ANNUAL REPORT 2014

Pak Kuwait

Pakistan Kuwait Investment Company (Private) Limited

الشركة الباكستانية الكويتيه للاستثمار (الخاصة) المحدودة

A joint venture between the Governments of Pakistan and Kuwait

A JOINT VENTURE

The Company is a joint venture between the Governments of Kuwait and Pakistan

COMPANY DESCRIPTION

Pakistan Kuwait Investment Company (Private) Limited (PKIC) is Pakistan’s leading Development Financial Institution (DFI) engaged in investment and development banking activities in Pakistan. Established in 1979, the company initiated operations with a paid-up capital of Rs. 62.50 million. Over the years paid-up capital and reserves have increased manifold reflecting upon the company’s impressive performance since inception.

PKIC continues to serve as a medium for catalyzing infrastructure development and enhancing real economic activity, helping the nation in achieving a steep yet sustainable growth trajectory.

VISION

Be the financial house of excellence facilitating the expansion and modernization of industries in Pakistan

MISSION

- Play a key role in the development of industrial and economic infrastructure of Pakistan
- Develop a team of quality professionals with a wide spectrum of expertise
- Maintain high standards of Corporate Governance
- Provide value and optimize returns for all our stakeholders
- Pursue our corporate values

CORPORATE VALUES

- Maintain highest standards of integrity and professionalism in all business transactions
- Provide innovative business solutions
- Attract, motivate and retain highly skilled professionals
- Strive for continuous quality improvement
- Continue to be a socially responsible corporate citizen

CONTENTS

CORPORATE INFORMATION

Mr. Abdullah Abdulwahab Al-Ramadhan	Chairman
Mr. Mohammad Reyad Al-Mutawa	Director
Mr. Saleem Zamindar	Director
Mr. Naveed Alauddin	Director
Mr. Bader Fawaz Al-Qattan	Director
Mr. Mansur Khan	Managing Director

LEGAL ADVISOR

M/s. KMS Law Associate Advocates and
Corporate Consultants

AUDITORS

M/s. KPMG Taseer Hadi & Co.
Chartered Accountants

REGISTERED OFFICE

4th Floor, Block-C, Finance & Trade Centre,
Shahrah-e-Faisal, Karachi- 74400 (Pakistan)
Ph: (92-21) 35630901-7 UAN: (92-21) 111-611-611
Fax: (92-21) 35630940
E-mail: info@pkic.com
Website: www.pkic.com

REPRESENTATIVE OFFICE

LAHORE

Siddiq Trade Centre, 1st Floor, Office # 104
Main Boulevard Gulberg, Lahore.
Ph: (92-42) 35781726-27 UAN: (92-42) 111-611-611
Fax: (92-42) 35781725

BOARD OF DIRECTORS

Abdullah Abdulwahab Al-Ramadhan
Chairman

Mansur Khan
Managing Director

Mohammad Reyad Al-Mutawa
Director

Bader Fawaz Al-Qattan
Director

Saleem Zamindar
Director

Naveed Alauddin
Director

Executive Committee

Abdullah Abdulwahab Al-Ramadhan
Member

Mansur Khan
Member

Audit Committee

Saleem Zamindar
Chairman

Naveed Alauddin
Member

Mohammad Reyad Al-Mutawa
Member

Risk Management Committee

Abdullah Abdulwahab Al-Ramadhan
Chairman

Naveed Alauddin
Member

Bader Fawaz Al-Qattan
Member

MANAGEMENT

Mansur Khan
Managing Director

Rana Ahmed Humayun
Deputy General Manager &
Chief Financial Officer

M.Tauseef Ansari
Head of Investment Banking &
Corporate Finance

Faisal Khan
Head of Risk Management

Mazhar Sharif
Head of Internal Audit

Atif Anwer
Head of Capital
Markets & Treasury

Lt. Col. ® Asad Anwar Wajih
Head of Human Resources and Administration

Khurram Salman
Head of Compliance

Naeem Sattar
Company Secretary

Directors' Report

The Directors of Pakistan Kuwait Investment Company (Private) Ltd. (the Company) are pleased to present their Annual Report and Audited Financial Statements, setting out the detailed financial results of the Company for the year ended December 31, 2014, together with Auditors' Report thereon.

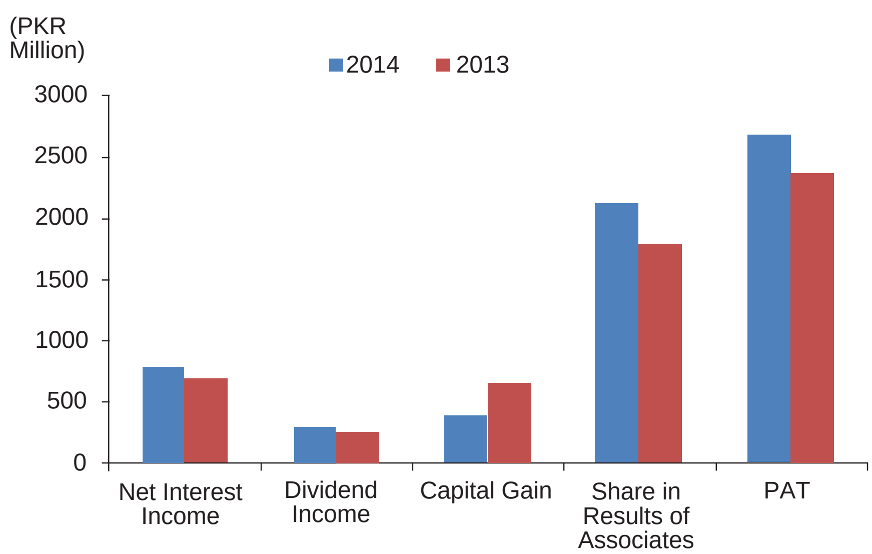
Company Performance

For the Year (PKR million)	2014	2013
Net Markup Based Income	789	688
Non Markup Income	2,802	2,726
Total Income	3,591	3,414
Operating Expenses	559	503
Profit before Provisions	3,032	2,911
(Reversal of Provisions) / Provisions	(163)	104
Profit Before Taxation	3,195	2,807
Taxation	517	447
Profit After Taxation	2,678	2,360

At Year end (PKR million)	2014	2013
Total Assets	24,634	22,291
Liabilities	5,018	6,022
Share Capital	6,000	6,000
Reserves & Unappropriated Profit	12,512	9,680

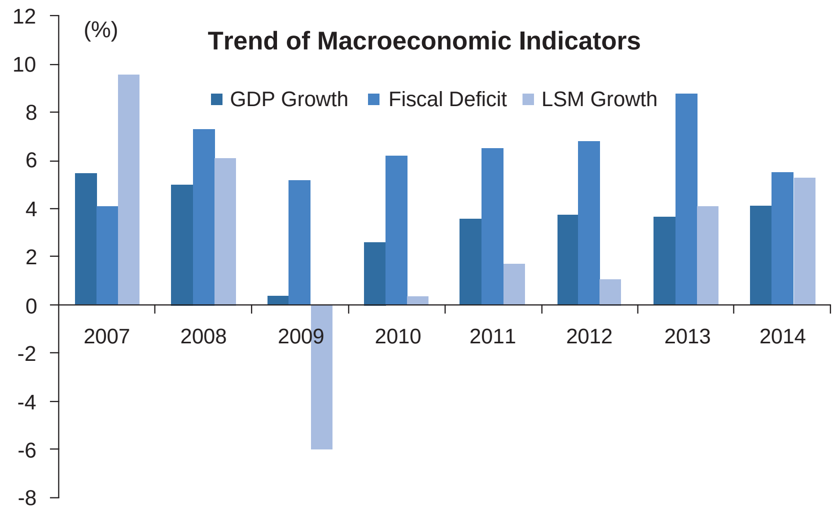
The Company earned a Profit after Tax of PKR 2.7 billion for 2014 against PKR 2.4 billion during same period last year, an increase of 13% YoY. Total Assets of the Company stood at PKR 24.6 billion as of Dec 31, 2014 compared to PKR 22.3 billion at the end of last year. The Company increased its investments in government securities to benefit from the declining interest rate scenario and secure its interest income. On the other hand, the Company's loan and lease portfolio shrunk by 26% to PKR 2.8 billion as a consequence of weak credit off take in the economy and lending by commercial banks at fine rates. Consequently, the net markup based income of the Company increased by 15% YoY to PKR 789 million as the decline in interest expenses outpaced the decline in interest income.

Non markup based income of the Company increased slightly by 3% YoY to PKR 2.8 billion as an 18% YoY increase in share in results of associates was diluted by a 41% decline in capital gains. Dividend income increased by 14% YoY as the Company enhanced its exposure in dividend yielding stocks. The administrative expenses of the Company grew by 6% YoY in line with the inflationary trend in the economy.



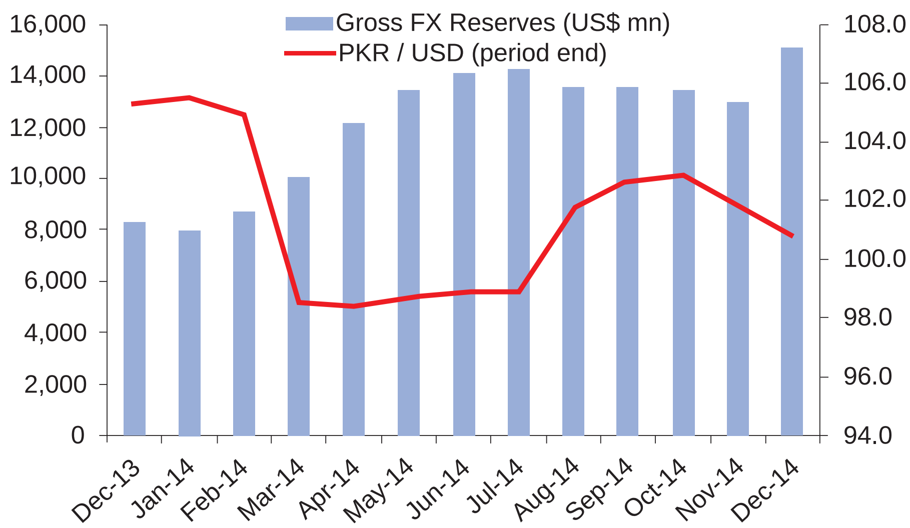
Economic Review

Pakistan's economic situation improved during 2014. The GDP growth accelerated to 4.1% during 2014 against 3.7% in 2013, while fiscal deficit was restricted to 5.5% of GDP against 8.8% during last year. Interestingly, the Large Scale Manufacturing Index grew by 5.3% during 2014, which is a six year high as the government prioritized energy supply to the industrial sector.



Source: - Economic Survey of Pakistan

The Foreign Exchange reserves of Pakistan increased substantially from USD 7.98 billion in Jan 2014 to more than USD 15 billion in December 2014 on the back of disbursements, from the IMF, issuance of Eurobonds and sukuks along with bilateral inflows. Consequently, the PKR / USD parity improved by 4% from PKR 105 / USD to PKR 101 / USD.



Source: - State Bank of Pakistan

Pak Kuwait

Inflation continued to decelerate during 2014 as international commodity prices declined significantly. The S&P GSCI Commodity Index (Standard & Poor's Goldman Sachs Commodity Index is widely recognized as a leading measure for general price movement in commodities) has declined by 33% YoY while the S&P index for Crude oil has declined by 44% YoY. Subsequently, the inflation indices remained subdued as moving average CPI for Jan-Dec 2014 remained 7.2%. As a consequence of subdued inflation and stable balance of payment situation, the SBP reduced its discount rate to 8.5% during the monetary policy announced in January 2015.

Advances of the banking sector grew by 9% during 2014, compared to 6% in the previous year. Energy shortages hampered fixed investments while decline in commodity prices has reduced the need for working capital. Pakistan's equity market performed well during 2014 on the back of Government's secondary market offerings, energy sector reforms and declining interest rates. During the year the benchmark KSE100 Index increased by 27%, making it one of the best performing markets in the world.

Dividend

The Board of Directors is pleased to recommend a cash dividend of PKR 600 million for the year ended December 31, 2014.

Earnings Per Share

The basic and diluted earning per share has increased from PKR 9,832 to PKR 11,157 on share of PKR 25,000/- each.

Future Outlook

Decline in international oil prices would benefit Pakistan significantly as it would reduce the import bill, alleviate energy shortages benefitting domestic manufacturing sector, controlling inflation and restricting fiscal deficit. Progress towards energy sector reforms, continued privatization of state owned entities and improvement in law and order situation would further enhance investor confidence. PKIC will make every effort to benefit from the improvement in the economic environment.

Risk Management Framework

Prudent and effective risk management is and has always been a significant success factor in steering the Company's growth and profitability. The Company fully recognizes that the risk management function is fundamental to its business, an essential element of the Company's strategy and an important tool in the implementation of long term vision.

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). Risk exposures, trends, benchmarks, portfolio analysis are reported to Risk Management Committee of the Board, on a quarterly basis, by the Risk Management Department. The Management has a clear understanding of Credit, Market, Liquidity and Operational Risks and has synchronized the distinct risks into the operating parameters, in order to manage them within acceptable limits. The Company has implemented an integrated Risk Management Framework that enables determination of risk strategy, establishment of portfolio limits and delegation of authorities. Market and Liquidity Risk are managed by a well-represented Asset Liability Committee (ALCO). The risk management framework remains compliant with the relevant directives and regulations. The new regulations for Capital Adequacy Ratio (CAR) under Basel III came into effect from December 2013, with a phased-in approach, with full implementation by December 2019. The Company has maintained its CAR well above prescribed regulatory thresholds throughout the year based on applicable Basel III requirements. Business Continuity Plan is in place and periodic BCP testing is also conducted.

Entity rating of Pakistan Kuwait Investment Company (Private) Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long term entity rating of the Company at 'AAA' (Triple A) and the short term rating at 'A1+' (A one plus), the highest level.

The Company has been assigned a Corporate Governance Rating of 'CGR-9' by JCR-VIS. The assigned rating denotes a high level of Corporate Governance.

Compliance with Applicable Clauses of the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance – 2012

The Directors confirm the compliance with the applicable clauses of the Public Sector Companies (Corporate Governance) Rules, 2013 and as good governance practice compliance with other relevant clauses of the Rules and Code of Corporate Governance (CCG). In this connection, the compliance of relevant clauses of Rules and CCG is stated below:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity

- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The controls which are in place are being continuously reviewed by the Internal Audit department and the process of review and monitoring will continue with the object to improve further.
- All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as liability the same is disclosed as contingent liabilities in the notes to the accounts.
- There is no doubt about the Company's ability to continue as a going concern.
- All the board members have attended an orientation course arranged by the Company through Pakistan Institute of Corporate Governance (PICG).
- The Board has carried out the performance evaluation of its members under the Self Evaluation mechanism.
- The statutory audit of the Company has been carried out by the QCR rated firm.
- The Board of Directors and employees of the Company have signed 'Statement of Ethics and Business Practices' (Code of Conduct).

Internal Controls

The Board of Directors hereby endorses the management's evaluation related to ICFR and overall internal controls, as detailed in the 'Statement of Internal Control', included in the Annual Report.

Board Meetings

Four meetings of the Board of Directors of the Company were held in the year 2014 as per following schedule: -

1st Meeting	January 27,2014
2nd Meeting	April 27, 2014
3rd Meeting	August 23, 2014
4th Meeting	December 24, 2014

Audit Committee Meetings

Four meetings of the Audit Committee of the Board were held in the year 2014 as per following schedule: -

1st Meeting	January 27,2014
2nd Meeting	April 27, 2014
3rd Meeting	August 23, 2014
4th Meeting	December 24, 2014

Risk Management Committee Meetings

Four meetings of the Risk Management Committee of the Board were held in the year 2014 as per following schedule: -

1st Meeting	January 27,2014
2nd Meeting	April 27, 2014
3rd Meeting	August 23, 2014
4th Meeting	December 24, 2014

Details of the attendance of the Board and its Sub-Committee are as follows:

Board Meetings Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan - Chairman (Non-Executive Director)	4	4
Mr. Mohammad R. Al-Mutawa - Member (Non-Executive Director)	4	4
Mr. Bader Fawaz Al-Qattan - Member (Non-Executive Director)	4	4
Mr. Naveed Alauddin - Member (Non-Executive Director)	4	4
Mr. Saleem Zamindar - Member (Non-Executive Director)	4	4
Mr. Mansur Khan - Member Executive Director / Managing Director	3	3
Mr. Shaharyar Ahmad - Member Executive Director / Managing Director	1	1

Note: Mr. Shaharyar Ahmad replaced by Mr. Mansur Khan as Director / Managing Director on February 17, 2014.

Risk Management Committee Meetings Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan - Chairman	4	4
Mr. Naveed Alauddin - Member	4	4
Mr. Bader Fawaz Al-Qattan - Member	4	4

Audit Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Saleem Zamindar - Chairman	4	4
Mr. Mohammad R. Al-Mutawa - Member	4	4
Mr. Naveed Alauddin - Member	4	4

Summarized Operating and Financial Data for the last six years:

(PKR in millions)	2014	2013	2012	2011	2010	2009
Paid up Capital	6,000	6,000	6,000	6,000	6,000	6,000
Reserves	12,512	9,680	7,777	6,503	5,503	4,534
Total Assets	24,634	22,291	30,805	23,931	25,023	25,903
Profit before tax	3,195	2,807	2,058	1,726	1,322	1,404
Net Profit after tax	2,678	2,360	1,641	1,361	969	1,229
Cash Dividend	600	675	450	360	360	-
Stock Dividend	-	-	-	-	-	-

Note: For the purpose of comparisons, the figures for the years 2009-2013 have been taken from the consolidated financial statements.

Statement of Investments of Provident and Gratuity Funds

Investments of Provident and Gratuity Funds as at December 31, 2014 according to their respective un-audited accounts were PKR 155.183 million and PKR 142.763 million, respectively. Investment of Provident Fund and Gratuity Fund amounted to PKR 154.715 million and PKR 129.955 million respectively, as at December 31, 2013 according to its audited accounts.

Auditors

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Company for the year ending December 31, 2015.

Acknowledgement

We would like to express our sincere appreciation to our shareholders for having reposed confidence in us with their consistent support and guidance. We are also grateful to the Government of Pakistan, the Ministry of Finance, the State Bank of Pakistan, and the Securities & Exchange Commission of Pakistan for their guidance to the Company at all times.

An institution cannot be successful without its people, who are to be complimented for performing well under difficult circumstances. We would like to place on record the appreciation of the Board for the role of the team members for their commitment and dedication to work.

On behalf of the Board of Directors

Chairman

Managing Director

Date: February 22, 2015
Dubai

Statement of Compliance with the Applicable Clauses of Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for the Year Ended December 31, 2014

This statement is being presented to comply with the applicable clauses of Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance and the clauses of Code of Corporate Governance (CCG) issued by the Securities and Exchange Commission of Pakistan (SECP). The SECP through its letter dated July 2, 2013 has advised that in the event of any inconsistency between the requirement of the Rules and the Code, the provision of the Rules shall prevail. Further, SECP through its letter dated February 10, 2014 has granted the exemption to the Company from applicability of Rules subject to the condition that the training of directors, performance evaluation of the Board and audit of the financial statements of the Company through QCR rated firms shall be ensured.

I. The Company has complied with the applicable clauses of the Rules in the following manner:

(a) The Board has carried out the performance evaluation of its members, including the Chairman and the Chief Executive, on the basis of “Board Self Evaluation” (BSE) process. The Self Evaluation of the Members of the Board and its Sub-Committees was conducted under the supervision of Pakistan Institute of Corporate Governance (PICG). The Board has also monitored and assessed the performance of senior management on annual basis.

(b) All the board members underwent an orientation course arranged by the Company. The purpose of the “Director Orientation Workshop” (DOW) conducted through Pakistan Institute of the Corporate Governance (PICG) was to appraise the Board regarding the material developments and information as specified in the Rules. Currently two directors have completed the Director’s Training Certification under the Directors Training Program as prescribed by SECP. The Board is encouraging other members to get the Directors Training Certification as soon as possible.

(c) The statutory audit of the Company has been carried out by the audit firm which has been given the satisfactory rating under the “Quality Control Review” (QCR) Rating Program of the Institute of Chartered Accountant of Pakistan (ICAP).

II. The Company as good governance practice has also complied with CCG and other relevant clauses of Rules in the following manner:

1. The Board of Directors (”the Board”) of the Company comprises of 5 non-executive directors and one executive director. All the directors are nominees of the respective joint venture partner governments under requirements of the Joint Venture Agreement (JVA) between them. At present the Board includes:

Category	Names
Executive Director	• Mr. Mansur Khan
Non-Executive Directors	• Mr. Abdullah Abdulwahab Al-Ramadhan • Mr. Mohammad R. Al-Mutawa • Mr. Bader Fawaz Al-Qattan • Mr. Naveed Alauddin • Mr. Saleem Zamindar

2. The casual vacancy occurred on the Board on February 17, 2014 and was filled up immediately.

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a Stock Exchange has been declared as a defaulter by that Stock Exchange.

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

5. During the year the fit and proper criteria given in the Prudential Regulations (PRs) issued by State Bank of Pakistan has been applied in making nominations of the persons for election as board members under the provisions of the Companies Ordinance 1984. (the “Ordinance”).

6. As per the Article of Association and JVA, the Chairman was elected amongst Kuwaiti Directors while the Managing Director was elected amongst Pakistani Directors.

7. (a) The Company has prepared a "Statement of Ethics & Business Practices" ("the Code of Conduct") and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website (www.pkic.com).

   (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.

8. The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty, and relationship with the stakeholders, in the manner prescribed in the Rules.

9. The Board has developed and enforced appropriate policy related matters on conflict of interest, the clauses of which are contained in relevant policies to lay down circumstances or considerations when person may be deemed to have actual or potential conflict of interests, and the procedures for disclosing such interest.

10. The Board has developed and implemented policy related matters on anti-corruption, the clause of which are contained in the relevant policies to minimize actual or perceived corruption in the Company.

11. The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.

12. The Board has developed a vision or mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

13. The meetings of the Board of Directors were presided over by the Chairman

    (a) The Board has met at least four times during the year.

    (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.

    (c) The minutes of the meetings were appropriately recorded and circulated.

14. The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.

15. The Board has approved the profit and loss account for, and Statement of Financial Position as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the Company's website. Monthly accounts were also prepared and circulated amongst the board members.

16. The Board has formed the following Board Sub- Committees:

Committee	Name of Chairman / Members
Audit Committee	Mr. Saleem Zamindar - Chairman Mr. Naveed Alauddin- Member Mr. Mohammad Reyad Al-Mutawa - Member
Risk Management Committee	Mr. Abdullah Abdulwahab Al-Ramadhan - Chairman Mr. Naveed Alauddin - Member Mr. Bader Fawaz Al-Qattan - Member
Executive Committee (entrusted with Human Resources responsibilities)	Mr. Abdullah Abdulwahab Al-Ramadhan - Member Mr. Mansur Khan - Member

17. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.

18. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and Ordinance and fully describes the salient matters required to be disclosed.

19. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company.

20. A formal and transparent procedure for fixing the remuneration packages of Executive Director has been set in place.

21. The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.

22. The Audit Committee has met at least once every quarter of the financial year ended December 31, 2014. These meetings were held prior to the approval of interim results by the Board of Directors. The Chief Executive and Chairman of the Board are not members of the Audit Committee.

23. The Board has set up an effective internal audit function, which has an Audit Charter, duly approved by the Audit Committee, and which worked in accordance with the applicable standards.

24. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

25. The Company has complied with all the corporate and financial reporting requirements of applicable clauses of the Rules and CCG.

26. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, other executive and non-executive directors, have been taken by the Board / shareholders.

Abdullah Abdulwahab Al-Ramadhan	Mansur Khan
Chairman	Managing Director

Date: February 22, 2015
Dubai

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Review Report to the Members on the Statement of Compliance with the Applicable Clauses of Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and Code of Corporate Governance for the year ended December 31, 2014.

We have reviewed the enclosed Statement of Compliance with the applicable clauses of the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and the Code of Corporate Governance (Code) prepared by the Board of Directors of Pakistan Kuwait Investment Company (Private) Limited for the year ended December 31, 2014 to comply with the requirements of Rules and Code.

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

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

The Rules and Code require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for the review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arms' length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the applicable clauses of the Rules and Code as applicable to the Company for the year ended December 31, 2014.

Date: February 22, 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement on Internal Control

REPORTING ON INTERNAL CONTROL SYSTEM

The Company endeavors to follow the SBP's Internal Control Guidelines. It is the responsibility of the Company's management to establish and maintain an adequate and effective system of internal control that could help in Company's efforts to attain a professional and efficient working environment throughout the Company. The Internal Control System comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

Management ensures the efficient and effective Internal Control System by identifying control objectives reviewing pertinent policies / procedures and establishing relevant control procedures. All policies and procedures are reviewed and compared with existing practices and necessary amendments made where required on timely basis.

Alongside this appropriate test of transactions, observation of control environment, sharing of findings of Internal Control System and ensuring relevant appropriate follow-ups / corrective actions are also being done by the management on regular basis.

Internal Control System in the Company is designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

EVALUATION OF EXISTING INTERNAL CONTROL SYSTEM

The Company has made efforts to ensure during the year 2014 that an effective and efficient Internal Control System is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the Company.

The observations and weaknesses identified by the auditors, both internal and external, have been taken care of and necessary steps have been taken by the management in the due time so as to ensure non-repetition of those exceptions and eliminations of such weaknesses to the maximum possible level. The management has also given timely and satisfactory response to the recommendations and suggestions made by its auditors.

We assess that the internal control system, customer services and operations have been maintained as compared to previous year in all areas / departments of the Company. Further, due attention and focus is to enhance competence level and knowledge of the employees.

Recognizing it to be an ongoing process, the management of Company has already adopted an internationally accepted COSO Internal Control - Integrated Framework, in accordance with guidelines on Internal Controls issued by the State Bank of Pakistan. The management considers that the Company's internal controls over financial reporting are sound in design and have been effectively implemented and monitored. The gaps identified if any, are taken care of and necessary steps are taken by the management on a timely basis so as to ensure eliminations of such gaps to the maximum possible level through continuous monitoring. There is a reporting system whereby significant control deficiencies, if any are reported to the Audit Committee. In accordance with the SBP directives, the Company completed all the seven stages of ICFR roadmap and has been submitting to the SBP periodically, the Long Form Report (LFR) issued by the statutory auditors since 2010.

Mazhar Sharif

Head of Internal Audit

Humayun

Deputy General Manager & CFO

Tanveer Khan

Managing Director

Saleem Zamindar

Chairman Audit Committee

Date: February 22, 2015
Dubai

Financial Statements

For the year ended December 31, 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Pakistan Kuwait Investment Company (Private) Limited (the Company) as at December 31, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended December 31, 2013 were audited by another firm of Chartered Accountants, who vide their report dated January 27, 2014, addressed to the members, had expressed an unmodified opinion thereon.

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

Date: February 22, 2015
Karachi

Statement of Financial Position

As at December 31, 2014

2014	2013		Note	2014	2013
(USD in '000)				(Rupees in '000)	
		ASSETS			
534	306	Cash and balances with treasury banks	6	53,667	30,795
202	274	Balances with other banks	7	20,335	27,561
279	57,962	Lendings to financial institutions	8	28,000	5,824,062
208,017	118,300	Investments	9	20,901,562	11,886,802
27,846	37,545	Advances	10	2,797,928	3,772,490
1,877	2,029	Operating fixed assets	11	188,609	203,854
-	-	Deferred tax assets		-	-
6,410	5,431	Other assets	13	644,072	545,733
245,165	221,847			24,634,173	22,291,297
		LIABILITIES			
-	-	Bills payable		-	-
35,405	50,183	Borrowings	14	3,557,518	5,042,353
3,959	3,480	Deposits and other accounts	15	397,790	349,680
-	-	Subordinated loans		-	-
-	-	Liabilities against assets subject to finance lease		-	-
6,442	2,555	Deferred tax liabilities	12	647,311	256,857
4,139	3,715	Other liabilities	16	415,874	373,302
49,945	59,933			5,018,493	6,022,192
195,220	161,914	NET ASSETS		19,615,680	16,269,105
		REPRESENTED BY			
59,713	59,713	Share capital	17	6,000,000	6,000,000
51,752	35,365	Reserves	17.3	5,200,005	3,553,438
72,771	60,972	Unappropriated profit		7,312,036	6,126,502
184,236	156,050			18,512,041	15,679,940
10,984	5,864	Surplus on revaluation of 'available-for-sale' securities - net of tax	18	1,103,639	589,165
195,220	161,914			19,615,680	16,269,105
		CONTINGENCIES AND COMMITMENTS	19		

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

Chairman

Chief Executive

Director

Pak Kuwait

Profit and Loss Account

For the year ended December 31, 2014

2014	2013		Note	2014	2013
(USD in '000)				(Rupees in '000)	
14,021	16,986	Mark-up / return / interest earned	20	1,408,799	1,706,704
6,170	10,142	Mark-up / return / interest expensed	21	619,925	1,019,112
7,851	6,844	Net mark-up / interest income		788,874	687,592
		(Reversal of provision) / provision against			
(1,684)	966	non-performing loans and advances - net	10.4	(169,159)	97,024
		Provision for diminution / impairment			
61	66	in the value of investments	9.3	6,146	6,615
-	-	Bad debts written off directly		-	-
(1,623)	1,032			(163,013)	103,639
9,474	5,812	Net mark-up / interest income after provisions		951,887	583,953
		NON MARK-UP / INTEREST INCOME			
12	38	Fee, commission and brokerage income		1,162	3,854
2,825	2,486	Dividend income		283,886	249,783
-	-	Income from dealing in foreign currencies		-	-
3,801	6,434	Gain on sale of securities	22	381,951	646,470
		Unrealised gain on revaluation of			
-	-	'held-for-trading' securities		-	-
20,947	17,771	Share in results of associates - Net	9.1.1	2,104,759	1,785,672
304	401	Other income	23	30,569	40,257
27,889	27,130	Total non mark-up / interest income		2,802,327	2,726,036
		NON MARK-UP / INTEREST EXPENSES			
5,557	5,006	Administrative expenses	24	558,394	502,987
-	-	Other provisions / write offs		-	-
5	-	Other charges	25	456	-
5,562	5,006	Total non mark-up / interest expenses		558,850	502,987
-	-	Extra ordinary / unusual items		-	-
31,801	27,936	PROFIT BEFORE TAXATION		3,195,364	2,807,002
		Taxation			
3,158	3,826	- Current	26	317,271	384,424
-	-	- Prior years		-	-
1,995	626	- Deferred	26	200,413	62,905
5,153	4,452			517,684	447,329
26,648	23,484	PROFIT AFTER TAXATION		2,677,680	2,359,673
(USD)		Basic earnings per share		(Rupees)	
111	98	(On share of Rs. 25,000 each)	27	11,157	9,832
(USD)		Diluted earnings per share		(Rupees)	
111	98	(On share of Rs. 25,000 each)	28	11,157	9,832

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

Chairman | Chief Executive | Director

Statement of Comprehensive Income

For the year ended December 31, 2014

2014	2013		2014	2013
(USD in '000)			(Rupees in '000)	
26,648	23,484	Profit for the year	2,677,680	2,359,673
		Other comprehensive income		
		Not to be reclassified in profit and loss account in subsequent periods		
(16)	(63)	Remeasurement of defined benefit plan - net of deferred tax	(1,595)	(6,335)
(122)	-	Share of remeasurement of defined benefit plans of associates - net of deferred tax	(12,247)	-
26,510	23,421	Comprehensive income transferred to equity	2,663,838	2,353,338
		Component of comprehensive income not transferred to equity		
2,586	(2,422)	Share of surplus / (deficit) on revaluation of 'available-for-sale' securities of associates	259,805	(243,332)
(258)	237	Deferred tax on revaluation of 'available-for-sale' securities of associates	(25,940)	23,815
4,434	2,316	Surplus on revaluation of 'available-for-sale' securities	445,560	232,693
(1,642)	113	Deferred tax on revaluation of 'available-for-sale' securities	(164,959)	11,392
31,630	23,665	Total comprehensive income	3,178,304	2,377,906

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

Chairman | Chief Executive | Director

Statement of Changes in Equity

For the year ended December 31, 2014

	Note	Share capital	Statutory Reserve	Non-distributable Reserve	Capital Market Equalization Reserve	Unappropriated profit	Total
		(Rupees in '000)					
Balance as at January 1, 2013		6,000,000	3,285,976	-	-	4,490,626	13,776,602
Profit for the year ended December 31, 2013		-	-	-	-	2,359,673	2,359,673
Other comprehensive income		-	-	-	-	(6,335)	(6,335)
Total comprehensive income		-	-	-	-	2,353,338	2,353,338
Transactions with the owners of the Company							
Final dividend for the year ended December 31, 2012 @Rs. 1,875 per share approved subsequent to year end		-	-	-	-	(450,000)	(450,000)
Transfer to statutory reserve		-	267,462	-	-	(267,462)	-
Balance as at December 31, 2013		6,000,000	3,553,438	-	-	6,126,502	15,679,940
Profit for the year ended December 31, 2014		-	-	-	-	2,677,680	2,677,680
Other comprehensive income		-	-	-	-	(13,842)	(13,842)
Total comprehensive income		-	-	-	-	2,663,838	2,663,838
Share of gain on bargain purchase by an associate	17.3.2	-	-	843,263	-	-	843,263
Transactions with the owners of the Company							
Final dividend for the year ended December 31, 2013 @Rs. 2,812.5 per share approved subsequent to year end		-	-	-	-	(675,000)	(675,000)
Transfer to statutory reserve	17.3.1	-	535,536	-	-	(535,536)	-
Transfer to capital market equalization reserve	17.3.3	-	-	-	267,768	(267,768)	-
Balance as at December 31, 2014		6,000,000	4,088,974	843,263	267,768	7,312,036	18,512,041

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

Chairman

Chief Executive

Director

Cash Flow Statement

For the year ended December 31, 2014

2014	2013		Note	2014	2013
(USD in '000)				(Rupees in '000)	
		CASH FLOW FROM OPERATING ACTIVITIES			
31,801	27,936	Profit before taxation		3,195,364	2,807,002
(2,825)	(2,486)	Less: Dividend income		(283,886)	(249,783)
28,976	25,450			2,911,478	2,557,219
		Adjustments for:			
112	149	Depreciation		11,212	15,004
128	111	Amortization		12,852	11,190
(1,684)	966	(Reversal of provision) / provision against non-performing loans and advances - net		(169,159)	97,024
61	66	Provision for diminution / impairment in the value of investments		6,146	6,615
(21)	(6)	Gain on disposal of operating fixed assets		(2,105)	(621)
(20,947)	(17,771)	Share in results of associates - net		(2,104,759)	(1,785,672)
-	-	Unrealised loss on revaluation of 'held-for-trading' securities		-	-
(22,351)	(16,485)			(2,245,813)	(1,656,460)
6,625	8,965			665,665	900,759
		Decrease / (Increase) in operating assets			
57,684	(57,962)	Lendings to financial institutions		5,796,062	(5,824,062)
-	64	'Held-for-trading' securities		-	6,410
11,383	13,663	Advances		1,143,721	1,372,887
(2,673)	666	Others assets (excluding advance taxation)		(268,595)	66,924
66,394	(43,569)			6,671,188	(4,377,841)
		(Decrease) in operating liabilities			
(14,777)	(97,508)	Borrowings		(1,484,835)	(9,797,622)
479	(6,626)	Deposits and other accounts		48,110	(665,749)
424	(117)	Other liabilities (excluding current taxation)		42,572	(11,791)
(13,874)	(104,251)			(1,394,153)	(10,475,162)
59,145	(138,855)			5,942,700	(13,952,244)
(1,617)	(6,131)	Income tax paid		(162,519)	(616,026)
57,528	(144,986)	*Net cash inflow / (outflow) from operating activities*		5,780,181	(14,568,270)
		CASH FLOW FROM INVESTING ACTIVITIES			
(60,554)	134,972	Net investment in 'available-for-sale' securities		(6,084,414)	13,562,035
(614)	828	Net investment in associates		(61,690)	83,235
(155)	(1,098)	Net investment in 'held-to-maturity' securities		(15,429)	(110,297)
10,736	8,102	Dividend received		1,078,712	814,121
(88)	(190)	Investments in operating fixed assets		(8,819)	(19,110)
21	10	Sale proceeds of operating fixed assets		2,105	1,016
(50,654)	142,624	*Net cash (outflow) / inflow from investing activities*		(5,089,535)	14,331,000
		CASH FLOW FROM FINANCING ACTIVITIES			
(6,718)	(4,479)	Dividend paid		(675,000)	(450,000)
(6,718)	(4,479)	*Net cash used in financing activities*		(675,000)	(450,000)
156	(6,841)	Increase / (decrease) in cash and cash equivalents		15,646	(687,270)
580	7,421	Cash and cash equivalents at beginning of the year		58,356	745,626
736	580	Cash and cash equivalents at end of the year	29	74,002	58,356

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

Chairman Chief Executive Director

Notes to and Forming Part of the Financial Statements
For the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

Pakistan Kuwait Investment Company (Private) Limited ("the 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 Company has its representative office in Lahore. The Company is a 50:50 joint venture between the Governments of Pakistan and Kuwait. The objective of the Company is to profitably promote industrial investments in Pakistan.

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 (SBP) BSD Circular No. 4 dated February 17, 2006 and BSD Circular letter No. 07 dated April 20, 2010.

These financial statements are the only set of financial statements prepared by the Company consequent to the disposal of it's subsidiary 'First Choice Securities Limited' (FCSL) in 2013, in which associates are accounted for based on the equity method in accordance with IAS 28 'Investment in Associates'. Previously, the Company prepared unconsolidated and consolidated financial statements, where associates were accounted for at cost in unconsolidated and on equity method in consolidated financial statements. For comparison purposes, relevant figures have been taken from the consolidated financial statements as at December 31, 2013.

The US Dollar amounts presented in the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are converted at the rate of Rs. 100.48, prevalent at December 31, 2014, for 2014 and 2013. This additional information is presented only for the convenience of users of the financial statements.

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 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. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(l)/2008 dated April 28, 2008. Accordingly, the requirements of these IFRS 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 the Company's functional currency.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 The principal accounting policies applied in the preparation of these financial statements are stated below.

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.

5.3 Accounting standards not yet effective

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

Standard or interpretation

Amendments to IAS 19 "Employee Benefits" Employee contributions - a practical approach (effective for annual periods beginning on or after July 01, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated' or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after January 01, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after January 01, 2016.

IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 01, 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets / operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after January 01, 2016. The adoption of this standard is not like to have an impact on Company's financial statements.

IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after January 01, 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / or unconsolidated structured entities, into one place. The adoption of this standard is likely to result in additional disclosure in the financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after January 01, 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not like to have an impact on Company's financial statements.

Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after January 01, 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 01, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to affect the Company's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after January 01, 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not likely to affect the Company's financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:

IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.

IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

Amendments to IAS 16' Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after January 01, 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

5.4 Cash and cash equivalents

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

5.5 Lendings to / borrowings from financial institutions

The Company enters into secured and unsecured lending and borrowing transactions with financial institutions. 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 statement of financial position 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 statement of financial position. 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 repo agreement.

Other borrowings

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

Other lendings

Lendings are stated net of provision. Mark-up on such lendings is charged to the profit and loss account on a time proportion basis except mark-up on impaired / delinquent lendings, which is recognized on receipt basis.

5.6 Investments

Classification

The Company classifies its investments other than those in associates 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. The investments are classified in the following categories as per SBP guidelines:

- Held for trading investments, investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and shall be sold within 90 days.

- Held-to-maturity investments, the Company classifies non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.

- Available-for-sale investments, investments which are not eligible to be classified as 'held for trading' or 'held to maturity' are classified as 'available-for-sale'.

Investment in associates

Associates are those entities in which the Company has significant influence, but does not have control, over the financial and operating policies. These financial statements include the Company'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 Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligation.

Strategic Investments

Strategic investments, investments that meet the threshold as specified in the Prudential Regulations issued by SBP shall be classified as strategic investments.

Initial Recognition

Investments that are ‘held for trading’ are measured at their fair values in accordance with requirements of SBP. An investment (other than investment that is ‘held for trading’) is measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the investment.

Subsequent Recognition

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 Karachi Stock Exchange (KSE) and market values as at the date of statement of financial position respectively. Any surplus or deficit 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 statement of financial position, and shown below equity.

Furthermore, investments classified as 'held-to-maturity' are stated at their amortised cost less impairment in value, if any.

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 taken to profit and loss account. Gain / (loss) on sale of investments during the year is included in profit and loss account.

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

5.7 Trade date accounting

All purchase and sale of investments 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 Company 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 SBP and the Credit Policy of the 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.

Gain or loss on the sale or retirement of fixed assets is taken to profit and loss account.

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 on a straight line basis over their estimated useful lives. Amortization is charged at the rates stated in note 11.2.

5.11 Certificates of investment (COI) / deposits

COI / deposits are initially recorded at the amount of proceeds received. Mark-up accrued is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

5.12 Revenue recognition

i) Dividend income is recognised when the Company'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 Company 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.

5.13 Taxation

Current

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

Deferred

The Company accounts for deferred taxation using the balance sheet liability method providing for temporary differences 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. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

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

Deferred tax on surplus / (deficit) on revaluation of investments is charged / (credited) to the same account.

5.14 Staff retirement benefits

Defined benefit plan

The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. The Company has adopted IAS 19 (revised). Actuarial gains or losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense).

The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2014.

Defined contribution plan

The 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 salary. Contributions from the Company are charged to profit and loss account for the year.

5.15 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, 2014.

5.16 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.

5.17 Impairment

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

5.18 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

5.19 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 date of statement of financial position. Exchange gains and losses are included in income currently.

5.20 Off-setting of financial assets and financial liabilities

“Financial assets” and “financial liabilities” are only offset and the net amount is reported in the statement of financial position if the Company 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.

5.21 Earnings per share

The Company 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 Company by weighted average number of ordinary shares outstanding during the year.

5.22 Dividend distribution

Dividends (including bonus dividend) are recognized in the period in which these are approved.

5.23 Segment information

A segment is distinguishable component of the Company 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 Company's primary format of reporting is based on business segments.

Business segments

Following are the main segments of the Company:

Corporate Finance	Includes loans, advances, leases and other transactions with corporate customers.
Treasury	Undertakes 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 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 Company's business segments operate in Pakistan only.

5.24 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	2014	2013
		(Rupees in '000)	
Cash in hand in local currency		50	50
With State Bank of Pakistan in - local currency current account	6.1	52,569	30,710
With National Bank of Pakistan in - local currency current account		1,048	35
		53,667	30,795

6.1 This includes Rs. 50.00 million (2013: Rs. 20.00 million) held as minimum cash reserve required to be maintained with the SBP in accordance with its requirements issued from time to time.

7. BALANCES WITH OTHER BANKS

	Note	2014	2013
		(Rupees in '000)	
In Pakistan			
- current account		184	324
- deposit account		20,151	27,237
		20,335	27,561

8. LENDINGS TO FINANCIAL INSTITUTIONS

8.1 In local currency

	Note	2014	2013
Repurchase agreement lendings (reverse repo)	8.2	-	5,824,062
Letter of placement	8.3	28,000	-
		28,000	5,824,062

8.2 Securities held as collateral against lendings to financial institutions

	2014			2013		
	Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
	(Rupees in '000)					
Market treasury bills	-	-	-	5,824,062	-	5,824,062

8.3 This represents placement with a financial institution. The return on this placement is at 9.50 (2013: Nil) percent per annum and the maturity is in two days after the statement of financial position date.

9. INVESTMENTS

9.1 Investments by type

	Note	2014			2013		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
		(Rupees in '000)					
Available-for-sale securities							
Market treasury bills		481,827	-	481,827	-	-	-
Pakistan investment bonds		5,238,122	613,310	5,851,432	902,893	-	902,893
Shares of listed companies		2,790,722	-	2,790,722	2,375,294	-	2,375,294
Shares of unlisted companies		110,226	-	110,226	110,501	-	110,501
Listed preference shares		55,029	-	55,029	55,029	-	55,029
Listed sukuk		236,375	-	236,375	-	-	-
Unlisted term finance certificates		617,562	-	617,562	607,938	-	607,938
		9,529,863	613,310	10,143,173	4,051,655	-	4,051,655
Held-to-maturity securities							
Unlisted preference shares		125,726	-	125,726	110,297	-	110,297
Associates	9.1.1	9,832,324	-	9,832,324	7,354,069	-	7,354,069
		19,487,913	613,310	20,101,223	11,516,021	-	11,516,021
Provision for diminution / impairment in the value of investments (other than associates)	9.3 & 39.3	(155,022)	-	(155,022)	(139,020)	-	(139,020)
Total investments - net of provisions		19,332,891	613,310	19,946,201	11,377,001	-	11,377,001
Surplus / (deficit) on revaluation of 'available-for-sale' securities		932,912	22,449	955,361	509,801	-	509,801
Total investments		20,265,803	635,759	20,901,562	11,886,802	-	11,886,802

9.1.1 Movement in investments in associates

	2014	2013
	(Rupees in '000)	
Investments at beginning of the year	7,354,069	6,479,283
Disposal of investments in associates	(65,478)	(83,235)
Investment in associates	127,168	-
Share of gain on bargain purchase by an associate	843,263	-
Share in surplus / (deficit) on revaluation / reserves of associates	259,805	(243,332)
Share of remeasurement of defined benefit plans of associates - net of deferred tax	(12,247)	-
Share of profit from associates recognized in profit and loss account	2,104,759	1,785,672
Dividend received from associates	(779,015)	(584,319)
Investments at end of the year	9,832,324	7,354,069

9.1.2 The cost of investment in associates as at December 31, 2014 amounted to Rs. 2,093 million (December 31, 2013: Rs. 1,992 million). Share in results of associates recorded under equity method of accounting, net of dividend, capital gain and income taxes amounted to Rs. 1,448 million (December 31, 2013: Rs. 1,290 million).

9.2 Investments by segments

	Note	2014	2013
		(Rupees in ‘000)	
Federal Government Securities			
- Market treasury bills	9.2.1	481,827	-
- Pakistan investment bonds	9.2.2	5,851,432	902,893
Fully paid up Ordinary Shares			
- Listed companies		2,790,722	2,375,294
- Unlisted companies		110,226	110,501
		2,900,948	2,485,795
Preference Shares			
- Listed companies		55,029	55,029
- Unlisted companies	9.2.3	125,726	110,297
Term Finance Certificates (TFCs) / Sukuk			
- Listed		236,375	-
- Unlisted		617,562	607,938
		853,937	607,938
Investments in Associates			
Ordinary shares-listed companies			
- Meezan Bank Limited	9.2.4	7,847,519	5,776,196
- The General Tyre & Rubber Company of Pakistan Limited		576,463	436,502
Mutual Funds			
- Al Meezan Mutual Fund		260,748	241,288
- Meezan Balanced Fund		158,711	157,021
Ordinary shares-unlisted companies			
- Al Meezan Investment Management Limited	9.2.5	666,908	482,941
- Pak Kuwait Takaful Company Limited		233,684	184,540
- National Clearing Company of Pakistan Limited		88,291	75,581
		9,832,324	7,354,069
		20,101,223	11,516,021
Provision for diminution / impairment in the value of investments	9.3 & 39.3	(155,022)	(139,020)
Total investments - net of provisions		19,946,201	11,377,001
Surplus on revaluation of 'available-for-sale' securities		955,361	509,801
Total investments		20,901,562	11,886,802

9.2.1 The investment in market treasury bills is maturing on May 28, 2015 (2013: Nil) and the effective interest rate is 9.45 (2013: Nil) percent per annum.

9.2.2 The investments in Pakistan Investment Bonds are maturing between July 18, 2016 and September 3, 2019 (2013: August 18, 2016 and September 3, 2019) and the effective interest range between 11.45 and 13.12 (2013: 11.45 and 13.12) percent per annum.

9.2.3 This represents privately placed preference shares of Silk Bank Limited issued at a price of Rs. 2.50 per share. The Company has a put option to sell the shares to Arif Habib Corporation at strike price of Rs. 3.70 per share at the end of three year period. The effective interest rate is 13.96 (2013: 13.96) percent per annum.

9.2.4 Investments in shares of Meezan Bank Limited costing Rs. 1,520 million and market value of Rs. 14,139 million (2013: Cost Rs. 1,520 million and market value Rs.11,846 million) 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.

9.2.5 The investment in Al-Meezan Investment Management Limited can be sold only with prior permission of SECP.

9.2.6 The market value of shares in listed associates amounted to Rs. 17,168 million (2013: Rs. 13,129 million).

9.3 Particulars for impairment / diminution in the value of investments

	2014	2013
	(Rupees in '000)	
Opening balance	139,020	158,273
Charge for the year	6,146	6,615
Provision on unquoted TFCs / (reversals) due to sale of impaired securities	9,856	(25,868)
	16,002	(19,253)
Closing balance	155,022	139,020

9.3.1 Particulars of provision in respect of type and segment

	2014	2013
'Available-for-sale' securities	155,022	139,020
	155,022	139,020

9.4 Information relating to quality of 'available-for-sale' securities and investments in shares of listed and unlisted companies, redeemable capital / sukuk 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 annexures "I" and "II", which are an integral part of these financial statements.

9.5 Summary of financial information of associates

Associates	Percentage holding	Accounting date	Assets	Liabilities	Equity	Revenue	Profit / (loss)
2014	(Rupees in '000)						
Meezan Bank Limited	30.00	30-Sep-14	381,430,819	357,252,291	24,178,528	20,780,608	4,302,274
Pak Kuwait Takaful Company Limited	30.00	30-Sep-14	998,259	269,311	728,948	68,675	30,042
The General Tyre & Rubber Company of Pakistan Limited	30.00	30-Sep-14	5,951,049	4,251,911	1,699,138	1,818,354	56,661
Al Meezan Investment Management Limited	30.00	30-Sep-14	2,848,918	475,891	2,373,027	318,103	162,896
Al Meezan Mutual Fund *	7.96	31-Dec-14	3,376,436	60,890	3,315,546	71,160	162,326
Meezan Balanced Fund *	7.49	31-Dec-14	2,445,366	60,424	2,384,942	107,091	157,138
National Clearing Company of Pakistan Limited *	17.65	30-Sep-14	1,863,594	1,348,337	515,257	90,690	24,356

Associates	Percentage holding	Accounting date	Assets	Liabilities	Equity	Revenue	Profit / (loss)
2013			(Rupees in '000)				
Meezan Bank Limited	30.00	30-Sep-13	318,009,482	298,130,148	19,879,334	17,184,847	3,571,866
Plexus (Private) Limited	50.00	31-Dec-09	15,980	7,146	8,834	9,368	(2,100)
Pak Kuwait Takaful Company Limited	30.00	30-Sep-13	825,579	210,445	615,134	61,774	10,176
The General Tyre & Rubber Company of Pakistan Limited	28.06	30-Sep-13	6,184,271	4,628,898	1,555,373	1,776,992	35,841
Al Meezan Investment Management Limited	30.00	30-Sep-13	2,424,214	689,410	1,734,804	187,443	95,470
Al Meezan Mutual Fund *	9.71	31-Dec-13	2,528,369	43,156	2,485,213	111,127	248,932
Meezan Balanced Fund *	9.10	31-Dec-13	1,769,685	42,912	1,726,773	96,405	110,122
National Clearing Company of Pakistan Limited *	17.65	30-Sep-13	2,331,442	1,883,225	448,217	74,301	14,861

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

9.5.1 The financial statements upto September 30, 2014 have been used for all associates, except mutual funds as their financial statements for the period ended December 31, 2014 are not available. However, results of associates have been adjusted for the effects of significant transactions or events that occurred between the date of the investee's financial statements till the date of the Company's financial statements.

10. ADVANCES

	Note	2014	2013
		(Rupees in '000)	
In Pakistan			
Advances		3,467,870	4,353,948
Net investment in finance leases	10.2	894,665	1,152,308
		4,362,535	5,506,256
Provision for non-performing advances	10.4	(1,564,607)	(1,733,766)
Advances net of provision		2,797,928	3,772,490

10.1 Particulars of gross advances

	2014	2013
In local currency	4,362,535	5,506,256
Short term (for upto one year)	2,270,226	1,303,381
Long term (for over one year)	2,092,309	4,202,875
	4,362,535	5,506,256

10.2 Net investment in finance leases

	2014				2013			
	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	664,196	222,721	6,292	893,209	873,309	377,815	22,400	1,273,524
Residual value	63,643	6,934	-	70,577	77,526	20,408	717	98,651
Minimum lease payments	727,839	229,655	6,292	963,786	950,835	398,223	23,117	1,372,175
Financial charges for future periods	30,878	37,819	424	69,121	142,139	75,511	2,217	219,867
Present value of minimum lease payments	696,961	191,836	5,868	894,665	808,696	322,712	20,900	1,152,308

10.2.1 The 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 latest by the year 2020 and are subject to finance income at rates ranging between 7.00 and 16.52 (2013: 7.00 and 21.83) percent per annum.

10.2.2 In respect of the aforementioned finance leases, the Company holds an aggregate sum of Rs. 57.018 million (2013: Rs. 76.437 million) as security deposits on behalf of the lessees which are included under other liabilities (note 16).

10.3 Advances include Rs. 1,695.364 million (2013: Rs 1,992.396 million) which have been placed under non-performing status as detailed below:

Category of classification	2014 Classified Advances	2014 Provision Required	2014 Provision Held	2013 Classified Advances	2013 Provision Required	2013 Provision Held
	(Rupees in '000)					
Substandard	-	-	-	-	-	-
Doubtful	261,511	130,754	130,754	517,260	258,630	258,630
Loss	1,433,853	1,433,853	1,433,853	1,475,136	1,475,136	1,475,136
	1,695,364	1,564,607	1,564,607	1,992,396	1,733,766	1,733,766

10.4 Particulars of provision against non-performing advances - specific

	2014	2013
	(Rupees in '000)	
Opening balance	1,733,766	1,636,742
Charge for the year	-	142,082
Reversals	(169,159)	(45,058)
	(169,159)	97,024
Amounts written off	-	-
Closing balance	1,564,607	1,733,766

	2014	2013
10.4.1 Local currency	1,564,607	1,733,766
Foreign currency	-	-
	1,564,607	1,733,766

10.5 Particulars of write offs

The Company has not written off any loans. However, financial relief provided by the Company during the year is disclosed in annexure 'III'.

10.6 Particulars of loans and advances to staff included in advances

	Note	2014	2013
		(Rupees in '000)	
Opening balance		108,323	123,961
Disbursements during the year		72,794	34,645
Repayments during the year		(48,597)	(50,283)
		24,197	(15,638)
Balance at end of the year		132,520	108,323

11. OPERATING FIXED ASSETS

	Note	2014	2013
Property and equipment	11.1	155,423	161,536
Intangible assets	11.2	33,186	42,318
		188,609	203,854

11.1 Property and equipment

2014

	Cost			Depreciation			Impairment			Net book value as at December 31,2014	Rate of depreciation
	As at January 1, 2014	Additions / (disposals)	As at December 31, 2014	As at January 1, 2014	Charge / (disposals)	As at December 31, 2014	As at January 1, 2014	Charge / (reversals)	As at December 31,2014		
	(Rupees in '000)										%
Leasehold land	100	-	100	-	-	-	-	-	-	100	-
Building on lease hold land	235,809	-	235,809	43,222	3,627	46,849	45,724	-	45,724	143,236	2.50 - 20.00
Furniture and fixtures	14,262	21	14,283	10,192	1,451	11,643	-	-	-	2,640	20.00
Motor vehicles	14,463	2,304	14,613	10,479	1,641	9,966	-	-	-	4,647	20.00
		(2,154)			(2,154)						
Office equipment	52,724	2,774	54,797	46,336	4,436	50,071	-	-	-	4,726	33.33
		(701)			(701)						
Electrical appliances	1,684	-	1,684	1,553	57	1,610	-	-	-	74	20.00
	319,042	5,099	321,286	111,782	11,212	120,139	45,724	-	45,724	155,423	
		(2,855)			(2,855)						

2013

	Cost			Depreciation			Impairment			Net book value as at December 31,2013	Rate of depreciation
	As at January 1, 2013	Additions / (disposals)	As at December 31, 2013	As at January 1, 2013	Charge / (disposals)	As at December 31, 2013	As at January 1, 2013	Charge / (reversals)	As at December 31,2013		
	(Rupees in '000)										%
Leasehold land	100	-	100	-	-	-	-	-	-	100	-
Building on lease hold land	237,503	-	235,809	40,849	3,671	43,222	45,724	-	45,724	146,863	2.50 - 20.00
		(1,694)			(1,298)						
Furniture and fixtures	14,262	-	14,262	8,707	1,485	10,192	-	-	-	4,070	20.00
Motor vehicles	12,016	2,447	14,463	8,470	2,009	10,479	-	-	-	3,984	20.00
Office equipment	50,435	3,171	52,724	39,437	7,781	46,336	-	-	-	6,388	33.33
		(882)			(882)						
Electrical appliances	1,684	-	1,684	1,495	58	1,553	-	-	-	131	20.00
	316,000	5,618	319,042	98,958	15,004	111,782	45,724	-	45,724	161,536	
		(2,576)			(2,180)						

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

	2014	2013
	(Rupees in '000)	
Furniture and fixture	7,079	6,962
Motor vehicles	4,595	5,596
Office equipment	47,894	30,905
Electrical appliances	1,398	1,398

11.1.2 Included in building on lease-hold land is a property, having book value of Rs. 75.65 million, in respect of which the Company holds allotment letters in its name. However, the possession of the property is expected to be obtained in the following year. Accordingly, the building is not being depreciated.

11.1.3 Details of disposals of fixed assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 whichever 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)------------------------					
1. Toyota Corolla	1,014	1,014	-	1,176	Auction	Mr. Wasim Mirza
2. Suzuki Liana	1,140	1,140	-	751	Auction	Syed Riaz Ahmed

11.2 Intangible assets

	2014							
	Cost			Amortization			Net book value	
	As at January 1, 2014	Additions / (disposals)	As at December 31, 2014	As at January 1, 2014	Charge	As at December 31, 2014	as at December 31, 2014	Rate of amortization
	--- (Rupees in '000)--							%
Software	61,570	3,720	65,290	19,252	12,852	32,104	33,186	20.00
	61,570	3,720	65,290	19,252	12,852	32,104	33,186	

	2013							
	Cost			Amortization			Net book value	
	As at January 1, 2013	Additions / (disposals)	As at December 31, 2013	As at January 1, 2013	Charge	As at December 31, 2013	as at December 31, 2013	Rate of amortization
	-- (Rupees in '000)--							%
Software	48,077	13,493	61,570	8,062	11,190	19,252	42,318	20.00
KSE (Guarantee) Limited Card	34,750	- (34,750)	-	-	-	-	-	-
NCEL Card	3,000	- (3,000)	-	-	-	-	-	-
	85,827	13,493 (37,750)	61,570	8,062	11,190	19,252	42,318	

12. DEFERRED TAX LIABILITIES

	Balance January 01, 2014	Recognised in profit and loss	Recognised in equity	Balance December 31, 2014
	---(Rupees in '000)---			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	(18,985)	(10,859)	-	(29,844)
Provision for staff retirement gratuity and compensated absences	11,808	(2,186)	858	10,480
Finance lease arrangements	(200,147)	23,303	-	(176,844)
Share of profits from Associates	(617,177)	(161,111)	(25,940)	(804,228)
Provision against non-performing advances	597,173	(49,560)	-	547,613
(Deficit) on revaluation of 'available-for-sale' securities	(29,529)	-	(164,959)	(194,488)
	(256,857)	(200,413)	(190,041)	(647,311)

	Balance January 01, 2013	Recognised in profit and loss	Recognised in equity	Balance December 31, 2013
	---(Rupees in '000)---			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	(23,218)	4,233	-	(18,985)
Provision for staff retirement gratuity and compensated absences	12,124	(3,399)	3,083	11,808
Finance lease arrangements	(252,248)	52,101	-	(200,147)
Share of profits from Associates	(508,759)	(132,233)	23,815	(617,177)
Provision against non-performing advances	580,778	16,395	-	597,173
Surplus / (deficit) on revaluation of 'held-for-trading' securities	2	(2)	-	-
Surplus / (deficit) on revaluation of 'available-for-sale' securities	(40,921)	-	11,392	(29,529)
	(232,242)	(62,905)	38,290	(256,857)

13. OTHER ASSETS

	2014	2013
	(Rupees in '000)	
Income / mark-up accrued in local currency	349,829	117,886
Advances, deposits, prepayments and other receivables	37,339	16,191
Advance taxation (payment less provisions)	256,904	411,656
	644,072	545,733

14. BORROWINGS

In Pakistan	3,557,518	5,042,353

14.1 Particulars of borrowings with respect to currencies

	Note	2014	2013
		(Rupees in '000)	
In local currency		3,557,518	5,042,353

14.2 Details of borrowings secured / unsecured

	Note	2014	2013
Secured			
Repurchase agreement borrowings - Government securities	14.2.1	620,170	-
Borrowings from SBP			
Under Long Term Facility - Export Oriented Project (LTF-EOP)	14.2.2	28,311	49,948
Under Long Term Finance Facility (LTFF)	14.2.3	147,719	227,606
Under Finance Facility for Storage of Agricultural Produce (FFSAP)	14.2.4	11,318	14,799
Term Finance Facility	14.2.5	2,750,000	4,750,000
		3,557,518	5,042,353

14.2.1 Repurchase agreement borrowings - Government Securities

The Company has arranged borrowing from a financial institution against sale and repurchase of government securities. The mark-up on this finance is 10.00 (2013: Nil) percent per annum with maturity in two days (2013: Nil).

14.2.2 LTF-EOP facility from SBP

This represents 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.

14.2.3 Borrowings from SBP under LTFF

This 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 one and a half years with mark-up payable at maximum of 10.10 percent per annum. SBP allocates an overall yearly limit under the facility to individual PFI. The sanctioned limit was Rs. 500 million, subsequently reduced to Rs. 300 million as at December 31, 2014.

14.2.4 Borrowings from SBP under FFSAP

This represents Financing Facility for Storage of Agricultural Produce (FFSAP) on concessional rates to develop the agricultural produce marketing and enhance storage capacity. The loans availed under the facility shall be repayable within a maximum period of seven years including a maximum grace period of six months with mark-up payable at maximum of 6.50 percent per annum. SBP allocates an overall yearly limit to individual PFI. The sanction limit was Rs. 500 million.

14.2.5 Term Finance Facility

The Company has availed long term finance facilities from two banks. The interest rate on these facilities ranges between 10.14 and 10.73 (2013: 9.93 and 10.59) percent per annum and are due for maturity between September 11, 2015 and June 25, 2018 (2013: November 29, 2014 and June 25, 2018).

15. DEPOSITS AND OTHER ACCOUNTS

	2014	2013
	(Rupees in '000)	
Certificates of investment (COI)	397,790	349,680

15.1 Particulars of deposits

	2014	2013
In local currency	397,790	349,680

The profit rates on these COIs range between 9.25 and 12.25 (2013: 8.75 and 12.25) percent per annum. The COIs are due for maturity between February 9, 2015 and June 26, 2015 (2013: January 3, 2014 and March 22, 2015). Included in COIs is an amount of Rs. 397.790 million (2013: Rs. 347.180 million) payable within twelve months.

16. OTHER LIABILITIES

	Note	2014	2013
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		18,137	76,821
Accrued liabilities		269,527	187,201
Staff retirement gratuity	31.1.4	19,316	16,136
Security deposits against finance lease	10.2.2	57,018	76,437
Employees’ compensated absences		10,626	10,757
Payable on account of purchase of marketable securities		38,083	-
Other liabilities		3,167	5,950
		415,874	373,302

17. SHARE CAPITAL

17.1 Authorised Share Capital

2014	2013		2014	2013
(Number of shares)				
400,000	400,000	Ordinary shares of Rs. 25,000 each	10,000,000	10,000,000

17.2 Issued, Subscribed and Paid-up Share Capital

2014	2013		2014	2013
(Number of shares)				
25,950	25,950	Ordinary shares of Rs. 25,000 each issued for cash	648,750	648,750
214,050	214,050	Ordinary shares of Rs. 25,000 each issued as bonus shares	5,351,250	5,351,250
240,000	240,000		6,000,000	6,000,000

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 (2013 : 120,000) ordinary shares of the Company as at December 31, 2014.

17.3	Reserves	Note	2014	2013
			(Rupees in '000)	
	Statutory reserve	17.3.1	4,088,974	3,553,438
	Non-distributable reserve	17.3.2	843,263	-
	Capital market equalization reserve	17.3.3	267,768	-
	Total reserves		5,200,005	3,553,438

17.3.1 Statutory reserve

	2014	2013
At beginning of the year	3,553,438	3,285,976
Add: Transfer during the year	535,536	267,462
	4,088,974	3,553,438

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 Company has transferred 20% of its after tax profit for the year to this reserve amounting to Rs. 535.536 million (2013: Rs. 267.462 million).

	2014	2013
	(Rupees in '000)	
17.3.2 Non-distributable reserve		
At beginning of the year	-	-
Add: Addition during the year	843,263	-
	843,263	-

This represents share of gain on bargain purchase of an associate. This is recorded as a non distributable reserve in accordance with the SBP insructions letter (BPRD (R&P-02) / 625-110-2014-17729) issued to the associate. This gain may, as per the requirements of the above mentioned SBP letter, become available for distribution as stock dividend only with the prior approval of SBP. Further, this gain may, before distribution of the gain as stock dividend, be adjusted against any subsequent provisions / defict assessed by the associate or recommended by the Banking Inspection Department of the SBP in subsequent inspections.

	2014	2013
	(Rupees in '000)	
17.3.3 Capital market equalization reserve		
At beginning of the year	-	-
Add: Transfer during the year	267,768	-
	267,768	-

During the year the Company has set-up a separate 'Capital Market Equalization Reserve', on approval from the Board of Directors in the 135th board meeting held on December 24, 2014, wherein an amount upto a minimum of ten percent of the profit after tax will be transferred till such time the reserve equals thirty percent of the capital market portfolio at cost in order to provide adequate reserve against volatility in the value of capital market portfolio.

18. SURPLUS ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES-NET OF TAX

	2014	2013
	(Rupees in '000)	
Federal government securities	256,560	2
Shares of listed companies	686,991	509,799
Listed sukuk	11,810	-
Share of surplus on revaluation of investments of associates	381,799	121,994
	1,337,160	631,795
Deferred tax	(233,521)	(42,630)
	1,103,639	589,165

19. CONTINGENCIES AND COMMITMENTS

19.1 Other Contingencies

19.1.1 The Income Tax Department has amended the deemed assessment orders for the tax years from 2003 to 2013, raising a tax demand of Rs. 2,200 million, mainly due to additions in respect of allocation of expenses against exempt capital gains and dividend income subject to tax at reduced rate.

In such orders, the taxation authority has not accepted the Company's contention on the matter of allocation of expenses on exempt capital gains and dividend income. The total additions made in tax years 2003 to 2013 under this head amounts to Rs 5,366 million.

In tax year 2003, the Appellate Tribunal Inland Revenue (ATIR) had directed the tax authorities for the allocation to be made taking into account the 'cost of investment' rather than 'gross turnover'. Subsequently, the action of the Taxation Officer in refusing to issue the appeal effect in view of the departmental appeal before the High Court was contested in appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] for application of section 124A of the Income Tax Ordinance, 2001. The CIR(A) adjudged the matter in favour of the Company directing the Officer to give effect to the directions which have been maintained by the ATIR in the subsequent departmental appeal.

Relying on the above decision of ATIR, the CIR(A) through orders dated September 23, 2011 and November 30, 2012 for tax years 2004 to 2007 and tax year 2010 directed for the application of provision of section 124A of the Income Tax Ordinance, 2001. The action was, however, maintained by the CIR(A) in the tax years 2008 and 2009 and appeals are currently pending before the ATIR.

Appeal effect orders for the years 2003 to 2007 and 2010 have been issued where the allocation as per the Company's contention have been accepted. However, the department has preferred appeals against the order of the CIR(A) in the years 2004 to 2007 and 2010 before the ATIR. These are to attain finality once the departmental appeals before the ATIR / High Court as the case may be, are decided.

Further, the Company has made representation before Federal Board of Revenue for necessary clarification and has also referred the above matter to Alternate Dispute Resolution Committee, a mechanism available to provide an opportunity to taxpayers for an easy and efficient resolution of disputes.

The Company has made provision of Rs 1,097 million against the demand for the abovementioned years based on cost of investment. The management is confident that the ultimate outcome of the appeal would be in favor of the Company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

19.2	Other Commitments	2014	2013
		(Rupees in '000)	
	Commitment - acquisition of software	-	5,218
	Undisbursed sanctions for financial assistance in the form of:		
	- loans and advances	859,482	3,060,355
		859,482	3,065,573

20. MARK - UP / RETURN / INTEREST EARNED

	2014	2013
On loans and advances	493,420	567,544
On investments in:		
- 'Available-for-sale' securities	851,761	1,011,306
- 'Held-to-maturity' securities	15,428	10,297
On lendings to financial institutions	2,042	21,949
On securities purchased under resale agreements - government securities	46,148	95,608
	1,408,799	1,706,704

21. MARK-UP / RETURN / INTEREST EXPENSED

	2014	2013
Deposits / COIs'	53,736	77,440
Borrowings	513,822	483,452
Securities sold under repurchase agreements - government securities	52,367	458,220
	619,925	1,019,112

22. GAIN ON SALE OF SECURITIES

	2014	2013
Federal government securities		
- Market treasury bills	-	(93)
- Pakistan investment bonds	-	19,080
Shares - listed securities - net	380,951	541,756
Shares - unlisted securities - net	1,000	85,727
	381,951	646,470

23. OTHER INCOME

	2014	2013
Gain on disposal of operating fixed assets	2,105	621
Space / arrangement income	17,235	16,936
Late payment charges	4,206	12,525
Prepayment charges	1,404	2,536
Unrealised exchange (loss) / gain on investment	(275)	815
Nominee directors fee	5,628	6,736
Others	266	88
	30,569	40,257

24. ADMINISTRATIVE EXPENSES

	Note	2014	2013
		(Rupees in '000)	
Salaries, allowances and employees' benefits		275,449	277,069
Directors' remuneration (including remuneration of Chief Executive)		41,405	30,853
Provision for gratuity	31.1.5	15,356	14,287
Employer's contribution to the provident fund		16,410	15,541
Travelling and conveyance		6,270	4,628
Rent and rates		7,714	9,251
Utilities		4,149	3,426
Communication		5,573	5,667
Professional training and staff welfare		1,221	1,021
Advertisements, periodicals and membership dues		1,692	1,663
Printing and stationery		2,985	1,630
Depreciation	11.1	11,212	15,004
Amortization	11.2	12,852	11,190
Auditors' remuneration	24.1	4,557	3,489
Legal, consultancy and other professional services		53,229	45,298
Repairs and maintenance		15,339	13,189
Motor vehicle expenses		914	1,778
Insurance		628	968
Donations	24.2	12,000	10,000
Workers' Welfare Fund		63,907	33,042
Entertainment		766	205
Bank charges		134	107
Miscellaneous		4,632	3,681
		558,394	502,987

24.1 Auditors' remuneration

	2014	2013
Audit fee	1,430	1,390
Fee for half yearly review	578	566
Special certifications and sundry advisory services	2,328	1,323
Out of pocket expenses	221	210
	4,557	3,489

24.2 During the year, the Company donated to the following recognized institutions:

Donee	2014	2013
The Citizens Foundation	5,250	4,950
The Kidney Centre	2,000	2,000
Student Loan Endowment Fund	2,000	-
Layton Rehmatullah Benevolent Trust	1,500	2,000
Shaukat Khanum Memorial Trust	750	1,050
Aziz Jehan Begum Trust for the blind	500	-
	12,000	10,000

None of the directors or their spouse had any interest in the donations made.

25. OTHER CHARGES

	2014	2013
Penalties imposed by the SBP	456	-

26.	TAXATION	2014	2013
		(Rupees in '000)	
	For the year		
	- Current	317,271	384,424
	- Prior years	-	-
	- Deferred	200,413	62,905
		517,684	447,329
26.1	Relationship between tax expense and accounting profit		
	Profit before taxation	3,195,364	2,807,002
	Tax at the applicable rate of 33% (2013: 34%)	1,054,470	954,381
	Net tax effect on income taxed at reduced rates	(518,640)	(510,761)
	Others	(18,146)	3,709
		517,684	447,329

27.	BASIC EARNINGS PER SHARE		
	Profit for the year	2,677,680	2,359,673
		(Number in '000)	
	Weighted average number of ordinary shares	240	240
		(Rupees)	
	Basic earnings per share	11,157	9,832

28.	DILUTED EARNINGS PER SHARE	(Rupees in '000)	
	Profit for the year	2,677,680	2,359,673
		(Number in '000)	
	Weighted average number of ordinary shares	240	240
		(Rupees)	
	Diluted earnings per share	11,157	9,832

28.1 There were no convertible potential ordinary shares outstanding as on December 31, 2014 and December 31, 2013.

29.	CASH AND CASH EQUIVALENTS	Note	2014	2013
			(Rupees in '000)	
	Cash and balances with treasury banks	6	53,667	30,795
	Balances with other banks	7	20,335	27,561
			74,002	58,356

30.	STAFF STRENGTH	(Number)	
	Permanent	65	63
	Temporary / on contractual basis	1	2
	Own staff strength at the end of the year	66	65
	Outsourced	25	26
	Total staff strength	91	91

31. DEFINED BENEFIT PLAN

31.1 Staff retirement gratuity

31.1.1 The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2014.

31.1.2 Principal actuarial assumptions

	Note	2014	2013
		(% per annum)	
Discount rate		11.00	13.00
Expected rate of increase in salaries		11.00	13.00

31.1.3 Reconciliation of payable to defined benefit plan

	Note	2014	2013
		(Rupees in '000)	
Present value of defined benefit obligations	31.1.6	162,671	146,168
Fair value of plan assets	31.1.7	(143,355)	(130,032)
		19,316	16,136

31.1.4 Movement in payable to defined benefit plan

	Note	2014	2013
Opening balance		16,136	16,906
Expense charged in the current year	31.1.5	15,356	14,287
Company’s contribution to gratuity fund		(14,628)	(24,474)
Remeasurements recognized in OCI during the year	31.1.5	2,452	9,417
Closing balance		19,316	16,136

31.1.5 Charge for defined benefit plan

	2014	2013
Cost recognized in profit and loss account for the year		
Current service cost	13,333	12,319
Interest cost	19,561	15,356
Expected return on plan assets	(17,538)	(13,388)
	15,356	14,287
Remeasurements recognized in OCI during the year		
Actuarial (gain) / loss on obligation	(3,249)	5,326
Actuarial loss on assets	5,701	4,091
	2,452	9,417
Total defined benefit cost recognized in profit and loss and OCI	17,808	23,704

31.1.6 Reconciliation of present value of defined benefit obligation

	2014	2013
Opening balance of defined benefit obligation	146,168	124,031
Current service cost	13,333	12,319
Interest cost	19,561	15,356
Benefits paid during the year	(13,142)	(10,864)
Remeasurements: Actuarial (gain) / loss on obligation	(3,249)	5,326
Closing balance of defined benefit obligation	162,671	146,168

31.1.7 Reconciliation of fair value of plan assets

	2014	2013
	(Rupees in '000)	
Opening fair value of plan assets	130,032	107,125
Expected return on plan assets during the year	17,538	13,388
Actual contributions made by the employer	14,628	24,474
Actual benefits paid during the year	(13,142)	(10,864)
Remeasurements: Actuarial loss on plan assets	(5,701)	(4,091)
Closing fair value of plan assets	143,355	130,032

Actual return on plan assets is 9.00 % as at December 31, 2014 (8.60% as at December 31, 2013).

31.1.8 Defined Benefit Cost for the following year

	2014
	(Rupees in '000)
Cost to be recognised in P&L for the following year	
Service Cost	
(i) Current Service Cost	15,712
(ii) Prior Service Cost	-
Total Service Cost	15,712
Net Interest on the net defined benefit liability / (asset)	
(i) Interest on defined benefit obligation	17,367
(ii) Interest income on plan assets	(15,350)
Net Interest Cost	2,017
Cost to be recognised in P&L for the following year	17,729

Remeasurement for the following year would be calculated in that year.

31.1.9 Remeasurements recognized in other comprehensive income, expense / (income) during the year

	2014	2013
	(Rupees in '000)	
Remeasurements: Actuarial (gain) / loss on obligation:		
Loss due to change in financial assumptions	1,459	-
(Gain) due to change in demographic assumptions	(1)	-
(Gain) / loss due to change in experience adjustments	(4,707)	5,326
Total actuarial (gain) / loss on obligation	(3,249)	5,326
Remeasurements: Actuarial gain/ (loss) on assets:		
Actual net return on plan assets	11,776	9,220
less: Interest income on plan assets	17,538	13,388
	5,762	4,168
Opening difference	61	77
Net return on plan assets	5,701	4,091
Total Remeasurements recognized in OCI during the year	2,452	9,417

31.1.10 Disaggregation of fair value of plan assets

	2014	2013
Quoted:		
Cash and cash equivalents - after adjusting for current liabilities	592	144
Debt instruments	23,485	-
Mutual Funds	8,058	-
	32,135	144
Unquoted:		
Debt instruments	111,220	129,888
Total (Quoted and Unquoted)	143,355	130,032

31.1.11 Maturity profile of defined benefit obligation

	2014 Years	2013 Years
Weighted average duration of the present value of defined benefit obligation	7	14

Benefit Payments	2014	2013
Distribution of timing of benefit payments	(Rupees in '000)	
Years		
1	25,555	4,729
2	40,775	34,539
3	16,553	39,791
4	23,064	16,794
5	7,135	23,953
6 - 10	101,287	110,273
11 - 15	108,776	116,359

31.1.12 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

Base	162,671	146,168
Discount rate +1%	152,113	136,532
Discount rate -1%	174,841	157,229
Future salary increases +1%	175,510	157,819
Future salary increases -1%	151,337	135,846

32. DEFINED CONTRIBUTION PLAN

The Company operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Company (at 10 % of Salary), and by the employees (at the rate of 10 % - 30 %) of Salary.

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	---(Rupees in '000)---					
Fee	-	-	12,355	11,915	-	-
Managerial remuneration	24,017	14,240	-	-	210,143	192,767
Charge for defined benefit plan	-	-	-	-	14,729	12,526
Contribution to defined contribution plan	-	-	-	-	16,357	15,577
Rent and house maintenance	3,794	2,400	-	-	-	-
Utilities	351	928	-	-	-	-
Medical	239	269	-	-	3,851	1,780
Bonus paid	-	1,000	-	-	39,865	45,973
Others	649	676	-	-	-	-
	29,050	19,513	12,355	11,915	284,945	268,623
No. of persons	1	1	5	5	61	66

33.1 The Chief Executive is also provided with the free use of two Company maintained cars as per his entitlement.

33.2 The compensation for 2014 for Chief Executive includes remuneration and final settlement of outgoing Chief Executive till February 14, 2014.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On balance sheet financial instruments

	2014		2013	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
Financial Assets				
- Cash balances with treasury banks	53,667	53,667	30,795	30,795
- Balances with other banks	20,335	20,335	27,561	27,561
- Lendings to financial institutions	28,000	28,000	5,824,062	5,824,062
- Investments	20,901,562	36,163,870	11,886,802	23,183,188
- Advances	2,797,928	2,797,928	3,772,490	3,772,490
- Other assets	374,203	374,203	117,886	117,886
	24,175,695	39,438,003	21,659,596	32,955,982
Financial Liabilities				
- Borrowings	3,557,518	3,557,518	5,042,353	5,042,353
- Deposits and other accounts	397,790	397,790	349,680	349,680
- Other liabilities	396,558	396,558	357,166	357,166
	4,351,866	4,351,866	5,749,199	5,749,199

The fair value of traded investments is based on quoted market rates and is disclosed in the relevant note. 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, unquoted preference shares, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

The fair value of remaining financial asssets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in case of loans are frequently repriced.

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2014					
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
	(Rupees in '000)					
Total income - gross	614,399	798,523	1,162	2,769,596	27,446	4,211,126
Total mark-up / return / interest expense	(477,254)	(142,671)	-	-	-	(619,925)
Segment provision / impairment / unrealised losses	163,575	-	-	(562)	-	163,013
	(313,679)	(142,671)	-	(562)	-	(456,912)
Net operating income	300,720	655,852	1,162	2,769,034	27,446	3,754,214
Administrative expenses and other charges						(558,850)
Profit before taxation						3,195,364
Segment assets - net	4,676,852	6,986,080	-	12,355,819	615,422	24,634,173
Segment non-performing loans	1,695,364	-	-	-	-	1,695,364
Segment provision required and held	1,564,607	-	-	-	-	1,564,607
Segment liabilities	3,008,723	1,023,947	-	38,554	947,269	5,018,493
Segment return on net assets (ROA) %	11.48	11.22	-	30.80	4.50	-
Segment cost of funds (%)	10.22	9.78	-	-	-	-

	2013					
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
	(Rupees in '000)					
Total income - gross	910,067	1,086,796	-	2,409,405	26,472	4,432,740
Total mark-up / return / interest expense	(448,645)	(570,467)	-	-	-	(1,019,112)
Segment provision / impairment / unrealised gains	(103,639)	-	-	-	-	(103,639)
	(552,284)	(570,467)	-	-	-	(1,122,751)
Net operating income	357,783	516,329	-	2,409,405	26,472	3,309,989
Administrative expenses and other charges						(502,987)
Profit before taxation						2,807,002
Segment assets - net	5,090,655	6,920,851	-	9,547,137	732,654	22,291,297
Segment non-performing loans	1,992,396	-	-	-	-	1,992,396
Segment provision required and held	1,733,766	-	-	-	-	1,733,766
Segment liabilities	5,190,228	355,221	-	204	476,539	6,022,192
Segment return on net assets (ROA) %	14.14	9.67	-	35.21	3.61	-
Segment cost of funds (%)	9.47	9.19	-	-	-	-

35.1 Under the Company policy, capital market department assets are financed through equity funds.

36. RELATED PARTY TRANSACTIONS

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

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

	2014	2013
	(Rupees in '000)	
Expenses charged to related parties	19,300	17,244
Expenses charged by		
- associates	891	873
- other related party	19,900	16,944
Dividend income from		
- associates	779,015	584,319
Gain on disposal of shares of subsidiary	-	9,896
Gain on disposal/redemption of shares/units of associates	40,337	72,976
Mark-up earned on bank deposit with an associate	661	807
Mark-up earned on loans and advances		
- key management personnel	636	913
Loans and advances to key management personnel		
Balance as at January 1,	28,907	38,062
Disbursement during the year	4,571	2,234
Addition during the period	828	-
Recovery during the year	(10,302)	(11,389)
	(4,903)	(9,155)
Balance as at December 31,	24,004	28,907

	2014	2013
	(Rupees in '000)	
Mark-up expense on COI		
- associates	-	1,809
- other related party	306	306
Deposits / COIs		
- associates	-	-
- other related party	2,500	2,500
Bank balances with an associate	17,857	25,154
Mark-up receivable on bank deposit with an associate	69	49
Mark-up payable to related party		
- associates	-	-
- other related party	1,465	1,159
Investments in		
- associates	9,832,324	7,354,069
- other related party	500	500
Contribution made to provident fund	16,410	15,541
Contribution made to gratuity fund	14,628	24,474

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 and Head of Human Resources. Their salaries and other benefits amount to Rs. 98.613 million (2013: Rs. 78.095 million) and staff retirement benefits amount to Rs. 11.145 million (2013: Rs. 9.138 million).

37. CAPITAL ADEQUACY

37.1 The Basel III Framework for capital adequacy is applicable to the Company. The Company monitors its capital adequacy ratio and endeavors to maintain it at a level sufficiently higher than the minimum regulatory requirement. The Company calculates capital requirement as per Basel III regulatory framework, using the Standardized Approach for Credit Risk and Market Risk whereas Basic Indicator Approach for Operational Risk.

Objectives of Capital Management

The capital management objectives of the Company are as follows:

- To maintain sufficient capital to support overall business strategy, expansion and growth;
- To integrate capital allocation decisions with the strategic and financial planning process;
- To meet the regulatory capital adequacy ratios as defined by SBP;
- To safeguard the Company’s ability to continue as a going concern so that it can continue to provide adequate return to shareholders; and
- To have a prudent buffer to protect the Company under different economic and stress scenarios caused by unexpected and unforeseeable events.

Statutory Capital Requirement

State Bank of Pakistan (SBP) requires Banks / DFIs to maintain prescribed capital to total risk-weighted asset ratios. The capital adequacy ratios of the Banks / DFIs are subject to Basel III capital adequacy guidelines stipulated by the SBP through its BPRD Circular No. 6 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation to be expected by December 31, 2019. Under Basel III guidelines Banks / DFIs are required to maintain the following ratios on an ongoing basis.

Sr. #	Ratio	2013	2014	2015	2016	2017	2018	2019
1	CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	Capital Conservation Buffer (CCB)	0.00%	0.00%	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.00%	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

Capital Management

The major changes under the Basel III Framework pertain to eligible capital which is the numerator of the Capital Adequacy Ratio (CAR). The regulatory capital as managed by the Company is analyzed into following tiers:

- Common Equity Tier 1 Capital (CET1), which includes fully paid up capital, balance in share premium account, general reserves, statutory reserves as per the financial statements and net un-appropriated profits. Goodwill and other intangibles are deducted from Tier 1 Capital.

- Additional Tier 1 Capital (ADT1), which includes perpetual non-cumulative preference shares and share premium resulting from the same. The Company did not have any ADT1 as of December 31, 2014.

- Tier 2 Capital, which includes Subordinated debt / instruments, share premium on issuance of subordinated debt / instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), gross reserves on revaluation of fixed assets and equity investments after all regulatory adjustments applicable on Tier 2

The calculation of capital adequacy enables the Company to assess the long-term soundness. It is crucial to continuously monitor the exposure across entire organization and aggregate risks 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 Company to particular operations or activities.

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

37.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2014

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	2014	2013
		(Rupees in '000)	
1	Fully Paid-up Capital / Capital deposited with SBP	6,000,000	6,000,000
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Share	-	-
4	Discount on Issue of shares	-	-
5	General / Statutory Reserves	5,200,005	3,553,438
6	Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits / (losses)	7,312,036	6,126,502
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9	CET 1 before Regulatory Adjustments	18,512,041	15,679,940
10	Total regulatory adjustments applied to CET1	6,326,410	6,188,410
11	Common Equity Tier 1	12,185,631	9,491,530
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	AT1 before regulatory adjustments	-	-
18	Total regulatory adjustment applied to AT1 capital	4,913,179	6,146,094
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	Additional Tier 1 capital recognized for capital adequacy	-	-
21	Tier 1 Capital (CET1 + admissible AT1)	12,185,631	9,491,530
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets	-	-
29	of which: Unrealized gains / losses on AFS	607,001	297,584
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed / Other Reserves (if any)	-	-
32	T2 before regulatory adjustments	607,001	297,584
33	Total regulatory adjustment applied to T2 capital	607,001	297,584
34	Tier 2 capital (T2) after regulatory adjustments	-	-
35	Tier 2 capital recognized for capital adequacy	-	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	Total Tier 2 capital admissible for capital adequacy	-	-
38	TOTAL CAPITAL (T1 + admissible T2)	12,185,631	9,491,530
39	Total Risk Weighted Assets (RWA)	26,626,689	21,758,484

Rows #	Capital Ratios and buffers (in percentage of risk weighted assets)	2014	2013
40	CET1 to total RWA	45.76%	43.62%
41	Tier-1 capital to total RWA	45.76%	43.62%
42	Total capital to total RWA	45.76%	43.62%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
44	of which: capital conservation buffer requirement	-	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	5.50%	5.00%
49	Tier 1 minimum ratio	7.00%	6.50%
50	Total capital minimum ratio	10.00%	10.00%

Regulatory Adjustments and Additional Information

(Rupees in '000)

		2014	Amounts subject to Pre- Basel III treatment	2013	
37.2.1	Common Equity Tier 1 capital: Regulatory adjustments				
1	Goodwill (net of related deferred tax liability)	-		-	
2	All other intangibles (net of any associated deferred tax liability)	33,186		42,316	
3	Shortfall in provisions against classified assets	-		-	
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
5	Defined-benefit pension fund net assets	-		-	
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-		-	
7	Cash flow hedge reserve	-		-	
8	Investment in own shares/ CET1 instruments	-		-	
9	Securitization gain on sale	-		-	
10	Capital shortfall of regulated subsidiaries	-		-	
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		-	
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	1,380,045	6,900,226		4,879,915
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-	
15	Amount exceeding 15% threshold				
16	of which: significant investments in the common stocks of financial entities	-		-	
17	of which: deferred tax assets arising from temporary differences	-		-	
18	National specific regulatory adjustments applied to CET1 capital	-		-	
19	Investments in TFCs of other banks exceeding the prescribed limit	-		-	
20	Any other deduction specified by SBP (mention details)	-		-	
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	4,913,179		6,146,094	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	6,326,410		6,188,410	

Regulatory Adjustments and Additional Information	2014	2013
	(Rupees in '000)	
	Amounts subject to Pre- Basel III treatment	

37.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

		2014	2013
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
24	Investment in own AT1 capital instruments	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	2,760,090	3,221,839
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	2,153,089	2,924,255
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	4,913,179	6,146,094

37.2.3 Tier 2 Capital: regulatory adjustments

		2014	2013
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,760,090	3,221,839
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33	Investment in own Tier 2 capital instrument	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	2,760,090	3,221,839

37.2.4 Additional Information

		2014	2013
		(Rupees in '000)	
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	1,181,378	648,669
39	Significant investments in the common stock of financial entities	8,748,111	6,443,677
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

37.3 Capital Structure Reconciliation

Step 1		
Table: 37.3.1	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2014	2014
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	53,667	53,667
Balances with other banks	20,335	20,335
Lendings to financial institutions	28,000	28,000
Investments	20,901,562	20,901,562
Advances	2,797,928	2,797,928
Operating fixed assets	188,609	188,609
Deferred tax assets	-	-
Other assets	644,072	644,072
Total assets	24,634,173	24,634,173
Liabilities & Equity		
Bills payable	-	-
Borrowings	3,557,518	3,557,518
Deposits and other accounts	397,790	397,790
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	647,311	647,311
Other liabilities	415,874	415,874
Total liabilities	5,018,493	5,018,493
Share capital / Head office capital account	6,000,000	6,000,000
Reserves	5,200,005	5,200,005
Unappropriated / Unremitted profit / (losses)	7,312,036	7,312,036
Minority Interest	-	-
Surplus on revaluation of assets	1,103,639	1,103,639
Total liabilities & equity	24,634,173	24,634,173

Step 2			
Table: 37.3.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2014	2014	
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	53,667	53,667	
Balances with other banks	20,335	20,335	
Lending to financial institutions	28,000	28,000	
Investments	20,901,562	20,901,562	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	1,380,045	1,380,045	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument	-	-	d
of which: others (mention details)	-	-	e
Advances	2,797,928	2,797,928	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital			g
Fixed Assets	188,609	188,609	
Deferred Tax Assets	-	-	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	644,072	644,072	
of which: Goodwill	-	-	j
of which: Intangibles	33,186	33,186	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	24,634,173	24,634,173	
Liabilities & Equity			
Bills payable	-	-	
Borrowings	3,557,518	3,557,518	
Deposits and other accounts	397,790	397,790	
Sub-ordinated loans			
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	647,311	647,311	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	415,874	415,874	
Total liabilities	5,018,493	5,018,493	
Share capital	6,000,000	6,000,000	
of which: amount eligible for CET1	-	-	s
of which: amount eligible for AT1	-	-	t
Reserves	5,200,005	5,200,005	
of which: portion eligible for inclusion in CET1(provide breakup)	-	-	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit / (losses)	7,312,036	7,312,036	w
Minority Interest			
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	1,103,639	1,103,639	
of which: Revaluation reserves on Property	-	-	aa
of which: Unrealized Gains /Losses on AFS	-	-	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	24,634,173	24,634,173	

Step 3		
Basel III Disclosure Template (with added column)		
Table: 37.3.3	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital / Capital deposited with SBP	6,000,000	(s)
2 Balance in Share Premium Account	-	
3 Reserve for issue of Bonus Shares	-	
4 General / Statutory Reserves	5,200,005	(u)
5 Gain / (Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated / unremitted profits / (losses)	7,312,036	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	18,512,041	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	33,186	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares / CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of property / AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	1,380,045	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold		
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	4,913,179	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	6,326,410	
Common Equity Tier 1	12,185,631	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium		
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		(y)
35 of which: instrument issued by subsidiaries subject to phase out	-	
36 AT1 before regulatory adjustments	-	

Table: 37.3.3		Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
	Additional Tier 1 Capital: regulatory adjustments		
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38	Investment in own AT1 capital instruments	-	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44	Total of Regulatory Adjustment applied to AT1 capital	-	
45	Additional Tier 1 capital	-	
46	Additional Tier 1 capital recognized for capital adequacy	-	
	Tier 1 Capital (CET1 + admissible AT1)	12,185,631	
	Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III	-	(n)
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		(z)
50	of which: instruments issued by subsidiaries subject to phase out	-	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	(g)
52	Revaluation Reserves eligible for Tier 2		
53	of which: portion pertaining to Property	-	portion of (aa)
54	of which: portion pertaining to AFS securities	607,001	
55	Foreign Exchange Translation Reserves	-	(v)
56	Undisclosed / Other Reserves (if any)	-	
57	T2 before regulatory adjustments	607,001	
	Tier 2 Capital: regulatory adjustments		
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,760,090	
59	Reciprocal cross holdings in Tier 2 instruments	-	
60	Investment in own Tier 2 capital instrument	-	
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63	Amount of Regulatory Adjustment applied to T2 capital	-	
64	Tier 2 capital (T2)	-	
65	Tier 2 capital recognized for capital adequacy	-	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	-	
	TOTAL CAPITAL (T1 + admissible T2)	12,185,631	

37.4 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	Pakistan Kuwait Investment Company Pvt. Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NA
3	Governing law(s) of the instrument	Government of Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / group&solo	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands)	6,000,000
9	Par value of instrument	PKR 25,000 per share
10	Accounting classification	Share Holder's Equity
11	Original date of issuance	1979
12	Perpetual or dated	Perpetual
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend / coupon	NA
18	coupon rate and any related index/ benchmark	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

37.5 Capital Adequacy Ratio

	Capital Requirements 2014	Capital Requirements 2013	Risk Weighted Assets 2014	Risk Weighted Assets 2013
	(Rupees in '000)			
Credit Risk on On-Balance Sheet				
PSE's	1,292	40,999	12,917	409,990
Banks	992	77,783	9,916	777,831
Corporates	129,959	172,362	1,299,591	1,723,628
Retail portfolio	3,580	3,192	35,805	31,916
Secured by residential property	2,967	2,302	29,673	23,019
Past due loans	15,264	28,052	152,641	280,517
Commercial Entity	576,463	436,502	5,764,630	4,365,022
Significant Investment & DTA	461,972	-	4,619,715	-
Listed equity investments	63,026	61,806	630,264	618,063
Unlisted equity investments	35,615	32,279	356,147	322,788
Investments in fixed assets	17,980	16,154	179,797	161,537
Other assets	1,270	1,619	12,702	16,190
	1,310,380	873,050	13,103,798	8,730,501
Credit risk on Off-Balance Sheet				
Non market related	35,593	194,557	355,930	1,945,573
Market Risk				
Interest rate risk	58,528	25,168	585,275	251,675
Equity position risk	736,412	628,684	7,364,122	6,286,841
	794,940	653,852	7,949,397	6,538,516
Operational Risk	521,756	454,389	5,217,564	4,543,894
TOTAL	2,662,669	2,175,848	26,626,689	21,758,484

Capital Adequacy Ratio		2014	2013
		(Rupees in '000)	
Total eligible regulatory capital held	(e)	12,185,631	9,491,530
Total Risk Weighted Assets	(i)	26,626,689	21,758,484
Capital Adequacy Ratio (e) / (i)		45.76%	43.62%

Capital Adequacy Ratios	2014 Required	2014 Actual	2013 Required	2013 Actual
CET1 to total RWA	5.50%	45.76%	5.00%	43.62%
Tier-1 capital to total RWA	7.00%	45.76%	6.00%	43.62%
Total capital to total RWA	10.00%	45.76%	10.00%	43.62%

38. RISK MANAGEMENT

Risk is an integral part of business and the Company aims at delivering superior shareholder value by achieving an appropriate trade-off between risk and returns. Risk Management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The risks that the 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 Company wishes to accept (at a price that is commensurate to that risk) and risks the 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.

The Board of Directors has oversight on all the risks assumed by Company. Policies approved from time to time by Board of Directors form the governing framework for each type of risk. Risk Management Committee (RMC) of the Board has been constituted to facilitate focused oversight of various risks and is updated on quarterly basis by an independent Risk Management Function on the risk exposures, trends and benchmarks for each risk type covered within the scope of policy. The main goals of Risk Management are to oversee the enterprise-wide risk policies and guidelines under the guidance of the Board of Directors and RMC, to establish and monitor limits, to set and manage decision processes and to implement risk assessment methods. Functional level committees oversee the implementation of risk management practices and exposure levels.

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

The Company has developed Internal Capital Adequacy Assessment Process (ICAAP) document as per the SBP guidelines. In the ICAAP document, the Company recognized risks other than the pillar 1 risks e.g. Strategic risk, Liquidity Risk, Reputational Risk and Interest Rate Risk in Banking Book.

38.1 Credit risk

Credit risk is the potential for financial loss arising from borrower's or counterparty's inability to meet its obligations under a contract.

Credit Risk is the predominant risk type faced by the Company in its lending activities. All credit risk related aspects are governed by a credit policy approved by the Board of Directors. The policy outlines the type of products that can be offered, targeted customer profile and the credit approval process and limits. In order to assess the credit risk associated with any corporate financing proposal, variety of risks relating to the borrower and relevant industry are assessed. A structured and standardized credit approval process is followed which includes a well-established procedure of comprehensive credit appraisal and credit rating. The credit evaluation system comprises of well-designed credit appraisal, review and approval procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. Each credit proposal is evaluated on standalone basis as well as its implication on company's portfolio in terms of portfolio pricing and rating is also assessed. The internal credit rating methodologies have been developed for rating obligors. The rating serves as the key input in the approval as well as post approval credit process. All the credit applications and reviews are thoroughly analyzed by 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.

Internal Credit Risk Rating System developed by the Company is capable of quantifying credit risk pertinent to specific counterparty as well as the risk inherent in the facility structure. It takes into consideration various qualitative and quantitative factors and generates an internal rating. The rating models have been internally tested, validated and checked for compliance with SBP guidelines for Internal Credit Rating System. The Risk Rating Models, both Obligor Risk Rating (ORR) and Facility Risk Rating (FRR), are regularly reviewed based on day to day working experience and changes in market dynamics. The Internal Risk Rating Policy is also in place which was approved by Board of Directors.

Credit risk management process adopted various concentration limits, counterparty and group level limits. Sectoral concentration limits are set for extending credit to a specific industry sector. The Company monitors the concentration to any given sector to ensure that the loan portfolio is well diversified. ORR is also used on aggregate group level to determine the amount of credit exposure the Company is willing to take on a particular group.

Various analysis and reports are also performed on periodic basis and are reported to the Risk Management Committee of the Board. These analysis mainly include past due analysis, transition matrix & migration analysis, risk premium analysis, sector-wise and rating-wise portfolio distribution analysis etc. The Company performs stress testing on its credit portfolio as per SBP stress testing guidelines.

The disbursement and administration of credit facilities is managed by Credit Administration Department (CAD).

To manage non-performing customers Special Asset Management (SAM) Department is functional and is responsible to recover overdue exposures.

The Company is using Basel-III standardized approach to calculate risk weighted assets against credit risk.

38.1.1 Segment Information

38.1.1.1 Segment by class of business

	2014					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Textile	1,721,754	39.47	-	-	300,000	34.90
Chemical and pharmaceutical	659,275	15.11	-	-	-	-
Cement	93,333	2.14	-	-	-	-
Sugar	58,213	1.33	-	-	-	-
Footwear and leather garments	-	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	11,111	0.25	-	-	-	-
Construction	196,071	4.49	-	-	-	-
Transport, storage and communication	250,000	5.73	-	-	-	-
Financial and Insurance	-	-	-	-	-	-
Power	886,913	20.33	-	-	200,000	23.27
Trusts	-	-	395,290	99.37	-	-
Services	11,513	0.26	2,500	0.63	-	-
Individuals	132,521	3.04	-	-	-	-
Education	-	-	-	-	-	-
Others	341,831	7.85	-	-	359,482	41.83
	4,362,535	100.00	397,790	100.00	859,482	100.00

	2013					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Textile	1,807,869	32.83	-	-	410,000	13.37
Chemical and pharmaceutical	960,306	17.44	-	-	100,000	3.26
Cement	93,333	1.70	-	-	-	-
Sugar	305,544	5.55	-	-	-	-
Footwear and leather garments	-	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	11,111	0.20	-	-	-	-
Construction	266,754	4.84	-	-	-	-
Transport, storage and communication	250,000	4.54	-	-	300,000	9.79
Financial and Insurance	-	-	-	-	-	-
Power	1,179,771	21.43	-	-	1,500,000	48.93
Trusts	-	-	347,180	99.29	-	-
Services	286,010	5.19	2,500	0.71	5,218	0.17
Individuals	108,323	1.97	-	-	-	-
Education	-	-	-	-	-	-
Others	237,235	4.31	-	-	750,355	24.48
	5,506,256	100.00	349,680	100.00	3,065,573	100.00

38.1.1.2 Segment by sector

	2014					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	25,824	0.59	-	-	-	-
Private	4,336,711	99.41	397,790	100.00	859,482	100.00
	4,362,535	100.00	397,790	100.00	859,482	100.00

	2013					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	34,480	0.63	-	-	-	-
Private	5,471,776	99.37	349,680	100.00	3,065,573	100.00
	5,506,256	100.00	349,680	100.00	3,065,573	100.00

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

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Textile	970,663	970,663	993,988	993,988
Chemical and pharmaceutical	47,301	47,301	61,250	61,250
Construction	169,111	169,111	169,111	169,111
Cement	93,333	93,333	93,333	93,333
Sugar	36,623	36,623	40,633	40,633
Electronics and electrical appliances	11,111	11,111	11,111	11,111
Transport, storage and communication	250,000	125,000	250,000	125,000
Services	11,513	5,756	267,261	133,631
Others	105,709	105,709	105,709	105,709
	1,695,364	1,564,607	1,992,396	1,733,766

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

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Public / government	-	-	-	-
Private	1,695,364	1,564,607	1,992,396	1,733,766
	1,695,364	1,564,607	1,992,396	1,733,766

38.2 Liquidity risk

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

This risk arises from mismatches in the timing of cashflows. The objective of the company's liquidity management is to ensure that all foreseeable funding commitments can be met when due. The Company's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the liquidity management. To limit this risk the Company maintains statutory deposits with the central bank. The Company's key funding source is the inter-bank money market. Comprehensive gap analysis is done on monthly basis to evaluate match / mismatch between assets and liabilities. ALCO reviews gap analysis and devise the liquidity management strategy. For effective monitoring of liquidity position gap limits for each maturity bucket are in place, monitored by Risk Management Department and reviewed by ALCO on monthly basis. Major findings of liquidity ratios & Gaps reports are also reported to the Risk Management Committee of the Board on quarterly basis. Moreover, Contingency Funding Plan is in place to address liquidity issues in times of crisis situations.

The maturity profile of assets and liabilities is prepared based on their contractual maturities, except for assets and liabilities that do not have contractual maturity. In this regard, assumptions for the Company's maturity profile in respect of allocation of non-contractual items based on their expected maturities were deliberated and approved by the ALCO. The ALCO agreed upon various assumptions for such allocation including the Company's historical trend and past experience, expected utilization of assets, expected useful lives of fixed assets, statutory requirements and variance approach.

38.2.1 Maturities of assets and liabilities based on Asset and Liability Committee (ALCO) of the Company

2014

	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)									
Assets										
Cash and balances with treasury banks	53,667	53,667	-	-	-	-	-	-	-	-
Balances with other banks	20,335	20,335	-	-	-	-	-	-	-	-
Lendings to financial institutions	28,000	28,000	-	-	-	-	-	-	-	-
Investments	20,901,562	-	-	481,627	3,633,711	6,137,322	8,271,799	2,226,813	150,290	-
Advances	2,797,928	205,930	66,932	312,449	481,501	615,326	401,401	474,834	182,009	57,546
Operating fixed assets	188,609	1,107	2,211	3,316	6,634	13,268	13,268	23,386	17,917	107,502
Other assets	644,072	19,764	315,249	23,582	24,617	257,365	-	3,495	-	-
	24,634,173	328,803	384,392	820,974	4,146,463	7,023,281	8,686,468	2,728,528	350,216	165,048
Liabilities										
Borrowings	3,557,518	627,051	20,344	13,088	1,781,984	48,819	31,446	1,030,066	4,720	-
Deposits and other accounts	397,790	-	371,790	26,000	-	-	-	-	-	-
Deferred tax liabilities	647,311	203,284	-	4,912	48,066	114,829	516,642	8,843	(249,265)	-
Other liabilities	415,874	162,241	228,228	1,507	6,499	1,161	717	15,521	-	-
	5,018,493	992,576	620,362	45,507	1,836,549	164,809	548,805	1,054,430	(244,545)	-
Net assets	19,615,680	(663,773)	(235,970)	775,467	2,309,914	6,858,472	8,137,663	1,674,098	594,761	165,048
Share capital	6,000,000									
Reserves	5,200,005									
Un-appropriated profit	7,312,036									
Surplus on revaluation of 'available-for-sale' securities - net of tax	1,103,639									
	19,615,680									

2013

	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)									
Assets										
Cash and balances with treasury banks	30,795	30,795	-	-	-	-	-	-	-	-
Balances with other banks	27,561	27,561	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,824,062	5,824,062	-	-	-	-	-	-	-	-
Investments	11,886,802	-	-	116	2,873,988	835,040	6,137,949	1,497,697	542,012	-
Advances	3,772,490	85,524	121,029	564,753	529,275	893,739	662,094	733,472	158,511	24,093
Operating fixed assets	203,854	1,327	2,650	3,975	7,952	15,904	15,904	27,550	18,370	110,222
Other assets	545,733	35,186	62,879	31,969	465	411,656	83	3,495	-	-
	22,291,297	6,004,455	186,558	600,813	3,411,680	2,156,339	6,816,030	2,262,214	718,893	134,315
Liabilities										
Borrowings	5,042,353	6,881	22,228	23,298	802,408	3,072,305	48,999	1,047,299	18,935	-
Deposits and other accounts	349,680	7,200	306,980	33,000	-	2,500	-	-	-	-
Deferred tax liabilities	256,857	(32,908)	(17,150)	-	-	-	617,177	-	(310,262)	-
Other liabilities	373,302	130,227	204,525	1,606	14,171	5,928	1,161	15,684	-	-
	6,022,192	111,400	516,583	57,904	816,579	3,080,733	667,337	1,062,983	(291,327)	-
Net assets	16,269,105	5,893,055	(330,025)	542,909	2,595,101	(924,394)	6,148,693	1,199,231	1,010,220	134,315
Share capital	6,000,000									
Reserves	3,553,438									
Un-appropriated profit	6,126,502									
Surplus on revaluation of 'available-for-sale' securities - net of tax	589,165									
	16,269,105									

38.2.2 Maturities of assets and liabilities based on contractual maturities

In accordance with BSD Circular No. 02 dated January 14, 2013, issued by SBP, the Company is required to report maturity gaps of assets and liabilities on contractual basis which are as follows:

2014

	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)									
Assets										
Cash and balances with treasury banks	53,667	53,667	-	-	-	-	-	-	-	-
Balances with other banks	20,335	20,335	-	-	-	-	-	-	-	-
Lendings to financial institutions	28,000	28,000	-	-	-	-	-	-	-	-
Investments	20,901,562	13,363,324	-	481,627	-	5,267,128	424,278	1,215,415	149,790	-
Advances	2,797,928	205,930	66,932	312,449	481,501	615,326	401,401	474,834	182,009	57,546
Operating fixed assets	188,609	1,107	2,211	3,316	6,634	13,268	13,268	23,386	17,917	107,502
Other assets	644,072	280,163	315,249	23,582	24,617	461	-	-	-	-
	24,634,173	13,952,526	384,392	820,974	512,752	5,896,183	838,947	1,713,635	349,716	165,048
Liabilities										
Borrowings	3,557,518	627,051	20,344	13,088	1,781,984	48,819	31,446	1,030,066	4,720	-
Deposits and other accounts	397,790	-	371,790	26,000	-	-	-	-	-	-
Deferred tax liabilities	647,311	647,311	-	-	-	-	-	-	-	-
Other liabilities	415,874	175,998	227,886	1,378	6,234	1,161	717	2,500	-	-
	5,018,493	1,450,360	620,020	40,466	1,788,218	49,980	32,163	1,032,566	4,720	-
Net assets	19,615,680	12,502,166	(235,628)	780,508	(1,275,466)	5,846,203	806,784	681,069	344,996	165,048
Share capital	6,000,000									
Reserves	5,200,005									
Un-appropriated profit	7,312,036									
Surplus on revaluation of 'available-for-sale' securities - net of tax	1,103,639									
	19,615,680									

2013

	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)									
Assets										
Cash and balances with treasury banks	30,795	30,795	-	-	-	-	-	-	-	-
Balances with other banks	27,561	27,561	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,824,062	5,824,062	-	-	-	-	-	-	-	-
Investments	11,886,802	10,299,310	-	115	115	230	319,698	725,822	541,512	-
Advances	3,772,490	244,035	121,029	564,753	529,275	893,739	662,094	733,472	-	24,093
Operating fixed assets	203,854	1,327	2,650	3,975	7,952	15,904	15,904	27,550	18,370	110,222
Other assets	545,733	450,337	62,879	31,969	465	-	83	-	-	-
	22,291,297	16,877,427	186,558	600,812	537,807	909,873	997,779	1,486,844	559,882	134,315
Liabilities										
Borrowings	5,042,353	6,881	22,228	23,298	802,408	3,072,305	48,999	1,047,299	18,935	-
Deposits and other accounts	349,680	7,200	306,980	33,000	-	2,500	-	-	-	-
Deferred tax liabilities	256,857	256,857	-	-	-	-	-	-	-	
Other liabilities	373,302	143,498	204,345	1,280	13,873	5,928	1,161	3,217	-	-
	6,022,192	414,436	533,553	57,578	816,281	3,080,733	50,160	1,050,516	18,935	-
Net assets	16,269,105	16,462,991	(346,995)	543,234	(278,474)	(2,170,860)	947,619	436,328	540,947	134,315
Share capital	6,000,000									
Reserves	3,553,438									
Un-appropriated profit	6,126,502									
Surplus on revaluation of 'available-for-sale' securities - net of tax	589,165									
	16,269,105									

38.3 Market risk

Market risk is the risk of losses due to on and off-balance sheet positions arising out of changes in market variables, such as interest rates, foreign exchange rates, equity prices and credit spreads.

The Company is exposed to interest rate risk and equity price risk. To manage and control market risk a well-defined limits structure is in place. Market Risk is managed by the Risk Management Function which makes sure that exposure in Money Market and Equity Market adheres with the risk tolerance levels and matches with overall business goals set by Board of Directors (BOD), Risk Management Committee of the Board (RMC) and ALCO.

Market Risk is pertinent to the Trading Book which 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. At December 31, 2014 and December 31, 2013, no securities were held for trading.

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.

A well-defined limits structure is in place to effectively manage market risk. These limits are reviewed, adjusted and approved periodically by ALCO. Middle Office monitors these limits on daily basis.

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

To manage market risk, the Company carries out stress testing of its statement of financial position by varying sources of market risk as per SBP guidelines.

38.3.1 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 Company manages its interest rate risk by entering into floating rate agreements with its customers. The interest rate risk strategy is discussed in ALCO meetings on periodic basis. The Risk Management Function carries out stress testing to ascertain the interest rate risk on the statement of financial position and also prepares the interest rate risk profile on monthly basis.

2014

	Effective yield / interest rate	Exposed to yield / profit risk										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	-	53,667	-	-	-	-	-	-	-	-	-	53,667
Balances with other banks	6.00	20,335	20,151	-	-	-	-	-	-	-	-	184
Lendings to financial institutions	9.50	28,000	28,000	-	-	-	-	-	-	-	-	-
Investments	11.57	20,901,562	-	248,185	1,055,698	-	5,141,402	-	966,789	-	-	13,489,488
Advances	11.89	2,797,928	529,513	1,214,506	781,965	35,014	45,781	35,217	42,098	29,238	36,856	47,740
Other assets	-	374,203	-	-	-	-	-	-	-	-	-	374,203
		24,175,695	577,664	1,462,691	1,837,663	35,014	5,187,183	35,217	1,008,887	29,238	36,856	13,965,282
Financial Liabilities												
Borrowings	10.41	3,557,518	627,051	2,770,344	13,088	31,984	48,819	31,446	30,066	4,720	-	-
Deposits and other accounts	9.82	397,790	-	371,790	26,000	-	-	-	-	-	-	-
Other liabilities	-	396,558	-	-	-	-	-	-	-	-	-	396,558
		4,351,866	627,051	3,142,134	39,088	31,984	48,819	31,446	30,066	4,720	-	396,558
On balance sheet gap		19,823,829	(49,387)	(1,679,443)	1,798,575	3,030	5,138,364	3,771	978,821	24,518	36,856	13,568,724

2013

	Effective yield / interest rate	Exposed to yield / profit risk										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	-	30,795	-	-	-	-	-	-	-	-	-	30,795
Balances with other banks	6.00	27,561	27,404	-	-	-	-	-	-	-	-	157
Lendings to financial institutions	9.96	5,824,062	5,824,062	-	-	-	-	-	-	-	-	-
Investments	9.00	11,886,802	-	-	574,300	-	-	124,196	497,034	391,962	-	10,299,310
Advances	11.67	3,772,490	900,257	574,800	1,814,353	200,523	75,051	43,410	50,004	31,200	19,154	63,738
Other assets		117,886	-	-	-	-	-	-	-	-	-	117,886
		21,659,596	6,751,723	574,800	2,388,653	200,523	75,051	167,606	547,038	423,162	19,154	10,511,886
Financial Liabilities												
Borrowings	10.15	5,042,353	2,006,881	2,772,228	23,298	52,408	72,305	48,999	47,299	18,935	-	-
Deposits and other accounts	9.43	349,680	7,200	306,980	33,000	-	2,500	-	-	-	-	-
Other liabilities		357,166	-	-	-	-	-	-	-	-	-	357,166
		5,749,199	2,014,081	3,079,208	56,298	52,408	74,805	48,999	47,299	18,935	-	357,166
On balance sheet gap		15,910,397	4,737,642	(2,504,408)	2,332,355	148,115	246	118,607	499,739	404,227	19,154	10,154,720

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 Company's exposure to this category of market risk is negligible.

	2014			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupees	24,634,173	5,018,493	859,482	18,756,198
United States Dollars	-	-	-	-
	24,634,173	5,018,493	859,482	18,756,198

	2013			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupees	22,290,668	6,022,192	3,065,573	13,202,903
United States Dollars	629	-	-	629
	22,291,297	6,022,192	3,065,573	13,203,532

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 Price Risk is monitored and controlled 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, mark-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 ALCO approves exposure limits applicable to investments and meets on regular basis to discuss equity investments related strategy. The Company calculates Value at Risk (VaR) on a daily basis using Historical Method and Variance Covariance Approach. The findings of VaR are reported to Risk Management Committee of the Board on quarterly basis.

38.4 Operational risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. It is an inherent risk faced by all businesses and covers a large number of operational risk events including business interruption and system failure, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets etc.

Risk Management Policy sets out the guidelines to identify, assess, monitor, control and report operational risk. Risk Management Department is in the process of implementing operational risk assessment tools, risk controls and reporting framework. Operational Risk Loss Data including Loss Events, Near Misses and Transactions in Difficulty are being collected, throughout the year, from all the respective departments / units on monthly basis. These operational losses occurring across the Company are reported to Risk Management Department where they are aggregated into an internally developed Operational Loss Database. For the purpose of monitoring of the occurrences of key operational risks, Key Risk Indicators (KRIs) are also being collected throughout the year along with the Loss Data, from all the respective departments / units on monthly basis. The Internal Audit department at PKIC independently reviews and validates the Operational Risk Loss Data on regular basis.

The Company is currently using Basic Indicator Approach to calculate Operational risk weighted assets as per Basel III requirements for capital adequacy calculation.

Business Continuity Plan

The Company has approved Business Continuity Plan (BCP) in place which covers the steps and events to be considered to ensure continuity of business operations in case of any emergency or disaster. Regular BCP testing is conducted on regular basis to test the effectiveness of the plan and readiness of the Company to address emergency situations.

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 monthly 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 Company has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as 'held-to-maturity' the Company 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 Company 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 nine months as prolonged.

39.4 Income taxes

In making the estimates for income taxes currently payable by the Company, 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.

39.5 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 February 22, 2015.

41. GENERAL AND NON-ADJUSTING EVENT

41.1 The Pakistan Credit Rating Agency (PACRA) has maintained for the company, the long-term entity rating to AAA (Triple A) and the short term rating at A1+(A one plus), the highest level.

41.2 The Board of Directors of the Company has proposed cash dividend of Rs. 600 million (2013: Rs. 675 million) for the year ended December 31, 2014 in their meeting held on February 22, 2015. 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.

Tanwir Khan   Saleem Zamindar

Chairman   Chief Executive   Director

QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Company	2014 Market Value	2014 Rating	2013 Market Value	2013 Rating
		(Rupees in '000)		(Rupees in '000)	
	AVAILABLE FOR SALE PORTFOLIO				
	STRATEGIC PORTFOLIO				
1	THE HUB POWER COMPANY LIMITED	54,272	AA+/A1+	42,055	AA+/A1+
	TOTAL	54,272		42,055	
	GENERAL PORTFOLIO				
	OIL AND GAS				
2	OIL AND GAS DEVELOPMENT COMPANY LIMITED	132,457	AAA/A-1+	-	-
3	ATTOCK PETROLEUM LIMITED	94,426	Unrated	-	-
4	PAKISTAN STATE OIL COMPANY LIMITED	143,164	Unrated	129,765	Unrated
5	PAKISTAN OILFIELDS LIMITED	164,263	Unrated	273,741	Unrated
6	PAKISTAN PETROLEUM LIMITED	176,520	Unrated	389,955	Unrated
	TOTAL	710,830		793,461	
	CHEMICALS				
7	FAUJI FERTILIZER BIN QASIM LIMITED	4	Unrated	259,183	Unrated
8	FAUJI FERTILIZER COMPANY LIMITED	-	-	249,525	Unrated
9	ENGRO CORPORATION LIMITED	248,091	Unrated	-	-
	TOTAL	248,095		508,708	
	CONSTRUCTION AND MATERIALS				
10	D.G.KHAN CEMENT COMPANY LIMITED	187,901	Unrated	42,865	Unrated
11	CHERAT CEMENT COMPANY LIMITED	-	-	42,404	Unrated
12	LUCKY CEMENT LIMITED	-	-	10,046	Unrated
	TOTAL	187,901		95,315	
	FIXED LINE TELECOMMUNICATION				
13	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	115,150	Unrated	142,200	Unrated
	TOTAL	115,150		142,200	
	ELECTRICITY				
14	THE HUB POWER COMPANY LIMITED	274,260	AA+/A1+	-	-
15	KOT ADDU POWER COMPANY LIMITED	390,082	AA+/A-1+	305,138	AA+/A-1+
16	K-ELECTRIC LIMITED	53,647	A+/A2	-	-
17	NISHAT CHUNIAN POWER LIMITED	667,404	A+/A-2	468,462	A+/A-2
	TOTAL	1,385,393		773,600	

Sr. No.	Name of Company	2014 Market Value	2014 Rating	2013 Market Value	2013 Rating
		(Rupees in '000)		(Rupees in '000)	
	BANKS				
18	NATIONAL BANK OF PAKISTAN	-	-	153,830	AAA/A-1+
19	ALLIED BANK LIMITED	-	-	99,013	AA+/A1+
20	BANK AL FALAH LIMITED	-	-	74,360	AA+/A1+
21	BANK AL HABIB LIMITED	53,405	AA+/A1+	41,550	AA+/A1+
22	FAYSAL BANK LIMITED	110,365	AA/A-1+	-	-
23	UNITED BANK LIMITED	176,710	AA+/A-1+	28,419	AA+/A-1+
24	HABIB BANK LIMITED	372,038	AAA/A-1+	74,867	AAA+/A-1+
	TOTAL	712,518		472,039	
	FINANCIAL SERVICES				
25	SME LEASING LIMITED	225	BB+/B	1,125	BB+/B
26	DADABHOY LEASING COMPANY LIMITED	-	-	-	-
	TOTAL	225		1,125	
	EQUITY INVESTMENT INSTRUMENTS				
27	PAK OMAN ADVANTAGE FUND	49,401	A+(f)	37,425	A+(f)
	TOTAL	49,401		37,425	
	PREFERENCE SHARES				
28	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	44,200	Unrated	50,000	Unrated
29	SECURITIES LEASING CORPORATION LIMITED PREFERENCE SHARES 9.1%	-		-	-
	PREFERENCE SHARES TOTAL	44,200		50,000	
	GRAND TOTAL	3,507,985		2,915,928	

Annexure - I

QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Particulars	2014 Market Value	2014 Rating	2013 Market Value	2013 Rating
		(Rupees in '000)		(Rupees in '000)	
	Government Securities				
1	MARKET TREASURY BILLS				
	- Six months	481,628	GOVERNMENT SECURITIES	-	GOVERNMENT SECURITIES
2	PAKISTAN INVESTMENT BONDS				
	- Three years	5,127,085	GOVERNMENT SECURITIES	-	GOVERNMENT SECURITIES
	- Five years	14,317		13,898	
	- Ten years	966,789		888,996	
	Sub Total	6,589,819		902,894	
	Listed Sukuk Certificates				
1	K-ELECTRIC Certificate of Rs. 5,000 each Mark up : 12.41% (3-Months KIBOR Ask Rate + 2.75%) Redemption : Quarterly Installments from Feb -2014 Maturity : March, 2019 CEO of the company : Mr. Tayyab Tareen	248,185	A+	-	-
	Sub Total	248,185		-	

Annexure - I

QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Securities	2014 Cost	2014 Rating	2013 Cost	2013 Rating
		(Rupees in '000)		(Rupees in '000)	
	Unlisted Term Finance Certificates				
1	BANK AL FALAH LIMITED Certificate of Rs. 5,000 each Mark up : 12.16% (6-Months KIBOR Ask Rate + 2.50%) Redemption : Half yearly from Dec - 2009 Maturity : Dec, 2017 CEO of the company : Mr. Atif Bajwa	99,800	AA-	99,840	AA-
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED * Certificate of Rs. 5,000 each Mark up : 16.37% (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	21,138	Unrated
3	DEWAN FAROOQUE SPINNING MILLS LIMITED * Certificate of Rs. 5,000 each Mark up : 16.66% (KIBOR 6-Months Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec , 2009 CEO of the company : Mr. Dewan Abdul Baqi Farooqui	12,500	Unrated	12,500	Unrated
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 11.89% (KIBOR 6-Month (s) Ask Rate + 2.25%) Redemption : Half yearly Installments commencing from Dec -2010 Maturity : Dec, 2017 CEO of the company : Mr. Nauman Ansari	324,478	AA-	324,610	AA-
5	BANK AL HABIB LIMITED Certificate of Rs. 5,000 each Mark up : 15.00% - 15.50% Redemption : Half yearly Maturity : June, 2021 CEO of the company : Mr. Abbas D. Habib	149,790	AA	149,850	AA
6	FAUJI AKBER PORTIA MARINE TERMINALS LIMITED * Certificate of Rs. 5,000 each Mark up : - Redemption : Half yearly commencing from May 2021 Maturity : May, 2022 CEO of the company : Mr. Ahmed Kamal Rana	9,856	Unrated	-	-
	Sub Total	617,562		607,938	

* These TFCs are fully provided in the books of PKIC.

Annexure - II

PARTICULARS OF INVESTMENT HELD IN SHARES OF LISTED COMPANIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Company	Total Shares 2014	Total Shares 2013	2014 Cost	2014 Impairment	2014 Cost after Impairment	2013 Cost	2013 Impairment	2013 Cost after Impairment
				-----(Rupees in '000)-----					
	AVAILABLE FOR SALE PORTFOLIO								
	STRATEGIC PORTFOLIO								
1	THE HUB POWER COMPANY LIMITED	692,602	692,602	23,850	-	23,850	23,850	-	23,850
	TOTAL	692,602	692,602	23,850	-	23,850	23,850	-	23,850
	GENERAL PORTFOLIO								
	OIL AND GAS								
2	OIL AND GAS DEVELOPMENT COMPANY LIMITED	643,400	-	162,985	-	162,985	-	-	-
3	ATTOCK PETROLEUM LIMITED	175,000	-	91,794	-	91,794	-	-	-
4	PAKISTAN STATE OIL COMPANY LIMITED	400,000	390,600	142,742	-	142,742	104,961	-	104,961
5	PAKISTAN OILFIELDS LIMITED	433,000	550,000	191,230	-	191,230	251,813	-	251,813
6	PAKISTAN PETROLEUM LIMITED	1,000,000	1,822,560	218,666	-	218,666	282,331	-	282,331
	TOTAL	2,651,400	2,763,160	807,417	-	807,417	639,105	-	639,105
	CHEMICALS								
7	ENGRO CORPORATION LIMITED	1,120,000	-	209,228	-	209,228	-	-	-
8	FAUJI FERTILIZER BIN QASIM LIMITED	80	5,916,080	3	-	3	245,152	-	245,152
9	FAUJI FERTILIZER COMPANY LIMITED	-	2,228,700	-	-	-	255,245	-	255,245
	TOTAL	1,120,080	8,144,780	209,231	-	209,231	500,397	-	500,397
	CONSTRUCTION AND MATERIALS								
10	D.G. KHAN CEMENT COMPANY LIMITED	1,700,000	500,000	156,581	-	156,581	32,928	-	32,928
11	CHERAT CEMENT COMPANY LIMITED	-	670,000	-	-	-	35,793	-	35,793
12	LUCKY CEMENT LIMITED	-	33,500	-	-	-	7,442	-	7,442
	TOTAL	1,700,000	1,203,500	156,581	-	156,581	76,163	-	76,163
	FIXED LINE TELECOMMUNICATION								
13	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	5,000,000	5,000,000	126,216	-	126,216	118,039	-	118,039
	TOTAL	5,000,000	5,000,000	126,216	-	126,216	118,039	-	118,039
	ELECTRICITY								
14	THE HUB POWER COMPANY LIMITED	3,500,000	-	206,399	-	206,399	-	-	-
15	KOT ADDU POWER CO. LIMITED	4,941,500	4,941,500	294,770	-	294,770	294,770	-	294,770
16	K-ELECTRIC LIMITED	5,818,500	-	41,753	-	41,753	-	-	-
17	NISHAT CHUNIAN POWER LIMITED	13,469,302	13,469,302	282,000	-	282,000	282,000	-	282,000
	TOTAL	27,729,302	18,410,802	824,922	-	824,922	576,770	-	576,770

Sr. No.	Name of Company	Total Shares 2014	Total Shares 2013	2014 Cost	2014 Impairment	2014 Cost after Impairment	2013 Cost	2013 Impairment	2013 Cost after Impairment
				(Rupees in '000)					
	BANKS								
18	NATIONAL BANK OF PAKISTAN	-	2,649,500	-	-	-	133,984	-	133,984
19	ALLIED BANK LIMITED	-	1,100,144	-	-	-	66,423	-	66,423
20	BANK AL-FALAH LIMITED	-	2,750,000	-	-	-	53,602	-	53,602
21	BANK AL-HABIB LIMITED	1,100,000	1,000,000	35,049	-	35,049	35,049	-	35,049
22	FAYSAL BANK LIMITED	6,064,000	-	100,305	-	100,305	-	-	-
23	UNITED BANK LIMITED	1,000,000	214,400	168,546	-	168,546	26,816	-	26,816
24	HABIB BANK LIMITED	1,720,330	449,300	286,216	-	286,216	72,707	-	72,707
	TOTAL	9,884,330	8,163,344	590,116	-	590,116	388,581	-	388,581
	FINANCIAL SERVICES								
25	SME LEASING LIMITED	225,000	225,000	2,475	2,250	225	2,475	1,688	787
26	DADABHOY LEASING COMPANY LIMITED	10,750	10,750	14	14	-	14	14	-
	TOTAL	235,750	235,750	2,489	2,264	225	2,489	1,702	787
	EQUITY INVESTMENT INSTRUMENTS								
27	PAK OMAN ADVANTAGE FUND	4,990,000	4,990,000	49,900	17,465	32,435	49,900	17,465	32,435
	TOTAL	4,990,000	4,990,000	49,900	17,465	32,435	49,900	17,465	32,435
	PREFERENCE SHARES								
28	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	5,000,000	5,000,000	50,000	-	50,000	50,000	-	50,000
29	SECURITY LEASING CORPORATION LIMITED (PREF.SHARES) 9.1%	500,000	500,000	5,029	5,029	-	5,029	5,029	-
	PREFERENCE SHARES TOTAL	5,500,000	5,500,000	55,029	5,029	50,000	55,029	5,029	50,000
	GRAND TOTAL	59,503,464	55,103,938	2,845,751	24,758	2,820,993	2,430,323	24,196	2,406,127

Annexure - II

PARTICULARS OF INVESTMENT IN LISTED SUKUK

As Referred to in Note 9.4 to the financial statements

Sr. No.	Particulars	NUMBER OF TFCs 2014	NUMBER OF TFCs 2013	COST (Rupees in '000) 2014	COST (Rupees in '000) 2013
	Particulars of investments held in listed Sukuk				
1	K-ELECTRIC Certificate of Rs. 5,000 each Mark up : 12.41% (3-Months KIBOR Ask Rate + 2.75%) Redemption : Quarterly Installments from Feb -2014 Maturity : March, 2019	47,275	-	236,375	-
	TOTAL	47,275	-	236,375	-

Annexure - II

PARTICULARS OF INVESTMENT IN UNLISTED COMPANIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Investments in unlisted companies	NUMBER OF SHARES 2014	NUMBER OF SHARES 2013	COST (Rupees in '000) 2014	COST (Rupees in '000) 2013
	Particulars of investments held in unlisted companies				
1	Arabian Sea Country Club Chief Executive: Mr. Arif Ali Khan Abbasi Breakup value per share: Rs. 0.70 Date of Financial statements: 30-June-2014	215,000	215,000	2,150	2,150
2	Axle Products Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	404,350	404,350	4,043	4,043
3	Engine Systems Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	1,000,000	1,000,000	10,000	10,000
4	FTC Management Company (Private) Limited Chief Executive: Engr. Commandar ® Muhammad Kaleem Sheikh Breakup value per share: Rs. 680.72 Date of Financial statements: 30-June-2014	50,000	50,000	500	500
5	Rays Shipping Limited Chief Executive: Mr. Farooq H. Rahimtoola Breakup value per share: Rs. 9.57 Date of Financial statements: 30-June-2014	1,000,000	1,000,000	6,500	6,500
6	Transmobile Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	1,000,000	1,000,000	10,000	10,000
7	International Islamic Rating Agency Chief Executive: Ms. Sabeen Saleem Breakup value per share: Rs. 3,820.11 Date of Financial statements: 31-December-2013	100	100	10,290	10,565
8	Pakistan Textile City Limited Chief Executive: Mr. Muhammad Hanif Kasbati Breakup value per share: Rs. 4.55 Date of Financial statements: 30-June-2014	5,000,000	5,000,000	50,000	50,000
9	Innovative Investment Bank (Formerly Crescent Standard Investment Bank Limted) Chief Executive: Not Available Breakup value per share: Not Available Date of Financial statements: Not Available	4,770	4,770	4,770	4,770
10	Pakistan Mercantile Exchange Limited Chief Executive: Mr. Ejaz Ali Shah Breakup value per share: Rs. (3.14) Date of Financial statements: 30-June-2014	909,090	909,090	11,773	11,773
11	Dada Bhoy Padube Limited Chief Executive: Not Available Breakup value per share: Not Available Date of Financial statements: Not Available	100,000	100,000	200	200
	TOTAL	9,683,310	9,683,310	110,226	110,501

Annexure - II

PARTICULARS OF INVESTMENT IN UNLISTED PREFERENCE SHARES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Investment in unlisted Preference Shares	2014	2013	2014	2013
		NUMBER OF SHARES		COST (Rupees in '000)	
1	Silk Bank Limited Chief Executive: Mr. Azmat Tarin Redemption: 26-March-2016 Put Option: The Company has a put option to sell the shares on the expiry of 3 years, its outstanding shares to Arif Habib Corporation Limited at strike price of Rs. 3.70 per share Call Option: Silk Bank is entitled to exercise call option after the end of first year from the date of issue till the expiry of 3 years at strike price ranging from Rs. 2.85 to Rs. 3.70 per share. The Company has an option to sell on the expiry of 3 years, its outstanding shares to Arif Habib Corporation Limited at strike price of Rs. 3.70 per share Breakup Value per share: Rs. 2.36 Date of financial statements: 30-September-2014 (paid up value of each share is Rs. 2.5)	40,000,000	40,000,000	125,726	110,297
	TOTAL	40,000,000	40,000,000	125,726	110,297

Annexure - II

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of TFCs	2014	2013	2014	2013
		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 : 12.16% (6-Months KIBOR + 2.50%) Redemption : Half yearly from Dec - 2009 Maturity : Dec - 2017	19,960	19,968	99,800	99,840
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED * Certificate of Rs. 5,000 each Mark up : 16.37% (3-Months KIBOR Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : May, 2011	4,228	4,228	21,138	21,138
3	DEWAN FAROOQUE SPINNING MILLS LIMITED * Certificate of Rs. 5,000 each Mark up : 16.66% (6-Months KIBOR Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec, 2009	2,500	2,500	12,500	12,500
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 11.89% (6-Months KIBOR Ask Rate + 2.25%) Redemption : Half yearly Installments commencing from December - 2010 Maturity : Dec, 2017	64,896	64,922	324,478	324,610
5	BANK AL HABIB Certificate of Rs. 5,000 each Mark up : 15.00% - 15.50% Redemption : Half yearly Maturity : June, 2021	29,958	29,970	149,790	149,850
6	FAUJI AKBER PORTIA MARINE TERMINALS LIMITED * Certificate of Rs. 5,000 each Mark up : - Redemption : Half yearly commencing from May 2021 Maturity : May, 2022	1,971	-	9,856	-
	TOTAL	123,513	121,588	617,562	607,938

* These TFCs are fully provided in the books of PKIC.

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED
DURING THE YEAR ENDED 31, DECEMBER 2014

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	Total				
1	2	3		4	5	6	7	8	9	10	11	12
	Rupees in '000											
2014												
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
				Sub Total (2014) :	-	-	-	-	-	-	-	-

Pak Kuwait

KARACHI HEAD OFFICE
4th Floor, Block-C, Finance & Trade Centre, Shahrah-e-Faisal, G.P.O. Box 901, Karachi-74400 Pakistan.
Ph: (92-21) 35630901-07, 35631031, 54-62 UAN: (92-21) 111-611-611 Fax: (92-21) 35630939, 35630940

LAHORE REPRESENTATIVE OFFICE
Siddiq Trade Center 1st Floor, Office No. 104, Main Boulevard Gulberg, Lahore, Pakistan.
Ph: (92-42) 35781726-27 UAN: (92-42) 111-611-611 Fax: (92-42) 35781725

email: info@pkic.com Website: www.pkic.com