	5,605,142	3,067,253	28,958	168,133	1,413,532	52,153	24,522	18,179	-	-
Deposits and other accounts	12.33	4,075,951	2,045,470	723,981	21,500	1,255,000	-	30,000	-	-	-	-
Other liabilities		435,789	-	-	-	-	-	-	-	-	-	435,789
		14,889,612	7,650,612	3,791,234	50,458	1,423,133	1,413,532	82,153	24,522	18,179	-	435,789
On balance sheet gap		10,616,046	(6,184,466)	3,875,172	2,255,418	1,900,667	(510,927)	1,752,349	362,477	876,852	-	6,288,504

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38.3.2. Currency risk

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The Group's exposure to this category of market risk is negligible.

	2010			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
------(Rupees in '000)-----				
Pakistan Rupees	25,021,520	13,280,158	193,141	11,548,221
United States Dollars	1,411	-	-	1,411
	<u>25,022,931</u>	<u>13,280,158</u>	<u>193,141</u>	<u>11,549,632</u>

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

38.3.3 Equity price risk

It is the risk to earnings or capital that results from adverse changes in the value/price of equity related portfolios.

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Equity investment portfolio is classified into 'held-for-trading' (HFT), 'available-for-sale' (AFS) and Strategic Portfolio. Equity Price Risk is monitored and control through various regulatory and internal limits. Portfolio, sector and scrip wise limits are assigned by the ALCO such as overall exposure limits in capital market HFT and AFS portfolio, market to market limit on trading portfolio, Sector wise Investment limits in various sectors to guard against concentration risk. These limits are monitored on daily basis and are reviewed and revised periodically by ALCO.

The Asset and Liability Committee (ALCO) approves exposure limits applicable to investments and meets on regular basis to discuss equity investments related strategy. Risk management function ensures compliance of portfolio, sector and scrip wise limits set by ALCO and regulatory authority. Value at Risk (VaR) is also calculated against the capital market exposure and the findings are reported to Risk Management Committee of the Board on quarterly basis.

38.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and system or from external events.

Operational risks and losses originate from business/operational process failure, IT security failure, natural disasters, dependence on vendors, fraud, service quality compromised, regulatory non-compliance, loss of key staff and social & environmental impacts.

Operational Risk is one of the major risks identified under Basel II regime. Revised Risk Management Policy of the holding company gives special consideration and importance to Operational Risk Management.

During the year, Risk Management Department took the initiative for implementation of Enterprise-wide Operational Risk Management Framework and currently is in the process of implementing operational risk assessment tools, risk controls and reporting framework. Currently, Operational Risk Loss Data including Loss Events, Near Misses and Transactions in Difficulty are being collected from all the respective departments / units on monthly basis.

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Operational Risk Management requires radical shift in risk perspective and approach towards routine processes and involvement of each and every individual in the holding company therefore Risk Management Department aims to achieve the desired Risk Management Culture by creating awareness.

The holding company is using Basic Indicator Approach to calculate Operational risk weighted assets as per Basel II requirements for capital adequacy calculation.

38.5 Internal Capital Adequacy Assessment Process (ICAAP)

The holding company developed Internal Capital Adequacy Assessment Process (ICAAP) document as per the SBP guidelines. In the ICAAP document risks other than the pillar I risks were identified, measured and adjusted with the capital to arrive at CAR based on pillar I and pillar II risks. The holding company recognized following risks other than pillar I risks against which capital adequacy ratio is adjusted in its ICAAP model.

- 1) Strategic Risk
- 2) Liquidity Risk
- 3) Reputation Risk
- 4) Interest Rate Risk in Banking Book
- 5) Other Risks

Considering ICAAP as an on going process, during the year the ICAAP document was updated based on the financial projections for next five years.

39. ACCOUNTING ESTIMATES AND JUDGEMENTS

39.1 Provision against non-performing advances

The management reviews the loan and lease portfolio to assess non-performing accounts and expected recovery on a quarterly basis. In determining the non-performing accounts and provision requirements, the relevant Prudential Regulations issued by the State Bank of Pakistan, payment status of mark-up and principal, expected future cash flows of the business, security position and personal wealth of the directors and owners are taken into account.

39.2 Classification of investments

In classifying investments as 'held-for-trading' the Group has determined securities which are acquired with the intention to trade by taking advantage of taking 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 SBP circulars on classifying non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgement, the Group evaluates its intention and ability to hold such investment to maturity.

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

39.3 Impairment of 'available-for-sale' equity instruments

The management determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in market value / fair value below its cost. In making this judgement, the management considers among other factors, the decline in market price below cost by 30% as significant and if the decline in market price persists for 9 months as prolonged.

39.4 Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues as described in note 19 and the appeals of the department pending at various levels of authorities.

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39.5 Gratuity

The holding company has adopted certain actuarial assumptions as disclosed in note 31.1.2 to the financial statements for determining present value of defined benefit obligations and fair value of plan assets, based on actuarial advice. Any change in the assumptions from actual results would change the amount of unrecognised gains and losses.

39.6 Useful life and residual value of property and equipment

Estimates of useful life and residual value of property and equipment are based on the management's best estimate.

40. DATE OF AUTHORISATION FOR ISSUE

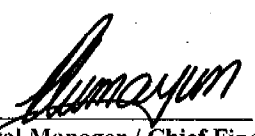
These financial statements were authorised for issue in the Board of Directors meeting held on January 26, 2011.

41. GENERAL AND NON-ADJUSTING EVENT

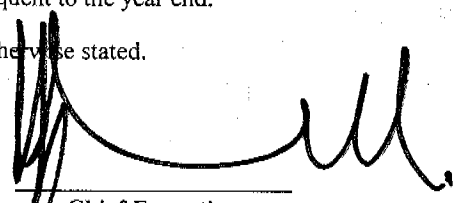
41.1 The JCR-VIS Credit Rating Company Limited has maintained long term credit ratings of AAA (Triple A) and the short term rating of A1+(A one plus) for the holding company. The Pakistan Credit Rating Agency (PACRA) has maintained the long-term entity rating of AA+ and the short term rating at A1+(A one plus).

41.2 The Board of Directors of the holding company has proposed cash dividend of Rs. 360 million (2009: Nil) for the year ended December 31, 2010 in their meeting held on January 26, 2011. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

41.3 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.


Deputy General Manager / Chief Financial Officer


Director


Chief Executive


Director

PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

Annexure - I

QUALITY OF AVAILABLE FOR SALE SECURITIES
As Referred to in Notes 9.5 to the financial statements

Sr. No.	Name of Company	2010		2009	
		Market Value	Rating	Market Value	Rating
		(Rupees in '000')		(Rupees in '000')	
AVAILABLE FOR SALE PORTFOLIO					
PKIC STRATEGIC PORTFOLIO					
1	MEEZAN BANK LIMITED	3,540,153	AA-/A-1	3,140,153	A+/A-1
	TOTAL	<u>3,540,153</u>		<u>3,140,153</u>	
PKIC GENERAL PORTFOLIO					
OIL AND GAS					
2	ATTOCK PETROLEUM LIMITED	70,107	Unrated	19,119	Unrated
3	NATIONAL REFINERY LIMITED	9,993	AAA / A1+	-	-
4	PAKISTAN STATE OIL COMPANY LIMITED	182,968	AA+/A1+	118,381	AA+/A1+
5	PAKISTAN OILFIELDS LIMITED	267,844	Unrated	253,847	Unrated
6	PAKISTAN PETROLEUM LIMITED	96,054	Unrated	113,754	Unrated
	TOTAL	<u>626,966</u>		<u>505,101</u>	
CHEMICALS					
7	ENGRO CORPORATION LIMITED FORMERLY ENGRO CHEMICAL PAKISTAN	62,019	AA/A1+	49,437	AA/A1+
8	FAUJI FERTILIZER BIN QASIM LIMITED	-	-	235,170	Unrated
9	FAUJI FERTILIZER COMPANY LIMITED	203,335	Unrated	112,205	Unrated
	TOTAL	<u>265,354</u>		<u>396,812</u>	
CONSTRUCTION AND MATERIALS					
10	CHERAT CEMENT COMPANY LIMITED	293	Unrated	2,854	Unrated
11	D.G.KHAN CEMENT COMPANY	16,595	Unrated	-	-
12	LUCKY CEMENT LIMITED	67,002	Unrated	49,680	Unrated
	TOTAL	<u>83,890</u>		<u>52,534</u>	
GENERAL INDUSTRIALS					
13	PACKAGES LIMITED	38,583	AA/A1+	43,200	AA/A1+
14	DADABHOY PADUBE LIMITED	-	-	200	Unrated
	TOTAL	<u>38,583</u>		<u>43,400</u>	
AUTOMOBILE AND PARTS					
15	THE GENERAL TYRE & RUBBER CO. OF PAKISTAN LTD.	379,099	Unrated	401,912	Unrated
	TOTAL	<u>379,099</u>		<u>401,912</u>	
PERSONAL GOODS					
16	NISHAT (CHUNIAN) LIMITED	17,968	A / A-2	-	-
17	NISHAT MILLS LIMITED	64,170	A+/A1	24,465	A+/A1
	TOTAL	<u>82,138</u>		<u>24,465</u>	
FIXED LINE TELECOMMUNICATION					
18	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	107,736	Unrated	70,600	Unrated
19	EYE TELEVISION NETWORK	-	-	14,148	A/A1
	TOTAL	<u>107,736</u>		<u>84,748</u>	
ELECTRICITY					
20	THE HUB POWER COMPANY LIMITED	214,453	AA+/A1+	217,560	Unrated
21	KOT ADDU POWER CO. LTD.	64,912	Unrated	70,900	Unrated
22	NISHAT CHUNIAN POWER LTD	271,878	AA-/A1+	103,000	AA/A1+
23	NISHAT POWER LIMITED	64,059	AA-/A1+	-	-
	TOTAL	<u>615,302</u>		<u>391,460</u>	

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Sr. No.	Name of Company	2010		2009	
		Market Value	Rating	Market Value	Rating
GAS AND WATER MULTIUTILITIES					
24	SUI NORTHERN GAS PIPELINES LIMITED	6,430	AA/A1+	-	-
	TOTAL	6,430		-	-
BANKS					
25	BANK ALFALAH LIMITED	17,546	AA/A1+	-	-
26	BANK AL-HABIB LIMITED	21,756	AA+/A1+	20,541	AA+/A1+
27	BANKISLAMI PAKISTAN LIMITED	998	A/A1	22,519	A/A1
28	NATIONAL BANK OF PAKISTAN	120,927	AAA/A-1+	130,147	AAA/A-1+
29	UNITED BANK LIMITED	102,345	AA+/A-1+	102,287	AA+/A-1+
	TOTAL	263,572		275,494	
FINANCIAL SERVICES					
30	AMZ VENTURES LIMITED - CLASS 'A'	-	-	1,063	Unrated
31	SME LEASING LIMITED	3,026	BBB+/A-3	2,363	A-/A-2
32	ORIX LEASING LIMITED	-	-	968	AA+/A1+
33	DADABHOY LEASING COMPANY LIMITED	13	Unrated	13	Unrated
34	CRESCENT STANDARD INVESTMENT BANK LTD	-	-	3,959	Unrated
35	JAHANGIR SIDDIQUI & COMPANY	-	-	3,618	AA+/A1+
	TOTAL	3,039		11,984	
EQUITY INVESTMENT INSTRUMENTS					
	AL MEEZAN MUTUAL FUND LIMITED	140,403	Unrated	111,512	Unrated
36	MEEZAN BALANCED FUND	82,933	Unrated	67,452	Unrated
37	NAMCO BALANCED FUND	16,254	Unrated	18,576	Unrated
38	PAK OMAN ADVANTAGE FUND	51,647	AA-(f)	52,500	AA-(f)
39	PUNJAB MODARABA IST	-	-	114	A-/A2
	TOTAL	291,237		250,154	
PREFERENCE SHARES					
40	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	50,000	Unrated	50,000	Unrated
41	PAKISTAN INTERNATIONAL CONTAINER TERMINAL LIMITED (PREFERENCE) 10%	25,000	Unrated	34,750	Unrated
42	CHENAB LIMITED - NON VOTING CUMULATIVE PREFERENCE SHARES 9.25%	3,725	Unrated	10,500	Unrated
43	SECURITY LEASING CORPORATION LIMITED (PREF.SHARES) 9.1%	3,500	Unrated	3,500	Unrated
	PREFERENCE SHARES TOTAL	82,225		98,750	
	GRAND TOTAL	6,385,724		5,676,967	

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PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

ANNEXURE I

As Referred to in Notes 9.5 to the financial statements

QUALITY OF AVAILABLE FOR SALE SECURITIES

Sr.No.	Name of TFCs	2010		2009	
		Market Value (Rupees in '000)	Rating	Market Value (Rupees in '000)	Rating
	Listed Term Finance Certificates				
1	STANDARD CHARTERED BANK (PAKISTAN) LIMITED (20-01-2004) Certificate of Rs. 5,000 each Mark up : 10.6416% (PIB 5 Years rate +0.75% with Floor 5.00 % , Cap 10.75%,) Redemption : Half Yearly Installments commencing from Jan - 2004 Maturity : Jan, 2011	23,201	AAA	63,644	AAA
2	THE ROYAL BANK OF SCOTLAND LIMITED (ABN AMRO) -TFCs (10-02-2005) Certificate of Rs. 5,000 each Mark up : 14% (6-Months KIBOR Ask Rate + 1.90%) Redemption : Half yearly Installments commencing from Feb -2005 Maturity : Dec, 2012	14,897	AA-	19,753	AA-
3	BANK AL FALAH - TFC-2 (23-11-2004) Certificate of Rs. 5,000 each Mark up : 14.16% (6-Months Kibor + 1.5) Redemption : Half Yearly from Nov-2011 Maturity : 23-Nov-2012	13,608	AA-	13,467	AA-
4	BANK AL FALAH - TFC-3 (25-11-2005) Certificate of Rs. 5,000 each Mark up : 14.15% (6-Months Kibor + 1.5) Redemption : Half Yearly from Nov-2012 Maturity : 25-Nov-2013	74,132	AA-	72,797	AA-
5	FAYSAL BANK LIMITED - TFCs (12-11-2007) Certificate of Rs. 5,000 each Mark up : 14.15% (6-Months Kibor + 1.4) Redemption : Half Yearly from May-2013 Maturity : 12-Nov-2014	-	-	38,201	AA-
6	ASKARI COMMERCIAL BANK LIMITED -TFCs (04-02-2005) Certificate of Rs. 5,000 each Mark up : 13.50% (6-Months Kibor + 1.5) Redemption : Half Yearly from Feb-2013 Maturity : 04-Feb-2013	26,790	AA-	30,837	AA-
7	NIB BANK LIMITED - TFCs (05-03-2008) Certificate of Rs. 5,000 each Mark up : 13.71% (6-Months Kibor + 1.15) Redemption : Half Yearly from Sep-2013 Maturity : 05-Mar-2016	-	-	50,448	A+
8	UNITED BANK LIMITED - TFCs (14-02-2008) Certificate of Rs. 5,000 each Mark up : 13.05% (6-Months Kibor + 0.85) Redemption : Half Yearly from Feb-2018 Maturity : 14-Feb-2018	-	-	66,091	AA
	Sub Total	152,628		355,238	

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PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

AS REFERRED TO IN NOTES 9.5 TO THE FINANCIAL STATEMENTS

ANNEXURE I

QUALITY OF AVAILABLE FOR SALE SECURITIES

Sr. No	Name of Securities	2010		2009	
		Cost (Rupees in '000)	Rating	Cost (Rupees in '000)	Rating
	Unlisted Term Finance Certificates				
1	BANK AL FALAH LIMITED (02-12-2009) Certificate of Rs. 5,000 each Mark up : 15.25% (6-Months KIBOR Ask Rate + 2.50%) Redemption : Half yearly from Dec - 2016 Maturity : Dec - 2017 CEO of the company : Mr. Sirajuddin Aziz	99,960	AA-	100,000	AA-
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED Certificate of Rs. 5,000 each Mark up : 14.95% (KIBOR 3-Months Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : May, 2011 CEO of the company : Mr. Mian Pervez Akhtar	21,138	Unrated	23,611	D
3	DEWAN FAROOQUE SPINNING MILLS LIMITED Certificate of Rs. 5,000 each Mark up : 19.43% (KIBOR 6-Months Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec , 2009 CEO of the company : Mr. Dewan M. Yousuf Farooqui	12,500	Unrated	12,500	Unrated
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 15.86% (KIBOR 6-Month (s) Ask Rate + 2.25%) Redemption : Half yearly Installments commencing from June - 2011 Maturity : Dec, 2017 CEO of the company : Mr. Naveed A. Khan	325,000	AA-	-	-
	Sub Total	458,598		136,111	

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PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

Annexure II

PARTICULARS OF INVESTMENT HELD IN SHARES OF LISTED COMPANIES

Sr. No.	Name of Company	2010		2009		2010		2009	
		Total Shares	Cost	Total Shares	Cost	Impairment	Cost after Impairment	Impairment	Cost after Impairment
AVAILABLE FOR SALE PORTFOLIO									
PKIC STRATEGIC PORTFOLIO									
1	MEEZAN BANK LIMITED	209,476,514	3,306,503	199,501,442	3,306,503	-	3,306,503	2,894,890	2,894,890
	TOTAL	209,476,514	3,306,503	199,501,442	3,306,503	-	3,306,503	2,894,890	2,894,890
PKIC GENERAL PORTFOLIO									
2	OIL AND GAS	209,574	64,232	55,000	-	-	64,232	18,414	18,414
3	ATTOCK PETROLEUM LIMITED	36,499	9,839	-	-	-	9,839	-	-
4	NATIONAL REFINERY LIMITED	619,853	174,745	398,000	-	-	174,745	108,117	108,117
5	PAKISTAN STATE OIL COMPANY LIMITED	905,000	211,546	1,100,000	-	-	211,546	224,869	224,869
6	PAKISTAN OILFIELDS LIMITED	442,338	91,803	600,000	-	-	91,803	97,207	97,207
	TOTAL	2,213,264	552,165	2,153,000	-	-	552,165	448,607	448,607
CHEMICALS									
7	ENGRO CORPORATION LIMITED FORMERLY ENGRO CHEMICAL PAKISTAN	320,000	58,572	269,750	-	-	58,572	50,123	50,123
8	FAHJI FERTILIZER BIN QASIM LIMITED	1,615,563	170,375	1,090,107	-	-	170,375	182,392	182,392
9	FAHJI FERTILIZER COMPANY LIMITED	1,935,563	228,847	1,033,837	-	-	228,847	87,627	87,627
	TOTAL	4,461,323	457,804	3,393,594	-	-	457,804	320,142	320,142
CONSTRUCTION AND MATERIALS									
10	CHERAT CEMENT COMPANY LIMITED	27,217	1,116	227,386	865	865	1,116	9,323	6,729
11	D.G.KHAN CEMENT COMPANY	550,052	16,708	16,708	-	-	16,708	2,594	2,594
12	LUCKY CEMENT LIMITED	884,054	64,878	730,000	-	-	64,878	52,168	52,168
	TOTAL	1,461,323	82,702	977,386	865	865	82,702	61,491	6,729
GENERAL INDUSTRIES									
13	PACKAGES LIMITED	300,000	47,780	300,000	17,480	17,480	47,780	47,780	47,780
14	DADABHOY PADUBE LIMITED	300,000	47,780	400,000	-	-	47,780	201	201
	TOTAL	600,000	95,560	700,000	17,480	17,480	95,560	47,981	47,981
AUTOMOBILE AND PARTS									
15	THE GENERAL TYRE & RUBBER CO.	16,774,292	344,838	16,774,292	-	-	344,838	331,013	331,013
	TOTAL	16,774,292	344,838	16,774,292	-	-	344,838	331,013	331,013
PERSONAL GOODS									
16	NISHAT (CHUNIAN) LIMITED	790,849	18,108	-	-	-	18,108	-	-
17	NISHAT MILLS LIMITED	1,000,000	59,138	330,000	-	-	59,138	24,567	24,567
	TOTAL	1,790,849	77,246	330,000	-	-	77,246	24,567	24,567
FIXED LINE TELECOMMUNICATION									
18	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	5,547,705	114,649	4,000,000	-	-	114,649	84,838	84,838
19	EYE TELEVISION NETWORK	5,547,705	114,649	4,486,025	-	-	114,649	35,375	21,402
	TOTAL	11,095,410	229,298	8,486,025	-	-	229,298	120,213	106,240
ELECTRICITY									
20	THE HUB POWER COMPANY LIMITED	5,732,512	170,749	7,000,000	-	-	170,749	168,488	168,488
21	KOT ADDU POWER CO. LTD.	1,595,662	67,407	1,545,662	-	-	67,407	65,153	65,153
22	NISHAT CHUNIAN POWER LTD	16,897,319	177,746	10,000,000	-	-	177,746	100,000	100,000
23	NISHAT POWER LIMITED	3,946,935	60,259	-	-	-	60,259	-	-
	TOTAL	28,172,428	476,161	18,545,662	-	-	476,161	333,641	333,641

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Sr. No.	Name of Company	2010		2009		2010		2009	
		Total Shares	Cost	Total Shares	Cost	Impairment	Cost after Impairment	Impairment	Cost after Impairment
GAS AND WATER UTILITIES									
24	SUI NORTHERN GAS PIPELINES LIMITED	240,469	7,780	240,469	7,780	-	7,780	-	-
	TOTAL	240,469	7,780	240,469	7,780	-	7,780	-	-
BANKS									
25	BANK ALFALAH LIMITED	1,565,171	20,219	1,565,171	20,219	7,385	12,834	-	-
26	BANK AL-HABIB LIMITED	600,000	21,107	627,027	21,107	11,093	10,014	26,470	13,912
27	BANKISLAM PAKISTAN LIMITED	275,000	4,398	3,836,206	883	3,515	883	61,342	38,823
28	NATIONAL BANK OF PAKISTAN	1,574,158	112,562	1,750,000	112,562	-	141,144	141,144	141,144
29	UNITED BANK LIMITED	1,500,000	83,828	1,750,000	83,828	-	83,828	98,665	98,665
	TOTAL	5,514,329	242,114	7,963,233	242,114	21,993	327,621	52,725	274,886
FINANCIAL SERVICES									
30	AMZ VENTURES LIMITED - CLASS 'A'	-	-	1,833,000	-	-	-	7,699	6,728
31	SME LEASING LIMITED	225,000	2,475	225,000	2,475	-	2,475	2,475	2,475
32	OREX LEASING LIMITED	-	-	126,627	-	-	-	51,439	50,470
33	DAD ABHOY LEASING COMPANY LIMITED	10,750	13	10,750	13	-	13	13	13
34	CRESCENT STANDARD INVESTMENT BANK LTD	-	-	954,000	-	-	-	4,770	4,770
35	JAHANGIR SIDDIQUI & COMPANY	-	-	120,322	-	-	-	25,740	22,950
	TOTAL	235,750	2,488	3,269,699	2,488	-	92,136	80,148	11,988
EQUITY INVESTMENT INSTRUMENTS									
36	AL MEEZAN MUTUAL FUND LIMITED	16,895,690	201,059	16,895,690	201,059	-	171,491	-	171,491
37	MEEZAN BALANCED FUND	11,057,791	130,261	11,057,791	130,261	-	114,338	-	114,338
38	NAMCO BALANCED FUND	3,935,667	39,357	3,935,667	39,357	26,369	12,988	39,356	20,780
39	PAK OMAN ADVANTAGE FUND	4,990,000	49,900	5,000,000	49,900	17,465	32,435	50,000	12,400
40	PUNJAB MODARABA IST	-	-	64,896	-	-	-	551	441
	TOTAL	36,879,148	420,517	36,954,044	420,517	43,834	376,743	375,736	342,115
PREFERENCE SHARES									
41	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	5,000,000	50,000	5,000,000	50,000	-	50,000	-	50,000
42	PAKISTAN INTERNATIONAL CONTAINER TERMINAL LIMITED (PREFERENCE) 10%	2,500,000	25,000	2,500,000	25,000	-	25,000	-	25,000
43	CHENAB LIMITED - NON-VOTING CUMULATIVE PREFERENCE SHARES 9.25%	1,490,000	13,370	1,500,000	13,370	9,645	3,725	13,460	8,705
44	SECURITY LEASING CORPORATION LIMITED (PREF SHARES) 9.1%	500,000	5,029	500,000	5,029	1,529	3,500	5,029	1,529
	PREFERENCE SHARES TOTAL	9,490,000	93,399	9,500,000	93,399	11,174	83,225	93,489	10,234
	GRAND TOTAL	320,031,634	5,997,349	311,234,640	5,997,349	95,346	5,902,003	5,471,527	216,720

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Sr. No.	Name of Company	2010		2009		2010		2009		
		Total Shares	Cost	Total Shares	Cost	Impairment	Cost after Impairment	Impairment	Cost after Impairment	
HELD FOR TRADING PORTFOLIO										
OIL & GAS										
1	PAKISTAN STATE OIL COMPANY LIMITED	-	-	75,000	-	-	-	22,409	-	22,409
2	PAKISTAN OILFIELDS LTD	-	-	824	-	-	-	174	-	174
3	PAKISTAN PETROLEUM LIMITED	-	-	75,000	-	-	-	14,270	-	14,270
	TOTAL	-	-	150,824	-	-	-	36,853	-	36,853
CHEMICALS										
4	ENGRO CORPORATION LIMITED FORMERLY	-	-	175,000	-	-	-	32,791	-	32,791
5	ENGRO CHEMICAL PAKISTAN	-	-	350,000	-	-	-	9,180	-	9,180
	FAUJI FERTILIZER BIN QASIM LTD.	-	-	525,000	-	-	-	41,971	-	41,971
	TOTAL	-	-	1,050,000	-	-	-	83,942	-	83,942
CONSTRUCTION AND MATERIALS										
6	D.G.KHAN CEMENT COMPANY LIMITED	250,000	8,012	-	-	8,012	-	-	-	-
	TOTAL	250,000	8,012	-	-	8,012	-	-	-	-
FIXED LINE TELECOMMUNICATION										
7	PAKISTAN TELECOMMUNICATION LIMITED (A)	1,000,000	19,691	500,000	-	19,691	-	8,954	-	8,954
	TOTAL	1,000,000	19,691	500,000	-	19,691	-	8,954	-	8,954
ELECTRICITY										
8	NISHAT CHUNIAN POWER LTD.	-	-	9,819,385	-	-	-	98,194	-	98,194
	TOTAL	-	-	9,819,385	-	-	-	98,194	-	98,194
NON LIFE INSURANCE										
9	ADAMJEE INSURANCE COMPANY LIMITED	100,000	8,889	-	-	8,889	-	-	-	-
	TOTAL	100,000	8,889	-	-	8,889	-	-	-	-
FINANCIAL SERVICES										
10	JAHANGER SIDDIQUI & COMPANY	-	-	100,000	-	-	-	3,096	-	3,096
	TOTAL	-	-	100,000	-	-	-	3,096	-	3,096
	TOTAL - HELD FOR TRADING PORTFOLIO	1,350,000	36,592	11,095,209	-	36,592	-	189,068	-	189,068

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PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

Annexure II

As Referred to in Notes 9.5 to the financial statements

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Sr. No	Name of TFCs	2010	2009	2010	2009
		NUMBER OF TFCs		COST (Rupees in '000)	
	Particulars of investments held in listed term finance certificates (TFCs)				
1	STANDARD CHARTERED BANK (PAKISTAN) LIMITED (20-01-2004) Certificate of Rs. 5,000 each Mark up : 10.6416% (PIB 5 Years rate +0.75% with Floor 5.00 % , Cap 10.75%,) Redemption : Half Yearly Installments commencing from Jan - 2004 Maturity : Jan , 2011	18,587	18,587	23,234	64,980
2	THE ROYAL BANK OF SCOTLAND LIMITED (ABN AMRO) -TFCs (10-02-2005) Certificate of Rs. 5,000 each Mark up : 14.00% (6-Months KIBOR Ask Rate + 1.90%) Redemption : Half yearly Installments commencing from Feb -2005 Maturity : Dec , 2012	4,000	4,000	14,976	19,964
3	BANK AL FALAH - TFCs (23-11-2004) Certificate of Rs. 5,000 each Mark up : 14.16% (6-Months Kibor + 1.5) Redemption : Half Yearly from Nov-2011 Maturity : 23-Nov-2012	2,760	2,760	13,659	13,613
4	BANK AL FALAH - TFCs (25-11-2005) Certificate of Rs. 5,000 each Mark up : 14.15% (6-Months Kibor + 1.5) Redemption : Half Yearly from Nov-2012 Maturity : 25-Nov-2013	15,127	15,127	74,990	74,847
5	FAYSAL BANK LIMITED - TFCs (12-11-2007) Certificate of Rs. 5,000 each Mark up : 14.15% (6-Months Kibor + 1.4) Redemption : Half Yearly from May-2013 Maturity : 12-Nov-2014	-	8,000	-	39,183
6	ASKARI COMMERCIAL BANK LIMITED -TFCs (04-02-2005) Certificate of Rs. 5,000 each Mark up : 13.50% (6-Months Kibor + 1.5) Redemption : Half Yearly from Feb-2013 Maturity : 04-Feb-2013	5,400	6,400	26,828	31,705
7	NIB BANK LIMITED - TFCs (05-03-2008) Certificate of Rs. 5,000 each Mark up : 13.71% (6-Months Kibor + 1.15) Redemption : Half Yearly from Sep - 2013 Maturity : 05-Mar-2016	-	11,000	-	50,271
8	UNITED BANK LIMITED - TFCs (14-02-2008) Certificate of Rs. 5,000 each Mark up : 13.05% (6-Months Kibor + 0.85) Redemption : Half Yearly from Feb-2018 Maturity : 14-Feb-2018	-	15,000	-	70,202
	TOTAL	45,874	80,874	153,687	364,765

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PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

Annexure II

AS REFERRED TO IN NOTES 9.5 TO THE FINANCIAL STATEMENTS

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Sr. No	Name of TFCs	2010	2009	2010	2009
		NUMBER OF TFCs		COST (Rupees in '000)	
	Particulars of investments held in unlisted term finance certificates (TFCs)				
1	BANK AL FALAH LIMITED (02-12-2009) Certificate of Rs. 5,000 each Mark up : 15.25% (6-Months KIBOR + 2.50%) Redemption : Half yearly from Dec - 2016 Maturity : Dec - 2017	20,000	20,000	99,960	100,000
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED Certificate of Rs. 5,000 each Mark up : 14.95% (3-Months KIBOR Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : May , 2011	10,000	10,000	21,138	23,611
3	DEWAN FAROOQUE SPINNING MILLS LIMITED Certificate of Rs. 5,000 each Mark up : 19.43% (6-Months KIBOR Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec , 2009	10,000	10,000	12,500	12,500
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 15.86% (6-Months KIBOR Ask Rate + 2.25%) Redemption : Half yearly Installments commencing from June - 2011 Maturity : Dec , 2017	65,000	-	325,000	-
	TOTAL	105,000	40,000	458,598	136,111

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STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED
DURING THE YEAR ENDED 31 December 2010

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	NIC / CNIC Nos.	Father's/ Husband's name	Outstanding Liabilities at beginning of year			Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
					Principal	Interest/ Mark-up	Others				
1	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
2010											
1	Swede Bus Pakistan (Pvt) Ltd.	Ahmed Shabir Khalid Rafi Mohammad Naseem Mrs. Tabasam Shabir	42201-9528294-3 42301-0734542-9 42201-0804036-3 42201-1825384-8	Fazal Hussain Malik Sheikh Muhammad Rafi Mohammad Ibrahim W/o Ahmed Shabir	29,510	3,239	32,749	-	3,239	-	3,239
				Sub Total (2010):	29,510	3,239	32,749	-	3,239	-	3,239

Signature