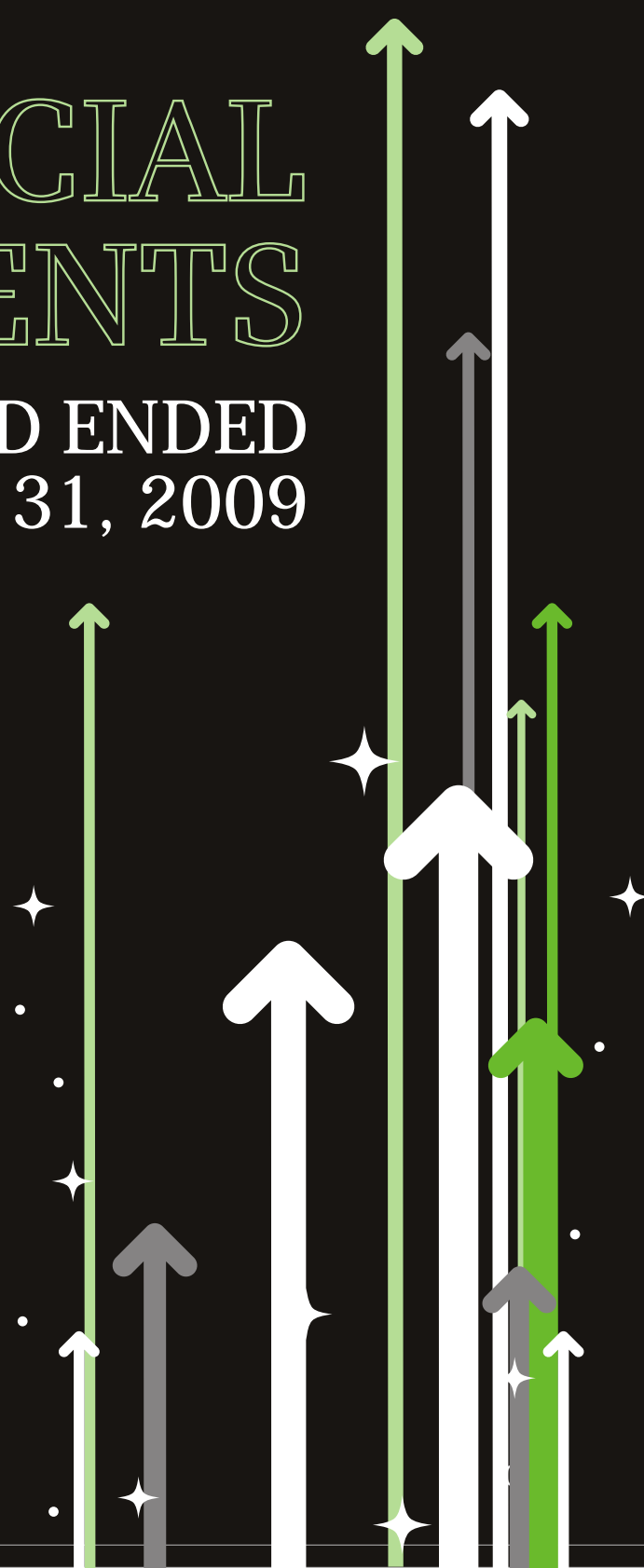


FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
DECEMBER 31, 2009



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pak Brunei Investment Company Limited (the Company) as at December 31, 2009 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (herein-after referred to as the 'financial statements') for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion:
 - i. the 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 except for the change mentioned in note 4.1 with which we concur;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Company's affairs as at December 31, 2009 and of the profit, comprehensive income its cash flows and changes in equity for the year then ended; and
- d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants

Engagement Partner:
Syed Asad Ali Shah





Karachi
March 09, 2010

BALANCE SHEET

AS AT DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	5	23,869	4,267
Balances with other banks	6	191,915	14,870
Lendings to financial institutions	7	1,507,910	1,519,299
Investments - net	8	8,415,996	2,687,585
Advances - net	9	1,732,493	1,062,744
Operating fixed assets	10	37,614	44,334
Deferred tax assets - net		-	27,236
Other assets	12	221,182	168,558
		12,130,979	5,528,893
LIABILITIES			
Bills payable		-	-
Borrowings	13	5,296,808	186,154
Deposits and other accounts	14	395,000	-
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	15	16,273	20,710
Deferred tax liabilities - net	11	2,343	-
Other liabilities	16	114,576	40,869
		5,825,000	247,733
NET ASSETS		6,305,979	5,281,160
REPRESENTED BY			
Share capital	17	5,000,000	5,000,000
Reserves		162,093	72,602
Unappropriated profit		648,369	290,407
		5,810,462	5,363,009
Deficit on revaluation of assets - net of tax	18	(4,483)	(81,849)
Advance against equity		500,000	-
		6,305,979	5,281,160
CONTINGENCIES AND COMMITMENTS	19		

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

			
Ayesha Aziz Chief Executive	Junaidi bin Haji Masri Director	Sumaira K. Aslam Director	Hj Mohd. Amin Liew bin Abdullah Chairman

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
Mark-up / Return / Interest earned	21	971,221	672,254
Mark-up / Return / Interest expensed	22	207,450	131,801
Net Mark-up / Interest Income		763,771	540,453
Provision against non-performing loans and advances	9.4	25,131	-
Provision for diminution in the value of investments	8.3	167,787	108,921
Bad debts written off directly		-	-
		192,918	108,921
Net Mark-up / Interest Income after provisions		570,853	431,532
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		26,335	41,182
Dividend income		16,080	7,012
Income from dealing in foreign currencies		-	-
Gain on sale of securities - net	23	206,158	37,145
Unrealized gain on revaluation of investments classified as held-for-trading	8.5	898	-
Other income	24	4,593	269
Total non-markup / interest Income		254,064	85,608
		824,917	517,140
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	25	132,343	118,675
Other provisions / reversals	12.2	25,000	25,000
Other charges	26	400	-
Total non-markup / interest expenses		157,743	143,675
		667,174	373,465
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		667,174	373,465
Taxation – Current		212,236	170,972
- Prior years		(16,718)	2,921
- Deferred		24,203	(22,694)
	27	219,721	151,199
PROFIT AFTER TAXATION		447,453	222,266
Unappropriated profit brought forward		290,407	112,594
Profit available for appropriation		737,860	334,860
	Rupees.....	
Basic earnings per share	28	0.89	0.52
Diluted earnings per share	29	0.89	0.52

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



Ayesha Aziz
Chief Executive



Junaidi bin Haji Masri
Director



Sumaira K. Aslam
Director



Hj Mohd. Amin Liew bin Abdullah
Chairman

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2009

	December 31, 2009	December 31, 2008
	Rupees in '000	
Profit after taxation for the period	447,453	222,266
Other comprehensive income	-	-
Total comprehensive income for the year	447,453	222,266

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



Ayesha Aziz
Chief Executive



Junaidi bin Haji Masri
Director



Sumaira K. Aslam
Director



Hj Mohd. Amin Liew bin Abdullah
Chairman

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2009

	December 31, 2009	December 31, 2008
Note	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	667,174	373,465
Less: Dividend income	16,080	7,012
	651,094	366,453
Adjustments for non-cash charges		
Depreciation	10.2 10,164	7,251
Amortization	10.3 2,166	1,197
Provision against non-performing advances	25,131	-
Provision for diminution in value of investments	8.3 167,787	108,921
Other provisions / reversals	12.2 25,000	25,000
Gain on sale of property and equipment	24 (268)	(89)
Unrealized gain on revaluation of investments classified as held-for-trading	8.5 (898)	-
Unrealized gain on interest rate swap contracts	24 (4,318)	-
Finance charges on leased assets	25 2,303	2,455
	227,067	144,735
	878,161	511,188
(Increase) / decrease in operating assets		
Lendings to financial institutions	11,389	(55,000)
Held-for-trading securities	(15,671)	99,315
Advances	(694,880)	(808,300)
Others assets	(73,306)	187,767
	(772,468)	(576,218)
(Decrease) / increase in operating liabilities		
Borrowings	5,110,654	(963,846)
Deposits and other accounts	395,000	-
Other liabilities (excluding current taxation)	55,390	(15,423)
	5,561,044	(979,269)
	5,666,737	(1,044,299)
Financial charges paid	(2,450)	(2,154)
Income tax paid	(177,055)	(172,406)
Net cash from / (used in) operating activities	5,487,232	(1,218,859)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	(5,796,886)	(1,022,815)
Dividend income received	16,080	7,012
Investment in operating fixed assets	(7,018)	(21,310)
Sale proceeds from disposal of property and equipment	1,676	11,507
Net cash used in investing activities	(5,786,148)	(1,025,606)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	(4,437)	(4,119)
Advance received against issue of share capital	500,000	-
Issue of share capital	-	2,000,000
Net cash (used in) / from financing activities	495,563	1,995,881
Increase / (decrease) in cash and cash equivalents	196,647	(248,584)
Cash and cash equivalents at the beginning of the year / period	19,137	267,721
Cash and cash equivalents at the end of the year	30 215,784	19,137

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



Ayesha Aziz
Chief Executive



Junaidi bin Haji Masri
Director



Sumaira K. Aslam
Director



Hj Mohd. Amin Liew bin Abdullah
Chairman

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2009

	Share capital	Statutory reserve	Unappropriated profit	Total
Rupees in '000			
Balance as at January 1, 2008	3,000,000	28,149	112,594	3,140,743
Total comprehensive income for the year ended December 31, 2008	-	-	222,266	222,266
Transfer to statutory reserve	-	44,453	(44,453)	-
Issue of share capital	2,000,000	-	-	2,000,000
Balance as at December 31, 2008	5,000,000	72,602	290,407	5,363,009
Total comprehensive income for the year ended December 31, 2009	-	-	447,453	447,453
Transfer to statutory reserve	-	89,491	(89,491)	-
Balance as at December 31, 2009	5,000,000	162,093	648,369	5,810,462

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



Ayesha Aziz
Chief Executive



Junaidi bin Haji Masri
Director



Sumaira K. Aslam
Director



Hj Mohd. Amin Liew bin Abdullah
Chairman

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

1. STATUS AND NATURE OF BUSINESS

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

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the 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 (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (the SECP) and the SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

The SECP has approved the adoption of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Property". The requirements of these standards have not been taken into account for the purpose of these financial statements as the implementation of the said standards has been deferred by SBP, vide BSD circular letter number 11, dated September 11, 2002, for Non Banking Financial Institutions in Pakistan till further instructions. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP. Further, the Company has not adopted requirements of IFRS - 7 "Financial Instruments: Disclosures" as the same has not been made applicable for banks and NBFIs. Therefore, it is also not applicable on to the Company as it follows the same format of reporting as made applicable on banks by the SBP.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the SBP.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Change in accounting policy

4.1.1 Presentation of Financial Statements

Starting January 01, 2009, the Company has changed its accounting policy in respect of 'Presentation of financial statements'.

IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2009) – The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under revised standard, an entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Company has opted to present the components of profit or loss in a separate statement while a statement of comprehensive income is presented separately as permitted under revised IAS 1.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

4.2 Cash and cash equivalents

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

4.3 Revenue recognition

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

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

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

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

4.4 Advances

Advances are stated net of specific and general provisions. Specific provisions are made in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances) for classification of non-performing loans and advances and computing provision / allowance thereagainst. Advances are written off where there are no realistic prospects of recovery.

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

4.5 Investments

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

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

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

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

Gains and losses on derecognition of investments are included in the profit and loss account in the year in which they arise.

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

4.6 Repurchase and resale agreements

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

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

4.7 Derivative financial instruments

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

4.8 Trade date accounting

All regular way purchases / sales of investment are recognised on the trade date, i.e., the date, the Company commits to purchase / sell the investments. Regular way purchases or sales of investment require delivery of securities within two working days after the transaction date as required by stock exchange regulations.

4.9 Financial instruments

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

4.10 Taxation

Current

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

Deferred

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

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

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

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

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

4.11 Operating fixed assets

Property and equipment

Owned

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

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

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

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

Leased

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

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

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

Intangibles

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

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

Capital work-in-progress

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

Impairment

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

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

4.12 Provisions

Provision is made when the Company has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

4.13 Offsetting

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

4.14 Staff retirement benefit

4.14.1 Defined contribution plan

Staff provident fund

The Company operates a provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees to the fund at the rate of 8.33% of basic salary.

4.15 Foreign currencies translation

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

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

4.16 Dividend distribution

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

4.17 Distributions of bonus shares and other appropriations to reserves

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

4.18 Earnings per share

4.19 Segment reporting

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

4.19.1 Business segments

Corporate finance

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

Trading and sales

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

Commercial banking

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

4.19.2 Geographical segments

The Company operates in Pakistan only.

4.20 Accounting estimates and judgments

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

4.20.1 Classification of investments

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

4.20.2 Provision against non-performing loans and advances

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

4.20.3 Impairment of available-for-sale equity investments

The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant or prolonged" requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

4.21 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2010:

- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after July 01, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of the standard is not likely to have an effect on the Company's financial statements.
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 01, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.
- IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 01, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.
- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when a Company distributes non-cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non-cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendment to IFRS 2 - Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 01, 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.
- Amendment to IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Company's financial statements.
- IAS 24 - Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there

is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than as an expense. This amendment is not likely to have any impact on Company's financial statements.

- Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 01, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Company's financial statements.

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
5. CASH AND BALANCES WITH TREASURY BANKS			
With State Bank of Pakistan in Local currency current account	5.1	23,595	4,090
With National Bank of Pakistan in Local currency current account		274	177
		<u>23,869</u>	<u>4,267</u>
6.1	This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.		
6. BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		-	-
On deposit accounts	6.1 and 6.2	191,915	14,870
		<u>191,915</u>	<u>14,870</u>
6.1	These carry mark-up at rates ranging from 5% to 10.96% per annum (2008: 5% to 12.5% per annum).		
6.2	This includes balance of Rs. 6,608 held with related party.		
7. LENDINGS TO FINANCIAL INSTITUTIONS			
Placement	7.2	-	100,000
Certificate of Investments (COIs) / Term deposit receipts (TDRs)	7.3	1,507,910	1,344,299
Certificate of Musharika	7.4	-	75,000
	7.1	<u>1,507,910</u>	<u>1,519,299</u>

	Note	December 31, 2009	December 31, 2008
		Rupees in '000	
7.1	PARTICULARS OF LENDING		
	In local currency	1,507,910	1,519,299
	In foreign currencies	-	-
		<u>1,507,910</u>	<u>1,519,299</u>
7.2	The profit rate on placement is NIL (2008: 18% per annum). Placement is due for maturity within NIL (2008: 1 week).		
7.3	The profit rate on these COIs and TDRs ranges from 12.80% to 16.10% per annum (2008: 10.13% to 19%). All COIs and TDRs are due for maturity within 2 to 3 years (2008: 3 to 4 years) and 1 month to 6 months (2008: 1 month to 6 months) respectively.		
7.4	The profit rate on certificate of musharika is NIL (2008: 11.11%). This will mature within NIL (2008: 2 months).		

8. INVESTMENTS - net

	Note	December 31, 2009			December 31, 2008		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
.....Rupees in '000.....							
8.1	INVESTMENT BY TYPES:						
	Held-for-trading securities						
	Ordinary shares of listed companies	8.7.2	15,671	-	15,671	-	-
	Available-for-sale securities	8.4					
	Market Treasury Bills	8.6	195,356	3,918,484	4,113,840	196,974	247,196
	Ordinary shares of listed companies	8.7.1	580,428	-	580,428	281,591	-
	Pakistan Investment Bonds	8.6	95,008	-	95,008	46,696	-
	Term Finance Certificates and Sukuks	8.9	3,835,960	-	3,835,960	2,083,263	-
	Units of mutual funds	8.8	28,840	-	28,840	28,840	-
			<u>4,735,592</u>	<u>3,918,484</u>	<u>8,654,076</u>	<u>2,637,364</u>	<u>247,196</u>
	Investments at cost		4,751,263	3,918,484	8,669,747	2,637,364	247,196
	Less: Provision for diminution in value of Investments	8.3	(249,338)	-	(249,338)	(108,921)	-
	Investments (net of provisions)		<u>4,501,925</u>	<u>3,918,484</u>	<u>8,420,409</u>	<u>2,528,443</u>	<u>247,196</u>
	Surplus on revaluation of held-for-trading securities	8.5	898	-	898	-	-
	Deficit on revaluation of available-for-sale securities - net	18.1	(24,833)	19,522	(5,311)	(88,054)	-
	Total investments at market value		<u>4,477,990</u>	<u>3,938,006</u>	<u>8,415,996</u>	<u>2,440,389</u>	<u>247,196</u>

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
8.2 INVESTMENT BY SEGMENTS:			
Federal Government Securities:			
Market Treasury Bills	8.6	4,113,840	444,170
Pakistan Investment Bonds	8.6	95,008	46,696
Fully Paid up Ordinary Shares:			
Listed Companies	8.7.1 and 8.7.2	596,099	281,591
Term Finance Certificates and Sukuks:			
Listed	8.9	1,520,378	571,886
Unlisted	8.9	2,315,582	1,511,377
Units of mutual funds	8.8	28,840	28,840
Total investments at cost		8,669,747	2,884,560
Less: Provision for diminution in value of investments	8.3	(249,338)	(108,921)
Investments (net of provisions)		8,420,409	2,775,639
Surplus on revaluation of Held-for-trading securities	8.5	898	-
Deficit on revaluation of Available-for-sale securities	18.1	(5,311)	(88,054)
Total investments at market value		8,415,996	2,687,585
8.3 Particulars of Provision			
Opening balance		108,921	-
Charge for the year		167,787	108,921
Reversals		(27,370)	-
		140,417	108,921
Closing Balance	8.3.1	249,338	108,921
8.3.1 Particulars of Provision in respect of Type and Segment			
Available-for-sale securities			
Ordinary shares of listed companies		138,190	67,845
Units of mutual funds		3,576	3,576
Term Finance Certificates and Sukuks		107,572	37,500
		249,338	108,921

8.3.2 Provision for diminution (impairment loss) in value of available-for-sale listed equity shares and mutual fund units

Due to unprecedented decline in equity security prices and prevalent financial crisis in previous year, the SBP vide its BSD Circular No. 4 dated February 13, 2009 had allowed that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as 'available-for-sale' to quoted market prices, may be shown under the equity and to be transferred to profit and loss account on quarterly basis during the financial year 2009.

In light of the above circular, the impairment loss on equity securities classified as available-for-sale aggregating to Rs. 71.421 million as on December 31, 2008 had not been recognized as impairment in the profit and loss account for that year in accordance with the option provided by SBP through the aforementioned circular. Had that loss been recognized as impairment in the profit and loss account, the unappropriated profit would have been reduced by the said amount and earnings per share would have been reduced by Rs. 0.17 per share. In the current year, the Company recorded total impairment loss of Rs. 97.715 million after making quarterly adjustments. Therefore, the company did not retain any impairment loss in equity as on December 31, 2009

	December 31, 2009		December 31, 2008	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
8.4 Quality of Available-for-Sale securities				
	Rupees in '000		Rupees in '000	
Market Treasury Bills	4,115,530	Government Securities	442,380	Government Securities
Pakistan Investment Bond	90,953	Government Securities	35,202	Government Securities
Ordinary shares of listed companies				
Dewan Cement Limited	-		5,998	BB
Pakistan State Oil Company Limited	30,438	AA+/A1+	7,229	AAA
Oil and Gas Development Company Limited	22,123	AAA/A1+	9,498	AAA
Fauji Fertilizer Company Limited	-		41,111	Unrated
The Hub Power Company Limited	51,031	AA+/A1+	5,706	Unrated
Adamjee Insurance Company Limited	-		1,018	Unrated
Pace Pakistan Limited	2,340	A/A1	3,456	A+
Habib Bank Limited	-		187	AA+
JS Bank Limited	10,851	A/A1	12,261	A
KASB Securities Limited	27,346	A+/A1	60,532	A+
Pakistan Telecommunication Company Limited	47,655	Unrated	-	-
Kot Addu Power Company Limited	22,935	Unrated	-	-
D.G. Khan Cement Company Limited	65,305	Unrated	-	-
Lucky Cement Limited	26,886	Unrated	-	-
Engro Chemicals Pakistan Limited	43,989	AA/A1+	-	-
Pakistan Petroleum Limited	57,259	Unrated	-	-
National Bank of Pakistan	44,622	AAA/A1+	-	-
	452,780		146,996	
Units of mutual funds				
Pak Oman Advantage Fund	30,282	AA- (f)	21,688	AA- (f)
Term Finance Certificates (TFCs) and Sukuks				
<u>Listed TFCs</u>				
Faysal Bank Limited	151	AA-	2,805	AA-
Engro Chemicals Pakistan Limited	495,185	AA	43,289	AA
NIB Bank Limited	229,862	A	142,831	A+
Allied Bank Limited	22,036	A+	62,545	AA-
Bank Al Falah Limited - 3rd Issue	9,985	AA-	9,766	AA-
Askari Bank Limited - 3rd Issue	250,000	AA-	9,644	AA-
Pace Pakistan Limited	575	A+	582	AA-
Standard Chartered Bank (Pakistan) Limited - 2nd Issue	3,712	AA	25,102	A+
United Bank Limited - 1st Issue	93,950	AA	52,419	AA
United Bank Limited - 2nd Issue	51,397	AA	139,877	AA
United Bank Limited - 4th Issue	134,919	AA	-	-
Saudi Pak Leasing Company Limited	32,475	BB+	45,882	A-
Pak Arab Fertilizer Limited	167,655	AA	32,810	AA

Unlisted TFCs and Sukuks

Sui Southern Gas Company Limited	500,000	AA	500,000	AA
Eden Housing (Private) Limited	350,000	BBB+	400,000	A
AZGARD Nine Limited	24,980	AA-	24,990	AA-
New Allied Electronics (Private) Limited	75,000	D	112,500	D
Karachi Shipyard and Engineering Works Limited	9,981	Unrated	9,977	Unrated
Maple Leaf Cement Factory Limited	202,993	D	203,850	A-
Pak Electron Limited - 3rd Issue	200,000	A+	200,000	A
Kohat Cement Company Limited	24,150	Unrated	22,450	Unrated
Al Abbas Sugar Mills Limited	121,771	A+	-	-
Bank Al Falah Limited	264,000	AA-	-	-
Bank Al Habib Limited	229,908	AA	-	-
Jahangir Siddiqui & Co. Limited	58,612	AA+	-	-
JDW Sugar Mills Limited	91,254	A	-	-
Pak American Fertilizer Limited - 2nd Issue	65,331	A+	-	-
	<u>3,709,882</u>		<u>2,041,319</u>	
	<u>8,399,427</u>		<u>2,687,585</u>	

December 31, 2009 December 31, 2008

8.5 Unrealized gain / (loss) on revaluation of investment classified as held-for-trading

Rupees in '000

Ordinary shares of listed companies

898	-
<u>898</u>	<u>-</u>

8.6 Particulars of investments in Federal Government Securities

December 31, 2009

Rupees in '000

Market Treasury Bills	4,113,840
Pakistan Investment Bonds	95,008
Carrying value (before revaluation) of investments in federal government securities	4,208,848
Deficit on revaluation of securities	(2,365)
Market value as at December 31, 2009	<u>4,206,483</u>

8.7 Particulars of investments in ordinary shares of listed companies

Name of investee company	No. of shares / units held	Nominal / paid up value per share/unit	Total nominal paid-up value	Cost as at December 31, 2009
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8.7.1 Available-for-sale

		RupeesRupees in '000.....	
Pakistan State Oil Company Limited	102,334	10	1,023	30,160
Oil and Gas Development Company Limited	200,000	10	2,000	21,534
The Hub Power Company Limited	1,641,940	10	16,419	51,462
Pace Pakistan Limited	400,000	10	4,000	8,347
JS Bank Limited	2,136,000	10	21,360	48,242
KASB Securities Limited	2,921,617	10	29,216	122,968
Pakistan Telecommunication Company Limited	2,700,000	10	27,000	46,576
Kot Addu Power Company Limited	500,000	10	5,000	22,539
D.G. Khan Cement Company Limited	2,005,667	10	20,057	57,343
Lucky Cement Limited	405,891	10	4,059	25,406
Engro Chemicals Pakistan Limited	240,024	10	2,400	44,179
Pakistan Petroleum Limited	302,015	10	3,020	55,248
National Bank of Pakistan	600,000	10	6,000	46,424
Carrying value (before revaluation and provision) of listed Shares 'available-for-sale'				580,428
Provision for diminution in value of investments				(138,190)
Surplus on revaluation of securities				10,542
Market value as at December 31, 2009				<u>452,780</u>

Name of investee company	No. of shares / units held	Nominal / paid up value per share/unit Rupees	Total nominal paid-up valueRupees in '000.....	Cost as at December 31, 2009
8.7.2 Held-for-Trading				
Pakistan Telecommunication Company Limited	500,000	10	5,000	8,933
D.G. Khan Cement Company Limited	237,847	10	2,378	6,738
Carrying value (before revaluation and provision) of listed shares 'Held-for-trading'				15,671
Surplus on revaluation of securities				898
Market value as at December 31, 2009				16,569
8.8 Particulars of investment in units of mutual funds				
Pak Oman Advantage Fund	2,883,999	10	28,840	28,840
Carrying value (before revaluation and provision) of mutual funds units 'available-for-sale'				28,840
Provision for diminution in value of investments				(3,576)
Surplus on revaluation of securities				5,018
Market value as at December 31, 2009				30,282

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

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate Rupees	Total Paid up Value (before redemption)	Balance as at 31, 2009 December	Name of Chief Executive
<u>Listed TFCs</u>								
Allied Bank Limited - 2nd Issue	6 months KIBOR + 0.85%	Half yearly	28.08.19	5,000	5,000	25,000	22,792	Mr. Muhammad Aftab Manzoor
Askari Bank Limited - 3rd Issue	6 months KIBOR + 2.50%	Half yearly	18.11.19	50,000	5,000	250,000	250,000	Mr. M.R Mehkari
Bank Al Falah Limited - 3rd Issue	6 months KIBOR + 1.50%	Half yearly	25.11.15	2,000	5,000	10,000	9,807	Mr. Sirajuddin Aziz
Engro Chemical Pakistan Limited - 3rd Issue	6 months KIBOR + 2.40%	Half yearly	17.12.16	99,037	5,000	495,185	495,198	Mr. Asad Umer
Paysal Bank Limited	6 months KIBOR + 1.40%	Half yearly	12.11.14	32	5,000	160	144	Mr. Naveed A. Khan
NIB Bank Limited	6 months KIBOR + 1.15%	Half yearly	05.03.16	50,600	5,000	253,000	239,681	Mr. Khawaja Iqbal Hassan
Pace Pakistan Limited	6 months KIBOR + 1.50%	Half yearly	15.02.13	115	5,000	575	575	Mr. Salman Taseer
Pak Arab Fertilizer Limited - 1st Issue	6 months KIBOR + 1.50%	Half yearly	28.02.13	33,890	5,000	169,450	165,320	Mr. Tanveer Ahmed
Saudi Pak Leasing Company Limited - 3rd Issue	6 months KIBOR + 1.50%	Half yearly	13.03.13	9,099	5,000	45,495	39,887	Mr. Farrukh Shaukat Ansari
Standard Chartered Bank (Pakistan) Limited - 2nd Issue	10.75% Fixed	Half yearly	20.01.11	1,092	5,000	5,460	3,741	Mr. Badar Kazmi
United Bank Limited - 1st Issue	8.45% Fixed	Half yearly	10.08.12	20,688	5,000	103,440	93,937	Mr. Atif R. Bukhari
United Bank Limited - 2nd Issue	9.49% Fixed	Half yearly	15.03.13	11,998	5,000	59,990	50,184	Mr. Atif R. Bukhari
United Bank Limited - 4th Issue	6 months KIBOR + 0.85%	Half yearly	15.02.16	30,000	5,000	150,000	149,112	Mr. Atif R. Bukhari
							1,520,378	
<u>Unlisted TFCs</u>								
Al Abbas Sugar Mills Limited - 2nd Issue	6 months KIBOR + 1.75%	Half yearly	21.11.13	33,000	5,000	165,000	121,771	Mr. Shunaid Qureshi
AZGARD Nine Limited	6 months KIBOR + 2.20%	Half yearly	04.12.14	5,000	5,000	25,000	24,980	Mr. Ahmed H. Sheikh
Bank Al Falah Limited	15.00% Fixed	Half yearly	02.12.17	52,800	5,000	264,000	264,000	Mr. Sirajuddin Aziz
Bank Al Habib Limited	15.50% Fixed	Quarterly	15.06.17	46,000	5,000	230,000	229,908	Mr. Abbas D Habib
Jahangir Siddiqui & Co. Limited - 4th Issue	6 months KIBOR + 1.70%	Half yearly	04.07.13	13,000	5,000	65,000	58,612	Mr. Munaf Ibrahim
JDW Sugar Mills Limited	3 months KIBOR + 1.25%	Quarterly	23.06.14	19,754	5,000	98,770	91,254	Mr. Jahangir Khan Tareen
Pak American Fertilizer Limited - 2nd Issue	3 months KIBOR + 3.25%	Quarterly	01.12.13	14,000	5,000	70,000	65,331	Mr. Aalijah
							855,856	
<u>Unlisted Sukuks</u>								
Eden Housing (Private) Limited	6 months KIBOR + 2.20%	Half yearly	31.12.12	80,000	5,000	400,000	350,000	Dr. Mohammad Anjad
Karachi Shipyard and Engineering Works Limited	6 months KIBOR + 0.4%	Half yearly	15.12.16	2,000	5,000	10,000	9,981	Mr. Vice Admiral Iftekhhar Ahmed
Kohat Cement Company Limited	6 months KIBOR + 1.80%	Half yearly	20.12.12	5,000	5,000	25,000	24,150	Mr. Aizaz Mansoor Sheikh
Maple Leaf Cement Factory Limited	6 months KIBOR + 1.70%	Half yearly	03.12.13	45,200	5,000	226,000	225,595	Mr. Sayeed Tariq Saigol
New Allied Electronics Industries (Private) Limited	3 months KIBOR + 2.20%	Quarterly	01.12.13	30,000	5,000	150,000	150,000	Mr. Mian Pervez Akhtar
Pak Elektron Limited	3 months KIBOR + 1.00%	Quarterly	31.03.15	40,000	5,000	200,000	200,000	Mr. Haroon Ahmad Khan
Sui Southern Gas Company Limited	3 months KIBOR + 0.20%	Quarterly	31.12.12	100,000	5,000	500,000	500,000	Mr. Umair Khan
							1,459,726	
							3,835,960	
							(107,572)	
							(18,506)	
							<u>3,709,882</u>	

Carrying value (before revaluation and provision) of TFCs and Sukuks 'available-for-sale'

Provision for diminution in value of investments

Deficit on revaluation of securities

Market value as at December 31, 2009

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

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate	Total Paid up Value (before redemption)	Balance as at December 31, 2008	Name of Chief Executive
<u>Listed TFCs</u>								
Faysal Bank Limited	6 months KIBOR + 1.40%	Half yearly	12.11.14	552	5,000	1,000	2,416	Mr. Naveed A. Khan
Engro Chemicals Pakistan Limited	6 months KIBOR + 1.55%	Half yearly	30.11.15	9,000	5,000	4,000	39,838	Mr. Asad Umer
NIB Bank Limited	6 months KIBOR + 1.15%	Half yearly	5.03.16	31,000	5,000	4,000	145,874	Mr. Khawaja Iqbal Hassan
Allied Bank Limited	6 months KIBOR + 1.90%	Half yearly	06.12.14	13,000	5,000	2,500	58,588	Mr. Muhammad Aftab Manzoor
Bank Al Falah Limited - 3rd Issue	6 months KIBOR + 1.50%	Half yearly	11.25.13	2,000	5,000	1,200	9,011	Mr. Sirajuddin Aziz
Bank Al Habib Limited	6 months KIBOR + 1.95%	Half yearly	07.02.15	2,000	5,000	1,350	9,206	Mr. Abbas D Habib
Pace Pakistan Limited	6 months KIBOR + 1.50%	Half yearly	15.02.13	115	5,000	1,500	575	Mr. Salman Taseer
Soneri Bank Limited	6 months KIBOR + 1.50%	Half yearly	05.05.13	5,000	5,000	1,200	21,992	Mr. Sarfaraz A. Lakhani
United Bank Limited	8.45% Fixed	Half yearly	10.08.12	12,000	5,000	2,000	55,215	Mr. Atif R. Bukhari
United Bank Limited	6 months KIBOR + 0.85%	Half yearly	14.02.18	30,000	5,000	6,000	149,039	Mr. Atif R. Bukhari
Saudi Pak Leasing Company Limited	6 months KIBOR + 1.50%	Half yearly	13.03.13	9,099	5,000	750	45,679	Mr. Farrukh Shaukat Ansari
Pak Arab Fertilizer Limited	6 months KIBOR + 1.5%	Half yearly	28.02.13	6,892	5,000	5,000	34,453	Mr. Tanveer Ahmed
<u>Unlisted TFCs</u>								
Sui Southern Gas Company Limited	3 months KIBOR + 20 bps	Quarterly	31.12.12	100,000	5,000	5,000	500,000	Mr. Umair Khan
Eden Housing (Private) Limited	6 months KIBOR + 250 bps	Half yearly	31.12.12	80,000	5,000	3,000	400,000	Dr. Muhammad Amjad
AZGARD Nine Limited	6 months KIBOR + 220 bps	Half yearly	04.12.14	5,000	5,000	2,500	24,990	Mr. Ahmed H. Shaikh
New Allied Electronics (Private) Limited	3 months KIBOR + 220 bps	Half yearly	03.12.12	30,000	5,000	750	150,000	Mr. Mian Pervez Akhtar
Pak Electron Limited - 3rd Issue	3 months KIBOR + 2.2 %	Quarterly	31.03.15	40,000	5,000	1,200	200,000	Mr. Haroon Ahmad Khan
Kohat Cement Company Limited	6 months KIBOR + 1.8%	Half yearly	13.12.12	5,000	5,000	2,500	22,450	Mr. Aizaz Mansoor Sheikh
<u>Unlisted Sukuks</u>								
Karachi Shipyard and Engineering Works Limited	6 Month KIBOR + 0.4 %	Half yearly	02.11.15	2,000	5,000	1,500	9,977	Mr. Vice Admiral Iftekhar Ahmed Rao
Maple Leaf Cement Factory Limited	6 Month KIBOR + 1.7 %	Half yearly	03.12.12	45,200	5,000	8,000	203,960	Mr. Sayeed Tariq Saigol
Carrying value (before revaluation and provision) of TFCs and Sukuks 'available-for-sale'								
Provision for diminution in value of investments								
Deficit on revaluation of securities								
Market value as at December 31, 2008								
							2,083,263	
							(37,500)	
							(4,444)	
							2,041,319	

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
9. ADVANCES - net			
Loans, cash credits, running finances, etc. In Pakistan		1,700,571	1,062,744
Net investment in finance lease In Pakistan	9.2	57,053	-
Advances - gross	9.1	1,757,624	1,062,744
Provision for non-performing advances - Specific	9.3	(16,131)	-
Provision for non-performing advances - General	9.4	(9,000)	-
		(25,131)	-
Advances - net of provision		1,732,493	1,062,744
9.1 Particulars of advances (Gross)			
9.1.1 In local currency		1,757,624	1,062,744
In foreign currencies		-	-
		1,757,624	1,062,744
9.1.2 Short term (for upto one year)		483,308	612,744
Long term (for over one year)		1,274,316	450,000
		1,757,624	1,062,744

9.2 NET INVESTMENT IN FINANCE LEASE	2009			2008
	Not later than one year	Later than one year and less than five years	Total	Total
Rupees in '000				
Lease rentals receivable	13,413	62,834	76,247	-
Residual value	-	5,167	5,167	-
Minimum lease payments	13,413	68,001	81,414	-
Financial charges for future periods	(8,649)	(15,712)	(24,361)	-
Present value of minimum lease payments	4,764	52,289	57,053	-

9.2.1 The lease is a syndicated lease executed for a term of 5 years. Security deposit has been obtained up to 10% of the cost of investment at the time of disbursement. The rate of return is the 6 months KIBOR plus 5% per annum. Lease rental is receivable quarterly in arrears. The asset is insured in favour of the Company.

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

Category of Classification	2009								
	Rupees in '000								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other assets especially mentioned	-	-	-	-	-	-	-	-	-
Substandard	282,065	-	282,065	16,131	-	16,131	16,131	-	16,131
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
	282,065	-	282,065	16,131	-	16,131	16,131	-	16,131

9.4 Particulars of provision against non-performing advances

	2009			2008		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	-	-	-	-	-	-
Charge for the year	16,131	9,000	25,131	-	-	-
Closing balance	16,131	9,000	25,131	-	-	-

9.4.1 Particulars of provisions against non-performing advances

	2009			2008		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	16,131	9,000	25,131	-	-	-
In foreign currencies	-	-	-	-	-	-
	16,131	9,000	25,131	-	-	-

9.5 PARTICULARS OF LOANS AND ADVANCES TO DIRECTORS, ASSOCIATED COMPANIES, ETC.

	December 31, 2009	December 31, 2008
	Rupees in '000	
Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons:		
Balance at beginning of the year	29,743	9,962
Loans granted during the year	13,271	22,682
Repayments	(5,355)	(2,901)
Balance at end of the year	37,659	29,743

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

There were no write offs of loans and no financial reliefs were allowed during the year.

10. OPERATING FIXED ASSETS

	Note	December 31, 2009	December 31, 2008
Capital work-in-progress	10.1	460	-
Property and equipment	10.2	33,651	39,522
Intangible assets	10.3	3,503	4,812
		37,614	44,334
10.1 Capital work-in-progress			
Advance to supplier		460	-

10.2 Property and equipment

	2009									
	COST			DEPRECIATION					Book value as at December 31, 2009	Rate of depreciation
	As at January 01, 2009	Additions / (Deletions)	Adjustment	As at December 31, 2009	As at January 01, 2009	Charge for the year / (disposal)	Adjustment	As at December 31, 2009		
.....Rupees in '000.....										
Owned										
Furniture and fixture	6,144	29 (21)	(35)	6,117	442	1,234 (7)	(10)	1,659	4,458	20%
Leasehold improvement	9,164	30	(449)	8,745	628	1,837	(120)	2,345	6,400	20%
Office equipment	2,198	230	-	2,428	185	470	-	655	1,773	20%
Computers	5,344	1,530	-	6,874	1,568	2,014	-	3,582	3,292	33.33%
Vehicles	550	4,237 (495)	-	4,292	23	623 (90)	-	556	3,736	20%
Mobile set	88	129 (15)	-	202	28	68 (15)	-	81	121	50%
	23,488	6,185 (531)	(484)	28,658	2,874	6,246 (112)	(130)	8,878	19,780	
Assets held under finance lease:										
Vehicles	23,597	- (1,389)	-	22,208	4,689	4,048 (400)	-	8,337	13,871	20%
	47,085	6,185 (1,920)	(484)	50,866	7,563	10,294 (512)	(130)	17,215	33,651	
.....Rupees in '000.....										
	2008									
	COST			DEPRECIATION					Book value as at December 31, 2008	Rate of depreciation
	As at January 01, 2008	Additions / (Deletions)	Adjustment	As at December 31, 2008	As at January 01, 2008	Charge for the year / (disposal)	Adjustment	As at December 31, 2008		
.....Rupees in '000.....										
Owned										
Furniture and fixture	3,130	6,144 (3,130)	-	6,144	158	533 (249)	-	442	5,702	20%
Leasehold improvement	8,068	9,164 (5,669)	(2,399)	9,164	407	862 (595)	(46)	628	8,536	20%
Office equipment	775	2,233 (810)	-	2,198	32	208 (55)	-	185	2,013	20%
Computers	5,379	2,175 (2,210)	-	5,344	247	1,554 (233)	-	1,568	3,776	33.33%
Vehicles	35	515	-	550	2	21	-	23	527	20%
Mobile set	-	133 (45)	-	88	-	38 (10)	-	28	60	50%
	17,387	20,364 (11,864)	(2,399)	23,488	846	3,216 (1,142)	(46)	2,874	20,614	
Assets held under finance lease:										
Vehicles	20,197	4,300 (900)	-	23,597	812	4,081 (204)	-	4,689	18,908	20%
	37,584	24,664 (12,764)	(2,399)	47,085	1,658	7,297 (1,346)	(46)	7,563	39,522	

10.2.1 Details of disposal of fixed assets

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

Particulars of assets	Cost	Net Book Value	Sale Proceed	(Gain) / Loss	Mode of Disposal	Particulars of Purchaser
Rupees in '000.....					
Vehicles						
Honda Civic	1,389	989	1,223	(234)	Insurance Claim	Saudi Pak Insurance Company Limited
Mehran	459	382	420	(38)	Insurance Claim	Saudi Pak Insurance Company Limited
Other assets (having book value of less than Rs.250,000 or cost of less than Rs.1,000,000)						
	72	37	33	4	Company policy / quotation	Employees / New Unique Motor Cycle
	<u>1,920</u>	<u>1,408</u>	<u>1,676</u>	<u>(268)</u>		

10.3 Intangible assets

	2009							Rate of Amortisation
	COST			AMORTISATION			Book value as at December 31, 2009	
	As at January 01, 2009	Additions	As at December 31, 2009	As at January 01, 2009	Amortisation for the year	As at December 31, 2009		
.....Rupees in '000.....								
Computer software	6,127	857	6,984	1,315	2,166	3,481	3,503	33.33%
	<u>6,127</u>	<u>857</u>	<u>6,984</u>	<u>1,315</u>	<u>2,166</u>	<u>3,481</u>	<u>3,503</u>	
	2008							Rate of Amortisation
	COST			AMORTISATION			Book value as at December 31, 2008	
	As at January 01, 2008	Additions	As at December 31, 2008	As at January 01, 2008	Amortisation for the year	As at December 31, 2008		
.....Rupees in '000.....								
Computer software	2,192	3,935	6,127	118	1,197	1,315	4,812	33.33%
	<u>2,192</u>	<u>3,935</u>	<u>6,127</u>	<u>118</u>	<u>1,197</u>	<u>1,315</u>	<u>4,812</u>	

	December 31, 2009	December 31, 2008
	Rupees in '000	
11. DEFERRED TAX ASSETS / (LIABILITIES) - NET		
Taxable temporary difference		
Difference between accounting book value of fixed assets and tax base	(11,984)	(2,055)
Provision for diminution in the value of investments	(20,786)	-
Deductible temporary differences		
Provision for compensated absences and bonus	3,975	579
Difference between book value of leased assets and obligation under finance lease	841	631
Deficit on revaluation of assets - investments	828	6,205
Provision for diminution in the value of investments	-	13,125
Provision on advances	8,796	-
Provision on other assets	15,987	8,751
	<u>(2,343)</u>	<u>27,236</u>

11.1 Movement in temporary differences during the year

	Balance as at January 01, 2008	Recognized in profit and loss account	Recognized in deficit in revaluation of assets account	Balance as at December 31, 2008	Recognized in profit and loss account	Recognized in deficit in revaluation of assets account	Balance as at December 31, 2009
Rupees in '000.....						
Taxable temporary difference							
Difference between accounting book value of fixed assets and tax base	(2,803)	748	-	(2,055)	(9,929)	-	(11,984)
Deductible temporary differences							
Provision for compensated absences and leave fare assistance	740	(161)	-	579	3,396	-	3,975
Difference between book value of leased assets and obligation under finance lease	400	231	-	631	209	-	840
Provision for diminution in the value of investments	500	-	5,705	6,205	-	(5,376)	829
Provision for permanent diminution on TFCs / Sukuks	-	13,125	-	13,125	(33,911)	-	(20,786)
Provision on advances	-	-	-	-	8,796	-	8,796
Provision on other assets	-	8,751	-	8,751	7,236	-	15,987
	<u>(1,163)</u>	<u>22,694</u>	<u>5,705</u>	<u>27,236</u>	<u>(24,203)</u>	<u>(5,376)</u>	<u>(2,343)</u>

		December 31, 2009	December 31, 2008
	Note	Rupees in '000	
12.	OTHER ASSETS		
	Income / Mark-up accrued in local currency	204,487	127,691
	Advances, deposits and other prepayments	62,347	65,867
	Unrealized gain on interest rate swap contracts	4,318	-
	Others	30	-
		<u>271,182</u>	<u>193,558</u>
	Less: Provision held against advances, deposits and other prepayments	50,000	25,000
	Other assets (net of provisions)	<u>221,182</u>	<u>168,558</u>
12.1	This includes Rs. 50 million (2008: Rs. 50 million) advance against Pre-IPO placement of Term Finance Certificates.		
12.2	Provision against other assets		
	Opening balance	25,000	-
	Charge for the year	25,000	25,000
	Closing balance	<u>50,000</u>	<u>25,000</u>
13.	BORROWINGS		
	In Pakistan	5,296,808	186,154
	Outside Pakistan	-	-
		<u>5,296,808</u>	<u>186,154</u>
	Particulars of borrowings with respect to Currencies		
	In local currency	5,296,808	186,154
	In foreign currencies	-	-
		<u>5,296,808</u>	<u>186,154</u>
13.1	Details of borrowings secured / unsecured		
13.2	Secured		
	Repurchase agreement borrowings	3,896,808	186,154
	Borrowing from Bank	250,000	-
		<u>4,146,808</u>	<u>186,154</u>
	Unsecured		
	Letter of placements	1,150,000	-
		<u>5,296,808</u>	<u>186,154</u>
13.3	These carry mark-up rate ranging from 12% - 12.40% (2008: 14.9%) per annum. They are repayable within 1 month to 3 months.		
13.4	This carries mark-up at the rate of 12.33% and is repayable within 3 months. This is secured by way of floating charge over TFCs.		
13.5	These carry mark-up rate ranging from 12% -13.05%. These are repayable within 1 month.		
		December 31, 2009	December 31, 2008
		Rupees in '000	
14.	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Certificate of investment- remunerative	395,000	-
14.1	These carry mark-up rates ranging from 11.5% -13% (2008: NIL). These are repayable within 1 month to 10 months.		
14.2	Particulars of deposits		
	In local currency	395,000	-
	In foreign currencies	-	-
		<u>395,000</u>	<u>-</u>

15. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	December 31, 2009			December 31, 2008		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
Rupees in '000.....						
Not later than one year	5,489	1,693	3,796	5,966	2,574	3,392
Later than one year and not later than five years	14,156	1,679	12,477	21,205	3,887	17,318
	<u>19,645</u>	<u>3,372</u>	<u>16,273</u>	<u>27,171</u>	<u>6,461</u>	<u>20,710</u>

- 15.1 The Company has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in monthly and quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 12.41% to 18.66% (2008: 11.42% to 18.66%) per annum. At the end of lease term, the Company has the option to acquire the assets subject to adjustment of security deposits.

	December 31, 2009	December 31, 2008
	Rupees in '000	
16. OTHER LIABILITIES		
Mark-up / Return / Interest payable in local currency	47,167	76
Accrued expenses	17,578	10,634
Advance against equity	8,923	8,832
Current taxation (provisions less payments)	30,487	12,024
Payable against purchase of shares	-	4,237
Brokerage commission payable	903	-
Payable to contractors	-	2,319
Unearned commission	2,477	1,643
Security deposit against lease	5,167	-
Others	1,874	1,104
	<u>114,576</u>	<u>40,869</u>

17. SHARE CAPITAL

	2009	2008			
	No. of shares				
17.1 Authorized Capital					
<u>600,000,000</u>	<u>600,000,000</u>		Ordinary shares of Rs. 10 each	<u>6,000,000</u>	<u>6,000,000</u>
17.2 Issued, subscribed and paid up					
<u>500,000,000</u>	<u>500,000,000</u>		Ordinary shares fully paid in cash	<u>5,000,000</u>	<u>5,000,000</u>

- 17.3 The Ministry of Finance and Secretary Economic Affairs Division holds 249,996,667 and 3,333 shares (2008: 249,996,667 and 3,333 shares) respectively on behalf of the Government of Pakistan and remaining 250,000,000 (2008: 250,000,000 shares) are held by the Brunei Investment Agency.

- 17.4 SBP through BSD Circular No. 07 of 2009 dated April 15, 2009 required the Banks / DFIs to raise their minimum paid up capital upto Rs.6 billion by the end of financial year 2009.

- 17.5 The Company has obtained extension from SBP till January 31, 2010 in meeting the minimum capital requirement for the year ended December 31, 2009. SBP has granted the extension via letter reference No. BSD/BAI-3/608/012/2010 dated January 6, 2010. Subsequent to year end, the Company has increased its paid up capital from Rs. 5 billion to Rs.6 billion.

		December 31, 2009	December 31, 2008
21.	MARK-UP / RETURN / INTEREST EARNED		
	On Loans and advances to:		
	i) Customers	145,549	115,060
	ii) Financial institutions	41,075	2,113
	On Investments in:		
	i) Available-for-sale securities	624,464	280,974
	On Deposits with financial institutions	127,574	249,500
	On Securities purchased under resale agreements	31,572	24,607
	On Interest rate swap contracts	987	-
		<u>971,221</u>	<u>672,254</u>
22.	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	38,246	-
	Short-term borrowings	37,182	86,889
	Securities sold under repurchase agreements	132,022	44,912
		<u>207,450</u>	<u>131,801</u>
23.	GAIN / (LOSS) ON SALE OF SECURITIES		
	Federal Government Securities		
	- Market Treasury Bills	885	-
	- Pakistan Investment Bonds	20,358	-
	Ordinary shares of listed companies	124,486	(111)
	Term Finance Certificates	60,429	195
	Units of open end mutual funds	-	37,061
		<u>206,158</u>	<u>37,145</u>
24.	OTHER INCOME		
	Net profit on sale of property and equipment	268	89
	Unrealized gain on interest rate swap contracts	4,318	-
	Others	7	180
		<u>4,593</u>	<u>269</u>
25.	ADMINISTRATIVE EXPENSES		
	Salaries and allowances	73,912	58,545
	Contribution to defined contribution plan	2,794	2,267
	Non-executive directors' fees, allowances and other expenses	367	1,807
	Rent, taxes, insurance, electricity, etc.	13,112	13,137
	Legal and professional charges	2,576	8,903
	Travelling and accommodation	3,743	3,194
	Communications	1,045	1,111
	Repairs and maintenance	2,349	1,814
	Finance charges on leased assets	2,303	2,455
	Brokerage commission	5,321	5,269
	Capital Value Tax (CVT)	41	215
	Stationery and printing	1,490	1,141
	Advertisement and publicity	370	1,000
	Donation	500	-
	Auditors' remuneration	1,242	800
	Depreciation	10,164	7,251
	Amortisation	2,166	1,197
	Fuel expense	3,961	3,681
	Medical expense	1,486	1,032
	Fee and subscription	1,552	2,338
	Bank charges	50	199
	Others	1,799	1,319
		<u>132,343</u>	<u>118,675</u>

25.1 This represents donation paid to The Prime Minister Terrorism Relief Fund. Donations were not made to any donee in which a director or his spouse had any interest at any time during the year.

		December 31, 2009	December 31, 2008
25.2	Auditors' remuneration		
		Rupees in '000	
	Audit fee	300	200
	Half yearly review fee	150	100
	Fee for the audit of provident fund	50	-
	Special certifications	100	450
	Other services	550	-
	Out-of-pocket expenses	92	50
		1,242	800
26.	OTHER CHARGES		
	Penalties imposed by the SBP	400	-
27.	TAXATION		
	For the year		
	Current	212,236	170,972
	Deferred	24,203	(22,694)
		236,439	148,278
	For the prior year / period		
	Current	(16,718)	2,921
		219,721	151,199
27.1	Relationship between tax expense and accounting profit		
	Accounting profit for the year	667,174	373,465
	Tax rate	35%	35%
	Tax on accounting profit	233,511	130,713
	Tax effect of:		
	Income chargeable to tax at special rate	(4,034)	(1,751)
	Income exempt from tax	(28,275)	(12,932)
	Expenses that are inadmissible in determining taxable profit	43,712	24,998
	Prior year charge	(16,718)	-
	Others	(8,475)	7,250
		219,721	148,278
27.2	The income tax returns for the tax year 2008 and tax year 2009 have been filed and the same are deemed as assessed under the provisions of section 120 of the Income Tax Ordinance, 2001, unless amended otherwise.		
28.	BASIC EARNINGS PER SHARE	December 31, 2009	December 31, 2008
	Profit for the year	447,453	222,266
	Weighted average number of ordinary shares	500,000	429,235
	Basic earnings per share	0.89	0.52
29.	DILUTED EARNINGS PER SHARE		
	Basic and diluted earnings per share are same.		
30.	CASH AND CASH EQUIVALENTS	December 31, 2009	December 31, 2008
		Rupees in '000	
	Cash and balance with treasury banks	23,869	4,267
	Balance with other banks	191,915	14,870
		215,784	19,137

	December 31, 2009	December 31, 2008
31. STAFF STRENGTH		
	Number	Number
Permanent	34	30
Outsourced	15	13
Total staff strength	49	43

32. DEFINED CONTRIBUTION PLAN

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contribution at the rate of 8.33% is made both by the Company (employer) and employees.

	December 31, 2009	December 31, 2008
	Rupees in '000	
Contribution to provident fund made during the year		
Contribution made by the Company	2,794	2,267
Contribution made by employees	2,794	2,267
	5,588	4,534

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Rupees in '000.....					
Fees	-	-	-	-	-	-
Managerial remuneration	12,800	11,200	-	-	47,489	34,262
Contribution to defined contribution plan	552	552	-	-	2,807	1,575
Utilities	302	160	-	-	3,142	2,864
Medical	179	230	-	-	1,265	730
Travelling allowance	227	89	36	1,807	351	-
	14,060	12,231	367	1,807	55,054	39,431
Number of persons	1	1	3	3	28	20

The Chief executive and executives are provided with Company maintained car.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of loans and advances, other assets and other liabilities cannot be determined with reasonable accuracy due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. Loans and advances are repriced frequently on market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations as stated in note 4.4.

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

In the opinion of the management, fair value of all other assets and liabilities including long-term deposits cannot be calculated with sufficient accuracy as active market does not exist for these instruments. Fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of deposits, they are frequently repriced.

35. Segment details with respect to Business Activities

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

	Corporate Finance	Trading and Sales	Commercial Banking
.....Rupees in '000.....			
2009			
Total income	26,337	1,092,006	106,942
Total expenses	7,312	521,108	29,691
Net income	19,025	570,898	77,251
Segment assets (gross)	-	11,094,708	1,310,740
Segment non performing loans	-	32,066	250,000
Investment provided for	-	386,223	-
Segment provision required *	-	253,487	20,982
Segment liabilities	-	5,209,540	615,460
Segment return on assets (ROA) (%)	-	7.05%	8.23%
Segment return on net assets (ROA) (%)	-	11.33%	12.98%
Segment cost of funds (%)	-	10.96%	10.96%

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

2008			
Total income	41,182	656,864	59,816
Total expenses	13,620	350,895	19,882
Net income	27,562	305,969	39,934
Segment assets (gross)	-	5,095,333	567,481
Segment non performing loans	-	-	-
Segment provision required	-	-	-
Segment liabilities	-	222,907	24,826
Segment return on assets (ROA) (%)	-	5.48%	6.27%
Segment return on net assets (ROA) (%)	-	7.43%	8.51%
Segment cost of funds (%)	-	9.47%	9.47%

36. TRUST ACTIVITIES

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

37. RELATED PARTY TRANSACTIONS

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

	2009		2008	
	Key management personnel	Other related parties	Key management personnel	Other related parties
Rupees in.....			
Advances				
As at beginning of the year	25,465	-	7,024	-
Given during the period	6,789	-	20,453	-
Repaid during the period	(3,865)	-	(2,012)	-
As at end of the year	28,389	-	25,465	-
Borrowings				
As at beginning of the year	-	-	-	-
Given during the period	-	200,000	-	-
Repaid during the period	-	(200,000)	-	-
As at end of the year	-	-	-	-
Placements made during the year	-	126,236	-	-
Placements matured during the year	-	451,271	-	-
Mark-up / return / interest earned	1,343	8,147	-	-
Mark-up / return / interest expensed	-	6,705	-	-
Reimbursement of expenses	3,388	-	-	-

38. CAPITAL - ASSESSMENT AND ADEQUACY

38.1 Scope of Application and Capital Structure

The Basel II Framework is applicable to the Company and the regulatory capital comprises of Tier I capital only:

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

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

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

The required capital is achieved by the Company through:

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

38.2 CAPITAL ADEQUACY

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

	December 31, 2009	December 31, 2008
	Rupees in '000	
Regulatory Capital Base		
Tier I Capital		
Shareholders equity	5,000,000	5,000,000
Reserves	162,093	72,602
Unappropriated profits	648,369	290,407
	5,810,462	5,363,009
Deductions:		
Book value of Goodwill and Intangibles	3,503	4,812
Deficit on account of revaluation of investments held in AFS category	5,311	81,849
	8,814	86,661
Total Tier I Capital	5,801,648	5,276,348
Eligible Tier II Capital	-	-
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	5,801,648	5,276,348

38.3 Risk Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Rupees in '000.....			
Credit Risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
On balance sheet exposures				
Claims				
On Public sector entities in Pakistan	2,639	-	26,389	-
On Banks	44,712	23,496	447,122	261,067
On Corporates	309,231	180,630	3,092,310	2,007,003
Categorized as Retail portfolio	287	221	2,870	2,458
Fully secured by Residential property	1,184	834	11,841	9,263
On Listed equity investments and regulatory capital instruments	180,751	43,177	1,807,514	479,742
On Investments in fixed assets	3,411	3,557	34,111	39,522
On All other assets	1,342	19,632	13,416	218,135
	543,557	271,547	5,435,573	3,017,190
Off balance sheet exposures				
Non-market related	63,370	8,101	633,703	90,008
Market related	123	-	1,225	-
	63,493	8,101	634,928	90,008
	607,050	279,648	6,070,501	3,107,198
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	1,239	-	12,388	-
Equity position risk, etc.	3,315	-	33,150	-
	4,554	-	45,538	-
Operational Risk				
Capital Requirement for operational risks	102,709	65,559	1,027,088	728,436
TOTAL	714,313	345,207	7,143,127	3,835,634
Capital Adequacy Ratio				
Total eligible regulatory capital held (Note: 38.2) (a)			5,801,648	5,276,348
Total Risk Weighted Assets (b)			7,143,127	3,835,634
Capital Adequacy Ratio (a) / (b)			81%	138%

38.3.1 Credit Risk Approach

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

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

38.3.1.1 Selection of ECAIs

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

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

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

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

38.3.1.2 Use of ECAI Ratings

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

38.3.1.3 Mapping to SBP Rating Grades

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

38.3.1.4 Types of exposures and ECAIs used

December 31, 2009

Exposures	JCR-VIS	PACRA
Corporate		
Banks		
SMEs		

38.3.1.5 Credit exposures subject to Standardized Approach

December 31, 2009					December 31, 2008		
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	1,364,815	-	1,364,815	604,101	-	604,101
	2	1,037,390	-	1,037,390	1,089,177	-	1,089,177
	3, 4	513,810	-	513,810	551,577	-	551,577
	5, 6	621,398	-	621,398	114,606	-	114,606
Banks	1	980,244	-	980,244	1,761,703	-	1,761,703
	2, 3	325,166	-	325,166	9,350	-	9,350
	4, 5	-	-	-	479,742	-	479,742
Claims on banks with original maturity of 3 months or less		442,448	-	442,448	-	-	-
Unrated		1,835,129	-	1,835,129	618,109	-	618,109
Others		6,126,487	-	6,126,487	-	-	-
Total		13,246,887	-	13,246,887	5,228,365	-	5,228,365

38.4 Capital Management

Objectives of Managing Capital

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

Company's capital management seeks:

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

Externally Imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFIs), SBP through its BSD Circular No. 07 of 2009 dated April 15, 2009 had asked the Banks/DFIs to raise their minimum paid up capital to Rs. 6 billion by the end of financial year 2009.

SBP through its BSD Circular No. 06, dated April 15, 2009, has directed all Banks/DFIs to achieve the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis latest by December 31, 2009.

The paid up capital and CAR of the Company stands at Rs. 5 billion and 81% of its risk weighted exposure as at December 31, 2009 respectively.

The Company has obtained extension from SBP till January 31, 2010 in meeting the minimum capital requirement for the year ended December 31, 2009. SBP has granted the extension via letter reference No. BSD/BAI-3/608/012/2010 dated January 6, 2010. Subsequent to year end, the Company has increased its paid up capital from Rs. 5 billion to Rs. 6 billion.

39. RISK MANAGEMENT

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

Categories of Risk

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

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

Risk Responsibilities

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

A separate unit has been set up for integrated risk management. The functions of this department is subject to the policies and manuals approved by the Board, Prudential Regulations and additional regulatory directives issued from time to time. The unit is independent of business generation and risk taking. A dynamic risk budget has been laid out that facilitates management of risk on a portfolio rather than on individual transaction basis. The risk management function is guided by the precincts of this strategy, keeping in view the risk taking capacity of the balance sheet as a whole.

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

39.1 Credit Risk

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

The Company manages 3 principal sources of credit risk:

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

Sovereign Credit Risk

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

Non-Sovereign Credit Risk

When the Company lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analyzed on a standalone basis. The Company has formulated detailed internal credit rating models which assess prospective clients on both qualitative and quantitative factors. To supplement this, the Company has further outsourced a credit scoring software from a third party for the purpose.

Counterparty Credit Risk on Interbank Limits

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

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

Credit Administration

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

Risk Analytics

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

Stress Testing

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

Regular Monitoring

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

Portfolio Diversification

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

39.1.1 SEGMENTAL INFORMATION

39.1.1.1 Segments by class of business

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

	December 31, 2008					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	340,000	31%	-	-	-	-
Chemical and Pharmaceuticals	160,000	15%	-	-	-	-
Power, Gas, Water, Sanitary	200,000	19%	-	-	447,707	75%
Financial	145,000	14%	-	-	100,000	17%
Individuals	29,744	3%	-	-	-	-
Services	188,000	18%	-	-	-	-
Other	-	-	-	-	51,187	9%
	<u>1,062,744</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>598,894</u>	<u>100%</u>

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

		December 31, 2008					
		Advances (Gross)		Deposits		Contingencies and commitments	
		Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
	Public / Government	-	-	-	-	-	-
	Private	1,062,744	100%	-	-	598,894	100%
		<u>1,062,744</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>598,894</u>	<u>100%</u>

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

		2009		2008	
		Rupees in '000			
		Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Cement	250,000	11,982	-	-
	Financial	32,065	4,149	-	-
		<u>282,065</u>	<u>16,131</u>	<u>-</u>	<u>-</u>
39.1.1.4 Details of non-performing advances and specific provisions by sector					
	Public / Government	-	-	-	-
	Private	282,065	16,131	-	-
		<u>282,065</u>	<u>16,131</u>	<u>-</u>	<u>-</u>

39.1.1.5 GEOGRAPHICAL SEGMENT ANALYSIS

		December 31, 2009			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
		Rupees in '000			
	Pakistan	667,174	12,130,979	6,305,979	1,141,106
		<u>667,174</u>	<u>12,130,979</u>	<u>6,305,979</u>	<u>1,141,106</u>
		December 31, 2008			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
		Rupees in '000			
	Pakistan	373,465	5,528,893	5,281,160	598,894
		<u>373,465</u>	<u>5,528,893</u>	<u>5,281,160</u>	<u>598,894</u>

39.2 EQUITY POSITION RISK IN THE BANKING / COMPANY BOOK

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

Classification of investments

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

Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, valuation and accounting of equity investments is done as per the accounting policy of investment mentioned in note 4.5 of these financial statements. Further, composition of equity investments is available in note 8 of these financial statements.

39.2.1 Market Risk

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

Market Risk Pertaining to the Trading Book

Trading Book

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

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

Categories of Risk

Risk Pertaining to Banking Book Investment Portfolio

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

- i) Available for sale securities

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Investments in TFCs and Sukuks

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

Interest Rate Risk – Banking Book

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

Equity Position Risk – Banking Book

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

Stress Testing

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

Duration GAP Analysis

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

39.2.2 Foreign Exchange Risk

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

	December 31, 2009			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
Rupees in '000.....			
Pakistani Rupee	12,130,975	5,825,000	(438,745)	5,867,230
United States Dollar	4	-	438,745	438,749
	<u>12,130,979</u>	<u>5,825,000</u>	<u>-</u>	<u>6,305,979</u>
	December 31, 2008			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
Rupees in '000.....			
Pakistani Rupee	5,528,889	247,733	(447,707)	4,833,449
United States Dollar	4	-	447,707	447,711
	<u>5,528,893</u>	<u>247,733</u>	<u>-</u>	<u>5,281,160</u>

39.2.3 Equity Position Risk

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

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

Price Risk

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

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

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

39.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

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

	Effective Yield / Interest rate	Total	December 31, 2009										Non-interest bearing financial instruments				
			Exposed to Yield / Interest risk	Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years	
On-balance sheet financial instruments																	
Assets																	
Cash and balances with treasury banks	-	23,869	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,869
Balances with other banks	12.06%	191,915	191,915	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	13.98%	1,507,910	-	1,300,000	200,000	-	-	-	-	7,910	-	-	-	-	-	-	-
Investments - net	15.54%	8,415,996	500,628	1,529,517	1,949,413	597,051	611,214	646,442	606,260	1,475,840	499,631	-	-	-	-	-	499,631
Advances - net	14.77%	1,732,493	11,068	169,779	72,668	227,722	423,297	223,155	395,345	193,609	12,023	-	-	-	-	-	3,827
Other assets	-	211,280	-	-	-	-	-	-	-	-	-	-	-	-	-	-	211,280
		12,083,463	703,611	2,999,296	2,222,081	824,773	1,034,511	877,507	1,001,605	1,669,449	12,023	738,607	-	-	-	-	-
Liabilities																	
Borrowings	12.21%	5,296,807	4,578,591	718,216	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	11.22%	395,000	-	18,000	73,000	304,000	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	14.20%	16,273	188	713	932	1,963	4,360	6,527	1,590	-	-	-	-	-	-	-	66,587
Other liabilities	-	66,587	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,587
		5,774,667	4,578,779	736,929	73,932	305,963	4,360	6,527	1,590	-	-	-	-	-	-	-	66,587
On-balance sheet gap		6,308,796	(3,875,168)	2,262,367	2,148,149	518,810	1,030,151	870,980	1,000,015	1,669,449	12,023	672,020	-	-	-	-	-
Off-balance sheet financial instruments																	
Transaction related contingent liability		438,745	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commitments for underwriting		10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commitments for the acquisition of software		560	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commitments to extend credit		691,801	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,141,106	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		7,449,902	(3,875,168)	2,262,367	2,148,149	518,810	1,030,151	870,980	1,000,015	1,669,449	12,023	672,020	-	-	-	-	-
Cumulative Yield / Interest Risk Sensitivity Gap		(3,875,168)	(1,612,801)	535,348	1,054,158	2,084,309	2,955,289	3,955,304	5,624,753	5,636,776	6,308,796	6,308,796	-	-	-	-	-

		December 31, 2008										Non-interest	
Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk										bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
On-balance sheet financial instruments													
Assets													
		4,267	-	-	-	-	-	-	-	-	-	-	4,267
		14,870	5,948	8,922	-	-	-	-	-	-	-	-	-
8.30%		1,519,299	1,085,000	325,000	100,000	-	-	-	-	-	-	-	-
16.71%		2,687,585	-	442,088	49,443	53,346	310,844	479,454	757,188	426,537	-	-	168,685
15.16%		1,062,744	174,256	513	165,774	307,563	134,183	99,949	43,529	105,004	28,696	-	3,277
16.53%		152,689	-	-	-	-	3,125	6,250	12,500	3,125	-	-	127,689
-		5,441,454	1,265,204	776,523	315,217	360,909	448,152	585,653	822,516	534,666	28,696	-	303,918
Liabilities													
		186,154	186,154	-	-	-	-	-	-	-	-	-	-
10.09%		20,710	175	611	836	1,771	3,978	4,642	8,697	-	-	-	-
12.15%		27,202	-	-	-	-	-	-	-	-	-	-	27,202
		234,066	186,329	611	836	1,771	3,978	4,642	8,697	-	-	-	27,202
On-balance sheet gap													
		5,207,388	1,078,875	775,912	314,381	359,138	444,174	581,011	813,819	534,666	28,696	-	276,716
Off-balance sheet financial instruments													
		447,707	-	-	-	-	-	-	-	-	-	-	-
		1,187	-	-	-	-	-	-	-	-	-	-	-
		150,000	-	-	-	-	-	-	-	-	-	-	-
		598,894	-	-	-	-	-	-	-	-	-	-	-
		5,806,282	1,078,875	775,912	314,381	359,138	444,174	581,011	813,819	534,666	28,696	-	276,716
			1,078,875	1,854,787	2,169,168	2,528,306	2,972,480	3,553,491	4,367,310	4,901,976	4,930,672	-	5,207,388

.....Rupees in '000.....

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

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

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

December 31, 2008

Total

	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000.....									
Assets									
Cash and balances with treasury banks	4,267	-	-	-	-	-	-	-	-
Balances with other banks	14,870	8,922	-	-	-	-	-	-	-
Lendings to financial institutions	1,085,000	325,000	-	100,000	-	-	9,299	-	-
Investments - net	2,687,585	442,088	49,443	200,343	310,844	479,454	757,188	448,225	-
Advances - net	1,062,744	174,256	165,774	307,563	134,183	103,226	43,529	105,004	28,696
Operating fixed assets	44,334	1,016	3,049	6,099	12,171	9,271	10,695	-	-
Deferred tax assets - net	27,236	-	-	-	-	-	27,236	-	-
Other assets	168,558	23,304	30,327	1,677	3,125	7,038	15,310	3,125	3,600
	5,528,893	1,293,791	248,593	615,682	460,323	598,989	863,257	556,354	32,296
Liabilities									
Borrowings	186,154	-	-	-	-	-	-	-	-
Liabilities against asset subject to finance lease	20,710	611	836	1,771	3,978	4,642	8,697	-	-
Other liabilities	40,869	879	1,319	13,005	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-
	247,733	211,995	2,155	14,776	3,978	4,642	8,697	-	-
Net assets	5,281,160	1,081,796	246,438	600,906	456,345	594,347	854,560	556,354	32,296
Share capital	5,000,000								
Reserves	72,602								
Unappropriated profit	290,407								
Deficit on revaluation of assets - net	(81,849)								
	5,281,160								
Operational Risk									

39.4

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

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

40. GENERAL

40.1 Credit rating

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

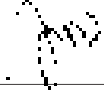
40.2 Figures have been rounded off to the nearest thousand rupees.

41. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on 09 March, 2010 by the Board of Directors of the Company.



Ayesha Aziz
Chief Executive



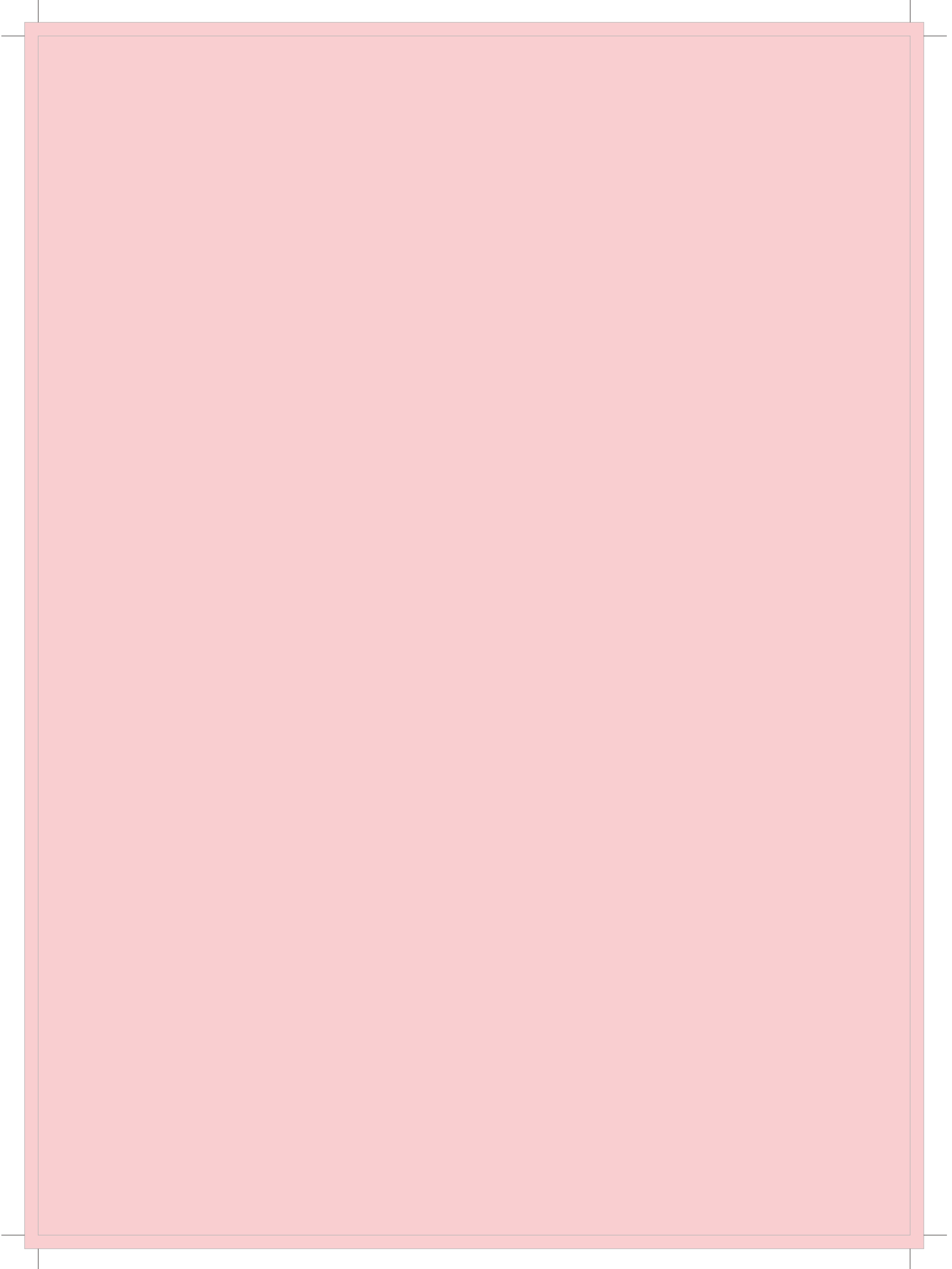
Junaidi bin Haji Masri
Director



Sumaira K. Aslam
Director



Hj Mohd. Amin Liew bin Abdullah
Chairman





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