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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **Pak China Investment Company Limited** as at 31 December 2010 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 (here-in-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 above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of 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 statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

- (c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 22 August 2011

Islamabad


KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Rehan Chughtai


Pak China Investment Company Limited

Statement of Financial Position

As at December 31, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Cash and balances with treasury banks	5	1,399,836,094	1,363,660,166
Balances with other banks	6	8,736,067	9,147,791
Lendings to financial institutions	7	1,264,139,593	1,245,029,030
Investments	8	3,099,786,748	3,158,325,703
Advances	9	5,308,893,009	4,697,462,564
Fixed assets	10	180,565,507	187,828,157
Deferred tax assets	11	3,043,945	57,189,957
Other assets	12	368,958,964	222,002,819
		11,633,959,927	10,940,646,187
LIABILITIES			
Bills payable		-	-
Borrowings	13	1,132,259,095	975,684,500
Deposits and other accounts		-	-
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	14	24,497,667	113,558,778
		1,156,756,762	1,089,243,278
NET ASSETS		10,477,203,165	9,851,402,909
REPRESENTED BY			
Share capital	15	6,457,200,000	6,457,200,000
Reserve	15.3	285,671,066	173,597,860
Advance against issue of shares	15.4	2,593,499,200	2,527,798,400
Unappropriated profit		1,142,684,261	694,391,435
		10,479,054,527	9,852,987,695
Deficit on revaluation of assets - net of tax	16	(1,851,362)	(1,584,786)
		10,477,203,165	9,851,402,909
CONTINGENCIES AND COMMITMENTS			
	17		

The annexed notes 1 to 34 form an integral part of these financial statements.


Chairman


Managing Director


Director


Director

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Pak China Investment Company Limited

Profit and Loss Account

For the year ended December 31, 2010

	Note	2010 Rupees	2009 Rupees
Mark-up / return / interest earned	18	1,252,143,235	1,050,697,428
Mark-up / return / interest expensed	18.1	(283,898,690)	(36,434,574)
Net mark-up / interest income		968,244,545	1,014,262,854
Provision against non-performing loans and advances	9.3	41,360,577	197,272,636
Provision for diminution in the value of investments		-	-
Bad debts written off directly	9.5	60,800,000	-
		102,160,577	197,272,636
Net mark-up / interest income after provisions		866,083,968	816,990,218
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		15,708,068	47,732,976
Dividend income		-	-
Exchange (loss)/gain		(39,020,927)	81,903,032
Gain on sale of securities		198,597,196	8,856,300
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income		939,147	337,769
Total non mark-up / interest income		176,223,484	138,830,077
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	19	180,205,244	165,705,651
Provision against lending to financial institutions		-	-
Other charges	20	621	50,000
Total non mark-up / interest expenses		180,205,865	165,755,651
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		862,101,587	790,064,644
Taxation	21	301,735,555	276,522,625
PROFIT AFTER TAXATION		560,366,032	513,542,019
Basic and diluted earnings per share	22	0.62	0.65

The appropriation of profit available is set out in the statement of changes in equity.

The annexed notes 1 to 34 form an integral part of these financial statements.


Chairman


Managing Director


Director


Director

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Pak China Investment Company Limited
Statement of Comprehensive Income
For the year ended December 31, 2010

	2010 Rupees	2009 Rupees
Profit after tax for the year	560,366,032	513,542,019
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	560,366,032	513,542,019

The annexed notes 1 to 34 form an integral part of these financial statements.

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Chairman


Managing Director


Director


Director

Pak China Investment Company Limited

Cash Flow Statement

For the year ended December 31, 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		862,101,587	790,064,644
Adjustments for:			
Depreciation		12,455,905	9,345,485
Amortization		1,060,640	431,925
Bad debts written off directly		60,800,000	-
Provision for gratuity		5,069,114	4,308,354
Provision against non-performing loans and advances		41,360,577	197,272,636
Loss on disposal of operating fixed assets including write off		76,829	360,376
		982,924,652	1,001,783,420
Decrease/ (increase) in operating assets			
Lendings to financial institutions		(19,110,563)	(1,135,029,030)
Advances		(713,591,022)	(2,788,668,588)
Others assets (excluding advance taxation)		(148,690,373)	(151,899,381)
		(881,391,958)	(4,075,596,999)
Increase/ (decrease) in operating liabilities			
Borrowings		156,574,595	248,930,325
Other liabilities (excluding current taxation)		1,522,642	(6,572,537)
		158,097,237	242,357,788
Gratuity paid		(3,334,885)	(6,033,413)
Income tax paid		(338,029,756)	(192,310,298)
		(341,364,641)	(198,343,711)
<i>Net cash used in operating activities</i>		(81,734,710)	(3,029,799,502)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in 'available-for-sale' securities		1,558,588	(1,694,560,950)
Net investment in 'held-to-maturity' securities		56,570,250	(185,000,000)
Capital expenditure		(6,609,724)	(25,068,968)
Sale proceeds of property and equipment disposed-off		279,000	699,999
<i>Net cash used in investing activities</i>		51,798,114	(1,903,929,919)
CASH FLOW FROM FINANCING ACTIVITIES			
Advance against issue of shares		65,700,800	2,527,798,400
<i>Net cash flow from financing activities</i>		65,700,800	2,527,798,400
Increase/ (decrease) in cash and cash equivalent		35,764,204	(2,405,931,021)
Cash and cash equivalents at beginning of the year		1,372,807,957	3,778,738,978
Cash and cash equivalents at end of the year	23	1,408,572,161	1,372,807,957

The annexed notes 1 to 34 form an integral part of these financial statements.



Chairman



Managing Director



Director



Director

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1. STATUS AND NATURE OF BUSINESS

Pak China Investment Company Limited ("the Company") was incorporated in Pakistan as a limited company on July 27, 2007. The registered office of the Company is situated at 13th Floor, Saudi Pak Tower, Blue Area, Islamabad. The Company is a 50:50 joint venture between the 'Government of China' and 'Government of Pakistan' through China Development Bank and Ministry of Finance respectively. The objective of the Company is to invest in infrastructure projects, both directly and through establishment of various subsidiary companies.

The Company has commenced business after obtaining Certificate of Commencement of Business from Securities and Exchange Commission of Pakistan ("SECP") on 02 November 2007 and permission to commence business from State Bank of Pakistan on 10 January 2008. The Federal Government of Pakistan specified the name of the Company for the purposes of section 3(A) of the Banking Companies Ordinance, 1962 on 15 December 2007.

2. STATEMENT OF COMPLIANCE

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

International Accounting Standard 39, Financial Instruments: Recognition and Measurement, International Accounting Standard 40, Investment Property and International Financial Reporting Standard 7, "Financial Instruments: Disclosures" are not applicable to the Company. Accordingly, the requirements of these International Accounting Standards (IASs) and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in the preparation of these financial statements.

SBP vide BSD circular letter No. 7 of 2010 dated April 20, 2010 has clarified that two statement approach shall be adopted in the preparation of quarterly, half yearly and annual financial statements as mentioned in the revised IAS-1 "Presentation of Financial Statements". Accordingly, the Company has presented Profit and Loss account and Statement of Comprehensive Income separately in these financial statements. Further in accordance with this circular, the Company has opted not to present the changes in fair value of available for sale securities in Statement of Comprehensive Income and accordingly such changes are included in surplus / (deficit) on revaluation of available for sale securities.

2.1. Forthcoming accounting standards/ interpretations

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

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. This interpretation has no impact on the Company's financial statements.

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 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 recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial statements.

Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

3. BASIS OF PRESENTATION AND MEASUREMENT

3.1. Basis of presentation

These financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No 4 dated February 17, 2006.

3.2. Basis of measurement

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

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3.3 Functional and presentation currency

The financial statements are presented in Pakistan Rupees which is the Company's functional currency. The amounts have been rounded off to the nearest rupee.

3.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgements about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. Judgement made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented.

4.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and balances with treasury banks and with other banks.

4.2 Revenue recognition

Mark-up / return / interest income and expenses are recognised on a time proportion basis taking into account effective yield on the instrument, except where recovery is considered doubtful, the income is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the State Bank of Pakistan.

A gain / (loss) on sale of securities is recognised in profit and loss account at the time of sale of relevant securities.

The surplus / (deficit) arising on revaluation of the Company's held for trading investment portfolio is taken to the profit and loss account.

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.

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

Fee, commission and brokerage income is recognised as the services are rendered.

4.3 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investment and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognised in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase/ sale and re-sale/ re-purchase price is recognised as mark-up income/ expense on a time proportion basis, as the case may be.

4.4 Advances

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. In addition, a general provision is maintained for advances (Refer note 9.3.1)

Provision against non-performing advances and general provision is charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

4.5 Investments

The Company classifies its investments as follows:

(a) Held to maturity

These are securities with fixed or determinable payments and maturity in respect of which the Company has the positive intent and ability to hold till maturity. In accordance with the BSD circular No. 14 dated September 24, 2004 issued by the State Bank of Pakistan, investments classified as 'held to maturity' are carried at amortised cost less impairment, if any.

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(b) Available for sale

These are investments that do not fall under the held for trading or held to maturity categories.

Investments are initially recognised at fair value which includes transaction costs associated with the investment.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using effective interest method.

In accordance with the requirements of the State Bank of Pakistan, quoted securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available for sale', is taken to a separate account shown in the balance sheet below equity.

Impairment loss in respect of investments charged as available for sale (except term finance certificates) and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an investment below its cost is also considered an objective evidence of impairment. Provisions for diminution in the value of term finance certificates and sukuku is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in profit and loss account.

Profit / loss on sale of investments is credited / charged to the profit and loss account currently.

4.6 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.

Deferred

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

4.7 Operating fixed assets and capital work-in-progress

Fixed assets are stated at cost less accumulated depreciation and impairment loss (if any). Capital work in progress is stated at cost less impairment, if any.

Depreciation is calculated on a straight line method to write off the depreciable amount of each asset over its estimated useful life after taking into account residual value, if any. Rates of depreciation are specified in Note 10.2 to the financial statements. Depreciation on additions during the year is charged from the month of acquisition or the date the asset is available for use and on disposals upto the month of disposal.

The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within "other income" in profit or loss.

4.8 Intangible assets

Intangible assets having finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight line method over their estimated useful lives. The useful lives and amortization methods are reviewed and adjusted, if appropriate at each balance sheet date. Intangible asset having an indefinite useful life are stated at acquisition cost, less impairment loss, if any.

4.9 Staff Retirement Benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation and included in profit and loss account. The actuarial valuation is carried out using "Projected Unit Credit Method". The actuarial gains / losses in excess of corridor limit (10% of higher of present value of obligation and fair value of plan assets) are recognized over the expected remaining working life of the employees. The Company has adopted a policy of recognising transitional liability over a period of 5 years.

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Defined contribution plan

The Company operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Company and by the employees at the rate of 10% of the basic salary of the employee

4.10 Impairment

The carrying amount of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

4.11 Foreign currency

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

4.12 Off-setting of financial assets and financial liabilities

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

4.13 Earnings per share

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

4.14 Provision of guarantee claims, off balance sheet items and other provisions

Provision for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Company to settle the obligation. Charge to profit and loss account is stated net of expected recoveries.

Other provisions are recognised when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

4.15 Borrowings

Borrowings other than repo are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between originally recognized amount and redemption value being recognized in the income statement over the period of borrowing on an effective interest rate basis.

4.16 Other liabilities

Other liabilities are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

4.17 Dividend and appropriation to reserve

Dividend and appropriation to reserves, except appropriation which are required by law after the balance sheet date, are recognised as liability in the Company's financial statements in the year in which these are approved.

4.18 Segment information

A segment is distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.

Business Segments

Following are the main segments of the Company:

Corporate Finance	Includes loans, advances and other transactions with corporate customers.
Trading & Sales	Undertakes the Company's fund management activities through leveraging and investing in liquid assets such as short term placements. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.

Geographical Segments

The Company's all business segments operate only in Pakistan.

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Pak China Investment Company Limited

Notes to the Financial Statements

For the year ended December 31, 2010

5	CASH AND BALANCES WITH TREASURY BANKS	Note	2010 Rupees	2009 Rupees
	Cash in hand in local currency		25,000	25,000
	With State Bank of Pakistan in local currency current account	5.1	6,243,511	4,702,939
	With National Bank of Pakistan in local currency current account foreign currency deposit account	5.2	404,837 1,393,162,746	2,793,921 1,356,138,306
			<u>1,399,836,094</u>	<u>1,363,660,166</u>

5.1 The local currency current account is maintained with the State Bank Pakistan (SBP) as per the requirement to maintain a local currency cash reserve at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed from time to time by SBP.

5.2 This represents foreign currency deposit receipt (FDR) of National Bank of Pakistan. The return on this FDR ranges between 0.70% to 1% per annum (2009: 1% to 2%) during the period of placement and is maturing on January 05, 2011.

6	BALANCES WITH OTHER BANKS	Note	2010 Rupees	2009 Rupees
	In Pakistan			
	- Local currency current accounts		6,843,636	9,147,791
	- Local currency deposit accounts		1,892,431	-
			<u>8,736,067</u>	<u>9,147,791</u>

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Lending under letter of placements (LoPs)	7.2	964,509,745	1,015,000,000
	Repurchase agreement lending (Reverse Repo)	7.3 & 7.4	299,629,848	230,029,030
			<u>1,264,139,593</u>	<u>1,245,029,030</u>

7.1 All lendings of the Company are in local currency.

7.2 LoPs carry interest ranging between 13.5 % to 13.75 % per annum (2009: 12 % to 12.75 % per annum) with maturities ranging between 6 days to 31 days (2009: 4 days to 18 days).

7.3 This is secured against underlying Government security, the differential between the contracted rate and re-sale price is amortised over the period of related contract and recorded under mark-up / return / interest earned. This carries mark-up at the rate of 12.75% (2009: 12.25%) per annum with maturity of 3 days (2009: 4 days).

7.4 Security held as collateral against lending to financial institution

	2010			2009		
	Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
	Rupees			Rupees		
Market treasury bill	299,629,848	-	299,629,848	230,029,030	-	230,029,030
	<u>299,629,848</u>	<u>-</u>	<u>299,629,848</u>	<u>230,029,030</u>	<u>-</u>	<u>230,029,030</u>

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8 INVESTMENTS

Investment by type	Note	2010			2009		
		Held by the company	Given as collateral	Total	Held by the company	Given as collateral	Total
		Rupees			Rupees		
Available-for-sale securities							
Market treasury bills	8.1	288,389,200	840,851,620	1,129,240,820	751,393,195	979,515,813	1,730,909,008
Commercial papers		-	-	-	254,030,828	-	254,030,828
Sukuk certificates - secured	8.2	505,126,000	-	505,126,000	205,304,000	-	205,304,000
Term finance certificates	8.3	910,638,428	-	910,638,428	595,520,000	-	595,520,000
Ordinary shares of listed company	8.4	239,200,000	-	239,200,000	-	-	-
Held-to-maturity securities							
Term finance certificates	8.5	318,429,750	-	318,429,750	375,000,000	-	375,000,000
Investment at cost		2,261,783,378	840,851,620	3,102,634,998	2,181,248,023	979,515,813	3,160,763,836
Less: Provision for diminution in value of investments		-	-	-	-	-	-
Investment (Net of provisions)		2,261,783,378	840,851,620	3,102,634,998	2,181,248,023	979,515,813	3,160,763,836
Deficit on revaluation of available-for-sale securities		(1,166,100)	(1,682,150)	(2,848,250)	(261,320)	(2,176,813)	(2,438,133)
Total investments		2,260,617,278	839,169,470	3,099,786,748	2,180,986,703	977,339,000	3,158,325,703

8.1 These carry interest ranging between 12.15% to 12.40% (2009: 11.58% to 13.40%) per annum with redemption period of one year (2009: six months to one year). These include mark-up accrued upto the year end.

8.2 These carry interest of 3 months KIBOR + 3% (2009: KIBOR + 3%) with redemption period of 10.5 years (2009: 11.5 years).

8.3 These carry interest of 3 months KIBOR + 3.25% to 12 months KIBOR + 1% (2009: ranging between 3 months KIBOR + 3.25% to 6 months KIBOR + 2.5%) with redemption period of 3-7 years(2009:5 to 10 years). This includes TFC of Rs. 180 million of Azgard Nine Limited which was converted from commercial paper upon maturity.

8.4 This represents shares of Agritech Limited obtained by the Company consequent to settlement of advance of Rs. 300 million with Azgard Nine Limited. The market value of shares was Rs 239.2 million at the date of settlement and the Company recognized Rs. 60.8 million in profit & loss account being the difference between the carrying amount of advance and market value of shares (Refer note 9.5).

8.5 This carries interest of 6 months KIBOR + 3.25% per annum (2009:6 months KIBOR + 3.25% per annum) with redemption period of 6 years (2009:7 years).

8.6 Investment by segments	2010 Rupees	2009 Rupees
Federal Government Securities		
- Market treasury bills	1,129,240,820	1,730,909,008
Term finance certificates		
- Listed	245,581,728	245,680,000
- Unlisted	983,486,450	724,840,000
Fully paid up ordinary shares - listed	239,200,000	-
Other investments		
- Sukuk certificates	505,126,000	205,304,000
- Commercial papers	-	254,030,828
Investment at cost	3,102,634,998	3,160,763,836
Less: Provision for diminution in value of investments	-	-
Investment (Net of provisions)	3,102,634,998	3,160,763,836
Deficit on revaluation of available-for-sale securities	(2,848,250)	(2,438,133)
Total investments at market value	3,099,786,748	3,158,325,703

8.7 Principal terms of investment in Federal Government Securities

Name of investment	Maturity	Principal payment	Rate	Coupon
Market treasury bills	one year	On maturity	12.15% to 12.40%	at maturity

8.8 Investment in Term Finance Certificates

No of certificates		Company Name	Note	Name of Chief Executive	Redemption per certificate	2010	2009
2010	2009					Rupees	Rupees
Unlisted							
75,000	75,000	Avani Hotels Limited		Byram D. Avani	4246	318,429,750	375,000,000
30,000	30,000	Bank Alfalah Limited		Sirajuddin Aziz	4998	149,940,000	150,000,000
40,000	40,000	Agritech Limited		Ahmed Jaudet Bila	4996	199,840,000	199,840,000
-	-	Pakistan National Shipping Corporation	8.8.1	Rashid Siddiqi	-	135,276,700	-
36,000	-	Azgard Nine Limited		Ahmed Sheikh	5000	180,000,000	-
Listed							
49,136	49,136	Askari Bank Limited		M R Mehkari	4998	245,581,728	245,680,000
Book value at end of the year						1,229,068,178	970,520,000

8.8.1 60,000 term finance certificates with face value of rupees 5000 each will be issued after full disbursement.

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