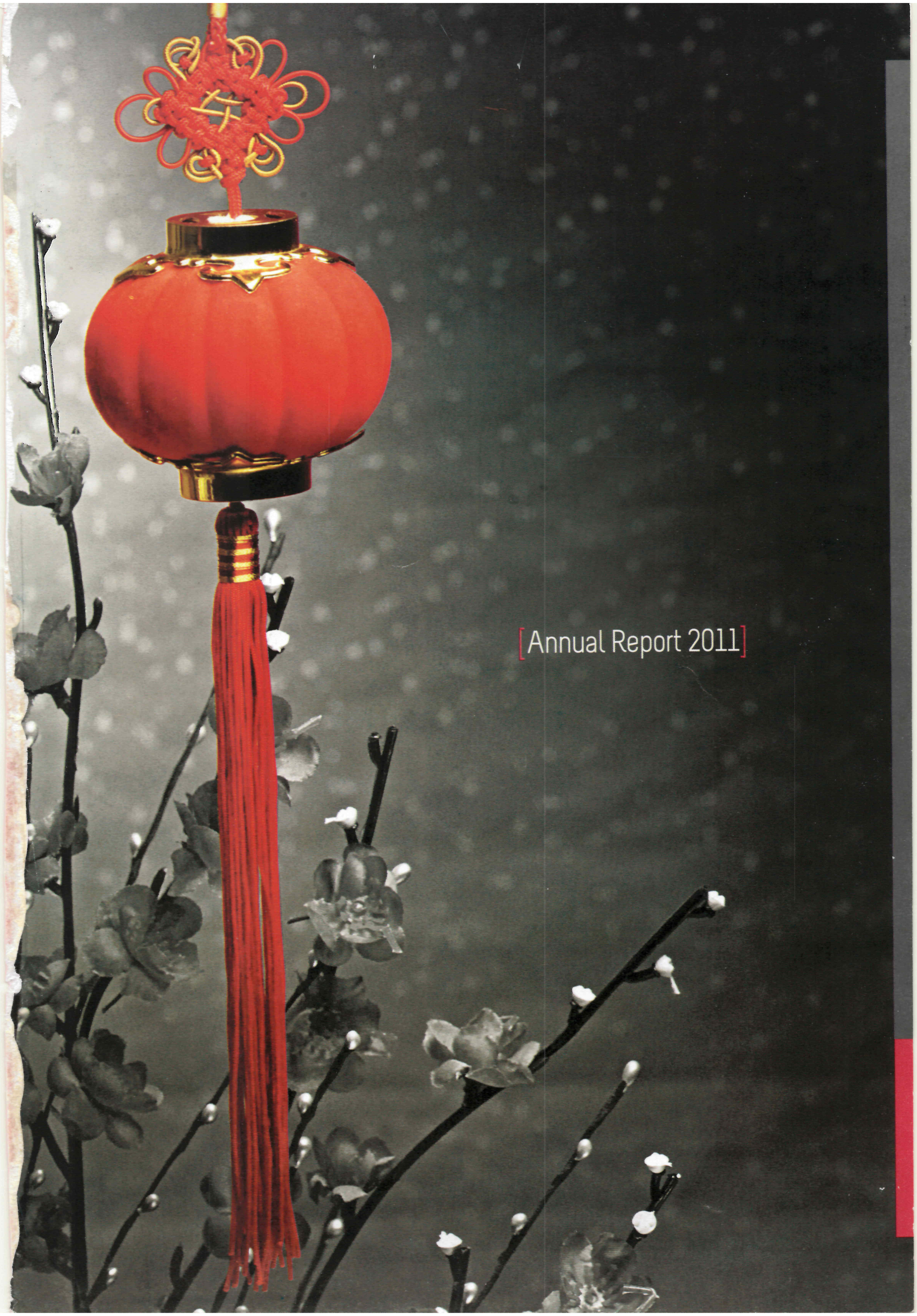

[Annual Report 2011]

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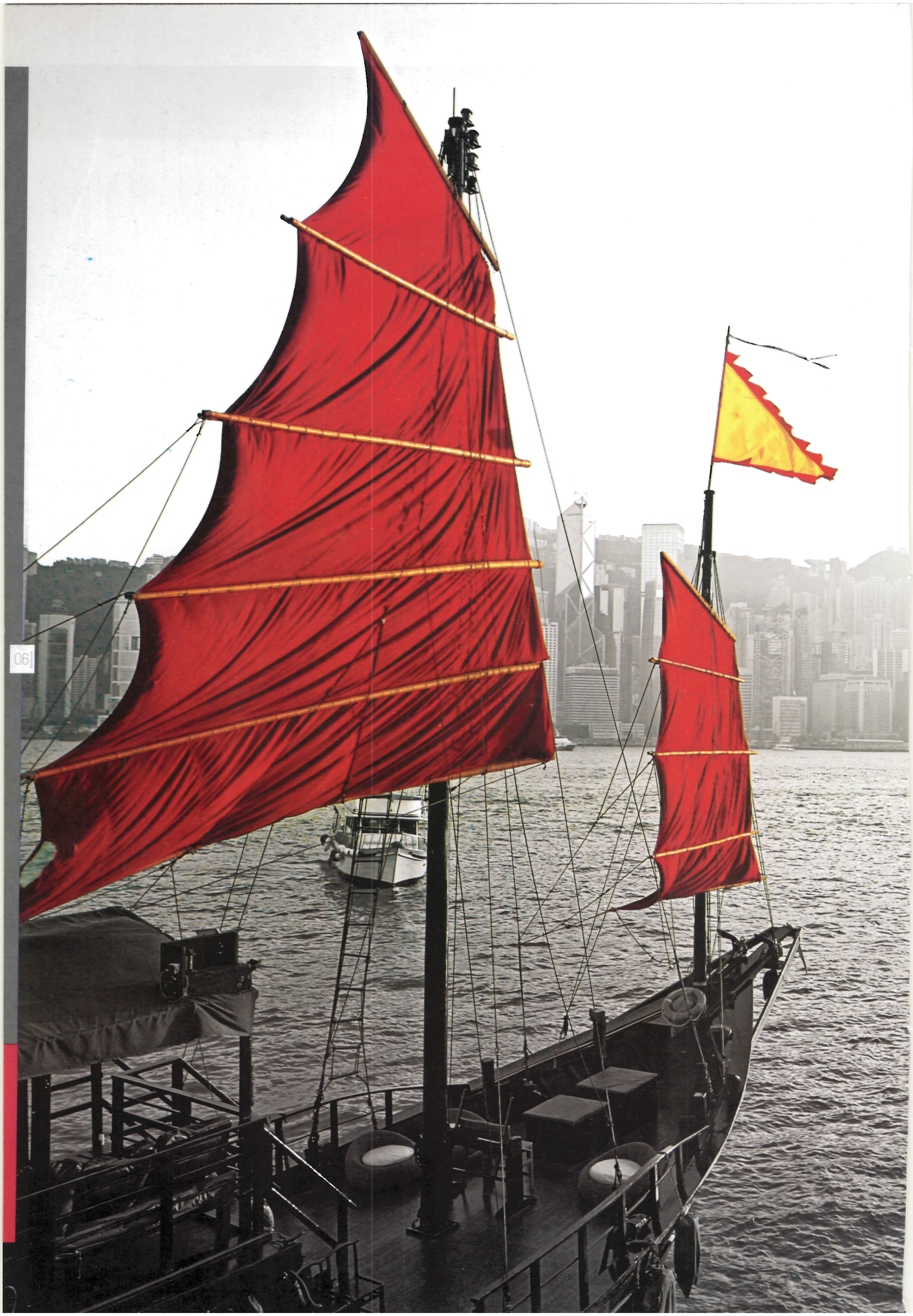


[vision, mission & core values]

VISION

To become a leading DFI as HUB of investment activities for Pakistani & Chinese entrepeneurs through our in depth market knowledge. Providing innovative financial solutions through exceptional people, efficient processes, innovative solutions and customer relationship.

Focus on bringing Chinese investment, Technology and know how tot Pakistan by conducting Road Shows and preparing Pitch books. Allowing Pak China Investment Company to be used as a platform for investment decisions in entering the Pakistani market.

MISSION STATEMENT

As a Focused Development Financial Institution we excel in our mission. Our business spans over Financial Manufacturing, Real Estate, Energy, Infrastructure, Information Technology and Agriculture Sectors.

Our Mission is to:

[Be a Channel of investment flow by becoming prime advisors for investors from Pakistan and China.

[Identify and Capitalize on opportunities in Pakistan by leveraging on Chinese technology, financial resources and entrepreneurial expertise.

[Act as a catalyst of success for our customers- by responding to their needs and develop a lasting Relationship.

[Create a culture of performance integrity and efficiency where productivity performance and innovation are the hallmarks.

[Build state-of-the-art technology platform and applications.

[Produce exceptional results while keeping within acceptable risk levels.

CORE VALUES

At Pak China Investment Company Limited, we live by our Values, whch determine our business and personal conduct. we ensure that these values are siserminated and are understood by each one of us in their letter and spirit.

[We work with integrity, professionalism, passion, dedication, creativity and have a one point agenda of desired results.

[We respect individuals and their views and understand diversity of our culture.

[We are honest in our communication, we mean what we say and we don't say what we don't mean.

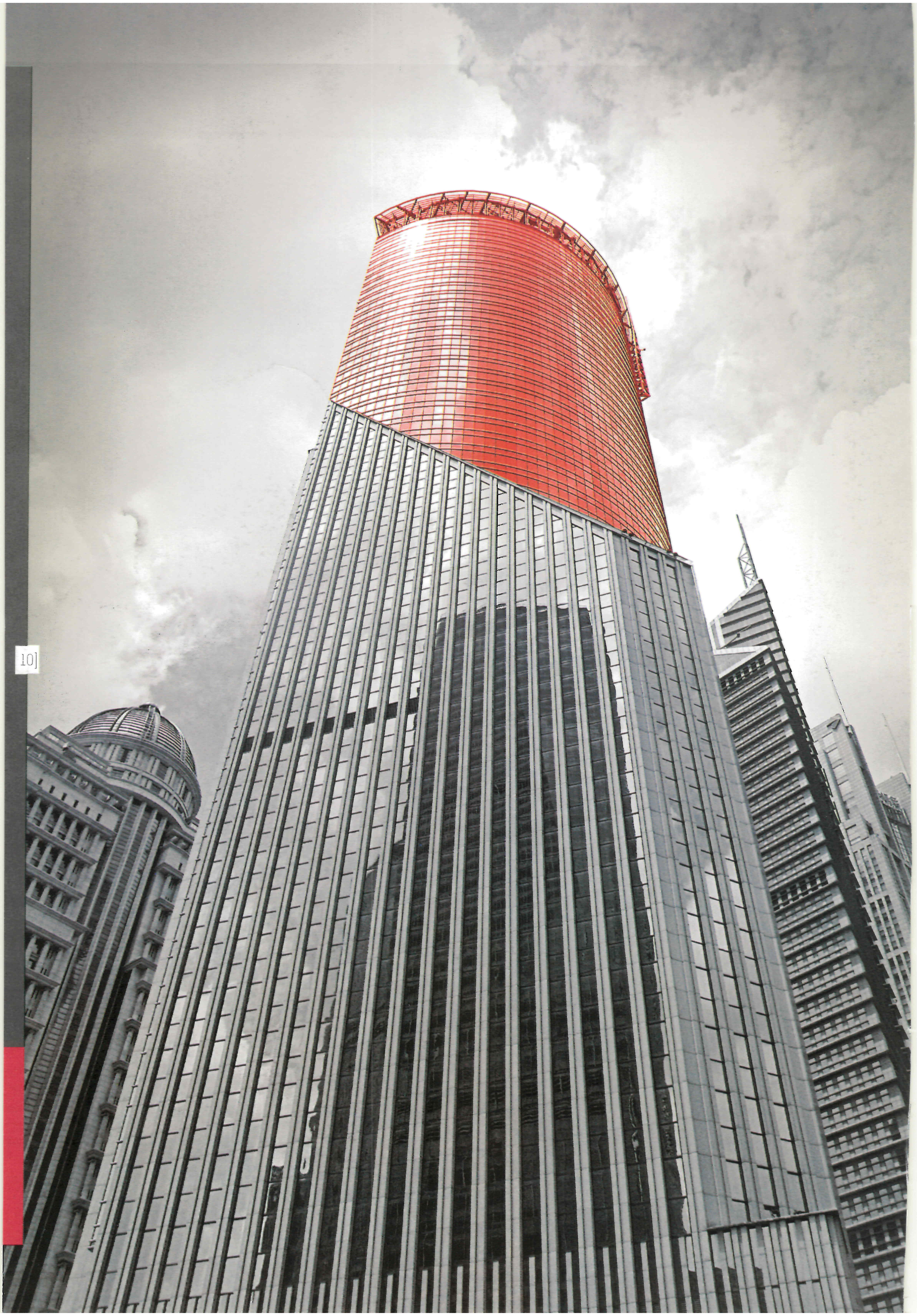
[We regard success and satisfication of our customers as our reward.

[We value our leadership and foster its development.

[We put team's interest of ours and work as a cohesive team.

[corporate information]

BOARD OF DIRECTORS	Dr. Abdul Hafeez Shaikh	Chairman
	Mr. Zuo Kun	Director
	Mr. Gu YeNing	Director
	Mr. Abdul Wajid Rana	Director
	Mr. Cao Wen Jiang	Managing Director
	Mr. Javed Mahmood	Deputy Managing Director
HUMAN RESOURCE COMMITTEE	Federal Secretary, Economic Affairs Divsion	Chairman
	Mr. Cao Wen Jiang	Member
	Mr. Gu YeNing	Member
	Mr. Javed Mahmood	Member
RISK MANAGEMENT COMMITTEE	Federal Secretary, Economic Affairs Divsion	Chairman
	Mr. Cao Wen Jiang	Member
	Mr. Gu YeNing	Member
	Mr. Javed Mahmood	Member
AUDIT COMMITTEE	Federal Secretary, Economic Affairs Divsion	Chairman
	Mr. Gu YeNing	Member
	Mr. Javed Mahmood	Member
COMPANY SECRETARY	Ms. Shazia Khan	
STATUTORY AUDITORS	KPMG Taseer Hadi & Co. Chartered Accountants	
LEGAL ADVISORS	Mohsin Tayebali & Co.	
ENTITY RATINGS	Long Term: AA- Short Term: A1+	



[company information]

REGISTERED HEAD OFFICE

Saudi Pak Tower
13th Floor
61-A Jinnah Avenue
Islamabad-44000
Pakistan
T: +92-51-2800281-6, 2099666
F: +92-51-2800297, 2800279

KARACHI OFFICE

Khadija Tower
Mezzanine Floor
11/5, Block-2, Scheme 5, Clifton
Karachi-75600
T: +92-21-35379888, 35377222
F: +92-21-35810666

[director's profile]

DR. HAFEEZ SHAIKH [CHAIRMAN]

Mr. Shaikh, an eminent economist of international repute, has over 30 years experience in economic policymaking management and implementation. An elected Senator from Sindh Province, he is presently serving as the Federal Minister of Finance of Pakistan. His professional achievements expand in both public and private sectors. As a senior official in World Bank, Mr. Shaikh has advised 21 centuries in all major emerging regions of Asia, Africa Europe and Latin America. His previous government appointments include provincial ministry of finance in Sindh and Federal Ministry of privatization and investment in Pakistan. In both these places, he has left his mark with high performance inducing greater provincial fiscal discipline and executing record number of privatization transactions in transparent fashion. Prior to his current appointment, Mr. Shaikh was working as a General Partner of an international US-based investment company. An economics graduate from Boston University, USA, Mr. Shaikh has also obtained PhD in economics from the same university.

MR. ZUO KUN [DIRECTOR]

A nominee of China Development Bank (CDB), Mr. Zuo has over 13 years experience in various banking areas. Presently, he is working as Chief Operating Officer of CDB Capital. He has served both at branch and head office levels in CDB. Mr. Zuo has worked in credit administration and asset restructuring departments. His other key appointment includes Secretary of General Office Secretariat in CDB. He is a finance graduate from China Financial Academy, Beijing.

MR. GU YENING [DIRECTOR]

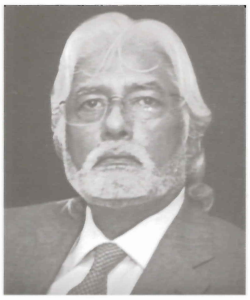
A nominee of China Development Bank (CDB), Mr. Gu has 23 years of diverse work experience in engineering and financial sectors. He is currently the Head of Pakistan Working Group of CDB. He started his career in Ministry of Railway, where he worked in area of project bidding, technical and cost engineering and project management. After railway he joined CDB, where he served in senior capacity in various branches. His key areas of responsibilities include credit evaluation and management and loan inspection. A civil engineer by qualification, Mr. Gu has obtained his engineering degree from South West Jiaotong University.

MR. ABDUL WAJID RANA [DIRECTOR]

A nominee of Ministry of Finance (MoF), Mr. Rana, an officer of District Management Group, has 32 year of administrative and public policy experience. Currently, he is the Federal Secretary of Economic Affairs Division in Government of Pakistan. In his illustrious civil service career, he has worked at different governmental levels in provinces and federal capital. His key area of work include administration of criminal justice homeland security and counter terrorism, fiscal decentralization, economic reforms, and public policy at strategic and tactical levels, poverty reduction strategy at the national and sub national levels and public sector development. An author of various publications, Mr. Rana has extensive domestic and overseas training exposure. Besides his Masters degree in political science, Mr. Rana has obtained degrees in the areas of law, finance and business administration.

MR. CAO WEN JIANG [MANAGING DIRECTOR]

Mr. Cao was appointed Managing Director of the Company in May 2011. He has a diverse financial sector experience of over 27 years. Prior to his current appointment, he was working as the director of China Development Bank (CDB) for South American Region. Mr. Cao started his career from China Investment Bank, whereby he joined CDB in 1999. Though his long career, he has been working in various areas at branch and head office levels. Besides his domestic banking experience, Mr. Cao has extensive senior level working exposure in Latin America. His major work areas include credit, approval and international business. Mr. Cao is a graduate from Shandong Teacher's University.



MR. JAVED MAHMOOD [DY. MANAGING DIRECTOR]

Mr. Mahmood joined the company as Deputy Managing Director in February 2011. His illustrious career in corporate sector spans over 45 years. Mr. Mahmood has diverse working exposure at senior levels in commercial banks, Development Finance Institution and power sector. His last appointment was Chief Executive Officer of Hub Power Company, the largest Independent Power Producer of Pakistan. He has also worked as Group Chief at National Bank of Pakistan, the biggest bank of the country. Mr. Mahmood has attended numerous domestic and international seminars on finance and banking related topics. He has also presented various papers on financial market development in Pakistan. Mr. Mahmood is a graduate from Punjab University, Lahore.

MS. SHAZIA KHAN [COMPANY SECRETARY]

Ms. Shazia holds more than 9 years of experience. She is a corporate lawyer by profession. Prior to joining PCICL she worked with NCHD (National Commission for Human Development), Mahmood Awan & Partners (legal & corporate advisor) and Business & Industrial Insurance Company Limited in the capacity of Company Secretary.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[the management]

CHIEF FINANCIAL OFFICER	Mr. Qi Feng
HEAD OF CORPORATE FINANCE	Mr. Tariq Mahmood
HEAD OF INTERNAL AUDIT	Mr. Munir Barlas
HEAD OF COMPLIANCE	Mr. Anjum Abbas
HEAD OF INFORMATION TECHNOLOGY	Mr. Sohail Khan
HEAD OF MONEY MARKET	Mr. Nabeel Abbas
MANAGER CREDIT	Ms. Yasmin Akbar
MANAGER ADMINISTRATION	Mr. Khanzada Arslan Khan

[chairman's review]

I am pleased to present the fifth audited Annual Accounts of the Company for the year ended December 31, 2011.

During the period under review, the Company has shown improvement in its profitability along with credit extension to various sectors of the economy. Key performance highlights for the year are as under:

[Net interest income increased from Rs. 866 million to Rs. 943 million.

[Profit before tax increased from rs. 862 million to Rs. 868 million.

[Equity increased from Rs. 10.477 billion to Rs. 11.059 billion, thus the Company is fully compalint of MCR of SBP.

[Credit rating was maintained at AA by Pakistan Credit Rating Agency Limited.

Most of DFIs are supplementing their income streams through seceondary trading in volatile equity market which remains a restricted area for PCICL. Pak China remains in the sphere of development finance of infrastructure development and project financing to those projects which fulfill the need of our company. Portfolio concentration, as in 2010, has remained in power sector. However, it is striving to diversify its sector exposures among other economic sectors. The Company is in process of formulating medium to long term strategic Business plan in the light of joint Venture Agreement and SBP s directions. The Company is exploring vendors for aquiring integrated software to minimize risks and be complaint with basel II regime

ECONOMICS OUTLOOK

Pakistan s economy managed to grow by 2.4 percent in FY11 despite devastating floods in the year 2010. One fifth of the country s agricultural heartland was inundated, which interrupted production processes and disrupted the subsequent supply of both labor and capital. It is extimated that 6.6 million of Pakistan s labor force was out of work for 2 to 3 months, and capital stock worth USS 2.6 billion (1.2 percent of GDP) was lost.

While the international response to the devastation was below expectyations, it is commendable that the government was able to address these challenges despite severe fiscal constraits. Furthermore, the inherent resilience of the agri sector allowed it to post a bumper wheat crop in the rabi season and sizable production of minor crops (potato, onion, pulses, etc.). Which sparheaded the revival.

Although the agriculture sector managed to overcome the floods and posted real growth of 1.2 percent (double what had been posted in FY10), the manufacturing sector suffered a serious setback. Industrial growth was negative 0.1 percent in FY11, due to flood driven supply chain interruptions; prolonged power outages; and reduction in gas supplies. However, Pakistan s external debt remain comfortable, especially within the context of the acute problems facing the Eurozone.

One must realize that Pakistan s current account balance in FY11 was positive for the first time in six years, and omport coverage is still a healthy 26.6 weeks. The trage dificit narrowed to USS 11.2 billion. Rapid urbanization is putting the available insufficient infrastructure under enormous pressure and causing environmental debacles of great magnitude. Serious risks of irreversible damages are present due to air and water pollution, mis management of solid waste and destruction of gragile ecosystems. Implementation of the climate change programme under Tenth Five years plan will be carried out through coordinated efforts.

BOARD & MANAGEMENT COMMITTEES

To share the load of activities, the board constituted three board committees namely:

[i] Audit Committee

[ii] HR Committee

[iii] Risk Management Committee

Apart from above, following three management committees are working:

[i] Credit Management Committee (CMC)\

[ii] Management Committee (MANCom)

[iii] Asset Liablility Committee (ALCO)

LOOKING FORWARD

With the setting up of China Advisory Department, PCICL is looking forward to expand its reach in meeting its founding objective of enhancing mutual economic cooperation. Financial intermediation will remain the core business area of the Company. However, PCICL is like to take advantage of the burgeoning trage between our two countries under the infulence of favorable tariff regime of Free Trage Agreement (FTA). As soliciting outward investment remains a long drawn process, our China Advisory arm will be engaged in providing trage intermediation services that can be initiated early. In our opinion, substantial gap exist for intermediation services in information exchange and match making areas. China Advisory will serve this nich through reaching out to trage bodies and businesses engaged in mutual economic interations.

In the coming Year, Domestic companies and joint ventures will remain the target clientele for our financial intermediation services. However, PCICL will remain committed to support projects with chinese element on prority. PCICL is expecting to book quality assets ahead after thorough due diligence. Besides interest income, it will strive to generate healthy fee income through advisory and arrangement services. Treasury will be sustaining a prudent portfolio comprising mainly of government securities. PCICL will be focusing on adopting innovative approach to solicit enhanced trage and investment flow between our two brotherly countries.

ACKNOWLEDGEMENT

I would like to thank the Board of Directors, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for thier help, support and guidance. I thank the management of the Company for thier sincerity, dedication and commitment. I also thank the financial instituations, clients and the shareholders for the trust and confidence reposed in the Company.

Islamabad
March 26, 2012

DR. ABDUL HAFEEZ SHAIKH
Chairman

[director's report]

On behalf of our Board of Directors, I hereby present with pleasure the Director's Report of Pak China Investment Company Limited along with its fifth annual audited accounts for the year ending December 31, 2011.

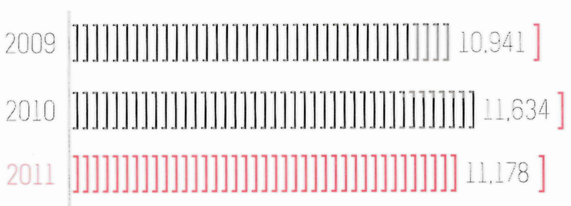
PERFORMANCE HIGHLIGHTS

Financial performance of PCICL for the year ending December 31, 2011 is as under:-

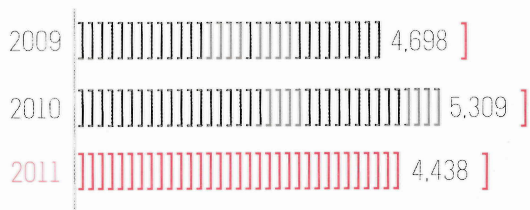
P & I, FIGURES	DECEMBER, 11	DECEMBER, 10	DECEMBER, 09
Net Interest Income	[Rs. 943 (m)	[Rs. 866 (m)	[Rs. 817 (m)
Non Interest Income	[Rs. 133 (m)	[Rs. 176 (m)	[Rs. 1387 (m)
Profit before tax	[Rs. 868 (m)	[Rs. 862 (m)	[Rs. 790 (m)
Profit after tax	[Rs. 514 (m)	[Rs. 560 (m)	[Rs. 514 (m)
EPS (PKR)	[Rs. 0.57 (m)	[Rs. 0.62 (m)	[Rs. 0.65 (m)

BALANCE SHEET FIGURES	DECEMBER, 11	DECEMBER, 10	DECEMBER,09
Assets	[Rs. 11,178 (m)	[Rs. 11,634 (m)	[Rs. 10,941 (m)
Advances	[Rs. 4,438 (m)	[Rs. 5,309 (m)	[Rs. 4,698 (m)
Investments	[Rs. 4,078 (m)	[Rs. 3,100 (m)	[Rs. 3,158 (m)
Equity	[Rs. 11,059 (m)	[Rs. 10,477 (m)	[Rs. 9,851 (m)

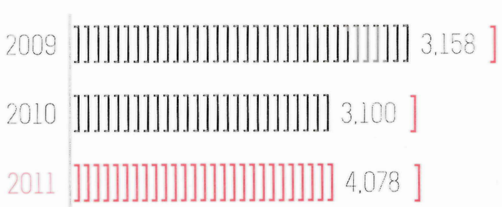
Assets



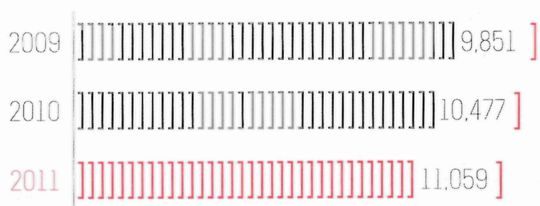
Advances



Investments



Equity



BANKING SECTOR REVIEW

The asset base of the domestic banking system witnessed strongest growth since 2007 amid robust increase in investments, predominantly in government papers. Deposits were up by Rs. 515 billion, thanks to the stellar inflow of workers, remittances. Banking system remained the main conduit for financing the fiscal deficit, particularly commercial banks as government shifted its borrowings away from state Bank. Accordingly, share of net investments in banks, assets further inched up to 34 percent, with share of net advances sliding down to 43.9 percent.

During the period under review, the asset base of the Development Finance Institutions (DFIs) managed to grow marginally by 4 percent, primarily on account of stronger growth in investments. Share of advances in total assets remained intact (around 35 percent), though at significantly lower level than what DFIs nature of business would warrant. Moreover, higher provisioning on account of growing NPLs reduced industry profits when compared with tha same period last year. DFIs solvency ratios (CAR of 56.7 percent) have been significantly better than those of banks (14.1 percent), suggesting ineffective utilization of their strong capital base.

OPERATIONAL OVERVIEW

As evident from the aforementioned figures, Pak China Investment Company Limited has made strides in all financial indicators. Portfolio concentration, as in 2010, has remained in power sector. However, it is striving to diversify its sector exposures among other economic sectors. The Company is in process of formulating medium to long term strategic Business plan in the light of joint Venture Agreement and SBP,s direction. The Company is exploring vendors for acquiring integrated software to minimize risks and be compliant with Basel II regime.

CREDIT RATING

The Pakistan Credit Rating Agency (PACRA) has assigned the Company the long term and short term entity ratings of AA (Double A Minus) and A1+(A One Plus) respectively. These ratings denote a very low expectation of credit risk emanating from the highest capacity for timely payment of financial commitments.

PATTERN OF SHAREHOLDING

The Pattern of Shareholding is as under:-

Shareholders	Shareholders
Ministry of Finance, Government of Pakistan	50%
China Development Bank	50%

CORPORATE & FINANCIAL REPORTING FRAMEWORK

The Directors are pleased to declare that:-

- These financial satements, prepared by the Management, present fairly its state of affairs, the result of its opperations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure from them has been appopriately disclosed.
- The system of internal control is based on design and has been effectively implemented and monitored.
- There are no doubts regarding the company s ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.

STATEMENT OF INVESTMENT OF PROVIDENT FUND

As per un-audited financial statements dated December 31, 2011, investment of provident fund stands at Rs. 12.170 million.

BOARD MEETING

The numbers of board meetings held during the year ended 31st December, 2011 were two (2) and attendance therein by the Directors in as below:-

Name	Designation	Meetings Attended
Dr. Abdul Hafeez Shaikh	Chairman	2
Mr. Cao Wen Jiang	MD	1
Mr. Lu Huan Sheng	Ex-MD/Director	1
Mr. Chen Jianbo	Ex-MD	1
Mr. Javed Mahmood	DMD	1
Mr. Sibtain Fazal Halim	Director	1
Mr. Abdul Wajid Rana	Director	1
Mr. Gu YeNing		1
Mr. Zuo Kun		-

CHANGE IN DIRECTORS

There were certain changes in the Board of Directors during the period under review. Mr. Lu Huan Sheng was appinted as Director by CDB in place of Mr. Xia Qing and later made MD by replacing Mr. Chen Jianbo in Februar, 2011. However, he was replaced by Mr. Cao Wen Jiang in May, 2011. Mr. Zuo Kun was made non executive director in place of mr. Fan Xun by CDB. Mr. Javed Mahmood was appinted as DMD/ Executive Director by Finance Division and Mr. Gu YeNing was appinted as Non Executive director by CDB. Mr. Sibtain Fazl Halim, the Director, retired from Government service and the Finance Division nominated Mr. Abdul Wajid Rana as Director of Company.

AUDITORS

Our present auditors, M/s KPMG taseer Hadi & Co. chartered Accountants have completed thier five years tenure and are now un-eligible for re-appintment under Code of Corporate Governance. The Board Audit Committee has suggested to the Board for the appintment of M/s Erst & Young Forc Rhodes Sidat Hyder & CO as the new External Auditors of PCICL for the year 2012.

ACKNOWLEDGEMENTS

The Board expresses its gratitude for the support and commitment extended by its main sponsors, Ministry of Finance, Government of Pakistan and China Development Bank. We also appreciate the efforts undertaken by the management and employees of the Company for establishing its mark in the financial sector. The Board is also grateful for the continuous guidance provided by state Bank of Pakistan and Securities & Exchange Commission of Pakistan.

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CAO WEN JIANG
Managing Director

JAVED MAHMOOD
Deputy Managing Director

[review report to the members]

[On Statement of Compliance with best practices of code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pak China Investment Company Limited to comply with regulation G 1 of Prudential Regulations for Corporate/commercial Banking issued by the State Bank of Pakistan.

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

A review is limited primarily to inquires of the Company personal and review of various documents prepared by the company to comply with the Code. As part to our audit of financial statement we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop and effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls. Based on out review, nothing has come to our attention, which causes us to believe that the Statements of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the period ended December 31st, 2011.

KPMG Taseer Hadi & Co.

Islamabad
March 26, 2012

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner
Muhammad Rehan Chughtai

[statement of compliance with the code of corporate governance for the period ended dec 31, 2011]

This statement is being presented to comply with the Code of Corporate Governance framed by the securities & Exchange Commission of Pakistan, Which was made applicable to the company through Regulation G-1 of the Prudential Regulations for Corporate/ Commercial Banking issued by the State Bank of Pakistan.

The Company has applied the principles contained in the Code in the following manner;

1] The Board of Directors of the Company is apppinted by the Government of Islamic Republic of Pakistan (GoP), represented by Ministry of Finance (MoF), and the peoples Republic of China through China Development Bank (CDB). Under joint Venture Agreement dated july 18th 2007, Mof and CDB both will appoint three directors each on thier behalf for a term of three years. A total of six directors have been appinted accordingly out of which four are non-executive directors and two are executive directors.

2] The Directors have confirmed that non of them is serving as a director in more then ten listed companies, including this company.

3] The resident directors of the Company have confirmed that they are registered as tax payers and none of them has defaulted in pying of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4] No casual vacancy occurred on the Board during the period ened Dec 31, 2011.

5] The Company has prepared a "statement of Ethics and Business practiees" which is signed by all the directors and emploees of the company.

6] The Board has developed a vision / mission statement, an overall corporate strategy, a business plan and significant policies.

7] All the powers of the Board of Directors have been duly exercised and ecisions on mateial transactions, including appointment and determination of remuneration and terms and conditions of employment of the Managing Director (MD/CEO) & Deputy Managing Director (DMD) have been taken by the Board.

8] The meetings of the Board were presided over by the Chiarman. The Board met twice during the period. Written notices of the Borad meetings, alongwith agenda & working papers were circulated at least seven days before the meetings. The minutes of the meetings were also appropriately recorded and cirulated.

9] The directors are conversand with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and article of association and are aware of thier duties and responsiblites. The Directors would be discussing the corporate governance requirements of the DFIs as required by the State Bank of Pakistan Prudential Regulations during the period.

10] The Board has appoved the appintment of Chief Financial Officer (CFO), Company Secretary and Head of internal Audit and as authorized by the Board their remuneration and terms and conditions of employment were determined by the CEO.

11] The Company established the internal Audit Department.

12] The Director's report for the period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13| The Company's financial statements were duly endorsed by CEO and CFO before approval by the Board.

14| The Directors, CEO and Executives do not hold any interest in the shares of the Company.

15| The COmpany has complied with all other corporate and financial reporting requirements of the Code.

16| The Borad formed and audit committee and terms of reference of the said committee were as approved by the Board of Directos.

17| Although a formal orientation course has not been conducted, the directors of the company have been appraised about thier responsibilites relating to the Code of Corporate Governance.

18| The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chrtered Accountants of Pakistan, that they or any of the partners of the firm, thier spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with international Fedration of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chrtered Accountants of Pakistan.

19| The Statutory auditors of the persons associated with them have not been appinted to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20| We Confirm that all other material principles contained in the Code have been complied with.

21| All related party transactions entered during the year wee at arm's length basis and these have been placed before the Audit Committee and the Borad of Directos. These transactions are duly reviewed and approved by the Audit Committee and Board of Directors.

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DR. ABDUL HAFEEZ SHAIKH
Chairman
Islamabad: March 26th 2012

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CAO WEN JIANG
Managing Director/CEO

[financial statements]

[For the Year Ended December 31st, 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Pak China Investment Company Limited ("the Company") as at December 31, 2011 and 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 neccessary 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 statement 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 International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall presentation of the financial 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 statements 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 approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31,2011 and of the profit, its cash flows and changes in equity for the year then ended; and

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

KPMG Taseer Hadi & Co.

Islamabad
March 26, 2012

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner
Muhammad Rehan Chughtai

[statement of financial position]

[as at December 31, 2011

	NOTE	2011 RUPEES	2010 RUPEES
ASSETS			
Cash and balances with treasury banks	5	1,491,717,118	1,399,836,094
Balances with other banks	6	23,226,506	8,736,067
Lendings to financial institutions	7	583,954,255	1,264,139,593
Investments	8	4,077,544,264	3,099,786,748
Advances	9	4,437,660,212	5,308,893,009
Fixed assets	10	176,177,287	180,565,507
Deferred tax assets	11	3,470,790	3,043,945
Other assets		384,565,310	368,958,964
		11,178,315,742	11,633,959,927
LIABILITIES			
Bills payable		-	-
Borrowings	13	106,873,755	1,132,259,095
Deposits and other accounts		-	-
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	14	12,220,140	24,497,667
		119,093,895	1,156,756,762
NET ASSETS		11,059,221,847	10,477,203,165
REPRESENTED BY			
Share capital	15	9,116,400,000	6,457,200,000
Reserve	15.3	388,411,071	285,671,066
Advance against issue of shares	15.4	-	2,593,499,200
Unappropriated profit		1,553,644,283	1,142,684,261
		11,058,455,354	10,479,054,527
Surplus / (Deficit) on revaluation of assets - net of tax	16	766,493	(1,851,362)
		11,059,221,847	10,477,203,165
CONTINGENCIES AND COMMITMENTS	17		

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

Managing Director   Director   Director   Director

[profit and loss account]

For the Year Ended December 31, 2011

	NOTE	2011 RUPEES	2010 RUPEES
Mark-up / return / interest earned	18	1,312,685,528	1,252,143,235
Mark-up / return / interest expensed	18.1	(47,665,953)	(283,898,690)
Net mark-up / interest income		1,265,019,575	968,244,545
Provision against non-performing loans and advances	9.3	175,398,653	41,360,577
Provision for diminution in the value of investments	8.9	60,929,000	-
Impairment loss on available for sale investments	8.5	85,600,000	60,800,000
Bad debts written off directly		-	-
		321,927,653	102,160,577
Net mark-up / interest income after provisions		943,091,922	866,083,968
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		8,900,625	15,708,068
Dividend income		-	-
Exchange gain / (loss)		63,159,372	(39,020,927)
Gain on sale of securities		60,312,850	198,597,196
Unrealised gain / (loss) on revaluation of investments classified as held for trading			
Other income		1,064,468	939,147
Total non mark-up / interest income		133,437,315	176,223,484
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	19	208,403,408	180,205,244
Provision against lending to financial institutions		-	-
Other charges	20	521,000	621
Total non mark-up / interest expenses		208,924,408	180,205,865
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		867,604,829	862,101,587
Taxation - Current	21	334,461,262	316,829,241
- Prior		21,280,000	(69,383,238)
- Deferred		(1,836,460)	54,289,552
		353,904,802	301,735,555
PROFIT AFTER TAXATION		513,700,027	560,366,032
Unappropriated profit brought forward		1,142,684,261	694,391,435
Profit available for appropriation		1,656,384,288	1,254,757,467
Basic and diluted earnings per share	22	0.57	0.62

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.

Managing Director	Director	Director	Director

[statement of comprehensive income]

[For the year ended December 31, 2011

	NOTE	2011 RUPEES	2010 RUPEES
Profit after tax for the year		513,700,027	560,366,032
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		513,700,027	560,366,032

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

Managing Director

Director

Director

Director

cash flow statement

For the Year Ended December 31, 2011

	NOTE	2011 RUPEES	2010 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		867,604,829	862,101,587
Adjustments for:			
Depreciation		11,512,903	12,455,905
Amortization		1,556,722	1,060,640
Provision for gratuity		4,115,883	5,069,114
Provision against non-performing loans and advances		175,398,653	41,360,577
Provision for diminution in the value of investments		60,929,000	-
Impairment loss		85,600,000	60,800,000
(Profit) / loss on disposal of operating fixed assets including write off		(6,300)	76,829
		1,206,711,690	982,924,652
Decrease/ (increase) in operating assets		680,185,338	(19,110,563)
Lendings to financial institutions		695,834,144	(713,591,022)
Advances		7,722,458	(148,690,373)
Others assets (excluding advance taxation)		1,383,741,940	(881,391,958)
Increase/ (decrease) in operating liabilities		(1,025,385,340)	156,574,595
Borrowings		(1,253,683)	1,522,642
Other liabilities (excluding current taxation)		(1,026,639,023)	158,097,237
Gratuity paid		(4,586,040)	(3,334,885)
Income tax paid		(389,623,754)	(338,029,756)
		(394,209,794)	(341,364,641)
Net cash from / (used in) operating activities		1,169,604,813	(81,734,710)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in 'available-for-sale' securities		(1,120,259,046)	1,558,588
Net investment in 'held-to-maturity' securities		-	56,570,250
Capital expenditure		(8,681,404)	(6,609,724)
Sale proceeds of property and equipment disposed-off		6,300	279,000
Net cash (used in) / from investing activities		(1,128,934,150)	51,798,114
CASH FLOW FROM FINANCING ACTIVITIES			
Advance against issue of shares		65,700,800	65,700,800
Net cash flow from financing activities		65,700,800	65,700,800
Increase in cash and cash equivalent		106,371,463	35,764,204
Cash and cash equivalents at beginning of the year		1,408,572,161	1,372,807,957
Cash and cash equivalents at end of the year	23	1,514,943,624	1,408,572,161

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

Managing Director | Director | Director | Director

[statement of changes in equity]

[For the year ended December 31, 2011

	SHARE CAPITAL	STATUTORY RESERVE	UNAPPROPRIATED PROFIT	ADVANCE AGAINST ISSUE OF SHARES	TOTAL
			(RUPEES)		
Balance as at January 01, 2010	6,457,200,000	173,597,860	694,391,435	2,527,798,400	9,852,987,695
Total comprehensive income for the year	-	-	560,366,032	-	560,366,032
Transfer to statutory reserve	-	112,073,206	(112,073,206)	-	-
Transaction with owners recognised directly in equity Advance against issue of shares (note 15.4)	-	-	-	65,700,800	65,700,800
Balance as at December 31, 2010	6,457,200,000	285,671,066	1,142,684,261	2,593,499,200	10,479,054,527
Balance as at January 01, 2011	6,457,200,000	285,671,066	1,142,684,261	2,593,499,200	10,479,054,527
Total comprehensive income for the year	-	-	513,700,027	-	513,700,027
Transfer to statutory reserve	-	102,740,005	(102,740,005)	-	-
Transaction with owners recognised directly in equity Advance against issue of shares (note 15.4)	-	-	-	65,700,800	65,700,800
Advance against issue of shares converted to equity	2,659,200,000	-	-	(2,659,200,000)	-
Balance as at December 31, 2011	9,116,400,000	388,411,071	1,553,644,283	-	11,058,455,354

Managing Director | Director | Director | Director

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 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: Disclosure" are not applicable to banking companies in Pakistan. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

2.1 Forthcoming accounting standards/ interpretations

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2012:

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments are not expected to impact the current transactions of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments are not expected to impact the current transactions of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company does not plan to adopt this change early and the extent of the impact has not been determined.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after

1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other approved accounting standards continue to apply in this regard. The amendments are not expected to impact the current transactions of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not expected to impact the current transactions of Company.

- IFRIC 20- Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on the unconsolidated financial statements of the Company.

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 SBP's BSD Circular No 4 dated February 17, 2006.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention as modified for certain investments which are carried at fair value and defined benefit gratuity plan which is carried at present value of defined benefit obligations net of fair value of plan assets and unrecognised actuarial losses.

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 polices 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

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 SBP.

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

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

Premium or discount on acquisition of investments is capitalised and amortised through 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 SBP from time to time. In addition, a general provision is maintained for advances (Refer note 9.3.2).

Provision against non-performing advances and general provision is charged to 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. Impairment on debt securities is determined in accordance with the requirements of Prudential Regulations issued by SBP and included in profit and loss account.

(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.

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 SBP, quoted securities 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 classified as available for sale (except debt securities) is recongnised 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 marketable investment below its cost is also considered an objective evidence of impairment. Provisions for diminution in the value of debt securities is made as per the Prudential Regulations issued by the SBP and included in profit and loss account. In case of impairment of available for sale quoted securities, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the profit and loss account.

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

4.6 Taxation

Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

Deferred

The Company accounts for deferred taxation using balance sheet liability method on all temporary differences. The amount of deferred tax provided is based on 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 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.

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.

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 profit and loss account 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.

		NOTE	2011 RUPEES	2010 RUPEES
5	CASH AND BALANCES WITH TREASURY BANKS			
	Cash in hand in local currency		25,000	25,000
	With State Bank of Pakistan in local currency current account	5.1	7,279,622	6,243,511
	With National Bank of Pakistan in			
	local currency current account		1,250,421	404,837
	foreign currency deposit account	5.2	1,483,162,075	1,393,162,746
			1,491,717,118	1,399,836,094

5.1 The local currency current account is maintained with SBP as per the requirement to maintain a local currency cash reserve at a sum not less than such percentage of 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 0.55% to 3.70% per annum (2010:0.70% to 1%) during the period of placement and is maturing on 14 June 2012

		NOTE	2011 RUPEES	2010 RUPEES
6	BALANCES WITH OTHER BANKS			
	In Pakistan			
	- Local currency current accounts		2,238,027	6,843,636
	- Local currency deposit accounts		20,988,479	1,892,431
			23,226,506	8,736,067
7	LENDINGS TO FINANCIAL INSTITUTIONS			
	Lending under letter of placements (LoPs)		-	964,509,745
	Repurchase agreement lending (Reverse Repo)	7.2	583,954,255	299,629,848
			583,954,255	1,264,139,593

7.1 All lendings of the Company are in local currency.

7.2 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 11.90% (2010: 12.75%) per annum with maturity of 4 to 7 days (2010: 3 days).

7.3 Security held as collateral against lending to financial institution

	2011			2010		
	Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
	RUPEES			RUPEES		
Market Treasury Bill	583,954,255	-	583,954,255	299,629,848	-	299,629,848
	583,954,255	-	583,954,255	299,629,848	-	299,629,848

8 INVESTMENTS

Investment by type	Note	2011 Held by the Company	2011 Further given as collateral	2011 Total	2010 Held by the Company	2010 Further given as collateral	2010 Total
		RUPEES			RUPEES		
Available-for-sale securities							
Market treasury bills	8.1	1,602,461,860	-	1,602,461,860	288,389,200	840,851,620	1,129,240,820
Pakistan Investment Bonds	8.2	431,024,296	-	431,024,296	-	-	-
Sukuk certificates - secured	8.3	528,773,927	-	528,773,927	505,126,000	-	505,126,000
Term finance certificates	8.4	1,103,004,211	-	1,103,004,211	910,638,428	-	910,638,428
Ordinary shares of listed company	8.5	153,600,000	-	153,600,000	239,200,000	-	239,200,000
Held-to-maturity securities				-			
Term finance certificates	8.6	318,429,750	-	318,429,750	318,429,750	-	318,429,750
Investment at cost		4,137,294,044	-	4,137,294,044	2,261,783,378	840,851,620	3,102,634,998
Less: Provision for diminution in value of investments	8.9	(60,929,000)	-	(60,929,000)	-	-	-
Investment (Net of provisions)		4,076,365,044	-	4,076,365,044	2,261,783,378	840,851,620	3,102,634,998
Surplus/ (deficit) on revaluation of available-for-sale securities		1,179,220	-	1,179,220	(1,166,100)	(1,682,150)	(2,848,250)
Total investments		4,077,544,264	-	4,077,544,264	2,260,617,278	839,169,470	3,099,786,748

Market value of held to maturity securities as at december 31, 2011 is Rs. 336,268,992 (2010: Rs. 342,778,713)

8.1 These carry interest ranging between 11.76 to 11.85% (2010: 12.15% to 12.40%) per annum with redemption period of six months to one year (2010: one year). These include mark-up accrued upto the year end.

8.2 This carry interest of 11.50% (2010: Nil) per annum with redemption period of five years (2010: Nil).

8.3 These carry interest of 3 months Kibor + 3% (2010: 3 months Kibor + 3%) with redemption period of 10 years (2010: 11 years).

8.4 These carry interest of 3 months Kibor + 1.25% to 6 months Kibor +2.50% (2010: 3 months KIBOR + 3.25% to 12 months KIBOR + 1%) with redemption period of 2-10 years (2010: 3-9 years).

8.5 This represents 10,000,000 ordinary shares of Agritech Limited held by the Company. The market value of shares at year end was Rs. 153.6 million and the Company recognized impairment loss of Rs. 85.60 million in profit and loss account for the year being the difference of cost with market value of shares.

8.6 This carries interest of 1 year Kibor + 2.5% (2010: 6 months KIBOR + 3.25% per annum) with redemption period of 3 years (2010: 4 years).

8.7 Investment by segments

	NOTE	2011 RUPEES	2010 RUPEES
Federal Government Securities	8.8	1,602,461,860	1,129,240,820
- Market treasury bills		431,024,296	-
- Pakistan Investment Bonds			
Term finance certificates			
- Listed		245,483,456	245,581,728
- Unlisted		1,175,950,505	983,486,450
Fully paid up ordinary shares - listed		153,600,000	239,200,000
Other investments			
- Sukuk certificates - Liberty Power Tech Limited		528,773,927	505,126,000
Investment at cost		4,137,294,044	3,102,634,998
Less: Provision for diminution in value of investments		(60,929,000)	-
Investment (Net of provisions)		4,076,365,044	3,102,634,998
Surplus/ (deficit) on revaluation of available for sale securities		1,179,220	(2,848,250)
Total investments at market value		4,077,544,264	3,099,786,748

8.8 Principal terms of investment in Federal Government Securities

Name of investment	MATURITY	PRINCIPAL PAYMENT	RATE	COUPON/ MARK UP PAYMENT
Market Treasury Bills	Six months to one year	On maturity	11.76 % to 11.85 %	at maturity
Pakistan Investment Bonds	Five years	On maturity	11.50 %	half yearly

8.9 Particulars of provision for diminution in value of investment

		2011 RUPEES	2010 RUPEES
-Charge for the year		60,929,000	-
- Closing balance	9.3.1	60,929,000	-

8.9.1 Provision has been recognised after taking before and after tax benefit of Forced Sale Value (FSV) of Rs. 128.6 million and Rs. 83.6 million respectively. Further as more fully explained in note 9.3.1, FSV benefit availed by the Company includes Rs. 109.7 million and Rs. 71.3 million before and after tax amounts for the year respectively due to circular No. 1 of 2011 dated October 21, 2011.

8.9.2 Particulars of provision in respect of type and segment

	2011 RUPEES	2010 RUPEES
-Available for sale securities	60,929,000	-
-Unlisted term finance certificates	60,929,000	-

8.10 Investment in Term Finance Certificates

No of certificates 2011	No of certificates 2010	Company Name	NOTE	Name of Chief Executive	Redemption per certificate	2011 RUPEES	2010 RUPEES
Unlisted							
75,000	75,000	Avari Hotels Limited		Byram D. Avari	4,246	318,429,750	318,429,750
30,000	30,000	Bank Alfalah Limited		Siraj ud din Aziz	4,996	149,880,000	149,940,000
40,000	40,000	Agritech Limited		Ahmed Jaudet Bilal	4,994	199,760,000	199,840,000
1,695	-	Agritech Limited		Ahmed Jaudet Bilal	5,000	8,475,000	-
-	-	Pakistan National Shipping Corporation	8.10.1	Saleem Ahmed	-	220,145,755	135,276,700
36,000	36,000	Azgard Nine Limited		Ahmed Sheikh	4,980	179,280,000	180,000,000
20,000	-	Bank Al Habib		Abbas D. Habib	4,999	99,980,000	-
Listed							
49,136	49,136	Askari Bank Limited		M R Mehkari	4,996	245,483,456	245,581,728
						1,421,433,961	1,229,068,178
		Surplus on revaluation of TFC				5,837,106	-
		Market value as on December 31				1,427,271,067	1,229,068,178

8.10.1 60,000 term finance certificates with face value of Rs. 5,000 each will be issued upon full disbursement.

8.11 Quality of available-for-sale securities

	Note	2011 Market Value RUPEEES	2011 Rating	2010 Market Value RUPEES	2010 Rating
Market treasury bills	8.11.1	1,601,118,489	Unrated	1,126,592,570	Unrated
Pakistan Investment Bonds	8.11.1	427,709,781	Unrated	-	-
Sukuk certificates					
-Liberty Power Tech Ltd	8.11.2	528,773,927	AA-	505,126,000	AA-
Term finance certificates	8.11.2				
-Askari Bank Limited		251,320,562	AA-	245,581,728	AA-
-Agritech Limited		199,760,000	D	199,840,000	CCC
-Agritech Limited		8,475,000	D	-	-
-Bank Alfalah Limited		149,880,000	AA-	149,940,000	AA-
-Pakistan National Shiping Corporation		220,145,755	AA- / A1+	135,276,700	AA-
-Azgard Nine Limited		179,280,000	D	180,000,000	CCC
-Bank Al Habib Ltd		99,980,000	AA	-	-
Ordinary shares of listed company					
-Agritech Limited	8.11.2	153,600,000	D	239,000,000	CCC
		3,820,043,514		2,781,356,998	

8.11.1 These are Government of Pakistan guaranteed securities.

8.11.2 Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited' (PACRA) or 'JCR-VIS Credit Rating Company Limited' (JCR-VIS). These ratings reflect independent credit risk assessment by respective credit rating entities.

8.12 During the year management of the Company reassessed the settlement of bridge financing of Rs. 300 million to Azgard Nine Limited (ANL) including Private Placement Agreement dated 14 January 2010 with ANL and concluded it to be more appropriate to present the amount of Rs. 60.8 million as impairment loss on available for sale investments which was previously presented as "Bad debts written off directly". This has no effect on reported figures of profit before tax for the year ended 31 December 2010.

9 ADVANCES

	NOTE	2011 RUPEES	2010 RUPEES
Inside Pakistan		4,883,793,276	5,569,721,333
Staff loans		17,898,802	27,804,889
Advances- gross		4,901,692,078	5,597,526,222
Provision against non-performing loans			
Specific provision	9.2	(377,756,000)	(235,636,000)
General provision		(86,275,866)	(52,997,213)
		(464,031,866)	(288,633,213)
Advances - net of provision		4,437,660,212	5,308,893,009

9.1 Particulars of advances

	2011 RUPEES	2010 RUPEES
In local currency	4,901,692,078	5,597,526,222
Short term (for upto one year) - advances having contractual repayment period of one year	-	750,000,000
Long term (for over one year) - advances having contractual repayment period of more than one year	4,901,692,078	4,847,526,222
	4,901,692,078	5,597,526,222

9.2 Advances includes Rs. 570 million (2010: Rs 270 million) which have been placed under non-performing status as detailed below:

2011 RUPEES

Category of classification	Classified Advances Domestic	Classified Advances Overseas	Classified Advances Total	Provision required Domestic	Provision required Overseas	Provision required Total	Provision held Domestic	Provision held Overseas	Provision held Total
Doubtful	300,000,000	-	300,000,000	150,000,000	-	150,000,000	150,000,000	-	150,000,000
Loss	270,000,000	-	270,000,000	227,756,000	-	227,756,000	227,756,000	-	227,756,000
	570,000,000	-	570,000,000	377,756,000	-	377,756,000	377,756,000	-	377,756,000

2010 RUPEES

Category of classification	Classified Advances Domestic	Classified Advances Overseas	Classified Advances Total	Provision required Domestic	Provision required Overseas	Provision required Total	Provision held Domestic	Provision held Overseas	Provision held Total
Doubtful	-	-	-	-	-	-	-	-	-
Loss	270,000,000	-	270,000,000	235,636,000	-	235,636,000	235,636,000	-	235,636,000
	270,000,000	-	270,000,000	235,636,000	-	235,636,000	235,636,000	-	235,636,000

9.3 Particulars of provision against non-performing advances

	2011 RUPEES Specific	2011 General	2011 Total	2010 RUPEES Specific	2010 General	2010 Total
Opening balance	235,636,000	52,997,213	288,633,213	200,000,000	47,272,636	247,272,636
Charge for the year	150,000,000	33,278,653	183,278,653	35,636,000	5,724,577	41,360,577
Reversals	(7,880,000)	-	(7,880,000)	-	-	-
	142,120,000	33,278,653	175,398,653	35,636,000	5,724,577	41,360,577
Closing balance	377,756,000	86,275,866	464,031,866	235,636,000	52,997,213	288,633,213

9.3.1 Provision for loans and advances for the year ended December 31, 2011 is reduced by before tax and after tax FSV benefit of Rs. 7.88 million and Rs. 5.12 million respectively (December 31, 2010 : Rs. 34.36 million and Rs. 22.33 million). The SBP amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby further allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against non-performing advances. FSV benefit availed by the Company includes Rs. 14.1 million and Rs. 9.2 million before and after tax amounts for the year respectively due to circular No. 1 of 2011 dated October 21, 2011.

9.3.2 General provision is maintained at the rate of 2% on advances other than non-performing advances and staff loans. During the year, the management of the Company has reassessed its estimate for general provision and accordingly increased the rate of general provision from 1% to 2%. This change in estimate has resulted in decrease in profit before tax and profit after tax for the year by Rs. 43,137,933 and Rs. 28,039,656 respectively.

10 FIXED ASSETS

	NOTE	2011 RUPEES	2010 RUPEES
Capital work-in-progress	10.1	156,118,576	149,039,013
Property and equipment	10.2	18,443,919	28,354,982
Intangible asset	10.3	1,614,792	3,171,512
		176,177,287	180,565,507

10.1 Capital work-in-progress

	NOTE	2011 RUPEES	2010 RUPEES
Advances to suppliers		1,861,510	-
Civil works	10.1.1	154,257,066	149,039,013
		156,118,576	149,039,013

10.1.1 This represents value of work in progress on property located at DHA Karachi.

10.2 Property and equipment

2011

	COST			DEPRECIATION				
	OPENING BALANCE AS AT JAN 01, 2011	ADDITIONS/ (DELETIONS) DURING THE YEAR	CLOSING BALANCE AS AT DECEMBER 31, 2011	OPENING BALANCE AS AT JAN 01, 2011	CHARGE DURING THE YEAR (ON DELETION)	CLOSING BALANCE AS AT DECEMBER 31, 2011	NET BOOK VALUE AS AT DECEMBER 31, 2011	RATE OF DEPRECIATION PER ANNUM %
	RUPEES							
Vehicles	3,073,716	-	3,073,716	1,610,208	614,743	2,224,951	848,765	20%
Computer and office equipment	17,245,280	1,587,841	18,826,821	10,916,874	4,591,258	15,501,832	3,324,989	33%
		(6,300)			(6,300)			
Furniture and fixtures	13,007,242	14,000	13,021,242	4,944,912	2,603,547	7,548,459	5,472,783	20%
Leasehold improvements	12,354,940	-	12,354,940	4,176,595	2,470,988	6,647,583	5,707,357	20%
Electrical fittings	6,161,835	-	6,161,835	1,839,442	1,232,367	3,071,809	3,090,026	20%
	51,843,013	1,601,841	53,438,554	23,488,031	11,512,903	34,994,634	18,443,920	
		(6,300)			(6,300)			

	2010							
	COST			DEPRECIATION				
	OPENING BALANCE AS AT JAN 01, 2010	ADDITIONS/ ADJUSTMENTS DURING THE YEAR	CLOSING BALANCE AS AT DECEMBER 31, 2010	OPENING BALANCE AS AT JAN 01, 2010	CHARGE DURING THE YEAR (ON DELETION/ ADJUSTMENTS)	CLOSING BALANCE AS AT DECEMBER 31, 2010	NET BOOK VALUE AS AT DECEMBER 31, 2010	RATE OF DEPRECIATION PER ANNUM %
	RUPEES							
Vehicles	3,073,716	-	3,073,716	995,465	614,743	1,610,208	1,463,508	20%
Computer and office equipment	14,987,451	3,029,629	17,245,280	5,838,142	5,544,350	10,916,874	6,328,406	33%
		(744,900)			(455,216)			
		(26,900)			(10,402)			
Furniture and fixtures	12,971,358	150,000	13,007,242	2,399,426	2,593,457	4,944,912	8,062,330	20%
		(114,116)			(47,971)			
Leasehold improvements	12,354,940		12,354,940	1,705,607	2,470,988	4,176,595	8,178,345	20%
Electrical fittings	6,161,835		6,161,835	607,075	1,232,367	1,839,442	4,322,393	20%
	49,549,300	3,179,629	51,843,013	11,545,715	12,455,905	23,488,031	28,354,982	
		(859,016)			(503,187)			
		(26,900)			(10,402)			

10.2.1 The fair value of property and equipment as per the management estimate is not materially different from the carrying amount

10.3 Intangible asset

	2011							
	COST			AMORTIZATION				
	OPENING BALANCE AS AT JAN 01, 2011	ADDITIONS DURING THE YEAR	CLOSING BALANCE AS AT DECEMBER 31, 2011	OPENING BALANCE AS AT JAN 01, 2011	AMORTIZATION CHARGE FOR THE YEAR	CLOSING BALANCE AS AT DECEMBER 31, 2011	NET BOOK VALUE AS AT DECEMBER 31, 2011	RATE OF DEPRECIATION PER ANNUM %
	RUPEES							
Computer software	4,674,479	-	4,674,479	1,502,967	1,556,722	3,059,689	1,614,790	33%
	4,674,479	-	4,674,479	1,502,967	1,556,722	3,059,689	1,614,790	
		-			-			

	2010							
	COST			AMORTIZATION				
	OPENING BALANCE AS AT JAN 01, 2010	ADDITIONS / ADJUSTMENTS DURING THE YEAR	CLOSING BALANCE AS AT DECEMBER 31, 2010	OPENING BALANCE AS AT JAN 01, 2010	AMORTIZATION CHARGE FOR THE YEAR / ON ADJUSTMENTS	CLOSING BALANCE AS AT DECEMBER 31, 2010	NET BOOK VALUE AS AT DECEMBER 31, 2010	RATE OF DEPRECIATION PER ANNUM %
	RUPEES							
Computer software	1,705,510	2,942,069	4,674,479	431,925	1,060,640	1,502,967	3,171,512	33%
		26,900			10,402			
	1,705,510	2,942,069	4,674,479	431,925	1,060,640	1,502,967	3,171,512	
		26,900			10,402			

10.4 Details of disposal of fixed assets :

PARTICULARS OF ASSETS	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS
		RUPEES		
Assets having book value of less than Rs. 250,000/- or cost of less than Rs. 1,000,000/-				
2011	6,300	6,300	-	6,300
2010	859,016	503,187	355,829	279,000

		NOTE	2011 RUPEES	2010 RUPEES
11	DEFERRED TAX ASSETS			
	Debit/ (credit) balances arising on account of:			
	Recognised in profit and loss account			
	Accelerated tax depreciation allowance		1,378,330	(1,503,160)
	Preliminary expenses		351,915	1,055,744
	Provision for non-performing loans		38,825,150	17,500,000
	Exchange gain-net		(36,510,533)	(15,008,737)
	Provision for gratuity		(161,345)	3,210
	Recognised in equity			
	(Surplus)/ deficit on revaluation of available for sale investments		(412,727)	996,888
			3,470,790	3,043,945
11.1	Movement of deferred tax is as follows:			
	Opening balance		3,043,945	57,189,957
	Credit/ (charge) for the year		1,836,460	(54,289,552)
	(Charged)/ credited to equity		(1,409,615)	143,540
	Closing balance		3,470,790	3,043,945
12	OTHER ASSETS			
	Income / mark-up accrued in local currency	12.1	345,052,860	349,824,359
	Income / mark-up accrued in foreign currency		2,706,263	893,151
	Advances, deposits, advance rent and other prepayments		13,403,418	18,241,454
	Receivable from gratuity fund		460,987	-
	Advance tax - net		22,858,647	-
	Others		83,135	-
			384,565,310	368,958,964

12.1 This balance has been arrived at after adjusting interest in suspense of Rs. 195,186,907 (2010: Rs. 92,633,352).

		2011	2010
13	BORROWINGS		
	In Pakistan	106,873,755	1,132,259,095
13.1	Detail/ particular of borrowings with respect to currencies and security		
	In local currency, repurchase agreement borrowings - secured	-	832,259,095
	In local currency, other borrowings -unsecured	-	300,000,000
	In local currency, SBP Refinance-FFSAP Scheme - unsecured	106,873,755	-
		106,873,755	1,132,259,095

13.2 This represents financing facility obtained from SBP under the scheme "Financing Facility For Storage of Agri Produce (FFSAP)" vide SMEFD circular No. 08 dated June 04, 2010. This carries mark up rate of 6.5 % p.a. and is repayable in 14 semi-annual instalments started from 15 July 2011.

14 OTHER LIABILITIES	NOTE	2011 RUPEES	2010 RUPEES
Mark-up/ return/ interest payable in local currency		1,750,973	7,235,016
Payable to suppliers		1,162,500	2,611,933
Accrued expenses		9,306,667	2,895,016
Current taxation (Provisions less payments)		-	11,023,844
Withholding tax/ federal excise duty payable		-	117,358
Payable to gratuity fund		-	9,170
Others		-	605,330
		12,220,140	24,497,667

15 SHARE CAPITAL

15.1 Authorised Share Capital

2011 (Number of shares)	2010 (Number of shares)		2011	2010
1,214,000,000	1,214,000,000	Ordinary shares of Rs. 10 each	12,140,000,000	12,140,000,000

15.2 Issued, Subscribed and Paid-up Share Capital

2011 (Number of shares)	2010 (Number of shares)		2011	2010
911,640,000	645,720,000	Ordinary shares of Rs. 10 each, issued for cash.	9,116,400,000	6,457,200,000

The Ministry of Finance (MOF) on behalf of the Government of Pakistan (GOP) and China Development Bank (CDB) on behalf of Government of China (GOC) each held 455,820,000 ordinary shares of the Company as at December 31, 2011.

15.3 Reserves	NOTE	2011 RUPEES	2010 RUPEES
Compulsory reserve - statutory reserve	15.3.1	388,411,071	285,671,066

15.3.1 Compulsory reserve - statutory reserve

According to BPD Circular No. 15 dated May 31, 2004 issued by SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of paid up capital and after that a sum not less than 5% of profit after tax shall be credited to statutory reserve. Therefore in accordance with SBP requirements, the Company is transferring 20% after tax profit for the year to statutory reserve.

15.4 During the year the Company issued 132,960,000 shares of Rs. 10 each to Ministry of Finance (MOF) and China Development Bank (CDB) each against advance for issue of shares. The movement in share capital is as follows:

	NUMBER	RUPEES
Balance as at 01 January 2011	645,720,000	6,457,200,000
Shares allotted (against cash)	265,920,000	2,659,200,000
Closing balance	911,640,000	9,116,400,000

15.5 Reserves as at December 31, 2011 include Rs. 170.84 million (December 31, 2010: Rs. 34.36) in respect of Forced Sale Value (FSV) of mortgaged residential, commercial, industrial properties (land and building only) and plant and machinery held as collateral against non-performing advances and investments allowed under BSD circular No 1 of 2011 dated October 21, 2011. Reserves to that extent are not available for payment of cash or stock dividend.

	2011 RUPEES	2010 RUPEES
16 SURPLUS/ (DEFICIT) ON REVALUATION OF ASSETS-NET OF TAX		
Surplus/ (deficit) on revaluation of available for sale investments	1,179,220	(2,848,250)
Deferred tax	(412,727)	996,888
Surplus/ (deficit) on revaluation of available-for-sale securities - Net	766,493	(1,851,362)

17 CONTINGENCIES AND COMMITMENTS

	2011	2010
Transaction related contingent liabilities		
Letters of guarantees	23,420,379	111,379,987
Trade related contingent liabilities		
Letters of credit	207,707,400	99,998,542

Commitments

The Company makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs.252,143,824 (2010: Rs. 653,757,438).

	2011 RUPEES	2010 RUPEES
18 MARK - UP / RETURN / INTEREST EARNED		
On loans and advances to customers	836,160,177	745,778,456
On investments in		
- Held-to-maturity securities	51,855,631	55,897,727
- Available-for-sale securities	328,318,287	323,881,984
On deposits with other banks and financial institutions	62,731,904	99,335,499
On securities purchased under resale agreement	33,619,529	27,249,569
	1,312,685,528	1,252,143,235
18.1 MARK - UP / RETURN / INTEREST EXPENSED		
Other borrowings	10,335,435	18,959,328
Interest expense on SBP Refinance-FFSAP Scheme	4,731,726	-
Securities sold under repurchase agreements	32,598,792	264,939,362
	47,665,953	283,898,690

			2011 RUPEES	2010 RUPEES
19	ADMINISTRATIVE EXPENSES			
	Salaries, allowances and employees' benefits		115,667,198	101,781,225
	Directors' fee		1,557,900	258,000
	Gratuity		4,115,883	5,069,114
	Employer's contribution to the provident fund		3,943,745	3,466,748
	Travelling, conveyance, boarding and lodging		12,918,347	7,335,676
	Rent, rates and taxes		28,313,129	26,221,184
	Utilities		3,362,864	3,125,389
	Communication		1,578,426	1,580,085
	Office security charges		2,828,000	1,757,000
	Professional training and staff welfare		226,327	238,891
	Donation	19.1	10,000,000	500,000
	Advertisements, periodicals and membership dues		260,417	1,222,144
	Printing and stationery		2,132,702	1,421,169
	Depreciation	10.2	11,512,903	12,455,905
	Amortization	10.3	1,556,722	1,060,640
	Auditors' remuneration	19.2	850,000	675,000
	Legal, consultancy and other professional services		2,476,255	2,832,224
	Repairs and maintenance		2,339,662	2,543,123
	Insurance		1,172,729	1,516,325
	Entertainment		959,966	889,455
	Bank charges		188,605	420,239
	Brokerage fee and commission		356,745	2,326,608
	Miscellaneous		84,883	1,432,271
	Loss on sale of operating fixed assets		-	76,829
			208,403,408	180,205,244

19.1 This represents donation given to Prime Minister s Flood Relief Fund. None of the directors or their spouses had any interest in the donee fund.

19.2 Auditors' remuneration

Audit fee	450,000	425,000
Half yearly review	150,000	125,000
Special certifications and sundry advisory services	200,000	75,000
Out of pocket expenses	50,000	50,000
	850,000	675,000

20 OTHER CHARGES

Penalty imposed by SBP	521,000	621

21 TAXATION

Current	334,461,262	316,829,241
Prior	21,280,000	(69,383,238)
Deferred	(1,836,460)	54,289,552
	353,904,802	301,735,555

21.1 Relationship between tax expense and accounting profit

Profit before taxation	867,604,829	862,101,587
Tax at applicable rate of 35%	303,661,690	301,735,555
Net tax effect of inadmissible expenses	51,422,350	-
Other permanent differences	(1,179,238)	-
	353,904,802	301,735,555

22 BASIC AND DILUTED EARNINGS PER SHARE

	2011 RUPEES	2010 RUPEES
Profit for the year (Rupees)	[513,700,027]	560,366,032
Weighted average number of ordinary shares (Number)	[908,921,967]	905,069,920
Basic/ diluted earnings per share (Rupees)	[0.57]	0.62

There is no dilutive effect on the basic earnings per share of the Company.

23 CASH AND CASH EQUIVALENTS

	2011	2010
Cash and balances with treasury banks	[1,491,717,118]	1,399,836,094
Balances with other banks	[23,226,506]	8,736,067
	[1,514,943,624]	1,408,572,161

24 STAFF STRENGTH

	(NUMBER)	(NUMBER)
Permanent	[35]	33
Temporary / on contractual basis	[1]	1
Own staff strength at end of the year/ period	[36]	34
Outsourced	[8]	6
Total staff strength	[44]	40

25 DEFINED BENEFIT PLAN

25.1 General description

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. Latest actuarial valuation was carried out for the year ended December 31, 2011.

The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof, subject to a minimum of one year of service.

25.2 Principal actuarial assumptions

	2011	2010
Discount rate used	[12.50%]	13.00%
Expected rate of return on plan assets	[13.00%]	13.00%
Expected rate of salary increase	[11.50%]	12.00%
Average remaining working lives of employees	[12 Years]	13 Years
Normal retirement age	[60 years]	60 years

25.3 Reconciliation of payable to defined benefit plan

	2011 (RUPEES)	2010 (RUPEES)
Present value of the defined benefit obligations	[8,322,034]	8,085,333
Benefits payable	[-]	3,480,000
Fair value of plan assets	[(6,492,151)]	(9,830,809)
Actuarial (gain)/ loss to be recognised in later periods	[(1,124,503)]	24,196
Transitional liability to be recognised later	[(1,166,367)]	(1,749,550)
Balance sheet (asset) / liability as at 31 December 2011	[(460,987)]	9,170

25.4 Movement in defined benefit obligation	2011 RUPEES	2010 RUPEES
Present value of defined benefit obligations at beginning of the year	8,085,333	6,648,481
Current service cost	3,759,612	4,419,983
Interest cost	1,051,093	797,818
Benefits paid during the year	(5,146,040)	(259,000)
Benefits due but not paid during the year	-	(3,480,000)
Actuarial loss / (gain) on obligation	572,036	(41,949)
Present value of defined benefit obligations at end of the year	8,322,034	8,085,333

25.5 Movement in fair value of plan assets

Fair value of plan assets at beginning of the year	9,830,809	6,098,916
Expected return on plan assets	1,278,005	731,870
Contributions	4,586,040	3,334,885
Benefits paid during the year (including Rs. 3,480,000 relating to 2010)	(8,626,040)	(259,000)
Actuarial loss on plan assets	(576,663)	(75,862)
Fair value of plan assets at end of the year	6,492,151	9,830,809

25.6 Plan assets consists of the following:

Special Saving Account	5,850,000	2,868,000
Accrued interest	558,523	254,974
Cash at bank	83,628	6,707,835
	6,492,151	9,830,809

25.7 Movement in defined benefit plan

Opening balance	9,170	(1,725,059)
Charge for the year	4,115,883	5,069,114
Company's contribution to fund during the year	(4,586,040)	(3,334,885)
Closing balance	(460,987)	9,170

25.8 Charge for the defined benefit plan

Transitional liability recognised	583,183	583,183
Current service cost	3,759,612	4,419,983
Interest cost	1,051,093	797,818
Expected return on plan assets	(1,278,005)	(731,870)
	4,115,883	5,069,114

25.9 Actual Return on Plan Assets	701,342	656,008

25.10 Comparison of present value of defined benefit obligation , fair value of plan assets and deficit of gratuity fund for the last three years is as follows:

	2011 RUPEES	2010 RUPEES	2009 RUPEES
Present value of defined benefit obligation	8,322,034	8,085,333	6,648,481
Fair value of plan assets	(6,492,151)	9,830,809	6,098,916
Deficit/ (surplus)	1,829,883	(1,745,476)	549,565
Experience adjustments			
- on obligations	(572,036)	41,949	(7,394)
- on plan assets	(576,663)	(75,862)	98,916

Estimated charge for the next year is Rs. 4,784,581 (2010: Rs. 4,115,883).

26 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	RUPEES					
Fee	-	-	1,557,900	258,000	-	-
Managerial remuneration	20,704,638	15,907,760	21,402,353	7,900,182	49,801,399	43,104,302
Charge for defined benefit plan	97,707	1,247,877	145,702	-	3,430,914	3,130,651
Contribution to provident fund	409,857	536,953	979,355	400,000	1,772,634	1,978,925
Rent and house maintenance	4,739,997	4,981,659	-	-	-	-
Utilities	391,830	452,949	99,840	236,792	-	-
Medical	54,091	553,246	430,279	41,230	1,243,285	889,911
Others	4,265,489	725,121	2,107,961	-	-	-
	30,663,609	24,405,565	26,723,390	8,836,204	56,248,232	49,103,789
Number of persons	1	1	5	5	15	17

26.1 Executives mean employees, other than the chief executive and directors, whose basic salary exceed five hundred thousand rupees in a financial year. The Chief Executive and certain executives are also provided with other facilities, including free use of the Company's maintained car. Remuneration and other benefits to Directors include remuneration and benefits to the Company's Deputy Managing Director.

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities. Other investments for which quoted market data is not available are carried at cost which approximates their carrying amount.

Fair value of fixed term loans and advances, other assets and other liabilities cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of advances is calculated in accordance with the Company's accounting policy.

In the opinion of the management, the fair value of the remaining financial assets and liabilities is not significantly different from the carrying values since assets and liabilities are either short term in nature or in the case of advances are frequently repriced.

28 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2011			
	Corporate Finance	Trading & Sales	Others	Total
	(RUPEES)			
Total income	1,095,982,531	349,075,844	1,064,468	1,446,122,843
Total expense	(326,659,379)	(42,934,227)	(208,924,408)	(578,518,014)
Net income (loss)	769,323,152	306,141,617	(207,859,940)	867,604,829
Segment assets - gross	7,011,337,072	4,127,726,149	564,213,387	11,703,276,608
Segment non-performing loans and investments	949,040,000	-	-	949,040,000
Segment provision including general provision	(524,960,866)	-	-	(524,960,866)
Segment liabilities	(106,873,755)	-	(12,220,140)	(119,093,895)
Segment return on net assets (ROA) %	11.86%	7.42%	-36.84%	

	2010			
	Corporate Finance	Trading & Sales	Others	Total
	(RUPEES)			
Total income	999,216,739	467,231,759	939,147	1,467,387,645
Total expense	(102,160,577)	(322,919,617)	(180,205,865)	(605,286,059)
Net income (loss)	897,056,162	144,312,142	(179,266,718)	862,101,587
Segment assets - gross				
Segment non-performing loans	7,139,696,104	4,230,328,619	552,568,417	11,922,593,139
Segment Provision including general provision	270,000,000	-	-	270,000,000
Segment liabilities	(288,633,213)	-	-	(288,633,213)
Segment return on net assets (ROA) %	-	(1,132,259,095)	(24,497,667)	(1,156,756,762)
	13.09%	3.41%	-32.44%	

29 RELATED PARTY TRANSACTIONS

The Company has related party relationship with the entities in which its shareholders has any interest, key management personnel and its directors. Government of Pakistan (Ministry of Finance) is a related party of the Company, therefore all government authorities, agencies, affiliates and other organisations ("State-controlled entities") are related parties of the Company. Transactions with these state-controlled entities are not very significant and impracticable to quantify for disclosure in these financial statements.

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

Details of balances outstanding at year end and transactions with related parties are as follows:	2011 RUPEES	2010 RUPEES
Charge/ payment to provident fund	3,943,745	3,466,748
Payment to gratuity fund	4,586,040	3,334,885
Charge for the year relating to gratuity fund	4,115,883	5,069,114
Placement of LOPs with related party	12,806,310,900	15,701,509,754
Treasury Bills	26,489,274,215	10,217,844,152
Other borrowings	46,000,000	1,025,000,000
Mark-up receivable on LOPs of related party at the year end - unsecured	-	7,942,654
Mark-up earned on LOPs during the year	29,861,664	55,419,233
Mark-up receivable on treasury bills at the year end - unsecured	28,206,873	18,672,648
Mark-up earned on treasury bills for the year	77,471,890	33,324,067
Mark-up paid on treasury bills for the year	719,060	2,161,645
Mark-up paid on LOP (other borrowings) for the year	64,410	444,133
Purchase of Pakistan Investment Bonds including accrued mark-up	441,216,889	-
Mark-up earned on Pakistan Investment Bonds	19,059,596	-
Rent paid	18,180,364	16,527,884
Receivable/ payable from/ to gratuity fund	460,987	9,170
Advance received against issue of shares:		
China Development Bank (Government of China) (2010 represents revaluation of balance for issuance of shares)	-	65,700,800
Ministry of Finance (Government of Pakistan)	65,700,800	-
Issue of shares		
China Development Bank (Government of China)	1,329,600,000	-
Ministry of Finance (Government of Pakistan)	1,329,600,000	-

29.1 Key management personnel include Managing Director, Deputy Managing Director, Chief Financial Officer and Company Secretary. Their salaries and other benefits other than the fee to executive directors amount to Rs. 53.6 million (2010: Rs. 34.7 million).

30 CAPITAL-ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

30.1 Scope of Applications

As per the requirements of SBP, the capital adequacy framework has been applicable on all banks and DFIs. The Company has implemented the capital adequacy framework under Basel - II regime on stand alone basis. With a short operating period, the balance sheet of the Company remains relatively unleveraged. Hence the Company is expected to maintain adequate capital against the regulatory requirement of minimum capital. The Company remains cognizant of the fact that its going concern status is not dependent only on strong capital base but its ability to book quality assets that fits well on the risk and return spectrum it is pursuing. At present, the Company is dependent on its equity base to meet its capital requirements; however, it is contemplating various options to leverage its balance sheet in the ensuing years.

30.1.1 Capital Structure

	2011 RUPEES	2010 RUPEES
Tier I Capital		
Shareholders equity	9,116,400,000	6,457,200,000
Deposit for issuance of shares	-	2,593,499,200
Reserve	388,411,071	285,671,066
Unappropriated / unremitted profits	1,553,644,283	1,142,684,261
Less: Adjustments		
Book value of intangible asset	(1,614,790)	(3,171,512)
Deficit on revaluation of available for sale securities	-	(2,848,250)
Total Tier I Capital	11,056,840,564	10,473,034,765
Tier II Capital		
General provision for loan losses subject to 1.25% of total risk weighted assets	86,275,866	52,997,213
Revaluation Reserves up to 45%	344,922	-
Total Tier II Capital	86,620,788	52,997,213
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	11,143,461,352	10,526,031,978

30.1.2 Capital Adequacy

30.1.2 Capital Adequacy

As per BSD Circular No. 1 dated January 1, 2008, the SBP has required all Banks / DFIs to adopt standardized approaches for Credit and Market Risk and Basic Indicator / Standardized approach for Operational Risk under Basel-II Regime from January 1, 2008. Pursuant to BSD circular No. 07 dated April 25, 2009 Banks / DFIs have to set aside an amount of capital equivalent to 10% (December 31, 2010: 10%) of their risk weighted assets for conducting business. The New Basel Regime not only covers additional risks, but also provides flexibility on capital assignment against different types of credit risks. Higher quality assets in each segment will decrease the capital requirements.

The Company's objectives when managing its capital are:

a) To comply with the capital requirements set by the SBP;

b) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders; and

c) To maintain a strong capital base to support the development of its business.

The growth prospects of the Company will be linked with the macroeconomic environment, industry conditions and its ability to attract quality assets. At present, the Company has restricted its market risk by not participating in secondary stock trading. It is engaged in booking quality assets in loan segment.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Company will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital requirements in line with the business and capital needs.

	2011		2010	
	CAPITAL REQUIREMENTS	RISK WEIGHTED ASSETS	CAPITAL REQUIREMENTS	RISK WEIGHTED ASSETS
	RUPEES		RUPEES	
Credit Risk				
Portfolios subject to standardized approach (Simple)	604,069,742	6,040,697,424	700,687,947	7,006,879,474
Market risk				
Capital requirement for portfolios subject to standardized approach - Interest rate risk	192,267,088	1,922,670,877	191,511,214	1,915,112,142
Operational Risk				
Capital Requirement for operational risks	214,229,993	2,142,299,927	198,280,116	1,982,801,164
Total	1,010,566,823	10,105,668,228	1,090,479,277	10,904,792,780

Capital Adequacy Ratio

		2011	2010
Total eligible regulatory capital held	(a)	11,143,461,352	10,526,031,978
Total Risk Weighted Assets	(b)	10,105,668,228	10,904,792,780
Capital Adequacy Ratio	(a) / (b)	110.27%	96.53%

31 RISK MANAGEMENT

The Company is primarily subject to interest rate risk, credit risk, market risk and liquidity risk. The management of Company is cognizant of these risks and has put in place requisite parameters to manage distinct risks within acceptable limits. The approach used for risk management has taken into account the nature and size of the organization. The core principle behind the risk management approach in the Company is that the members of the respective specialized risk management committees collaborate with relevant department in line with the risk management policies and frame works. A dedicated risk management function is also functioning to identify, quantify, monitor and control these risks.

31.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances that are considered doubtful for recovery.

31.1.1 Segment by class of business

	2011			
	ADVANCES-GROSS		CONTINGENCIES AND COMMITMENTS	
	RUPEES	PERCENT	RUPEES	PERCENT
Fertilizer	500,000,000	10.20	-	-
Power	2,649,461,863	54.05	153,391,799	31.74
Steel	297,100,000	6.06	-	-
Sugar	112,500,000	2.30	-	-
Telecommunication	300,000,000	6.12	-	-
Storage	732,571,413	14.95	-	-
Real Estate	70,000,000	1.43	-	-
Cement	200,000,000	4.08	-	-
Glass	22,160,000	0.45	277,840,000	57.49
Transport, Storage & Communications	-	-	52,039,804	10.77
Others	17,898,802	0.37	-	-
	4,901,692,078	100	483,271,603	100

	2010			
	ADVANCES-GROSS		CONTINGENCIES AND COMMITMENTS	
	RUPEES	PERCENT	RUPEES	PERCENT
Fertilizer	469,239,870	8.38	30,760,130	3.56
Power	3,428,250,966	61.25	562,283,034	64.99
Steel	189,730,497	3.39	107,369,503	12.41
Sugar	162,500,000	2.90	-	-
Telecommunication	300,000,000	5.36	-	-
Storage	750,000,000	13.40	-	-
Real Estate	70,000,000	1.25	-	-
Cement	200,000,000	3.57	-	-
Glass	-	-	-	-
Transport, Storage & Communications	-	-	164,723,300	19.04
Others	27,804,889	0.50	-	-
	5,597,526,222	100	865,135,967	100

31.1.2 Segment by sector

	2011			
	ADVANCES-GROSS		CONTINGENCIES AND COMMITMENTS	
	RUPEES	PERCENT	RUPEES	PERCENT
Public/Government	-	-	52,039,804	10.77
Private	4,901,692,078	100	431,231,799	89.23
	4,901,692,078	100	483,271,603	100

	2010			
	ADVANCES-GROSS		CONTINGENCIES AND COMMITMENTS	
	RUPEES	PERCENT	RUPEES	PERCENT
Public/Government	877,345,331	15.67	537,377,969	62.11
Private	4,720,180,891	84.33	327,757,998	37.89
	5,597,526,222	100	865,135,967	100

31.1.3 Details of non performing advances and specific provisions by class of business

	2011		2010	
	CLASSIFIED ADVANCES	SPECIFIC PROVISIONS HELD	CLASSIFIED ADVANCES	SPECIFIC PROVISIONS HELD
	RUPEES		RUPEES	
Cement	200,000,000	200,000,000	200,000,000	200,000,000
Real Estate	70,000,000	27,756,000	70,000,000	35,636,000
Telecommunication	300,000,000	150,000,000	-	-
	570,000,000	377,756,000	270,000,000	235,636,000

31.1.4 Details of non performing advances and specific provisions by sector

	2011		2010	
	CLASSIFIED ADVANCES	SPECIFIC PROVISIONS HELD	CLASSIFIED ADVANCES	SPECIFIC PROVISIONS HELD
	RUPEES		RUPEES	
Public/Government	-	-	-	-
Private	570,000,000	377,756,000	270,000,000	235,636,000
	570,000,000	377,756,000	270,000,000	235,636,000

31.1.5 Geographical Segment Analysis

	2011			
	PROFIT BEFORE TAXATION	TOTAL ASSETS EMPLOYED	NET ASSETS EMPLOYED	CONTINGENCIES & COMMITMENTS
	RUPEES			
Pakistan	867,604,829	11,178,315,742	11,059,221,847	483,271,603

	2010			
	PROFIT BEFORE TAXATION	TOTAL ASSETS EMPLOYED	NET ASSETS EMPLOYED	CONTINGENCIES & COMMITMENTS
	RUPEES			
Pakistan	862,101,587	11,633,959,927	10,477,203,165	865,135,967

31.1.6 Credit Risk-General Disclosures Basel II Specific

As per SBP's instructions, the Company is using the standardized approach for ascertaining capital requirements for its credit risk. It is in the process of formulating its procedures for IRB approach for its credit risk. The Company will obtain necessary approvals and validation from SBP, before adopting IRB approach.

31.1.6.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach - Basel II specific

Types of Exposures and ECAI's used	2011			2010		
Exposures	JCR-VIS	PACRA	OTHER Moody's	JCR-VIS	PACRA	OTHER Moody's
Corporate	✔	✔	✕	✔	✔	✕
Banks	✔	✔	✔	✔	✔	✔

Credit Exposures subject to Standardised approach

Exposures	Rating category	2011 Amount Outstanding RUPEES	2011 Deduction CRM RUPEES	2011 Net amount (RUPEES)	2010 Amount Outstanding RUPEES	2010 Deduction CRM RUPEES	2010 Net amount (RUPEES)
Cash and cash equivalents		25,000	-	25,000	25,000	-	25,000
Claims on Government		30,138,269	-	30,138,269	6,243,511	-	6,243,511
Corporate	1	1,921,861,369	-	1,921,861,369	1,414,844,845	-	1,414,844,845
Corporate	2	2,247,039,146	-	2,247,039,146	2,076,273,627	-	2,076,273,627
Corporate	5,6	8,475,000	-	8,475,000	-	-	-
Corporate	Unrated	1,302,068,626	-	1,302,068,626	1,979,266,793	-	1,979,266,793
Public Sector Entity	1	223,455,360	-	223,455,360	137,064,869	-	137,064,869
Public Sector Entity	Unrated	6,344,400	-	6,344,400	970,884,845	-	970,884,845
Banks less than 3 months funded in PKR		608,811,929	584,335,002	24,476,927	1,281,327,799	299,632,557	981,695,242
Claim on Banks	4,5	1,483,162,075	-	1,483,162,075	1,393,162,746	-	1,393,162,746
Claims categorized as retail portfolio		2,407,782	-	2,407,782	3,329,953	-	3,329,953
Claim fully secured by residential property		17,898,802	-	17,898,802	27,804,889	-	27,804,889
Past due loans		510,355,000	-	510,355,000	435,149,957	-	435,149,957
Listed equity investments and regulatory capital investments		507,251,917	-	507,251,917	402,170,282	-	402,170,282
Investment in operating fixed assets		174,562,497	-	174,562,497	177,393,995	-	177,393,995
Other assets		36,891,377	-	36,891,377	13,250,476	-	13,250,476
Total		9,080,548,548	584,335,002	8,496,213,546	10,318,193,587	299,632,557	10,018,561,030

Following is the list of main type of collateral taken by the Company:

- Government Securities
- Registered charge on stocks, book debts, receivables and other assets
- Pledge of sponsors' shares
- Guarantee of Government of Pakistan
- Industrial land and building mortgage (equitable)
- Personal guarantees
- Hypothecation over movable properties
- Registered charge over fixed assets

31.2 Liquidity risk

Liquidity risk is the potential loss to the Company arising from either its inability to meet its obligation or to arrange the requisite funding for its assets at a reasonable price. The Company manages its liquidity risk by diversifying and ensuring the stability of its liability structure (funding mix). The risk management function generates and monitors daily liquidity position of the Company.

31.2.1 Maturities of assets and liabilities

	2011									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	RUPEES									
Assets										
Cash and balances with treasury banks	1,491,717,118	8,555,043	-	1,483,162,075	-	-	-	-	-	-
Balances with other banks	23,226,506	23,226,506	-	-	-	-	-	-	-	-
Lendings to financial institutions	583,954,255	583,954,255	-	-	-	-	-	-	-	-
Investments	4,077,544,264	97,922,519	29,757,997	1,124,556,867	665,395,545	289,724,096	232,053,881	690,311,864	941,990,538	5,830,957
Advances	4,437,660,212	129,248,519	41,615,905	31,515,684	74,568,152	503,696,367	500,056,088	1,063,885,661	2,057,328,630	35,745,206
Fixed assets	176,177,287	979,944	3,821,398	2,939,832	5,879,664	160,901,499	1,654,950	-	-	-
Deferred tax assets	3,470,790	-	-	-	-	-	-	-	-	3,470,790
Other assets	384,565,310	97,998,485	125,532,330	141,490,228	18,147,277	1,350,781	46,209	-	-	-
	11,178,315,742	941,885,271	200,727,630	2,783,664,686	763,990,638	955,672,743	733,811,128	1,754,197,525	2,999,319,168	45,046,953
Liabilities										
Borrowings	106,873,755	8,221,058	-	-	8,221,058	16,442,116	16,442,116	32,884,232	24,663,175	-
Other liabilities	12,220,140	3,798,592	1,049,050	7,372,498	-	-	-	-	-	-
	119,093,895	12,019,650	1,049,050	7,372,498	8,221,058	16,442,116	16,442,116	32,884,232	24,663,175	-
Net assets	11,059,221,847	929,865,621	199,678,580	2,776,292,188	755,769,580	939,230,627	717,369,012	1,721,313,293	2,974,655,993	45,046,953
Share capital	9,116,400,000									
Reserve	388,411,071									
Unappropriated profit	1,553,644,283									
Surplus on revaluation of assets - net of tax	766,493									
	11,059,221,847									

	2010									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	RUPEES									
Assets										
Cash and balances with treasury banks	1,399,836,094	-	1,399,836,094	-	-	-	-	-	-	-
Balances with other banks	8,736,067	8,736,067	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,264,139,593	1,264,139,593	-	-	-	-	-	-	-	-
Investments	3,099,786,748	800,000	775,472,805	655,078,797	67,094,277	336,604,073	299,147,553	469,126,155	496,463,088	-
Advances	5,308,893,009	37,166,892	52,154,593	177,058,310	229,530,867	713,826,306	808,367,580	1,383,607,416	1,901,086,679	6,094,366
Fixed assets	180,565,507	628,357	1,256,715	1,885,072	3,770,144	156,579,301	7,635,288	8,810,630	-	-
Deferred tax assets	3,043,945	4,275	11,757	(13,999,029)	17,525,640	51,283	51,283	(601,264)		
Other assets	368,958,964	249,154,753	10,836,963	101,529,868	4,755,867	2,635,304	46,209	-	-	-
	11,633,959,927	1,560,629,937	2,239,568,927	921,553,018	322,676,795	1,209,696,267	1,115,247,913	1,860,942,937	2,397,549,767	6,094,366
Liabilities										
Borrowings	1,132,259,095	1,132,259,095	-	-	-	-	-	-	-	-
Other liabilities	24,497,667	13,473,823	11,023,844	-	-	-	-	-	-	-
	1,156,756,762	1,145,732,918	11,023,844	-	-	-	-	-	-	-
Net assets	10,477,203,165	414,897,019	2,228,545,083	921,553,018	322,676,795	1,209,696,267	1,115,247,913	1,860,942,937	2,397,549,767	6,094,366
Share capital	6,457,200,000									
Reserve	285,671,066									
Unappropriated profit	1,142,684,261									
Advance against issue of shares	2,593,499,200									
Deficit on revaluation of assets - net of tax	(1,851,362)									
	10,477,203,165									

31.3 Market risk

Market risk is the loss due to adverse movements in market rates or price such as foreign exchange rates, interest rates and equity prices and / or commodity prices. Market risk pertaining to the trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. All investments excluding trading book are considered as part of banking book. Banking book includes all investment other than available for sale market treasury bills. Due to diversified nature of investments in banking book, the Company is subject to interest rate risk only. The Company is using Basel II standardized approach to calculate risk weighted assets against market risk exposure.

31.3.1 Interest rate risk

Interest rate risk is the risk that assets value will change due to change in the market interest rates. The Company manages its interest rate risk by entering into floating rate agreements with its customers. Major portion of the credit portfolio is linked to floating rate. To further keep the Company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets with sufficient regularity to discuss the interest rate risk strategy. Interest rate risk profile is also prepared on a monthly basis to ascertain the interest rates movements with regard to the portfolio.

2011

	Effective yield/ interest rate %	Exposed to Yield/ Interest risk										Not exposed to yield / interest rate risk
On balance sheet financial instruments		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years	
		RUPEES										
Financial Assets												
Cash and balances with treasury banks	3.7	1,491,717,118	-	-	1,483,162,075	-	-	-	-	-	-	8,555,043
Balances with other banks	7.0	23,226,506	23,148,142	-	-	-	-	-	-	-	-	78,364
Lendings to financial institutions	11.90	583,954,255	583,954,255	-	-	-	-	-	-	-	-	-
Investments	14.21	4,077,544,264	97,922,519	29,757,997	1,124,556,867	665,395,545	289,724,096	232,053,881	690,311,864	941,990,538	5,830,957	-
Advances	14.13	4,437,660,212	129,248,519	41,615,905	31,515,684	74,568,152	503,696,367	500,056,088	1,063,885,661	2,057,328,630	35,745,206	-
Other assets		374,861,178	-	-	-	-	-	-	-	-	-	374,861,178
		10,988,963,533	834,273,435	71,373,902	2,639,234,626	739,963,697	793,420,463	732,109,969	1,754,197,525	2,999,319,168	41,576,163	383,494,585
Financial Liabilities												
Borrowings	6.50	106,873,755	8,221,058	-	-	8,221,058	16,442,116	16,442,116	32,884,232	24,663,175	-	-
Other liabilities		12,220,140	-	-	-	-	-	-	-	-	-	12,220,140
		119,093,895	8,221,058	-	-	8,221,058	16,442,116	16,442,116	32,884,232	24,663,175	-	12,220,140
On balance sheet gap		10,869,869,638	826,052,377	71,373,902	2,639,234,626	731,742,639	776,978,347	715,667,853	1,721,313,293	2,974,655,993	41,576,163	371,274,445
Off-balance sheet financial instruments												
Commitments to extend credits (In case materialize)		252,143,824	-	-	-	-	-	-	-	-	-	252,143,824
Off-balance sheet gap - net		252,143,824	-	-	-	-	-	-	-	-	-	252,143,824
Total yield/ interest risk sensitivity gap			826,052,377	71,373,902	2,639,234,626	731,742,639	776,978,347	715,667,853	1,721,313,293	2,974,655,993	41,576,163	
Cumulative yield/ interest rate sensitivity gap			826,052,377	897,426,279	3,536,660,905	4,268,403,544	5,045,381,891	5,761,049,744	7,482,363,037	10,457,019,030	10,498,595,193	

2010

On balance sheet financial instruments	Effective yield/ interest rate %	Exposed to Yield/ Interest risk										Not exposed to yield / interest rate risk
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years	
		RUPEES										
Financial Assets												
Cash and balances with treasury banks	0.9	1,399,836,094	-	1,393,567,584	-	-	-	-	-	-	-	6,268,510
Balances with other banks	6.0	8,736,067	8,736,067	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	13.05	1,264,139,593	1,264,139,593	-	-	-	-	-	-	-	-	-
Investments	14.10	3,099,786,748	800,000	775,472,805	655,078,797	67,094,277	336,604,073	299,147,553	469,126,155	496,463,088	-	-
Advances	15.27	5,308,893,009	37,166,892	52,154,593	177,058,310	229,530,867	713,826,306	808,367,580	1,383,607,416	1,901,086,679	6,094,366	-
Other assets		355,385,570	-	-	-	-	-	-	-	-	-	355,385,570
		11,436,777,081	1,310,842,552	2,221,194,982	832,137,107	296,625,144	1,050,430,379	1,107,515,133	1,852,733,571	2,397,549,767	6,094,366	361,654,080
Financial Liabilities												
Borrowings		1,132,259,095	1,132,259,095	-	-	-	-	-	-	-	-	-
Other liabilities	12.15	13,473,823	7,235,016	-	-	-	-	-	-	-	-	6,238,807
		1,145,732,918	1,139,494,111	-	-	-	-	-	-	-	-	6,238,807
On balance sheet gap		10,291,044,163	171,348,441	2,221,194,982	832,137,107	296,625,144	1,050,430,379	1,107,515,133	1,852,733,571	2,397,549,767	6,094,366	355,415,273
Off-balance sheet financial instruments												
Commitments to extend credits (In case materialize)		653,757,438	-	-	-	-	-	-	-	-	-	653,757,438
Off-balance sheet gap - net		653,757,438	-	-	-	-	-	-	-	-	-	653,757,438
Total yield/ interest risk sensitivity gap			171,348,441	2,221,194,982	832,137,107	296,625,144	1,050,430,379	1,107,515,133	1,852,733,571	2,397,549,767	6,094,366	
Cumulative yield/ interest rate sensitivity gap			171,348,441	2,392,543,423	3,224,680,530	3,521,305,674	4,571,736,053	5,679,251,186	7,531,984,757	9,929,534,524	9,935,628,890	

31.3.2 Foreign exchange risk

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The Company has following exposure in this category of market risk.

	2011			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	RUPEES			
Pakistan Rupee	9,505,801,458	119,093,895	-	9,386,707,563
United States Dollar	1,483,162,075	-	-	1,483,162,075
	10,988,963,533	119,093,895	-	10,869,869,638

	2010			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	RUPEES			
Pakistan Rupee	10,043,614,335	1,145,732,918	-	8,897,881,417
United States Dollar	1,393,162,746	-	-	1,393,162,746
	11,436,777,081	1,145,732,918	-	10,291,044,163

31.3.3 Equity risk

Equity price risk is the risk to the earnings or capital resulting from an adverse change in the value/ price of equity. The Company's exposure in equity market is classified in available for sale category with the intent to earn profit based on fundamentals.

31.4 Capital risk management

The Company's objectives when managing capital risks are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, return of capital to shareholders, issue new shares or sell assets to reduce debt. In terms of BSD circular No. 19 of 2008 issued by SBP, DFIs are required to raise their paid up capital to Rs. 8 billion by December 31, 2011. Upto the year end, the Company has a paid up capital of Rs. 9.1 billion.

31.5 Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and system of the Company.

The risk management function in the Company monitors the operational risk in order to ensure the safeguarding of assets and to mitigate other related risks.

31.5.1 Operational Risk-Disclosures Basel II Specific

The Company has adopted the Basic Indicator Approach for ascertaining capital requirements for its operational risk. Up to the year end, the Company has not incurred any loss owing to operational risk.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS

32.1 Provision against non-performing loans and advances

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

32.2 Classification of investments

In classifying investments the Company follows the guidance provided in SBP circulars.

32.3 Impairment of investments

The management determines that 'available-for-sale' investments are impaired when there has been a significant or prolonged decline in market value/ fair value below its cost. In making this judgement, the management considers among other factors, the decline in market price below cost by 20% as significant and if the decline in market price persists for 9 months as prolonged. For available for sale debt securities and held to maturity debt securities, impairment loss is determined on the basis of prudential regulations of SBP.

32.4 Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues and the appeals of the department pending at various levels of authorities

32.5 Operating fixed assets and intangible asset

The Company reviews the useful lives and residual value of operating fixed assets and intangible asset on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of operating fixed assets and intangible asset with a corresponding effect on the depreciation charge/ amortization and impairment.

32.6 Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate provision is made.

32.7 Valuation of financial instruments

For available for sale treasury bill and PIB investments, the Company uses PKRV rates available at the balance sheet date to ascertain their fair values. For available for sale quoted term finance certificates, the Company uses quoted market rates available at the balance sheet date to ascertain their fair value.

32.8 Gratuity

The Company's gratuity liability is determined using assumptions which are disclosed in note 25 to the financial statements which are used for determining present value of defined benefit obligations and fair value of plan assets. Any change in the assumptions from actual results would change the amount of unrecognised gains and losses.

33 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on **26 March 2012**.

34 GENERAL

34.1 The Pakistan Credit Rating Agency Limited has issued long term credit rating of AA- and the short term rating of A1+ for the Company.

34.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by SBP for which there are no amounts have not been reproduced in these financial statements except for the balance sheet and profit and loss account.

Managing Director	Director	Director	Director