ANNUAL REPORT
2013

Pak Kuwait

Pakistan Kuwait Investment Company (Private) Limited

الشركة الباكستانية الكويتيه للاستثمار (الخاصة) المحدودة

A joint venture between the Governments of Pakistan and Kuwait

A JOINT VENTURE

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

COMPANY DESCRIPTION

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

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

VISION

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

MISSION

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

CORPORATE VALUES

Maintain highest standards of integrity and professionalism in all business transactions

Provide innovative business solutions

Attract, motivate and retain highly skilled professionals

Strive for continuous quality improvement

Continue to be a socially responsible corporate citizen

CONTENTS

CORPORATE INFORMATION

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

LEGAL ADVISOR

M/s. KMS Law Associate Advocates and Corporate Consultants

AUDITORS

M/S. Ernst & Young Ford Rhodes Sidat Hyder

REGISTERED OFFICE

4th Floor, Block-C, Finance & Trade Centre,
Shahrah-e-Faisal, Karachi- 74400(Pakistan)
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REPRESENTATIVE OFFICE

LAHORE

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Ph: (92-42) 35781726-27 UAN: (92-42) 111-611-611
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BOARD OF DIRECTORS

Abdullah Abdulwahab Al-Ramadhan
Chairman

Shaharyar Ahmad
Managing Director

Mohammad Reyad Al-Mutawa
Director

Bader Fawaz Al-Qattan
Director

Saleem Zamindar
Director

Naveed Alauddin
Director

Executive Committee

Abdullah Abdulwahab Al-Ramadhan
Member

Shaharyar Ahmad
Member

Audit Committee

Saleem Zamindar
Chairman

Naveed Alauddin
Member

Mohammad Reyad Al-Mutawa
Member

Risk Management Committee

Abdullah Abdulwahab Al-Ramadhan
Chairman

Naveed Alauddin
Member

Bader Fawaz Al-Qattan
Member

MANAGEMENT

Shaharyar Ahmad
Managing Director

Rana Ahmed Humayun
Deputy General Manager &
Chief Financial Officer

M.Tauseef Ansari
Head of Investment Banking &
Corporate Finance

Faisal Khan
Head of Risk Management

Mazhar Sharif
Head of Internal Audit

Atif Anwer
Officiating Head of Capital
Markets & Treasury

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

Khurram Salman
Head of Compliance

Naeem Sattar
Company Secretary

Directors' Report

The Directors of Pakistan Kuwait Investment Company (Private) Ltd (the Company) are pleased to present their Annual Report and Audited Financial Statements, setting out the detailed financial results of the Company together with the Consolidated Financial Statements of the Group for the year ended December 31, 2013, together with Auditors' Reports thereon.

Company Performance

For the Year (PKR million)	*2013*	*2012*
Net Markup Based Income	687	757
Non Markup Income	1,572	1,001
Total Income	2,259	1,758
Admin Expenses	503	440
Profit before Provisions	1,756	1,318
Provisions / (Reversal of Provisions)	104	144
Profit Before Taxation	1,652	1,174
Taxation	315	318
Profit After Taxation	1,337	856

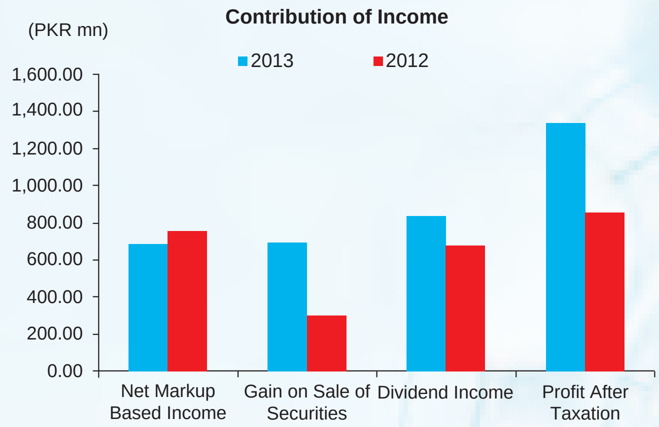
At Year end (PKR million)	*2013*	*2012*
		(Restated)•
Total Assets	17,289	26,630
Liabilities	5,765	16,231
Share Capital	6,000	6,000
Reserves	5,044	4,163

• Due to adoption of IAS 19 (Revised)

The Company earned a Profit after Tax of PKR 1.3 billion for 2013 against PKR 856 million during same period last year, an increase of 56% YoY. Total Assets of the Company stood at PKR 17.3 billion as of Dec 31, 2013 compared to PKR 26.6 billion. As a consequence of weak credit off take in the economy and lending by banks at fine pricing, the Company's loan and lease portfolio shrunk by 22% to PKR 3.46 billion. In addition, the Company reduced its investments in the money market due to absence of arbitrage opportunities thereby shrinking its total asset base.

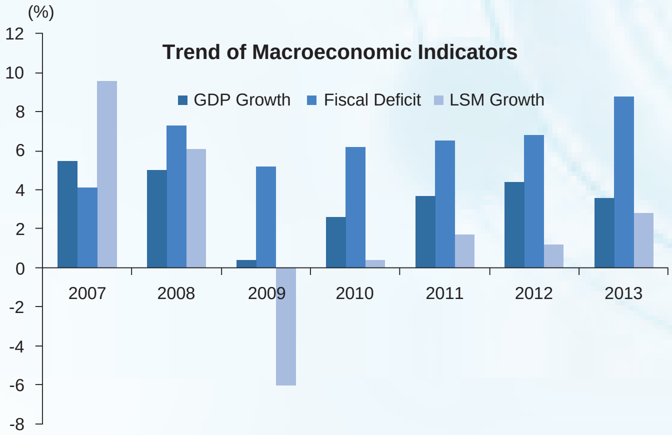
Net Markup based income of the Company declined by 9% YoY as the lagged impact of decline in interest rate environment affected the Company's bottom line. In addition, as interest rates ceased to decline in 2013, significant decline in arbitrage income was witnessed.

Non-markup based income of the Company increased by 57% YoY to PKR 1.57 billion on the back of higher income from Share portfolio. Stronger income from capital markets in the form of dividends and capital gains along with better dividends from strategic investments and disposal of some associates and subsidiaries contributed to improvement in the Company's bottom line.



Economic Review

2013 saw a political change whereby a democratic transition took place smoothly in Pakistan. In the election year, Pakistan's economy grew by 3.6% in 2013 compared to 4.4% in 2012. Energy shortage continued to hamper Pakistan's economic growth. In addition, weaker growth in the services sector, compared to last year, dampened the aggregate economic activity.



Source: - Economic Survey of Pakistan

Credit to Private Sector grew by 7% YoY to reach PKR 3.2 trillion as investors were reluctant to undertake fixed investments. ADR of the banking sector has slightly improved to 55% from 52% last year as growth in advances is quicker than growth in deposits. Deposit growth slowed down to 12% YoY, thereby reducing the pace of investments in government securities.

Inflation remained under control in the first half of 2013 where it averaged 6.47%, however, in the second half inflation went up to 8.9% as the government passed on the high cost of generating power to the consumers to reduce the subsidy burden on the budget. Consequently, the SBP reduced its discount rate in the first half by 50 bps and increased by 100 bps in the second half in line with the changing inflationary scenario.

The PKR depreciated by 9% during 2013 as Pakistan's foreign exchange reserves lost USD 5.3 billion during 2013 to stand at USD 8.5 billion on the year end. Major reason for the decline in foreign exchange reserves was the repayment to the IMF under the SBA (Standby Arrangement).

Pakistan's equity market performed well during 2013 as market participants welcomed the smooth transfer of the government. The benchmark KSE100 index has increased by 49% during the year 2013. The government's steps to settle circular debt while taking steps to avoid the re-emergence of the same have supported the market sentiment. Finally, progress towards privatization of State Owned Entities and divestment of government's holdings through stock exchanges has also enhanced the confidence in the market.

Dividend

The Board of Directors is pleased to recommend a cash dividend of PKR 675 million for the year ended December 31, 2013.

Earnings Per Share

The basic and diluted earnings per share has increased from PKR 3,565 to PKR 5,572 on share of PKR 25,000/- each.

Future Outlook

Pakistan's economic performance is expected to improve on the back of improvement in energy production, privatization of State Owned Entities, reduction in fiscal deficit, higher foreign direct investment and revival of the manufacturing sector. PKIC will make every effort to benefit from the improvement in the economic environment.

Risk Management Framework

Prudent and effective Risk Management remains a cornerstone towards growth and profitability. The ultimate responsibility of risk management and setting the overall risk management policy lies with the Board of Directors. The Board manages its responsibility through its subcommittees, namely Risk Management Committee (RMC) and Audit Committee. Under the guidance of the Board and RMC, PKIC continued to execute risk strategy and undertake controlled risk-taking activities within risk management framework, combining core policies, procedures, and active portfolio management. All material risks faced by the Company are assessed in a proactive way within the Enterprise-wide Risk Framework. At the management level, the risks are actively assessed and key decisions are taken by the Asset and Liability Management Committee (ALCO) and Credit Committee (CC), in the light of directives issued by the Board. The Company fully recognizes that the risk management function is fundamental to its business, an essential element of the Company's strategy and an important tool in the implementation of long term vision.

The Company has implemented an integrated Risk Management Framework that enables determination of risk strategy, establishment of portfolio limits and delegation of authorities. Risk exposures, trends, benchmarks, portfolio analysis are reported to Risk Management Committee of the Board, on a quarterly basis, by the Risk Management function. The Management has a clear understanding and appreciation of Credit, Market, Liquidity and Operational Risks and has synchronized the distinct risks into the operating parameters, in order to manage them within acceptable limits. The Company is fully compliant with Capital Adequacy Requirements of the State Bank of Pakistan under the Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk. The Company continues to invest in systems and people as part of its process of strengthening the risk management function.

Entity rating of Pakistan Kuwait Investment Company

The Company has been assigned 'AAA' rating by JCR-VIS and PACRA. The short term rating of the Company is 'A1+'.

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

Compliance with Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance - 2012

The Directors confirm the compliance with the requirements of the Public Sector Companies (Corporate Governance) Rules, 2013 [the Rules] and Code of Corporate Governance (the Code) relevant for the year ended December 31, 2013 as practicably applicable. In this connection, the compliance of relevant clauses of the Rules and the Code is stated below:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The controls which are in place are being continuously reviewed by the Internal Audit department and the process of review and monitoring will continue with the object to improve further.
- All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as liability the same is disclosed as contingent liabilities in the notes to the accounts.
- There is no doubt about the Company's ability to continue as a going concern.
- The Company has materially complied with the requirements envisaged in the Rules and the Code except for the clauses which are inconsistent with the constituent documents of the Company and exemption has been applied for in this respect from the Securities and Exchange Commission of Pakistan.
- The Board of Directors and employees of the Company have signed 'Statement of Ethics and Business Practices' (Code of Conduct).

Board Meetings

Four meetings of the Board of Directors of the Company were held in the year 2013 as per following schedule: -

1st Meeting	February 4, 2013
2nd Meeting	April 24, 2013
3rd Meeting	August 26, 2013
4th Meeting	November 18, 2013

Audit Committee Meetings

Four meetings of the Audit Committee of the Company were held in the year 2013 as per following schedule: -

1st Meeting	February 3, 2013
2nd Meeting	April 24, 2013
3rd Meeting	August 26, 2013
4th Meeting	November18, 2013

Risk Management Committee Meetings

Four meetings of the Risk Management Committee of the Company were held in the year 2013 as per following schedule: -

1st Meeting	February 3, 2013
2nd Meeting	April 24, 2013
3rd Meeting	August 26, 2013
4th Meeting	November 18, 2013

Details of Attendance are as follows

Board Meetings Details:

Name of Directors	Meetings during tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan (Non-Executive Director)	4	4
Mr. Mohammad R. Al-Mutawa (Non-Executive Director)	4	4
Mr. Bader Fawaz Al-Qattan (Non-Executive Director)	4	4
Mr. Naveed Alauddin (Non-Executive Director)	4	4
Syed Atif Salman Hashmi (Non-Executive Director)	1	1
Mr. Saleem Zamindar (in place of Syed Atif Salman Hashmi) (Non-Executive Director)	3	3
Mr. Shaharyar Ahmad (Executive Director)	4	3

Risk Management Committee Meetings Details:

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

Audit Committee Meeting Details:

Name of Directors	Meetings during tenure	Meetings attended
Mr. Saleem Zamindar (Chairman) (In place of Syed Atif Salman Hashmi)	3	3
Syed Atif Salman Hashmi (Chairman)	1	1
Mr. Naveed Alauddin (Member)	4	4
Mr. Mohammad R. Al-Mutawa (Member)	4	4

Summarized Operating and Financial Data for the last six years

(Rs in millions)	2013	2012	2011	2010	2009	2008
Paid up Capital	6,000	6,000	6,000	6,000	6,000	6,000
Reserves	5,044	4,170	3,675	3,422	2,885	2,369
Total Assets	17,289	26,630	20,807	22,898	24,206	15,469
Profit before tax	1,652	1,174	872	841	592	(4,072)
Net Profit after tax	1,337	856	613	537	516	(4,102)
Cash Dividend	675	450	360	360	-	-
Stock Dividend	-	-	-	-	-	-

Statement of Investments of Provident and Gratuity Funds

Investments of Provident and Gratuity Funds as at December 31, 2013 according to their respective un-audited accounts were PKR 154.665 million and PKR 129.955 million, respectively. Investment of Provident Fund and Gratuity Fund amounted to PKR 144.168 million and PKR 107.191 million respectively, as at December 31, 2012 according to its audited accounts.

Auditors

The Audit Committee has recommended the name of KPMG Taseer Hadi & Co. Chartered Accountants to be the auditors for the year ending December 31, 2014 to replace M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, who were auditors of the Company for the last five years. Accordingly, the Board approved the recommendation of the Audit Committee and recommended the name of KPMG Taseer Hadi & Co. Chartered Accountants for consideration and approval at the Annual General Meeting.

Acknowledgement

We would like to express our sincere appreciation to our shareholders for having reposed confidence in us with their consistent support and guidance. The Board welcomes the new Managing Director Mr. Mansur Khan and wishes best of luck to the outgoing Managing Director Mr. Shaharyar Ahmad. We are also grateful to the Government of Pakistan, the Ministry of Finance, the State Bank of Pakistan, and the Securities & Exchange Commission of Pakistan for their guidance to the Company at all times.

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

On behalf of the Board of Directors

Chairman

Managing Director

Date: January 27, 2014
Karachi.

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for the year ended December 31, 2013

This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance,and Code of Corporate Governance (CCG) framed by the Securities & Exchange Commission Of Pakistan (SECP) which was made applicable to the Company through Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking (PR).

The Company has complied with the provisions of the Rules and CCG in the following manner:

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

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

2. No casual vacancy occurred during the year.

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

4. The directors have confirmed that none of them is serving as a director on more than five public sector companies and / or listed companies simultaneously, except their subsidiaries.

5. During the year the appointing authorities have applied the fit and proper criteria given in the PR in making nominations of the persons for election as board members under the provisions of the Ordinance. However, no appointment was made subsequent to the applicability of Public Sector (Corporate Governance) Rules, 2013.

6. The Chairman of the Board is working separately from the Chief Executive of the Company.

7. As per the Article of Association and JVA the Chairman has been elected from amongst the Kuwaiti directors and Managing Director was appointed by Government of Pakistan and elected by Board of Directors.

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

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

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

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

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

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

    (b) The Management HR Committee investigates deviations from the Company's Code of Conduct.

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

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

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

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

15. The process for the performance evaluation of its members including the Chairman and the Managing Director will be initiated by the Board. The Board has also monitored and assessed the performance of senior management on a periodic basis.

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

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

18. Although formal orientation courses have not been arranged during the year, the directors have been provided with the copies of the Prudential Regulations, Memorandum and Articles of Association of the Company and the Code of Corporate Governance. The directors are well conversant with their duties and responsibilities. We plan to conduct an orientation course for our directors during the year 2014.

19. (a) The Board has formed the requisite committees, as specified in the Rules, except for Nomination Committee, as the directors are nominated by the respective joint venture partners.

    (b) The committees were provided with written term of reference defining their duties, authority and composition.

    (c) The minutes of the meetings of the committees were circulated to all the committee members.

    (d) The committees were chaired by the following non-executive directors:

Committee	Number of Members	Name of Chairman / Members
Audit Committee	3	Mr. Saleem Zamindar
Risk Management Committee	3	Mr. Abdullah Abdulwahab Al-Ramadhan
Executive Committee (entrusted with Human Resources responsibilities)	2	Mr. Abdullah Abdulwahab Al-Ramadhan/ Mr. Shaharyar Ahmed

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

21. The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of section 234 of the Companies Ordinance, 1984 and the directives issued by the State Bank of Pakistan (SBP).

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

23. The directors, Chief Executive and executives do not hold any interest in the shares of the Company.

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

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

26. The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members:

Name of Member	Category	Professional background
Mr. Saleem Zamindar	Non-Executive	Master of Business Administration (MBA)
Mr. Naveed Alauddin	Non-Executive	B.Sc Eng. (Civil) and MBA
Mr. Mohammed R. Al-Mutawa	Non-Executive	Bachelor of Administration and Financial

27. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The Chief Executive and Chairman of the Board are not members of the Audit Committee.

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

29. The Company has appointed its external auditors in line with the requirements envisaged under the Rules.

30. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

31. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

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

34. The Company has materially complied with the requirements of the CCG and the Rules except for certain clauses of the Rules which are inconsistent with the constituent documents of the Company and in respect of which exemption has been sought from the SECP.

Abdullah Abdulwahab Al-Ramadhan Chairman	Shaharyar Ahmad Managing Director

Date: January 27 2014.
Karachi.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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Review Report on Statement of Compliance with the Best Practices of the Public Sector Companies (Corporate Governance) Rules, 2013 and the Code of Corporate Governance.

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Public Sector Companies (Corporate Governance) Rules, 2013 [the Rules] and the Code of Corporate Governance (the Code) for the year ended 31 December 2013 prepared by the Board of Directors (the Board) of Pakistan Kuwait Investment Company (Private) Limited (the Company) to comply with the Rules and Regulation G-1 of Prudential Regulation for Corporate / Commercial Banking issued by the State Bank of Pakistan.

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

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

Further, Sub - Regulation (x) of Listing Regulation 35 notified by The Karachi Stock Exchange Limited requires the Company to place before the Board for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules and the Code, effective for the year ended 31 December 2013.

We draw your attention to clause 34 of the Statement which states that the Company has materially complied with the requirements of the Code and the Rules except for certain requirements of the Rules which are inconsistent with the constituent documents of the Company and in respect of which exemption has been sought from the Securities and Exchange Commission of Pakistan.

Ernst & Young Ford Rhodes Sidat Hyder

CHARTERED ACCOUNTANTS
January 27, 2014
Karachi.

Statement on Internal Controls

Reporting on internal control system

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

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

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

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

Evaluation of existing internal control system

The company has made efforts to ensure during the year 2013 that an effective and efficient Internal Control System is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the company.

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

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

Head of Internal Audit

Deputy General Manager & CFO

Managing Director

Chairman Audit Committee

Date: January 27, 2014
Karachi

Pak Kuwait

Unconsolidated Financial Statements

For the year ended December 31, 2013

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of Pakistan Kuwait Investment Company (Private) Limited (the Company) as at 31 December 2013, and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with approved accounting standards and the requirements of the Companies Ordinance, 1984 (XLVII of 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

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

(b) in our opinion:

   (i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as disclosed in note 5.1 to the accompanying financial statements, with which we concur;

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

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

(c) in our opinion, and to the best of our information and according to the explanations given to us the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement 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 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2013 and its true balance of the profit, its comprehensive income, its changes in equity and its cash flows for the year then ended; and

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

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Omer Chughtai

January 27, 2014
Karachi.

A member firm of Ernst & Young Global Limited

Unconsolidated Statement of Financial Position

As at December 31, 2013

2013	2012		Note	2013	2012 (Restated)
(USD in '000)				(Rupees in '000)	
		ASSETS			
291	309	Cash and balances with treasury banks	6	30,795	32,650
261	6,744	Balances with other banks	7	27,561	712,522
55,126	-	Lendings to financial institutions	8	5,824,062	-
61,754	187,346	Investments	9	6,524,324	19,793,097
35,707	49,620	Advances	10	3,772,490	5,242,401
1,930	2,000	Operating fixed assets	11	203,854	211,333
3,411	2,617	Deferred tax assets	12	360,320	276,517
5,165	3,419	Other assets	13	545,733	361,204
163,645	252,055			17,289,139	26,629,724
		LIABILITIES			
-	-	Bills payable		-	-
47,727	140,463	Borrowings	14	5,042,353	14,839,975
3,310	9,611	Deposits and other accounts	15	349,680	1,015,429
-	-	Subordinated loans		-	-
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Deferred tax liabilities		-	-
3,533	3,556	Other liabilities	16	373,302	375,676
54,570	153,630			5,765,335	16,231,080
109,075	98,425	NET ASSETS		11,523,804	10,398,644
		REPRESENTED BY			
56,791	56,791	Share capital	17	6,000,000	6,000,000
33,634	31,102	Reserves	17.3	3,553,438	3,285,976
14,104	8,297	Unappropriated profit		1,490,095	876,584
104,529	96,190			11,043,533	10,162,560
		Surplus on revaluation of 'available-for-sale'			
4,546	2,235	securities - net of tax	18	480,271	236,084
109,075	98,425			11,523,804	10,398,644
		CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.

Chairman | Chief Executive | Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2013

2013	2012		Note	2013	2012
(USD in '000)				(Rupees in '000)	
16,144	22,360	Mark-up / return / interest earned	20	1,705,602	2,362,356
9,646	15,198	Mark-up / return / interest expensed	21	1,019,112	1,605,660
6,498	7,162	Net mark-up / interest income		686,490	756,696
918	558	Provision against non-performing loans and advances - net	10.4	97,024	58,952
-	(27)	Reversal of provision against non-performing lending to financial institutions		-	(2,822)
63	400	Provision for diminution / impairment in the value of investments	9.3	6,615	42,248
-	-	Bad debts written off directly		-	-
981	931			103,639	98,378
5,517	6,231	Net mark-up / interest income after provisions		582,851	658,318
		NON MARK-UP / INTEREST INCOME			
36	2	Fee, commission and brokerage income		3,854	228
7,895	6,415	Dividend income		834,102	677,734
-	-	Income from dealing in foreign currencies		-	-
6,567	2,850	Gain on sale of securities	22	693,835	301,083
-	-	Unrealised loss on revaluation of 'held-for-trading' securities		-	(25)
381	205	Other income	23	40,257	21,708
14,879	9,472	Total non mark-up / interest income		1,572,048	1,000,728
		NON MARK-UP / INTEREST EXPENSES			
4,759	4,157	Administrative expenses	24	502,823	439,156
-	433	Provision for impairment on operating fixed assets		-	45,724
-	-	Other provisions / write offs		-	-
-	4	Other charges	25	-	452
4,759	4,594	Total non mark-up / interest expenses		502,823	485,332
-	-	Extra ordinary / unusual items		-	-
15,637	11,109	PROFIT BEFORE TAXATION		1,652,076	1,173,714
		Taxation			
3,636	3,558	- Current	26	384,096	375,890
-	-	- Prior years		-	-
(656)	(546)	- Deferred	26	(69,328)	(57,728)
2,980	3,012			314,768	318,162
12,657	8,097	PROFIT AFTER TAXATION		1,337,308	855,552
8,297	5,240	Unappropriated profit brought forward (restated)		876,584	553,593
20,954	13,337	Unappropriated profit carried forward		2,213,892	1,409,145
(USD)		Basic earnings per share		(Rupees)	
53	34	(On share of Rs. 25,000 each)	27	5,572	3,565
(USD)		Diluted earnings per share		(Rupees)	
53	34	(On share of Rs. 25,000 each)	28	5,572	3,565

The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.

Chairman	Chief Executive	Director

Pak Kuwait

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2013

2013	2012		2013	2012 (Restated)
(USD in '000)			(Rupees in '000)	
12,658	8,098	Profit for the year	1,337,308	855,552
		Other comprehensive income		
		Not to be reclassified in profit and loss account in subsequent periods		
(60)	(14)	Remeasurement of defined benefit plan net of deferred tax	(6,335)	(1,450)
12,598	8,084	Comprehensive income transferred to equity	1,330,973	854,102
		Component of comprehensive income not transferred to equity		
2,203	3,666	Surplus on revaluation of 'available-for-sale' securities	232,795	387,315
108	(575)	Deferred tax on revaluation of 'available-for-sale' securities	11,392	(60,789)
14,909	11,175	Total comprehensive income	1,575,160	1,180,628

The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.

Chairman	Chief Executive	Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2013

	Share capital	Reserves Statutory	Unappropriated profit	Total
	------------------------------(Rupees in '000)------------------------------			
Balance as at January 1, 2012	6,000,000	3,114,865	559,890	9,674,755
Effect of change in accounting policy (note 5.1.1)	-	-	(6,297)	(6,297)
Balance as at January 1, 2012 (restated)	6,000,000	3,114,865	553,593	9,668,458
Profit for the year ended December 31, 2012	-	-	855,552	855,552
Other comprehensive income (restated)	-	-	(1,450)	(1,450)
Total comprehensive income (restated)	-	-	854,102	854,102
Final dividend for the year ended December 31, 2011 @ Rs.1,500 per share approved subsequent to year end	-	-	(360,000)	(360,000)
Transfer to statutory reserve	-	171,111	(171,111)	-
Balance as at December 31, 2012 (restated)	6,000,000	3,285,976	876,584	10,162,560
Profit for the year ended December 31, 2013	-	-	1,337,308	1,337,308
Other comprehensive income	-	-	(6,335)	(6,335)
Total comprehensive income	-	-	1,330,973	1,330,973
Final dividend for the year ended December 31, 2012 @ Rs.1,875 per share approved subsequent to year end	-	-	(450,000)	(450,000)
Transfer to statutory reserve	-	267,462	(267,462)	-
Balance as at December 31, 2013	6,000,000	3,553,438	1,490,095	11,043,533

The annexed notes 1 to 42 and annexures I,II and III form an integral part of these financial statements.

Chairman | Chief Executive | Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2013

2013	2012		Note	2013	2012
(USD in '000)				(Rupees in '000)	
		CASH FLOW FROM OPERATING ACTIVITIES			
15,637	11,109	Profit before taxation		1,652,076	1,173,714
(7,895)	(6,415)	Less: Dividend income		(834,102)	(677,734)
7,742	4,694			817,974	495,980
		Adjustments for:			
142	126	Depreciation		15,004	13,359
106	54	Amortization		11,190	5,726
-	433	Provision for impairment on operating fixed assets		-	45,724
918	558	Provision against non-performing loans and advances - net		97,024	58,952
-	(27)	Reversal of provision against non-performing lending to financial institutions		-	(2,822)
63	400	Provision for diminution / impairment in the value of investments		6,615	42,248
(6)	(14)	Gain on disposal of operating fixed assets		(621)	(1,434)
-	-	Unrealised loss on revaluation of 'held-for-trading' securities		-	25
1,223	1,530			129,212	161,778
8,965	6,224			947,186	657,758
		(Increase) / decrease in operating assets			
(55,126)	27	Lendings to financial institutions		(5,824,062)	2,822
61	(60)	'Held-for-trading' securities		6,410	(6,385)
12,995	11,857	Advances		1,372,887	1,252,682
633	915	Others assets (excluding advance taxation)		66,924	96,639
(41,437)	12,739			(4,377,841)	1,345,758
		(Decrease) / increase in operating liabilities			
(92,737)	53,747	Borrowings		(9,797,622)	5,678,321
(6,301)	(6,731)	Deposits and other accounts		(665,749)	(711,172)
(112)	282	Other liabilities (excluding current taxation)		(11,791)	29,787
(99,150)	47,298			(10,475,162)	4,996,936
(131,622)	66,261			(13,905,817)	7,000,452
(5,826)	(1,641)	Income tax paid		(615,568)	(173,411)
(137,448)	64,620	*Net cash (outflow) / inflow in from operating activities*		(14,521,385)	6,827,041
		CASH FLOW FROM INVESTING ACTIVITIES			
128,716	(64,671)	Net investment in 'available-for-sale' securities / subsidiary		13,598,839	(6,832,498)
(1,044)	-	Net investment in 'held-to-maturity' securities		(110,297)	-
7,706	6,413	Dividend income received		814,121	677,511
(181)	(323)	Investments in operating fixed assets		(19,110)	(34,137)
10	14	Sale proceeds of operating fixed assets		1,016	1,454
135,027	(58,567)	*Net cash inflow / (outflow) in investing activities*		14,284,569	(6,187,670)
		CASH FLOW FROM FINANCING ACTIVITIES			
(4,259)	(3,407)	Dividend paid		(450,000)	(360,000)
(4,259)	(3,407)	*Net cash used in financing activities*		(450,000)	(360,000)
(6,500)	2,646	(Decrease) / Increase in cash and cash equivalents		(686,816)	279,371
7,053	4,410	Cash and cash equivalents at beginning of the year		745,172	465,801
553	7,056	Cash and cash equivalents at end of the year	29	58,356	745,172

The annexed notes 1 to 42 and annexures I,II and III form an integral part of these financial statements.

Chairman

Chief Executive

Director

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

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

As at January 1, 2013, the Company had a 100% owned subsidiary, First Choice Securities Limited (FCSL). During the year FCSL was disposed off to a buyer on approval from the Board of Directors. Details of assets and liabilities at the time of disposal of FCSL are given in note 9.2.5. The principal business of FCSL was to provide equity brokerage, commodity brokerage, equity research and corporate advisory services. FCSL had not started its operations at the time of its disposal.

2. BASIS OF PRESENTATION

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

These financial statements are separate financial statements of the Company in which investments in its subsidiary and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

The US Dollar amounts presented in the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are converted at the rate of Rs. 105.65, prevalent at December 31, 2013, for 2013 and 2012. This additional information is presented only for the convenience of users of the financial statements.

3. STATEMENT OF COMPLIANCE

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

The SBP through its BSD Circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 ‘Financial Instruments: Recognition and Measurement’ and IAS 40 ‘Investment Property’ for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(1)/ 2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

4. BASIS OF MEASUREMENT

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

The financial statements are presented in Pakistan Rupees which is the Company’s functional currency.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Standards, interpretations and amendments effective in current year

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

New, Amended And Revised Standards And Interpretations of IFRSs

The Company has adopted the following amended IFRS which became effective during the year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

The main change resulting from these ammendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These ammendments do not have significant impact on these financial statements other than a change in presentation of items reported in OCI.

IAS 19 – Employee Benefits – (Revised) [see note 5.1.1 below]

Further, certain new standards have been issued by IASB which are effective for accounting periods beginning on or after 01 January 2013 but are yet to be notified by the SECP for the purpose of applicability in Pakistan.

5.1.1 Change in accounting policy

Amendments to IAS 19 range from fundamental changes to simple clarification and rewording. The significant changes to IAS 19 include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee’s entitlement to the benefits.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard – 8 ‘ Accounting Policies, Changes in Accounting Estimates and Errors’, and the comparative financial statements have been re-stated.

The effects of the retrospective application of the change in accounting policies are as follows:

	December 31, 2013	December 31, 2012
	(Rupees in '000)	
Increase in the staff retirement gratuity	(9,417)	(11,918)
Increase in deferred tax asset	3,082	4,171
Net decrease in equity	(6,335)	(7,747)
Decrease in opening unappropriated profit	-	(6,297)
Decrease in other comprehensive income (OCI)	(6,335)	(1,450)
Net decrease in equity	(6,335)	(7,747)

There is no change in the unconsolidated profit and loss account.

5.2 Accounting standards not yet effective

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

Standard or interpretation	Effective date (accounting periods) beginning
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	01 January 2014
IFRIC 21 – Levies	01 January 2014

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

Further, certain new standards have been issued by IASB which are effective for accounting periods beginning on or after 01 January 2014 but are yet to be notified by the SECP for the purpose of applicability in Pakistan.

5.3 Cash and cash equivalents

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

5.4 Lendings to / borrowings from financial institutions

The Company enters into secured and unsecured lending and borrowing transactions with financial institutions. These are recorded as under:

Sale under repurchase agreement

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

Purchase under resale agreement

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

Other borrowings

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

Other lendings

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

5.5 Investments

Classification

The Company classifies its investments other than those in associates and subsidiary based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated July 13, 2004, August 04, 2004 and September 24, 2004 respectively. The investments are classified in the following categories as per SBP guidelines:

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

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

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

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

Initial Recognition

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

Subsequent Recognition

Investments in government securities and quoted investments, categorised as ‘held-for-trading’ and ‘available-for-sale’ are valued at rates quoted on PKRV (Reuters Page) and market values as at the date of statement of financial position respectively. Any surplus or deficit arising as a result of revaluation of securities categorised as ‘held-for-trading’ is taken to profit and loss account and that of ‘available-for-sale’ is taken to the statement of financial position, and shown below equity.

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

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

Investments in quoted subsidiaries and associates are stated at cost less impairment in value, if any. Unquoted associates and subsidiaries are stated at lower of cost and break-up value based on latest available financial statements.

Impairment loss is recognised whenever the carrying amount of an investment exceeds its recoverable amount. An impairment loss is taken to profit and loss account. Gain / loss on sale of investments during the year is included in profit and loss account.

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

5.6 Trade date accounting

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

5.7 Advances including net investment in finance leases

Advances are stated net of provision for doubtful debts. Provision for doubtful debts is determined on the basis of ‘Prudential Regulations’ issued by the SBP and the Credit Policy of the Company. The provision is charged to the profit and loss account.

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

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

5.8 Operating fixed assets

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

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

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

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

5.9 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortization and accumulated impairment loss (if any). Amortization is charged on a straight line basis over their estimated useful lives. Amortization is charged at the rates stated in note 11.2.

5.10 Certificates of investment (COI) / deposits

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

5.11 Revenue recognition

i) Dividend income is recognised when the Company's right to receive payment is established.

ii) Income from loans, term finance certificates, debentures, bank deposits, government securities and reverse repo transactions is recognised under effective interest method, except where recovery is considered doubtful, the income is recognised on receipt basis.

iii) The Company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

iv) Gain on sale of securities is recognised at the time of sale of relevant securities.

v) Advisory income is recognised as the services are rendered.

5.12 Taxation

Current

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

Deferred

The Company accounts for deferred taxation using the balance sheet liability method providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilitites are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

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

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

5.13 Staff retirement benefits

Defined benefit plan

The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. The Company has adopted IAS 19 (revised) as mentioned in note 5.1.1. Actuarial gains or losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Previously Actuarial gains or losses in excess of 10% of the present value of defined benefit obligation and fair value of plan assets, whichever is higher were recognized over the expected average remaining working life of the employees in the profit and loss account.

The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2013.

Defined contribution plan

The Company also operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of the salary. Contributions from the Company are charged to profit and loss account for the year.

5.14 Employees' compensated absences

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

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2013.

5.15 Derivative financial instruments

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

5.16 Impairment

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

5.17 Provisions

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

5.18 Foreign currency

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

5.19 Off-setting of financial assets and financial liabilities

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

5.20 Earnings per share

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

5.21 Dividend distribution

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

5.22 Segment information

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

Business segments

Following are the main segments of the Company:

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

Geographical segments

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

5.23 Accounting estimates and judgement

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

Judgements made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	2013	2012
		(Rupees in '000)	
Cash in hand in local currency		50	50
With State Bank of Pakistan in			
- local currency current account		30,710	32,588
With National Bank of Pakistan in			
- local currency current account		35	12
		30,795	32,650

7. BALANCES WITH OTHER BANKS

	Note	2013	2012
In Pakistan			
- current account		324	88
- deposit account		27,237	712,434
		27,561	712,522

8. LENDINGS TO FINANCIAL INSTITUTIONST

8.1 In local currency

	Note	2013	2012
Repurchase agreement lendings (reverse repo)	8.2	5,824,062	-

	Note	2013			2012		
8.2 Securities held as collateral against lendings to financial institutions		Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
		(Rupees in '000)					
Market treasury bills	8.2.1	5,824,062	-	5,824,062	-	-	-

8.2.1 The Company has arranged lendings to financial institutions against purchase and resale of government securities. Market value of these securities as at December 31, 2013 amounted to Rs.5,821 million (2012: nil). The markup on these securities range between 9.95 and 10.00 (2012: nil) percent per annum with maturity ranging from two to nine days (2012: nil)

9. INVESTMENTS

9.1 Investments by type

	Note	2013			2012		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
		(Rupees in '000)					
Held-for-trading securities							
Shares of listed companies		-	-	-	6,410	-	6,410
Available-for-sale securities							
Market treasury bills		-	-	-	2,573,779	10,684,921	13,258,700
Pakistan investment bonds		902,893	-	902,893	1,642,868	-	1,642,868
Shares of listed companies		2,375,294	-	2,375,294	1,801,211	-	1,801,211
Shares of unlisted companies		110,501	-	110,501	127,686	-	127,686
Listed preference shares		55,029	-	55,029	55,029	-	55,029
Listed term finance certificates		-	-	-	82,037	-	82,037
Unlisted term finance certificates		607,938	-	607,938	608,168	-	608,168
		4,051,655	-	4,051,655	6,890,778	10,684,921	17,575,699
Held-to-maturity securities							
Unlisted preference shares		110,297	-	110,297	-	-	-
Associates		2,050,170	-	2,050,170	2,095,242	-	2,095,242
Subsidiaries		-	-	-	60,000	-	60,000
Total investments - at cost		6,212,122	-	6,212,122	9,052,430	10,684,921	19,737,351
Provision for diminution / impairment in the value of investments	9.3 & 40.3	(197,599)	-	(197,599)	(221,235)	-	(221,235)
Total investments - net of provisions		6,014,523	-	6,014,523	8,831,195	10,684,921	19,516,116
Deficit on revaluation of 'held-for-trading' securities		-	-	-	(25)	-	(25)
Surplus / (deficit) on revaluation of 'available-for-sale' securities	18	509,801	-	509,801	267,333	9,673	277,006
Total investments at market value		6,524,324	-	6,524,324	9,098,503	10,694,594	19,793,097

9.2 Investments by segments

	Note	2013	2012
		(Rupees in '000)	
Federal Government Securities			
- Market treasury bills		-	13,258,700
- Pakistan investment bonds	9.2.1	902,893	1,642,868
Fully paid up Ordinary Shares			
- Listed companies		2,375,294	1,807,621
- Unlisted companies		110,501	127,686
		2,485,795	1,935,307
Preference Shares			
- Listed companies		55,029	55,029
- Unlisted	9.2.2	110,297	-
Term Finance Certificates (TFCs)			
- Listed		-	82,037
- Unlisted		607,938	608,168
		607,938	690,205
Investments in Associates			
Ordinary shares-listed companies			
- Meezan Bank Limited	9.2.3	1,519,905	1,519,905
- The General Tyre & Rubber Co. of Pakistan Ltd.		173,480	173,480
Mutual Funds			
- Al Meezan Mutual Fund		72,207	92,279
- Meezan Balanced Fund		110,578	110,578
Ordinary shares-unlisted companies			
- Al Meezan Investment Management Limited	9.2.4	27,750	27,750
- Plexus (Private) Limited		15,000	15,000
- Pak Kuwait Takaful Company Limited		120,000	120,000
- National Clearing Company of Pakistan Limited		11,250	11,250
- Falcon Greenwood (Private) Limited		-	25,000
		2,050,170	2,095,242
Subsidiary - unlisted ordinary shares			
- First Choice Securities Limited	9.2.5	-	60,000
Total investments - at cost		6,212,122	19,737,351
Provision for diminution / impairment in the value of investments	9.3 & 40.3	(197,599)	(221,235)
Total investments - net of provisions		6,014,523	19,516,116
Deficit on revaluation of 'held-for-trading' securities		-	(25)
Surplus / (deficit) on revaluation of 'available-for-sale' securities		509,801	277,006
		509,801	276,981
Total investments		6,524,324	19,793,097

9.2.1 The investments in Pakistan investment bonds are maturing between August 18, 2016 and September 3, 2019 (2012: August 30, 2013 and September 3, 2019) and the effective interest rate ranges between 11.45 and 13.12 (2012: 11.45 and 13.18) percent per annum.

9.2.2 The amount represents investment in non-cummulative preference shares of Silk Bank Limited. The investment is maturing on March 26, 2016 (2012: nil) and the effective interest is 13.96 (2012: nil) percent per annum

9.2.3 Investments in shares of Meezan Bank Limited costing Rs. 1,520 million and market value of Rs. 11,846 million (2012: Cost Rs. 1,520 million, market value Rs.8,144 million) are held as strategic investment in terms of Prudential Regulation applicable to Corporate / Commercial Banking which can be sold only with prior permission of SBP.

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

9.2.5 During the year the subsidiary of the Company, FCSL was disposed off on approval from the board of directors. FCSL's net assets at the time of disposal are given below:

	(Rupees in '000)
Assets	
Intangible Assets	3,000
Advance to Pakistan Mercantile Exchange	3,150
Investments - AFS	58,795
Advance Taxation	286
Accrued interest and prepaid expense	46
Cash and balances with other banks	73
Total Assets	65,350
Liabilities	
Accrued and other liabilities - net of tax	246
Net Assets	65,104

9.3 Particulars for impairment / diminution in the value of investments

	2013	2012
	(Rupees in '000)	
Opening balance	221,235	308,074
Charge for the year	6,615	42,248
Reversals due to sale of impaired securities	(30,251)	(129,087)
	(23,636)	(86,839)
Closing balance	197,599	221,235

9.3.1 Particulars of provision in respect of type and segment

'Available-for-sale' securities	139,020	158,273
Associates	58,579	62,962
	197,599	221,235

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

10. ADVANCES

	Note	2013	2012
		(Rupees in '000)	
In Pakistan			
Advances		4,353,948	5,567,283
Net investment in finance leases	10.2	1,152,308	1,311,860
		5,506,256	6,879,143
Provision for non-performing advances	10.4	(1,733,766)	(1,636,742)
Advances net of provision		3,772,490	5,242,401

10.1 Particulars of gross advances

	2013	2012
In local currency	5,506,256	6,879,143
Short term (for upto one year)	1,303,381	3,379,965
Long term (for over one year)	4,202,875	3,499,178
	5,506,256	6,879,143

10.2 Net investment in finance leases

	2013				2012			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)							
Lease rentals receivable	873,309	377,815	22,400	1,273,524	910,945	512,939	38,709	1,462,593
Residual value	77,526	20,408	717	98,651	52,405	50,344	-	102,749
Minimum lease payments	950,835	398,223	23,117	1,372,175	963,350	563,283	38,709	1,565,342
Financial charges for future periods	142,139	75,511	2,217	219,867	162,022	86,197	5,263	253,482
Present value of minimum lease payments	808,696	322,712	20,900	1,152,308	801,328	477,086	33,446	1,311,860

10.2.1 The Company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable latest by the year 2020 and are subject to finance income at rates ranging between 7.0 and 21.83 (2012: 7.0 and 21.83) percent per annum.

10.2.2 In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs. 76.437 million (2012: Rs. 80.535 million) as security deposits on behalf of the lessees which are included under other liabilities (note 16).

10.3 Advances include Rs. 1,992.396 million (2012: Rs 1,771,283 million) which have been placed under non-performing status as detailed below:

Category of classification	2013 Classified Advances	2013 Provision Required	2013 Provision Held	2012 Classified Advances	2012 Provision Required	2012 Provision Held
	(Rupees in '000)					
Substandard	-	-	-	-	-	-
Doubtful	517,260	258,630	258,630	269,081	134,540	134,540
Loss	1,475,136	1,475,136	1,475,136	1,502,202	1,502,202	1,502,202
	1,992,396	1,733,766	1,733,766	1,771,283	1,636,742	1,636,742

10.4 Particulars of provision against non-performing advances - specific

	2013	2012
	(Rupees in '000)	
Opening balance	1,636,742	1,577,790
Charge for the year	142,082	83,074
Reversals	(45,058)	(24,122)
	97,024	58,952
Amounts written off	-	-
Closing balance	1,733,766	1,636,742

	2013	2012
10.4.1 Local currency	1,733,766	1,636,742
Foreign currency	-	-
	1,733,766	1,636,742

10.5 Particulars of write offs

The Company has not written off any loans and advances or allowed any financial relief during the year as disclosed in annexure III.

10.6 Particulars of loans and advances to staff included in advances

	Note	2013	2012
		(Rupees in '000)	
Opening balance		123,961	143,730
Disbursements during the year		34,645	37,251
Repayments during the year		(50,283)	(57,020)
		(15,638)	(19,769)
Balance at end of the year		108,323	123,961

11. OPERATING FIXED ASSETS

	Note	2013	2012
Property and equipment	11.1	161,536	171,318
Intangible assets	11.2	42,318	40,015
		203,854	211,333

11.1 Property and equipment

2013

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

2012

	Cost			Depreciation			Impairment			Net book value as at December 31,2012	Rate of depreciation
	As at January 1, 2012	Additions / (disposals)	As at December 31, 2012	As at January 1, 2012	Charge / (disposals)	As at December 31, 2012	As at January 1, 2012	Charge / (reversals)	As at December 31,2012		
	(Rupees in '000)										%
Leasehold land	100	-	100	-	-	-	-	-	-	100	-
Building on lease hold land	237,503	-	237,503	40,386	463	40,849	-	45,724	45,724	150,930	2.50-20.00
Furniture and fixtures	17,367	-	14,262	10,303	1,489	8,707	-	-	-	5,555	20.00
		(3,105)			(3,085)						
Motor vehicles	12,998	-	12,016	7,711	1,741	8,470	-	-	-	3,546	20.00
		(982)			(982)						
Office equipment	50,121	956	50,435	30,474	9,605	39,437	-	-	-	10,998	33.33
		(642)			(642)						
Electrical appliances	2,072	133	1,684	1,955	61	1,495	-	-	-	189	20.00
		(521)			(521)						
	320,161	1,089	316,000	90,829	13,359	98,958	-	45,724	45,724	171,318	
		(5,250)			(5,230)						

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

	2013
	(Rupees in '000)
Furniture and fixtures	6,962
Motor vehicles	5,569
Office equipment	30,905
Electrical appliances	1,398

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particular of purchaser
	(Rupees in '000)					
PKIC House	1,694	1,298	396	900	Demolition	Not applicable

11.2 Intangible assets

	2013							
	Cost			Amortization			Net book value as at December 31, 2013	Rate of amortization
	As at January 1, 2013	Additions	As at December 31, 2013	As at January 1, 2013	Charge	As at December 31, 2013		
	(Rupees in '000)							%
Software	48,077	13,493	61,570	8,062	11,190	19,252	42,318	20.00
	48,077	13,493	61,570	8,062	11,190	19,252	42,318	

	2012							
	Cost			Amortization			Net book value as at December 31, 2012	Rate of amortization
	As at January 1, 2012	Additions	As at December 31, 2012	As at January 1, 2012	Charge	As at December 31, 2012		
	(Rupees in '000)							%
Software	15,029	33,048	48,077	2,336	5,726	8,062	40,015	20.00
	15,029	33,048	48,077	2,336	5,726	8,062	40,015	

12. DEFERRED TAX ASSETS

	Balance January 01, 2013	Recognised in profit and loss	Recognised in equity	Balance December 31, 2013
	(Rupees in '000)			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	(23,218)	4,233	-	(18,985)
Provision for staff retirement gratuity and compensated absences	12,124	(3,399)	3,083	11,808
Finance lease arrangements	(252,248)	52,102	-	(200,146)
Provision against non-performing advances	580,779	16,394	-	597,173
Surplus / (deficit) on revaluation of 'held-for-trading' securities	2	(2)	-	-
Surplus / (deficit) on revaluation of 'available-for-sale' securities	(40,922)	-	11,392	(29,530)
	276,517	69,328	14,475	360,320

	Balance January 01, 2012 (Restated)	Recognised in profit and loss	Recognised in equity	Balance December 31, 2012 (Restated)
	----------------------------(Rupees in '000)----------------------------			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	(38,193)	14,975	-	(23,218)
Provision for staff retirement gratuity and compensated absences	11,465	(121)	780	12,124
Finance lease arrangements	(275,474)	23,226	-	(252,248)
Provision against non-performing advances	561,133	19,646	-	580,779
Surplus / (deficit) on revaluation of 'held-for-trading' securities	-	2	-	2
Surplus / (deficit) on revaluation of 'available-for-sale' securities	19,867	-	(60,789)	(40,922)
	278,798	57,728	(60,009)	276,517

13. OTHER ASSETS

	Note	2013	2012
		(Rupees in '000)	
Income / mark-up accrued in local currency		117,886	147,559
Advances, deposits, prepayments and other receivables		16,191	33,461
Advance Tax		411,656	180,184
		545,733	361,204

14. BORROWINGS

	Note	2013	2012
In Pakistan		5,042,353	14,839,975

14.1 Particulars of borrowings with respect to currencies

	Note	2013	2012
In local currency		5,042,353	14,839,975

14.2 Details of borrowings secured / unsecured

	Note	2013	2012
Secured			
Repurchase agreement borrowings - Government securities		-	10,694,704
Borrowings from SBP			
Under Long Term Facility - Export Oriented Project (LTF-EOP)	14.2.1	49,948	71,899
Under Long Term Finance Facility (LTFF)	14.2.2	227,606	305,285
Under Finance Facility for Storage of Agricultural Produce (FFSAP)	14.2.3	14,799	18,087
Term Finance Facility	14.2.4	4,750,000	3,750,000
		5,042,353	14,839,975

14.2.1 LTF-EOP facility from SBP

This represents a one time swap facility option under the scheme LTF - EOP allowed by the SBP through their SMED Circular No. 19 of 2006. The loan is repayable over a maximum period of 7.5 years from the date of first disbursement with mark-up payable at maximum of 5 percent per annum. The sanctioned limit was Rs. 1,000 million.

14.2.2 Borrowings from SBP under LTFF

Represents Long Term Finance Facility on concessional rates to promote industrial growth leading to exports. The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of one and a half years with mark-up payable at maximum of 10.10 percent per annum. SBP allocates an overall yearly limit under the facility to individual PFI. The sanctioned limit was Rs. 500 million.

14.2.3 Borrowings from SBP under FFSAP

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

14.2.4 Term Finance Facility

The Company has availed long term finance facilities from two banks. The interest rate on these facilities ranges between 9.93 and 10.59 (2012: 9.96 and 10.70) percent per annum and are due for maturity between November 29, 2014 and June 25, 2018 (2012: November 29, 2014 and October 1, 2015).

15. DEPOSITS AND OTHER ACCOUNTS

	2013	2012
	(Rupees in '000)	
Certificates of investment (COI)	349,680	1,015,429

15.1 Particulars of deposits

	2013	2012
In local currency	349,680	1,015,429

The profit rates on these COIs ranges between 8.75 and 12.25 (2012: 9.20 and 12.25) percent per annum. The COIs are due for maturity between January 3, 2014 and March 22, 2015 (2012: January 4, 2013 and March 22, 2015). Included in COIs is an amount of Rs. 347.180 million (2012: Rs. 1,012.929 million) payable within twelve months.

16. OTHER LIABILITIES

	Note	2013	2012 (Restated)
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		76,821	96,874
Accrued liabilities		187,201	131,285
Staff retirement gratuity	31.1.4	16,136	16,906
Security deposits against finance lease	10.2.2	76,437	80,535
Employees' compensated absences		10,757	9,898
Payable on account of purchase of marketable securities		-	36,337
Other liabilities		5,950	3,841
		373,302	375,676

17. SHARE CAPITAL

17.1 Authorised Share Capital

2013	2012		2013	2012
(Number of shares)			(Rupees in '000)	
400,000	400,000	Ordinary shares of Rs. 25,000 each	10,000,000	10,000,000

17.2 Issued, Subscribed and Paid-up Share Capital

2013	2012			
(Number of shares)				
25,950	25,950	Ordinary shares of Rs. 25,000 each issued for cash	648,750	648,750
214,050	214,050	Ordinary shares of Rs. 25,000 each issued as bonus shares	5,351,250	5,351,250
240,000	240,000		6,000,000	6,000,000

The SBP on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each hold 120,000 (2012: 120,000) ordinary shares of the Company as at December 31, 2013.

17.3 Reserves

	2013	2012
	(Rupees in '000)	
Statutory reserve	3,553,438	3,285,976
At beginning of the year	3,285,976	3,114,865
Add: Transfer during the year	267,462	171,111
	3,553,438	3,285,976

According to BPD Circular No. 15 dated May 31, 2004 issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve. The Company has transferred 20% of its after tax profit for the year to this reserve amounting to Rs. 267.462 million (2012: 171.111 million).

18. SURPLUS / (DEFICIT) ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES-NET OF TAX

	2013	2012
	(Rupees in '000)	
Federal government securities	2	88,214
Shares of listed companies	509,799	188,351
Listed term finance certificates	-	441
	509,801	277,006
Deferred tax	(29,530)	(40,922)
	480,271	236,084

19. CONTINGENCIES AND COMMITMENTS

19.1 Other Contingencies

19.1.1 The Income Tax Department has amended the deemed assessment orders for the tax years from 2003 to 2012, raising a tax demand of Rs 2,149 million, mainly due to additions in respect of allocation of expenses against exempt capital gains and dividend income subject to tax at reduced rate.

In such orders, the taxation authority has not accepted the Company's contention on the matter of allocation of expenses on exempt capital gains and dividend income. The total additions made in tax years 2003 to 2012 under this head amounts to Rs 4,753 million.

In tax year 2003, the Appellate Tribunal Inland Revenue (ATIR) had directed the tax authorities that the allocation has to be made taking into account the 'cost of investment' rather than 'gross turnover'. Subsequently, the action of the Taxation Officer in refusing to issue the appeal effect in view of the departmental appeal before the High Court was contested in appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)]. The CIR(A) adjudged the matter in favour of the company directing the Officer to give effect to the direction of the ATIR.

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

The department has preferred appeals against the order of the CIR(A) in the years 2003 to 2007 and 2010 before the ATIR.

Appeal effect orders for the years 2003 to 2007 and 2010 have been issued where the allocation as per the company's contention have been accepted. These are however to attain finality once the departmental appeals before the ATIR / High Court as the case may be, are decided.

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

The Company has made provision of Rs 1,007 million against the demand for the abovementioned years based on cost of investment. The management is confident that the ultimate outcome of the appeal would be in favor of the Company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

		Note	2013	2012
19.1.2	Letter of Comfort		(Rupees in '000)	
	Letter of comfort issued		-	64,000
19.2	Other Commitments			
	Commitment - acquisition of software		5,218	6,718
	Undisbursed sanctions for financial assistance in the form of:			
	- loans and advances		3,060,355	403,208
			3,065,573	409,926
20.	MARK - UP / RETURN / INTEREST EARNED			
	On loans and advances		567,544	788,341
	On investments in:			
	- 'Available-for-sale' securities		1,010,204	1,549,022
	- 'Held-for-trading' securities		-	-
	- 'Held-to-maturity' securities		10,297	-
	On lendings to financial institutions		21,949	23,993
	On securities purchased under resale agreements - government securities		95,608	1,000
			1,705,602	2,362,356
21.	MARK-UP / RETURN / INTEREST EXPENSED			
	Deposits / COI		77,440	231,431
	Borrowings		483,452	391,790
	-Securities sold under repurchase agreements - government securities		458,220	982,439
			1,019,112	1,605,660

22. GAIN ON SALE OF SECURITIES	Note	2013	2012
		(Rupees in '000)	
Federal government securities			
- Market treasury bills		(93)	(7,497)
- Pakistan investment bonds		19,080	-
Shares - listed securities - net	22.1	584,017	308,680
Shares - unlisted securities - net	22.2	90,831	(100)
		693,835	301,083

22.1 It includes reversal of impairment on sale of impaired securities as disclosed in note 9.3.

22.2 This includes the following:

Gain on disposal of subsidiary - First Choice Securities Limited	9.2.5	15,000	-
Gain on disposal of associate - Falcon Greenwood (Pvt.) Ltd.		72,976	-
Gain on liquidation of Faysal Management Services (Pvt.) Ltd.		2,855	-
Loss on disposal of Rozgar Micro Finance Bank		-	(100)
		90,831	(100)

23. OTHER INCOME

Gain on disposal of operating fixed assets		621	1,434
Space / arrangement income		16,936	16,486
Late payment charges		12,525	1,329
Prepayment charges		2,536	1,683
Unrealised exchange gain on investment		815	760
Nominee directors fee		6,736	-
Others		88	16
		40,257	21,708

24. ADMINISTRATIVE EXPENSES

Salaries, allowances and employees' benefits		277,069	254,033
Directors' remuneration (including remuneration of Chief Executive)		30,853	13,764
Provision for gratuity	31.1.5	14,287	15,433
Employer's contribution to the provident fund		15,541	15,625
Travelling and conveyance		4,628	6,365
Rent and rates		9,251	7,646
Utilities		3,426	3,047
Communication		5,667	6,960
Professional training and staff welfare		1,021	1,952
Advertisements, periodicals and membership dues		1,663	1,663
Printing and stationery		1,630	2,477
Depreciation	11.1	15,004	13,359
Amortization	11.2	11,190	5,726
Auditor's remuneration	24.1	3,439	3,453
Legal, consultancy and other professional services		45,298	40,007
Repairs and maintenance		13,189	13,370
Motor vehicle expenses		1,778	863
Insurance		968	939
Donations	24.2	10,000	5,100
Workers' Welfare Fund		33,042	23,474
Entertainment		205	154
Bank charges		107	287
Miscellaneous		3,567	3,459
		502,823	439,156

		2013	2012
24.1	Auditor's remuneration		
		(Rupees in '000)	
	Audit fee	1,365	1,250
	Fee for half yearly review	546	500
	Special certifications and sundry advisory services	1,323	1,360
	Out of pocket expenses	205	343
		3,439	3,453

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

Donee	
The Citizens Foundation	4,950
The Kidney Centre	2,000
Layton Rehmatullah Benevolent Trust	2,000
Shaukat Khanum Memorial Trust	1,050
	10,000

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

25. OTHER CHARGES

Penalties imposed by the SBP	-	442
Penalties imposed by the FBR	-	10
	-	452

26. TAXATION

For the year		
- Current	384,096	375,890
- Deferred	(69,328)	(57,728)
	314,768	318,162

26.1 Relationship between tax expense and accounting profit

Profit before taxation	1,652,076	1,173,714
Tax at the applicable rate of 34% (2012: 35%)	561,706	410,800
Net tax effect on income taxed at reduced rates	(203,815)	(171,597)
Net tax effect of expenses not subject to tax	168,632	61,791
Others	(211,755)	17,168
	314,768	318,162

27. BASIC EARNINGS PER SHARE

Profit for the year	1,337,308	855,552
	(Number in '000)	
Weighted average number of ordinary shares	240	240
	(Rupees)	
Basic earnings per share	5,572	3,565

28. DILUTED EARNINGS PER SHARE

	2013	2012
	(Rupees in '000)	
Profit for the year	1,337,308	855,552
	(Number in '000)	
Weighted average number of ordinary shares	240	240
	(Rupees)	
Diluted earnings per share	5,572	3,565

28.1 There were no convertible potential ordinary shares outstanding as on December 31, 2013 and December 31, 2012.

29. CASH AND CASH EQUIVALENTS

	Note	2013	2012
		(Rupees in '000)	
Cash and balances with treasury banks	6	30,795	32,650
Balances with other banks	7	27,561	712,522
		58,356	745,172

30. STAFF STRENGTH

	2013	2012
	(Number)	
Permanent	63	67
Temporary / on contractual basis	2	4
Own staff strength at the end of the year	65	71
Outsourced	26	28
Total staff strength	91	99

31. DEFINED BENEFIT PLAN

31.1 Staff retirement gratuity

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

31.1.2 Principal actuarial assumptions

	Note	2013	2012
		(% per annum)	
Discount rate		13.00	12.00
Expected rate of increase in salaries		13.00	12.00

31.1.3 Reconciliation of payable to defined benefit plan

	Note	2013	2012
		(Rupees in '000)	
			(Restated)
Present value of defined benefit obligations	31.1.6	146,168	124,031
Fair value of plan assets	31.1.7	(130,032)	(107,125)
		16,136	16,906

31.1.4 Movement in payable to defined benefit plan

	Note	2013	2012
Opening balance		16,906	13,555
Expense charged in the current year	31.1.5	14,287	15,433
Company's contribution to gratuity fund		(24,474)	(14,313)
Remeasurements recognized in OCI during the year	5.1.1	9,417	2,231
Closing balance		16,136	16,906

31.1.5 Charge for defined benefit plan

	2013	2012
	(Rupees in '000)	
Cost recognized in profit and loss account for the year:		
Current service cost	12,319	12,259
Interest cost	15,356	14,212
Expected return on plan assets	(13,388)	(11,038)
Recognized prior service cost	-	-
	14,287	15,433
Remeasurements recognized in OCI during the year:		
Actuarial loss on obligation	5,326	1,306
Actuarial loss on assets	4,091	924
	9,417	2,230
Total defined benefit cost recognized in profit and loss and OCI	23,704	17,663

31.1.6 Reconciliation of present value of defined benefit obligation

	2013	2012
Opening balance of defined benefit obligation	124,031	106,149
Current service cost	12,319	12,259
Interest cost	15,356	14,212
Benefits paid during the year	(10,864)	(9,895)
Recognized prior service cost	-	-
Remeasurements: Actuarial loss on obligation	5,326	1,306
Closing balance of defined benefit obligation	146,168	124,031

31.1.7 Reconciliation of fair value of plan assets

	2013	2012
Opening fair value of plan assets	107,125	92,594
Expected return on plan assets during the year	13,388	11,038
Actual contributions made by the employer	24,474	14,313
Actual benefits paid during the year	(10,864)	(9,895)
Remeasurements: Return on plan assets	(4,091)	(925)
Closing fair value of plan assets	130,032	107,125

Actual return on plan assets is 8.60 % as at December 31, 2013 (10.36% as at December 31, 2012).

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

	2013
	(Rupees in '000)
Remeasurements: Actuarial gain/ (loss) on obligation:	
(Loss) due to change in experience adjustments	(5,326)
Total actuarial loss on obligation	(5,326)
Remeasurements: Actuarial gain/ (loss) on assets:	
Actual net return on plan assets	9,220
Less: Interest income on plan assets	13,388
Net return on plan assets	(4,168)
Opening difference	77
Total Remeasurements recognized in OCI during the year	(4,091)

31.1.9 Disaggregation of fair value of plan assets

	2013 (Rupees in '000)
Quoted:	
Cash and cash equivalents	143
Debt instruments - term deposit receipts	129,888

31.1.10 Maturity profile of defined benefit obligation

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

Distribution of timing of benefit payments Years	2013 Benefit Payments (Rupees in '000)
1	4,729
2	34,539
3	39,791
4	16,794
5	23,953
6 - 10	110,273
11 - 15	116,359
16 - 20	547,811
20+	1,277,578

31.1.11 Expected contribution to the plan

The expected contribution to the plan for the year 2014 is Rs. 14.439 million.

31.1.12 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	2013 Benefit Payments (Rupees in '000)
Base	146,168
Discount rate +1%	136,532
Discount rate -1%	157,229
Future salary increases +1%	157,819
Future salary increases -1%	135,846

32. DEFINED CONTRIBUTION PLAN

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

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Fee	-	-	11,915	11,081	-	-
Managerial remuneration	14,240	2,400	-	-	192,767	183,607
Charge for defined benefit plan	-	-	-	-	12,526	12,347
Contribution to defined contribution plan	-	-	-	-	15,577	14,975
Rent and house maintenance	2,400	-	-	-	-	-
Utilities	928	19	-	-	-	-
Medical	269	-	-	-	-	-
Bonus paid	1,000	-	-	-	45,973	34,611
Others	676	264	-	-	-	-
	19,513	2,683	11,915	11,081	266,843	245,540
No. of persons	1	1	5	5	66	66

33.1 The Chief Executive is also provided with the free use of Company maintained car.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On balance sheet financial instruments

	2013		2012	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
Financial Assets				
- Cash balances with treasury banks	30,795	30,795	32,650	32,650
- Balances with other banks	27,561	27,561	712,522	712,522
- Lendings to financial institutions	5,824,062	5,824,062	-	-
- Investments	6,524,324	17,820,710	19,793,097	26,876,943
- Advances	3,772,490	3,772,490	5,242,401	5,242,401
- Other assets	117,886	117,886	147,559	147,559
	16,297,118	27,593,504	25,928,229	33,012,075
Financial Liabilities				
- Borrowings	5,042,353	5,042,353	14,839,975	14,839,975
- Deposits and other accounts	349,680	349,680	1,015,429	1,015,429
- Other liabilities	357,166	357,166	358,770	358,770
	5,749,199	5,749,199	16,214,174	16,214,174

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

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

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2013					
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
	(Rupees in '000)					
Total income - gross	787,279	1,086,796	-	1,377,103	26,472	3,277,650
Total mark-up / return / interest expense	(448,645)	(570,467)	-	-	-	(1,019,112)
Segment provision / impairment / unrealised losses	(103,639)	-	-	-	-	(103,639)
	(552,284)	(570,467)	-	-	-	(1,122,751)
Net operating income	234,995	516,329	-	1,377,103	26,472	2,154,899
Administrative expenses and other charges						(502,823)
Profit before taxation						1,652,076
Segment assets - net	4,437,238	6,885,101	-	4,256,923	1,709,877	17,289,139
Segment non-performing loans	1,992,396	-	-	-	-	1,992,396
Segment provision required and held	1,733,766	-	-	-	-	1,733,766
Segment liabilities	5,118,790	349,680	-	-	296,865	5,765,335
Segment return on net assets (ROA) %	14.37	9.69	-	35.63	1.54	-
Segment cost of funds (%)	9.55	9.21	-	-	-	-

	2012					
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
	(Rupee in '000)					
Total income - gross	890,221	1,497,612	228	955,008	20,040	3,363,109
Total mark-up / return / interest expense	(293,746)	(1,311,914)	-	-	-	(1,605,660)
Segment provision / impairment / unrealised gains	(54,714)	2,822	-	(46,511)	-	(98,403)
	(348,460)	(1,309,092)	-	(46,511)	-	(1,704,063)
Net operating income	541,761	188,520	228	908,497	20,040	1,659,046
Administrative expenses and other charges						(485,332)
Profit before taxation						1,173,714
Segment assets - net (restated)	5,910,146	15,246,503	-	3,668,325	1,804,750	26,629,724
Segment non-performing loans	1,771,283	-	-	-	-	1,771,283
Segment provision required and held	1,636,742	-	-	-	-	1,636,742
Segment liabilities (restated)	4,225,806	11,710,134	-	-	295,140	16,231,080
Segment return on net assets (ROA) %	13.73	11.55	-	26.23	1.14	-
Segment cost of funds (%)	10.68	11.04	-	-	-	-

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

36. RELATED PARTY TRANSACTIONS

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

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

	2013	2012
	(Rupees in '000)	
Expenses charged to a related party	17,244	16,863
Expenses charged by		
- associates	873	896
- other related party	16,944	16,494
Dividend income from		
- associates	584,319	492,480
Gain on disposal of shares of subsidiary	15,000	-
Gain on disposal of shares of associates	115,237	19,279
Mark-up earned on bank deposit with an associate	807	502
Mark-up earned on loans and advances		
- key management personnel	913	757
Loans and advances to key management personnel		
Balance as at January 1,	38,062	43,918
Disbursement during the year	2,234	12,716
Recovery during the year	(11,389)	(18,572)
	(9,155)	(5,856)
Balance as at December 31,	28,907	38,062
Mark-up expense on COI		
- associates	1,809	5,506
- other related party	306	929
Deposits / COIs		
- associates	-	35,000
- other related party	2,500	2,500
Bank balances with an associate	25,154	8,474
Mark-up receivable on bank deposit with an associate	49	40
Mark-up payable to related party		
- associates	-	1,274
- other related party	1,159	852
Investments in		
- quoted, at market values		
- associates	13,128,977	8,933,309
- unquoted, at cost		
- subsidiary company	-	60,000
- associates	174,000	199,000
- other related party	500	500
Contribution made to provident fund	15,541	15,625
Contribution made to gratuity fund	24,474	14,313

Key management personnel

Key management personnel include the Managing Director, Deputy General Manager / Chief Financial Officer, Head of Corporate Finance & Investment Banking, Head of Risk Management, Head of Capital Markets & Treasury, Head of Compliance, Head of Internal Audit and Head of Human Resources. Their salaries and other benefits amount to Rs. 78.095 million (2012: Rs. 60.814 million) and staff retirement benefits amount to Rs. 9.138 million (2012: Rs. 9.064 million).

37. ASSOCIATES

The investments in associates are valued as stated in note 5.5 above. The Company's associates are those companies in which it holds more than 20% of the equity or has significant influence and have common directorship. These include Al-Meezan Mutual Fund Limited (9.71%), Al-Meezan Investment Management Limited (30%), Meezan Bank Limited (30%), The General Tyre and Rubber Company of Pakistan Limited (28%), Plexus (Private) Limited (50%), Pak Kuwait Takaful Company Limited (30%), National Clearing Company of Pakistan Limited (17.65%) and Meezan Balanced Fund (9.10%).

38. CAPITAL ADEQUACY Capital adequacy disclosures under Basel III have been given on PKIC website (www.pkic.com).

38.1 State Bank of Pakistan (SBP) requires Banks/DFIs to maintain regulatory capital for credit, market and operational risks which should atleast be equal to 10% of total risk weighted assets. The Basel II Framework for capital adequacy is applicable to the Company both at the standalone level and also on consolidated basis. The Company monitors its capital adequacy ratio and endeavours to maintain it at a level sufficiently higher than the minimum regulatory requirement. The Company calculates capital requirement as per Basel II regulatory framework, using the Standardized Approach for Credit Risk and Market Risk whereas Basic Indicator Approach for Operational Risk.

Objectives of Capital Management

The capital management objectives of the Company are as follows:

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

Capital Management

The Company maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company has complied with all externally imposed capital requirements throughout the year.

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

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

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

Statutory Capital Requirement

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

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

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

38.2 Capital adequacy ratio

	2013	2012 (Restated)
	(Rupees in '000)	
CAP 1		
Tier 1 Capital		
Fully paid-up share capital	6,000,000	6,000,000
General Reserves as disclosed in the statement of financial position	3,553,438	3,285,976
Unappropriated profit	1,490,095	876,584
Sub-Total	11,043,533	10,162,560
Deductions:		
Book value of Intangibles	42,318	40,015
Deficit on account of revaluation of investments held AFS category	-	-
Other deductions (50% of the amount as calculated on CAP 2)	833,827	863,827
Sub-Total	876,145	903,842
Total eligible Tier 1 Capital	10,167,388	9,258,718
Supplementary Capital		
Tier 2 Capital	229,410	124,653
Deductions		
Other deductions (50% of the amount as calculated on CAP 2)	833,827	863,827
Total deductions	833,827	863,827
Total supplementary capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier 1 capital)	(604,417)	(739,174)
Total eligible capital (A)	9,562,971	8,519,544

Risk weighted exposures	Capital Requirements		Risk Weighted Assets	
	2013	2012 (Restated)	2013	2012 (Restated)
	(Rupees in '000)			
Credit risk				
PSE's	40,999	3,066	409,990	30,662
Banks	77,783	14,422	777,831	144,215
Corporates	172,363	300,662	1,723,627	3,006,617
Retail portfolio	3,192	2,813	31,917	28,132
Secured by residential property	2,302	3,026	23,019	30,258
Past due loans	28,052	15,662	280,517	156,623
Listed equity investments	79,154	102,141	791,542	1,021,406
Unlisted equity investments	22,629	13,405	226,291	134,045
Investments in fixed assets	16,154	17,132	161,537	171,318
Other assets	37,650	30,998	376,504	309,978
	480,278	503,325	4,802,775	5,033,254
Credit risk on off balance sheet				
Non market related	194,557	261,287	1,945,573	2,612,867
Market Risk				
Equity position risk	600,720	393,680	6,007,204	3,936,795
Operational risk	268,635	226,440	2,686,350	2,264,401
(B)	1,544,190	1,384,732	15,441,902	13,847,317

Capital adequacy ratios		2013	2012
Total eligible regulatory capital	(A)	9,562,971	8,519,544
Total risk weighted assets	(B)	15,441,902	13,847,317
TOTAL CAPITAL ADEQUACY RATIO	(A)/(B) * 100	61.93%	61.52%

38.3 Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA
PSE's	✓	-
Banks	✓	✓
Corporates	✓	✓
Sovereigns and GOP other than PKR	-	-

38.4 Credit exposures subject to standardised approach

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
		-------------------(Rupees in '000)-------------------		
Banks	1	3,889,153	-	3,889,153
Corporates				
	1	1,196,326	-	1,196,326
	2	1,451,149	-	1,451,149
	Unrated	758,788	-	758,788
		7,295,416	-	7,295,416

39. RISK MANAGEMENT

Risk is an integral part of business and the Company aims at delivering superior shareholder value by achieving an appropriate trade-off between risk and returns. Risk Management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The risks that the Company takes are reasonable, controlled within its financial resources and credit competence. The primary objective of this risk management is to ensure that the process of achieving an appropriate balance between risks the Company wishes to accept (at a price that is commensurate to that risk) and risks the Company wishes to mitigate, or whenever capital is put at risk, is done in an objective, documented and transparent fashion and also to ensure that these risks are taken within predefined and pre-approved tolerance limits / levels.

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

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

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

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

The Company is in the process of implementing Risk Management System ORACLE REVELEUS. The system will cater all the major risk areas which include Credit, Market, Operational and Liquidity Risks. The system will facilitate in achieving requirements of developing advance risk models, improving risk reporting frequency, improving the overall control environment by developing system in-built controls, towards implementation of advance approaches of Basel – II.

39.1 Credit risk

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

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

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

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

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

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

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

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

39.1.1 Segment Information

39.1.1.1 Segment by class of business

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

	2012					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Textile	2,130,675	30.98	-	-	-	-
Chemical and pharmaceutical	1,041,240	15.14	-	-	64,000	13.50
Cement	93,333	1.36	-	-	-	-
Sugar	390,202	5.67	-	-	3,208	0.68
Footwear and leather garments	13,238	0.19	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	11,111	0.16	-	-	-	-
Construction	322,819	4.69	-	-	-	-
Transport, storage and communication	250,000	3.63	-	-	-	-
Financial and Insurance	-	-	450,000	44.32	-	-
Power	1,746,074	25.39	-	-	-	-
Trusts	-	-	362,929	35.74	-	-
Services	309,053	4.49	202,500	19.94	6,718	1.42
Individuals	123,961	1.80	-	-	-	-
Education	-	-	-	-	200,000	42.20
Others	447,437	6.50	-	-	200,000	42.20
	6,879,143	100.00	1,015,429	100.00	473,926	100.00

39.1.1.2 Segment by sector

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

	2012					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	59,127	0.86	-	-	-	-
Private	6,820,016	99.14	1,015,429	100.00	473,926	100.00
	6,879,143	100.00	1,015,429	100.00	473,926	100.00

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

	2013		2012	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	------------------------(Rupees in '000)------------------------			
Textile	993,988	993,988	1,034,621	1,026,170
Construction	169,111	169,111	171,289	170,200
Cement	93,333	93,333	93,333	93,333
Others	735,964	477,334	472,040	347,039
	1,992,396	1,733,766	1,771,283	1,636,742

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

	2013		2012	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	----------------------(Rupees in '000)----------------------			
Public / government	-	-	-	-
Private	1,992,396	1,733,766	1,771,283	1,636,742
	1,992,396	1,733,766	1,771,283	1,636,742

39.2 Liquidity risk

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

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

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

39.2.1 Maturities of assets and liabilities

	2013									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
	---(Rupees in '000)---									
Assets										
Cash and balances with treasury banks	30,795	30,795	-	-	-	-	-	-	-	-
Balances with other banks	27,561	27,561	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,824,062	5,824,062	-	-	-	-	-	-	-	-
Investments	6,524,324	-	-	116	2,873,988	312,916	1,881,658	913,634	542,012	-
Advances	3,772,490	85,524	121,029	564,753	529,275	893,739	662,094	733,472	158,511	24,093
Operating fixed assets	203,854	1,327	2,650	3,975	7,952	15,904	15,904	27,550	18,370	110,222
Deferred tax assets	360,320	32,908	17,150	-	-	-	-	-	310,262	-
Other assets	545,733	35,186	62,879	31,969	465	411,656	83	3,495	-	-
	17,289,139	6,037,363	203,708	600,813	3,411,680	1,634,215	2,559,739	1,678,151	1,029,155	134,315
Liabilities										
Borrowings	5,042,353	6,881	22,228	23,298	802,408	3,072,305	48,999	1,047,299	18,935	-
Deposits and other accounts	349,680	7,200	306,980	33,000	-	2,500	-	-	-	-
Other liabilities	373,302	130,227	204,525	1,606	14,171	5,928	1,161	15,684	-	-
	5,765,335	144,308	533,733	57,904	816,579	3,080,733	50,160	1,062,983	18,935	-
Net assets	11,523,804	5,893,055	(330,025)	542,909	2,595,101	(1,446,518)	2,509,579	615,168	1,010,220	134,315
Share capital	6,000,000									
Reserves	3,553,438									
Accumulated profit	1,490,095									
Surplus on revaluation of 'available-for-sale' securities – net of tax	480,271									
	11,523,804									

	2012									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
	---(Rupees in '000)---									
Assets										
Cash and balances with treasury banks	32,650	32,650	-	-	-	-	-	-	-	-
Balances with other banks	712,522	12,522	700,000	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	19,793,097	5,468,127	4,940,693	2,901,439	2,349,995	329,788	1,551,468	651,235	1,600,352	-
Advances	5,242,401	145,752	105,194	287,115	1,267,697	1,059,999	959,640	1,031,301	346,758	38,945
Operating fixed assets	211,333	1,440	2,883	4,325	8,652	17,304	17,304	27,274	18,879	113,272
Deferred tax assets (restated)	276,517	57,167	39,990	5,076	20,328	-	-	-	153,956	-
Other assets	361,204	19,604	111,835	41,753	3,873	180,339	-	3,800	-	-
	26,629,724	5,737,262	5,900,595	3,239,708	3,650,545	1,587,430	2,528,412	1,713,610	2,119,945	152,217
Liabilities										
Borrowings	14,839,975	10,699,482	22,284	23,458	52,407	854,816	3,072,305	80,437	34,786	-
Deposits and other accounts	1,015,429	256,751	514,910	230,770	10,498	-	2,500	-	-	-
Other liabilities (restated)	375,676	201,992	83,793	48,817	3,750	19,737	5,621	11,966	-	-
	16,231,080	11,158,225	620,987	303,045	66,655	874,553	3,080,426	92,403	34,786	-
Net assets	10,398,644	(5,420,963)	5,279,608	2,936,663	3,583,890	712,877	(552,014)	1,621,207	2,085,159	152,217
Share capital	6,000,000									
Reserves	3,285,976									
Accumulated profit (restated)	876,584									
Surplus on revaluation of 'available-for-sale' securities – net of tax	236,084									
	10,398,644									

39.3 Market risk

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

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

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

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

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

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

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

To facilitate the overall Market Risk Management process, the Company has successfully implemented one of the module of Oracle Reveleus for Market Risk Management System. The system went Live during the year.

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

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

39.3.1 Interest rate risk

Interest Rate Risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specific period. The Company manages its interest rate risk by entering into floating rate agreements with its customers. The interest rate risk strategy is discussed in ALCO meetings on periodic basis. The Risk Management Function carries out stress testing to ascertain the interest rate risk on the statement of financial position and also prepares the interest rate risk profile on monthly basis.

The proceedings of ALCO are reported to the Risk Management Committee of the Board on quarterly basis.

2013

	Effective yield / interest rate %	Exposed to yield / profit risk										Not exposed to yield /interest rate risk
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years	
		----(Rupees in '000)----										
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks	-	30,795	-	-	-	-	-	-	-	-	-	30,795
Balances with other banks	6.00	27,561	27,404	-	-	-	-	-	-	-	-	157
Lendings to financial institutions	9.96	5,824,062	5,824,062	-	-	-	-	-	-	-	-	-
Investments	9.00	6,524,324	-	-	574,300	-	-	124,196	497,034	391,962	-	4,936,832
Advances	11.67	3,772,490	900,257	574,800	1,814,353	200,523	75,051	43,410	50,004	31,200	19,154	63,738
Other assets	-	117,886	-	-	-	-	-	-	-	-	-	117,886
		16,297,118	6,751,723	574,800	2,388,653	200,523	75,051	167,606	547,038	423,162	19,154	5,149,408
Financial Liabilities												
Borrowings	10.15	5,042,353	2,006,881	2,772,228	23,298	52,408	72,305	48,999	47,299	18,935	-	-
Deposits and other accounts	9.43	349,680	7,200	306,980	33,000	-	2,500	-	-	-	-	-
Other liabilities	-	357,166	-	-	-	-	-	-	-	-	-	357,166
		5,749,199	2,014,081	3,079,208	56,298	52,408	74,805	48,999	47,299	18,935	-	357,166
On balance sheet gap		10,547,919	4,737,642	(2,504,408)	2,332,355	148,115	246	118,607	499,739	404,227	19,154	4,792,242

2012

	Effective yield / interest rate %	Exposed to yield / profit risk										Not exposed to yield /interest rate risk
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years	
		----(Rupees in '000)----										
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks	-	32,650	-	-	-	-	-	-	-	-	-	32,650
Balances with other banks	9.57	712,522	12,438	700,000	-	-	-	-	-	-	-	84
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	10.37	19,793,097	5,468,127	4,934,308	3,376,512	253,481	-	-	164,118	1,450,242	-	4,146,309
Advances	11.94	5,242,401	871,487	827,698	2,897,761	231,495	111,993	77,787	78,640	46,027	30,904	68,609
Other assets	-	147,559	-	-	-	-	-	-	-	-	-	147,559
		25,928,229	6,352,052	6,462,006	6,274,273	484,976	111,993	77,787	242,758	1,496,269	30,904	4,395,211
Financial Liabilities												
Borrowings	9.28	14,839,975	12,699,482	1,772,284	23,458	52,407	104,816	72,305	80,437	34,786	-	-
Deposits and other accounts	10.35	1,015,429	256,751	514,910	230,770	10,498	-	2,500	-	-	-	-
Other liabilities	-	358,770	-	-	-	-	-	-	-	-	-	358,770
		16,214,174	12,956,233	2,287,194	254,228	62,905	104,816	74,805	80,437	34,786	-	358,770
On balance sheet gap		9,714,055	(6,604,181)	4,174,812	6,020,045	422,071	7,177	2,982	162,321	1,461,483	30,904	4,036,441

39.3.2 Currency risk

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

	2013			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	----------(Rupees in '000)----------			
Pakistan Rupees	17,288,510	5,765,335	3,065,573	8,457,602
United States Dollars	629	-	-	629
	17,289,139	5,765,335	3,065,573	8,458,231

	2012			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	----------(Rupees in '000)----------			
Pakistan Rupees (restated)	26,628,839	16,231,080	473,926	9,931,580
United States Dollars	885	-	-	885
	26,629,724	16,231,080	473,926	9,932,465

39.3.3 Equity price risk

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

ALCO is responsible for overseeing investment strategies in the capital market and setting limits that are a component of the risk management framework. Equity Price Risk is monitored and controlled through various regulatory and internal limits. Portfolio, sector and scrip-wise limits are assigned by the ALCO such as overall exposure limits in capital market HFT and AFS portfolio, mark-to-market limit on trading portfolio, sector-wise Investment limits in various sectors to guard against concentration risk. These limits are monitored on daily basis and are reviewed and revised periodically by ALCO. Portfolio Management Committee has been constituted to decide daily operations with respect to trading activities of equity portfolio. The Company calculates Value at Risk (VaR) on a daily basis using Historical Method and Variance Covariance Approach taking into consideration the data of over 3 years. The findings of VaR are reported to Risk Management Committee of the Board on quarterly basis.

39.4 Operational risk

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

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

During the year, BCP plan was revised in the light of regulatory framework and considering Company's nature, size and complexity of business. The revised plan targets Operational Risk Events ranging from minor business hinderences to severe business disruptions and it details the step by step procedures for disaster management covering the aspects of continuity, restoration and recovery. Periodic BCP testing is also conducted.

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

40. ACCOUNTING ESTIMATES AND JUDGEMENTS

40.1 Provision against non-performing advances

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

40.2 Classification of investments

In classifying investments as 'held-for-trading' the Company has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as 'held-to-maturity' the Company follows the guidance provided in SBP circulars on classifying non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgement, the Company evaluates its intention and ability to hold such investment to maturity.

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

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

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

40.4 Income taxes

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

40.5 Useful life and residual value of property and equipment

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

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on January 27, 2014.

42. GENERAL AND NON-ADJUSTING EVENT

42.1 The JCR-VIS Credit Rating Company Limited has reaffirmed long term credit ratings of AAA (Triple A) and the short term rating of A1+(A one plus) for the Company. The Pakistan Credit Rating Agency (PACRA) has also maintained the long-term entity rating to AAA (Triple A) and the short term rating at A1+(A one plus), the highest level.

42.2 The Board of Directors of the Company has proposed cash dividend of Rs. 675 million (2012: Rs. 450 million) for the year ended December 31, 2013 in their meeting held on January 27, 2014. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

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

Chairman | Chief Executive | Director

Annexure - I

QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Company	2013 Market Value	2013 Rating	2012 Market Value	2012 Rating
		(Rupees in '000)		(Rupees in '000)	
	AVAILABLE FOR SALE PORTFOLIO				
	STRATEGIC PORTFOLIO				
1	MEEZAN BANK LIMITED	11,846,345	AA/A-1+	8,143,858	AA-/A-1+
2	THE HUB POWER COMPANY LIMITED	42,055	AA+/A1+	31,333	AA+/A1+
	TOTAL	11,888,400		8,175,191	
	GENERAL PORTFOLIO				
	OIL AND GAS				
3	OIL AND GAS DEVELOPMENT CO. LTD.	-	-	13,630	AAA-/A-1+
4	PAKISTAN STATE OIL COMPANY LIMITED	129,765	Unrated	-	-
5	PAKISTAN OILFIELDS LIMITED	273,741	Unrated	87,508	Unrated
6	PAKISTAN PETROLEUM LIMITED	389,955	Unrated	289,723	Unrated
	TOTAL	793,461		390,861	
	CHEMICALS				
7	ENGRO CORPORATION LIMITED	-	-	138,060	A/A1
8	FAUJI FERTILIZER BIN QASIM LIMITED	259,183	Unrated	204,723	Unrated
9	FAUJI FERTILIZER COMPANY LIMITED	249,525	Unrated	175,710	Unrated
	TOTAL	508,708		518,493	
	CONSTRUCTION AND MATERIALS				
10	D.G.KHAN CEMENT COMPANY LIMITED	42,865	-	-	-
11	CHERAT CEMENT COMPANY LIMITED	42,404	-	-	-
12	LUCKY CEMENT LIMITED	10,046	Unrated	30,308	Unrated
	TOTAL	95,315		30,308	
	AUTOMOBILE AND PARTS				
13	THE GENERAL TYRE & RUBBER CO.	884,341	Unrated	445,190	Unrated
	TOTAL	884,341		445,190	
	PERSONAL GOODS				
14	NISHAT (CHUNIAN) LIMITED	-	-	3,105	A-/A-2
	TOTAL	-		3,105	
	FIXED LINE TELECOMMUNICATION				
15	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	142,200	Unrated	-	-
	TOTAL	142,200		-	
	ELECTRICITY				
16	THE HUB POWER COMPANY LIMITED	-	-	203,580	AA+/A1+
17	KOT ADDU POWER CO. LTD.	305,138	AA+/A-1+	176,312	AA+/A-1+
18	NISHAT CHUNIAN POWER LTD	468,462	A+/A-2	321,817	A/A-2
	TOTAL	773,600		701,709	

Sr. No.	Name of Company	2013 Market Value	2013 Rating	2012 Market Value	2012 Rating
		(Rupees in '000)		(Rupees in '000)	
	BANKS				
19	NATIONAL BANK OF PAKISTAN	153,830	AAA/A-1+	-	-
20	ALLIED BANK LIMITED	99,013	AA+/A1+	44,912	AA+/A1+
21	BANK AL FALAH LIMITED	74,360	AA+/A1+	-	-
22	BANK AL HABIB LIMITED	41,550	AA+/A1+	13,037	AA+/A1+
23	MCB BANK LIMITED	-	-	40,777	AA+/A1+
24	UNITED BANK LIMITED	28,419	AA+/A-1+	100,404	AA+/A-1+
25	HABIB BANK LIMITED	74,867	AAA+/A-1+	-	-
	TOTAL	472,039		199,130	
	FINANCIAL SERVICES				
26	SME LEASING LIMITED	1,125	BB+/B	1,687	BBB-/A-3
27	DADABHOY LEASING COMPANY LIMITED	-	-	-	-
	TOTAL	1,125		1,687	
	EQUITY INVESTMENT INSTRUMENTS				
28	AL MEEZAN MUTUAL FUND LIMITED (O)	241,270	Unrated	216,434	Unrated
29	MEEZAN BALANCED FUND	157,021	Unrated	127,828	Unrated
30	NAMCO BALANCED FUND	-	-	20,611	MFR-3 Star
31	PAK OMAN ADVANTAGE FUND	37,425	A+(f)	46,108	A+(f)
	TOTAL	435,716		410,981	
	PREFERENCE SHARES				
32	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	50,000	Unrated	50,000	Unrated
33	SECURITIES LEASING CORPORATION LIMITED PREFERENCE SHARES 9.1%	-	-	-	-
	PREFERENCE SHARES TOTAL	50,000		50,000	
	GRAND TOTAL	16,044,905		10,926,655	

Annexure - I

As Referred to in Note 9.4 to the financial statements

QUALITY OF AVAILABLE FOR SALE SECURITIES

Sr. No.	Particulars	2013 Market Value	2013 Rating	2012 Market Value	2012 Rating
		(Rupees in '000)		(Rupees in '000)	
	Government Securities				
1	MARKET TREASURY BILLS				
	- Six months	-	GOVERNMENT SECURITIES	10,786,339	GOVERNMENT SECURITIES
	- Twelve months	-		2,485,513	
2	PAKISTAN INVESTMENT BONDS				
	- Five years	13,898	GOVERNMENT SECURITIES	267,689	GOVERNMENT SECURITIES
	- Ten years	888,996		1,450,242	
	Sub Total	902,894		14,989,783	
	Listed Term Finance Certificates				
1	FAYSAL BANK LIMITED -TFCs (10-02-2005) Certificate of Rs. 5,000 each Mark up : 13.60% (6-Months KIBOR Ask Rate + 1.90%) Redemption : Half yearly from Feb -2005 Maturity : Feb, 2013	-	-	5,000	AA-
2	BANK AL FALAH LIMITED - TFC-3 (25-11-2005) Certificate of Rs. 5,000 each Mark up : 11.04% (6-Months Kibor + 1.5%) Redemption : Half Yearly from Nov-2012 Maturity : Nov, 2013	-	-	50,571	AA-
3	ASKARI COMMERCIAL BANK LIMITED -TFCs (04-02-2005) Certificate of Rs. 5,000 each Mark up : 13.24% (6-Months Kibor + 1.5%) Redemption : Half Yearly from Feb-2013 Maturity : Feb, 2013	-	-	26,906	AA-
	Sub Total	-		82,477	

Annexure - I

As Referred to in Note 9.4 to the financial statements

QUALITY OF AVAILABLE FOR SALE SECURITIES

Sr. No.	Name of Securities	2013 Cost	2013 Rating	2012 Cost	2012 Rating
		(Rupees in '000)		(Rupees in '000)	
	Unlisted Term Finance Certificates				
1	BANK AL FALAH LIMITED Certificate of Rs. 5,000 each Mark up : 12.58% (6-Months KIBOR Ask Rate + 2.50%) Redemption : Half yearly from Dec - 2009 Maturity : Nov - 2017 CEO of the company : Mr. Atif Bajwa	99,840	AA-	99,880	AA-
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED Certificate of Rs. 5,000 each Mark up : 16.37% (KIBOR 3-Months Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : Jul - 2011 CEO of the company : Mr. Mian Pervez Akhtar	21,138	Unrated	21,138	Unrated
3	DEWAN FAROOQUE SPINNING MILLS LIMITED Certificate of Rs. 5,000 each Mark up : 16.66% (KIBOR 6-Months Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec - 2009 CEO of the company : Mr. Dewan Abdul Baqi Farooqui	12,500	Unrated	12,500	Unrated
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 12.40% (KIBOR 3-Months Ask Rate + 0.75%) Redemption : Half yearly Installments commencing from Dec - 2010 Maturity : Dec - 2017 CEO of the company : Mr. Naved A. Khan	324,610	AA-	324,740	AA-
5	BANK AL HABIB LIMITED Certificate of Rs. 5,000 each Mark up : 15.00% - 15.50% Redemption : Half yearly Maturity : Jun - 2021 CEO of the company : Mr. Abbas D. Habib	149,850	AA	149,910	AA
	Sub Total	607,938		608,168	

Annexure - II

PARTICULARS OF INVESTMENT HELD IN SHARES OF LISTED COMPANIES

Sr. No.	Name of Company	Total Shares 2013	Total Shares 2012	2013 Cost	2013 Impairment	2013 Cost after Impairment	2012 Cost	2012 Impairment	2012 Cost after Impairment
				(Rupees in '000)					
	AVAILABLE FOR SALE PORTFOLIO								
	PKIC STRATEGIC PORTFOLIO								
1	MEEZAN BANK LIMITED	300,821,365	271,010,239	1,519,905	-	1,519,905	1,519,905	-	1,519,905
2	THE HUB POWER COMPANY LIMITED	692,602	692,602	23,850	-	23,850	23,850	-	23,850
	TOTAL	301,513,967	271,702,841	1,543,755	-	1,543,755	1,543,755	-	1,543,755
	PKIC GENERAL PORTFOLIO								
	OIL AND GAS								
3	OIL AND GAS DEVELOPMENT CO. LTD.	-	70,766	-	-	-	12,084	-	12,084
4	PAKISTAN STATE OIL COMPANY LIMITED	390,600	-	104,961	-	104,961	-	-	-
5	PAKISTAN OILFIELDS LIMITED	550,000	200,000	251,813	-	251,813	75,782	-	75,782
6	PAKISTAN PETROLEUM LIMITED	1,822,560	1,638,800	282,331	-	282,331	289,118	-	289,118
	TOTAL	2,763,160	1,909,566	639,105	-	639,105	376,984	-	376,984
	CHEMICALS								
7	ENGRO CORPORATION LIMITED	-	1,500,000	-	-	-	152,496	-	152,496
8	FAUJI FERTILIZER BIN QASIM LIMITED	5,916,080	5,305,080	245,152	-	245,152	222,352	-	222,352
9	FAUJI FERTILIZER COMPANY LIMITED	2,228,700	1,500,000	255,245	-	255,245	173,104	-	173,104
	TOTAL	8,144,780	8,305,080	500,397	-	500,397	547,952	-	547,952
	CONSTRUCTION AND MATERIALS								
10	D.G. KHAN CEMENT COMPANY LTD.	500,000	-	32,928	-	32,928	-	-	-
11	CHERAT CEMENT COMPANY LIMITED	670,000	-	35,793	-	35,793	-	-	-
12	LUCKY CEMENT LIMITED	33,500	200,000	7,442	-	7,442	29,930	-	29,930
	TOTAL	1,203,500	200,000	76,163	-	76,163	29,930	-	29,930
	AUTOMOBILE AND PARTS								
13	THE GENERAL TYRE & RUBBER CO.	16,774,292	16,774,292	173,480	-	173,480	173,480	-	173,480
	TOTAL	16,774,292	16,774,292	173,480	-	173,480	173,480	-	173,480
	PERSONAL GOODS								
14	NISHAT (CHUNIAN) LIMITED	-	88,614	-	-	-	2,086	685	1,401
	TOTAL	-	88,614	-	-	-	2,086	685	1,401
	FIXED LINE TELECOMMUNICATION								
15	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	5,000,000	-	118,028	-	118,028	-	-	-
	TOTAL	5,000,000	-	118,028	-	118,028	-	-	-
	ELECTRICITY								
16	THE HUB POWER COMPANY LIMITED	-	4,500,000	-	-	-	205,828	-	205,828
17	KOT ADDU POWER CO. LTD.	4,941,500	3,569,801	294,770	-	294,770	157,518	-	157,518
18	NISHAT CHUNIAN POWER LTD	13,469,302	15,317,302	282,011	-	282,011	192,401	-	192,401
	TOTAL	18,410,802	23,387,103	576,781	-	576,781	555,747	-	555,747

Sr. No.	Name of Company	Total Shares 2013	Total Shares 2012	2013 Cost	2013 Impairment	2013 Cost after Impairment	2012 Cost	2012 Impairment	2012 Cost after Impairment
				-------(Rupees in '000)-------					
	BANKS								
19	NATIONAL BANK OF PAKISTAN	2,649,500	-	133,984	-	133,984	-	-	-
20	ALLIED BANK LIMITED	1,100,144	611,131	66,423	-	66,423	37,594	-	37,594
21	BANK AL-FALAH LIMITED	2,750,000	-	53,602	-	53,602	-	-	-
22	BANK AL-HABIB LIMITED	1,000,000	410,855	35,049	-	35,049	10,907	-	10,907
23	MCB BANK LIMITED	-	194,400	-	-	-	34,503	-	34,503
24	UNITED BANK LIMITED	214,400	1,200,000	26,816	-	26,816	89,918	-	89,918
25	HABIB BANK LIMITED	449,300	-	72,707	-	72,707	-	-	-
	TOTAL	8,163,344	2,416,386	388,581	-	388,581	172,922	-	172,922
	FINANCIAL SERVICES								
26	SME LEASING LIMITED	225,000	225,000	2,475	1,688	787	2,475	1,688	787
27	DADABHOY LEASING COMPANY LIMITED	10,750	10,750	13	13	-	13	13	-
	TOTAL	235,750	235,750	2,488	1,701	787	2,488	1,701	787
	EQUITY INVESTMENT INSTRUMENTS								
28	AL MEEZAN MUTUAL FUND LIMITED	16,895,690	16,895,690	72,207	11,511	60,696	92,279	14,711	77,568
29	MEEZAN BALANCED FUND	11,057,791	11,057,791	110,578	32,067	78,511	110,578	32,068	78,510
30	NAMCO BALANCED FUND	-	4,339,131	-	-	-	39,351	26,365	12,986
31	PAK OMAN ADVANTAGE FUND	4,990,000	4,990,000	49,900	17,465	32,435	49,900	17,465	32,435
	TOTAL	32,943,481	37,282,612	232,685	61,043	171,642	292,108	90,609	201,499
	PREFERENCE SHARES								
32	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	5,000,000	5,000,000	50,000	-	50,000	50,000	-	50,000
33	SECURITY LEASING CORPORATION LIMITED (PREF.SHARES) 9.1%	500,000	500,000	5,029	5,029	-	5,029	5,029	-
	PREFERENCE SHARES TOTAL	5,500,000	5,500,000	55,029	5,029	50,000	55,029	5,029	50,000
	GRAND TOTAL	400,653,076	367,802,244	4,306,492	67,773	4,238,719	3,752,481	98,024	3,654,457

HELD FOR TRADING PORTFOLIO

Sr. No.	Name of Company	Total Shares 2013	Total Shares 2012	2013 Cost	2013 Impairment	2013 Cost after Impairment	2012 Cost	2012 Impairment	2012 Cost after Impairment
	TEXTILE COMPOSITE								
1	NISHAT MILLS LIMITED	-	100,000	-	-	-	6,410	-	6,410
	TOTAL	-	100,000	-	-	-	6,410	-	6,410
	TOTAL - HELD FOR TRADING PORTFOLIO	-	100,000	-	-	-	6,410	-	6,410

Annexure - II

As Referred to in Note 9.4 to the financial statements

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Sr. No.	Name of TFCs	2013	2012	2013	2012
		NUMBER OF TFCs		COST (Rupees in '000)	
	Particulars of investments held in listed term finance certificates (TFCs)				
1	FAYSAL BANK LIMITED -TFCs (10-02-2005) Certificate of Rs. 5,000 each Mark up : 13.60% (6-Months KIBOR Ask Rate + 1.90%) Redemption : Half yearly Installments commencing from Feb -2005 Maturity : Feb - 2013	-	998	-	4,992
2	BANK AL FALAH - TFC-III (25-11-2005) Certificate of Rs. 5,000 each Mark up : 11.04% (6-Months Kibor + 1.5%) Redemption : Half Yearly from Nov-2012 Maturity : Nov - 2013	-	10,058	-	50,133
3	ASKARI COMMERCIAL BANK LIMITED -TFCs (04-02-2005) Certificate of Rs. 5,000 each Mark up : 13.24% (6-Months Kibor + 1.5%) Redemption : Half Yearly from Feb-2013 Maturity : Feb - 2013	-	5,384	-	26,912
	TOTAL	-	16,440	-	82,037

Pak Kuwait

Annexure - II

As Referred to in Note 9.4 to the financial statements

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Sr. No.	Name of TFCs	2013	2012	2013	2012
		NUMBER OF TFCs		COST (Rupees in '000)	
	Particulars of investments held in unlisted term finance certificates (TFCs)				
1	BANK AL FALAH LIMITED Certificate of Rs. 5,000 each Mark up : 12.58% (6-Months KIBOR + 2.50%) Redemption : Half yearly from Dec - 2009 Maturity : Nov - 2017	19,968	19,976	99,840	99,880
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED Certificate of Rs. 5,000 each Mark up : 16.37% (3-Months KIBOR Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : Jul - 2011	4,228	4,228	21,138	21,138
3	DEWAN FAROOQUE SPINNING MILLS LIMITED Certificate of Rs. 5,000 each Mark up : 16.66% (6-Months KIBOR Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec - 2009	2,500	2,500	12,500	12,500
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 12.40% (3-Months KIBOR Ask Rate + 0.75%) Redemption : Half yearly Installments commencing from June 2011 Maturity : Dec - 2017	64,922	64,948	324,610	324,740
5	BANK AL-HABIB LIMITED Certificate of Rs. 5,000 each Mark up : 15.00% - 15.50% Redemption : Half yearly Maturity : June - 2021	29,970	29,982	149,850	149,910
	TOTAL	121,588	121,634	607,938	608,168

Annexure - III

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED
DURING THE YEAR ENDED 31 December 2013

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	NIC / CNIC Nos.	Father's/ Husband's	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
					Principal name	Interest/	Others Mark-up	Total				
1	2	3		4	5	6	7	8	9	10	11	12
	Rupees in '000											
2013												
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
				Sub Total (2013) :	-	-	-	-	-	-	-	-

Consolidated Financial Statements

For the year ended December 31, 2013

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530, Pakistan

Tel: +9221 3565 0007
Fax: +9221 3568 1965
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Pakistan Kuwait Investment Company (Private) Limited (the Holding Company) and its subsidiary company (together referred to as Group) as at 31 December 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof for the year then ended. We have also expressed separate audit opinion on the financial statements of the Holding Company. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such test of accounting records and such other auditing procedures as we consider necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly, the financial position of the Group as at 31 December 2013 and the results of its operations for the year then ended.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Omer Chughtai

January 27, 2014
Karachi.

Consolidated Statement of Financial Position

As at December 31, 2013

2013	2012		Note	2013	2012 (Restated)
(USD in '000)				(Rupees in '000)	
		ASSETS			
291	309	Cash and balances with treasury banks	6	30,795	32,650
261	6,748	Balances with other banks	7	27,561	712,976
55,126	-	Lendings to financial institutions	8	5,824,062	-
112,511	229,089	Investments	9	11,886,802	24,203,303
35,707	49,620	Advances	10	3,772,490	5,242,401
1,930	2,387	Operating fixed assets	11	203,854	252,233
-	-	Deferred tax assets	12	-	-
5,165	3,422	Other assets	13	545,733	361,485
210,991	291,575			22,291,297	30,805,048
		LIABILITIES			
-	-	Bills payable		-	-
47,727	140,463	Borrowings	14	5,042,353	14,839,975
3,310	9,611	Deposits and other accounts	15	349,680	1,015,429
-	-	Subordinated loans		-	-
-	-	Liabilities against assets subject to finance lease		-	-
2,430	2,198	Deferred tax liabilities	12	256,857	232,242
3,533	3,561	Other liabilities	16	373,302	376,203
57,000	155,833			6,022,192	16,463,849
153,991	135,742	NET ASSETS		16,269,105	14,341,199
		REPRESENTED BY			
56,791	56,791	Share capital	17	6,000,000	6,000,000
33,634	31,102	Reserves	17.3	3,553,438	3,285,976
57,989	42,505	Unappropriated profit		6,126,502	4,490,626
148,414	130,398			15,679,940	13,776,602
5,577	5,344	Surplus on revaluation of 'available-for-sale' securities - net of tax	18	589,165	564,597
153,991	135,742			16,269,105	14,341,199
		CONTINGENCIES AND COMMITMENTS	19		

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

Chairman | Chief Executive | Director

Consolidated Profit and Loss Account

For the year ended December 31, 2013

2013	2012		Note	2013	2012
(USD in '000)				(Rupees in '000)	
16,154	22,383	Mark-up / return / interest earned	20	1,706,704	2,364,815
9,646	15,198	Mark-up / return / interest expensed	21	1,019,112	1,605,660
6,508	7,185	Net mark-up / interest income		687,592	759,155
		Provision against non-performing loans and			
918	558	advances - net	10.4	97,024	58,952
		Reversal of provision against non-performing			
-	(27)	lending to financial institutions		-	(2,822)
		Provision for diminution / impairment			
63	400	in the value of investments	9.3	6,615	42,248
-	-	Bad debts written off directly		-	-
981	931			103,639	98,378
5,527	6,254	Net mark-up / interest income after provisions		583,953	660,777
		NON MARK-UP / INTEREST INCOME			
36	2	Fee, commission and brokerage income		3,854	228
2,364	1,753	Dividend income		249,783	185,254
-	-	Income from dealing in foreign currencies		-	-
6,119	2,667	Gain on sale of securities	22	646,470	281,804
		Unrealised loss on revaluation of			
-	-	'held-for-trading' securities		-	(25)
16,902	13,192	Share in results of associates - Net		1,785,672	1,393,729
381	205	Other income	23	40,257	21,708
25,802	17,819	Total non mark-up / interest income		2,726,036	1,882,698
		NON MARK-UP / INTEREST EXPENSES			
4,761	4,160	Administrative expenses	24	502,987	439,516
-	433	Provision for impairment on operating fixed assets		-	45,724
-	-	Other provisions / write offs		-	-
-	4	Other charges	25	-	452
4,761	4,597	Total non mark-up / interest expenses		502,987	485,692
-	-	Extra ordinary / unusual items		-	-
26,568	19,476	PROFIT BEFORE TAXATION		2,807,002	2,057,783
		Taxation			
3,639	3,565	- Current	26	384,424	376,637
-	-	- Prior years		-	-
595	381	- Deferred	26	62,905	40,229
4,234	3,946			447,329	416,866
22,334	15,530	PROFIT AFTER TAXATION		2,359,673	1,640,917
42,505	32,014	Unappropriated profit brought forward (restated)		4,490,626	3,382,270
64,839	47,544	Unappropriated profit carried forward		6,850,299	5,023,187
(USD)		Basic earnings per share		(Rupees)	
93	65	(On share of Rs. 25,000 each)	27	9,832	6,837
(USD)		Diluted earnings per share		(Rupees)	
93	65	(On share of Rs. 25,000 each)	28	9,832	6,837

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

Chairman | Chief Executive | Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2013

2013	2012		2013	2012 (Restated)
(USD in '000)			(Rupees in '000)	
22,335	15,532	Profit for the year	2,359,673	1,640,917
		Other comprehansive income		
		Not to be reclassified in profit and loss account in subsequent periods		
(60)	(14)	Remeasurement of defined benefit plan net of deferred tax	(6,335)	(1,450)
22,275	15,518	Comprehensive income transferred to equity	2,353,338	1,639,467
		Component of comprehensive income not transferred to equity		
(101)	5,279	(Deficit) / surplus on revaluation of 'available-for-sale' securities	(10,639)	557,726
333	(721)	Deferred tax on revaluation of 'available-for-sale' securities	35,207	(76,203)
22,507	20,076	Total comprehensive income	2,377,906	2,120,990

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

Saleem Zamindar

Chairman

Chief Executive

Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2013

	Share capital	Reserves Statutory	Unappropriated profit	Total
	-----------------------------(Rupees in '000)---------------------------------			
Balance as at January 1, 2012	6,000,000	3,114,865	3,388,567	12,503,432
Effect of change in accounting policy (note 5.2.1)	-	-	(6,297)	(6,297)
Balance as at January 1, 2012 (restated)	6,000,000	3,114,865	3,382,270	12,497,135
Profit for the year ended December 31, 2012	-	-	1,640,917	1,640,917
Other comprehensive income (restated)	-	-	(1,450)	(1,450)
Total comprehensive income (restated)	-	-	1,639,467	1,639,467
Final dividend for the year ended December 31, 2011 @ Rs.1,500 per share approved subsequent to year end	-	-	(360,000)	(360,000)
Transfer to statutory reserve	-	171,111	(171,111)	-
Balance as at December 31, 2012 (restated)	6,000,000	3,285,976	4,490,626	13,776,602
Profit for the year ended December 31, 2013	-	-	2,359,673	2,359,673
Other comprehensive income	-	-	(6,335)	(6,335)
Total comprehensive income	-	-	2,353,338	2,353,338
Final dividend for the year ended December 31, 2012 @ Rs.1,875 per share approved subsequent to year end	-	-	(450,000)	(450,000)
Transfer to statutory reserve	-	267,462	(267,462)	-
Balance as at December 31, 2013	6,000,000	3,553,438	6,126,502	15,679,940

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

Chairman | Chief Executive | Director

Consolidated Cash Flow Statement

For the year ended December 31, 2013

2013	2012		Note	2013	2012
(USD in '000)				(Rupees in '000)	
		CASH FLOW FROM OPERATING ACTIVITIES			
26,569	19,477	Profit before taxation		2,807,002	2,057,783
(2,365)	(1,753)	Less: Dividend income		(249,783)	(185,254)
24,204	17,724			2,557,219	1,872,529
		Adjustments for:			
142	126	Depreciation		15,004	13,359
106	54	Amortization		11,190	5,726
-	433	Provision for impairment on operating fixed assets		-	45,724
918	558	Provision against non-performing loans and advances - net		97,024	58,952
-	(27)	Reversal of provision against non performing lending to financial institutions		-	(2,822)
63	400	Provision for diminution / impairment in the value of investments		6,615	42,248
(6)	(14)	Gain on disposal of operating fixed assets		(621)	(1,434)
(16,902)	(13,192)	Share in results of associates - net		(1,785,672)	(1,393,729)
-	-	Unrealised loss on revaluation of 'held-for-trading' securities		-	25
(15,679)	(11,662)			(1,656,460)	(1,231,951)
8,525	6,062			900,759	640,578
		(Increase) / decrease in operating assets			
(55,126)	27	Lendings to financial institutions		(5,824,062)	2,822
61	(60)	'Held-for-trading' securities		6,410	(6,385)
12,995	11,857	Advances		1,372,887	1,252,682
633	912	Others assets (excluding advance taxation)		66,924	96,368
(41,437)	12,736			(4,377,841)	1,345,487
		(Decrease) / increase in operating liabilities			
(92,738)	53,747	Borrowings		(9,797,622)	5,678,321
(6,301)	(6,731)	Deposits and other accounts		(665,749)	(711,172)
(112)	288	Other liabilities (excluding current taxation)		(11,791)	30,392
(99,151)	47,304			(10,475,162)	4,997,541
(132,063)	66,102			(13,952,244)	6,983,606
(5,831)	(1,651)	Income tax paid		(616,026)	(174,386)
(137,894)	64,451	*Net cash (outflow) / inflow from operating activities*		(14,568,270)	6,809,220
		CASH FLOW FROM INVESTING ACTIVITIES			
129,155	(64,506)	Net investment in 'available-for-sale' securities / subsidiary		13,645,270	(6,815,041)
(1,044)	-	Net investment in 'held-to-maturity' securities		(110,297)	-
7,706	6,413	Dividend income received		814,121	677,511
(181)	(331)	Investments in operating fixed assets		(19,110)	(34,937)
10	14	Sale proceeds of operating fixed assets		1,016	1,454
135,646	(58,410)	Net cash inflow / (outflow) in investing activities		14,331,000	(6,171,013)
		CASH FLOW FROM FINANCING ACTIVITIES			
(4,259)	(3,407)	Dividend paid		(450,000)	(360,000)
(4,259)	(3,407)	Net cash used in financing activities		(450,000)	(360,000)
(6,507)	2,634	(Decrease) / increase in cash and cash equivalents		(687,270)	278,207
7,058	4,425	Cash and cash equivalents at beginning of the year		745,626	467,419
551	7,059	Cash and cash equivalents at end of the year	29	58,356	745,626

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

Chairman   Chief Executive   Director

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

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

As at January 1, 2013, the Group had a 100% owned subsidiary, First Choice Securities Limited (FCSL). During the year FCSL was disposed off to a buyer on approval from the Board of Directors. The principal business of FCSL was to provide equity brokerage, commodity brokerage, equity research and corporate advisory services. FCSL had not started its operations at the time of its disposal. Details of assets and liabilities at the time of disposal of FCSL are given below:

Assets	(Rupees in '000)
Intangible Assets	3,000
Advance to Pakistan Mercantile Exchange	3,150
Investments - AFS	58,795
Advance Taxation	286
Accrued interest and prepaid expense	46
Cash and balances with other banks	73
Total Assets	65,350
Liabilities	
Accrued and other liabilities - net of tax	246
Net Assets	65,104

The Group's associates are as follows:

Entity / Fund	Nature of Business	Percentage holding 2013	Percentage holding 2012
Meezan Bank Limited (MBL)	Scheduled Islamic Commercial Bank engaged in commercial, consumer and investment banking activities	30.00	30.00
Plexus (Private) Limited	Business of development and export of IT enabled services and internet solution	50.00	50.00
Pak Kuwait Takaful Company Limited (PKTCL)	To undertake Takaful (insurance) business	30.00	30.00
Falcon Greenwood (Private) Limited (FGL)	Engaged in business of real estate	-	25.45
The General Tyre and Rubber Company of Pakistan Limited (GTR)	Manufacturing of tyres and tubes for automobiles	28.06	28.06
Al Meezan Investment Management Limited (AMIML)	Investment advisory, portfolio management, equity research, under-writing and corporate finance	30.00	30.00
Al Meezan Mutual Fund Limited (AMMFL)*	Open end mutual fund. Formed under the Investment Companies and Investment Advisor Rules, 1971.	9.71	12.28

Entity / Fund	Nature of Business	Percentage holding	
		2013	2012
Meezan Balanced Fund (MBF)*	Open-end mutual fund established under a trust deed executed between AMIML as the investment advisor and the Central Depository holding company of Pakistan Limited (CDC) as the trustee	9.10	9.21
National Clearing Company Limited (NCCL)*	Business of clearing and settlement of securities through the National Clearing and Settlement System (NCSS)	17.65	17.65

All of the associates are incorporated in Pakistan.

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

2. BASIS OF PRESENTATION

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

The US Dollar amounts presented in the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are converted at the rate of Rs. 105.65, prevalent at December 31, 2013, for 2013 and 2012. This additional information is presented only for the convenience of users of the financial statements.

3. STATEMENT OF COMPLIANCE

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

The SBP through its BSD Circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(l)/ 2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

4. BASIS OF MEASUREMENT

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of Consolidation

5.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. This in general is evidenced when the company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of the subsidiary are prepared, using consistent accounting policies, for the same reporting year. These financial statements are included in the consolidated financial statements from the date the control commences until the date the control ceases

5.1.2 Associates

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

5.1.3 Transactions eliminated on consolidation

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

5.2 Standards, interpretations and amendments effective in current year

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

New, Amended And Revised Standards And Interpretations of IFRSs

The Group has adopted the following amended IFRS which became effective during the year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

The main change resulting from these ammendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These ammendments do not have significant impact on these financial statements other than a change in presentation of items reported in OCI.

IAS 19 – Employee Benefits – (Revised) [see note 5.2.1 below]

Further, certain new standards have been issued by IASB which are effective for accounting periods beginning on or after 01 January 2013 but are yet to be notified by the SECP for the purpose of applicability in Pakistan.

5.2.1 Change in accounting policy

Amendments to IAS 19 range from fundamental changes to simple clarification and rewording. The significant changes to IAS 19 include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee’s entitlement to the benefits.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard – 8 ‘ Accounting Policies, Changes in Accounting Estimates and Errors’, and the comparative financial statements have been re-stated.

The effects of the retrospective application of the change in accounting policies are as follows:

	December 31, 2013	December 31, 2012
	(Rupees in '000)	
Increase in the staff retirement gratuity	(9,417)	(11,918)
Increase in deferred tax asset	3,082	4,171
Net decrease in equity	(6,335)	(7,747)
Decrease in opening unappropriated profit	-	(6,297)
Decrease in other comprehensive income (OCI)	(6,335)	(1,450)
Net decrease in equity	(6,335)	(7,747)

There is no change in the consolidated profit and loss account.

5.3 Accounting standards not yet effective

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

Standard or interpretation	Effective date (accounting periods) beginning
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	01 January 2014
IFRIC 21 – Levies	01 January 2014

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

Further, certain new standards have been issued by IASB which are effective for accounting periods beginning on or after 01 January 2014 but are yet to be notified by the SECP for the purpose of applicability in Pakistan.

5.4 Cash and cash equivalents

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

5.5 Lendings to / borrowings from financial institutions

The holding company enters into secured and unsecured lending and borrowing transactions with financial institutions. These are recorded as under:

Sale under repurchase agreement

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

Purchase under resale agreement

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

Other borrowings

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

Other lendings

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

5.6 Investments

Classification

The Group classifies its investments other than those in associates and subsidiary based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated July 13, 2004, August 04, 2004 and September 24, 2004 respectively. The investments are classified in the following categories as per SBP guidelines:

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

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

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

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

Initial Recognition

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

Subsequent Recognition

Investments in government securities and quoted investments, categorised as ‘held-for-trading’ and ‘available-for-sale’ are valued at rates quoted on PKRV (Reuters Page) and market values as at the date of statement of financial position respectively. Any surplus or deficit arising as a result of revaluation of securities categorised as ‘held-for-trading’ is taken to profit and loss account and that of ‘available-for-sale’ is taken to the statement of financial position, and shown below equity.

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

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

Impairment loss is recognised whenever the carrying amount of an investment exceeds its recoverable amount. An impairment loss is taken to profit and loss account. Gain / loss on sale of investments during the year is included in profit and loss account.

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

5.7 Trade date accounting

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

5.8 Advances including net investment in finance leases

Advances are stated net of provision for doubtful debts. Provision for doubtful debts is determined on the basis of ‘Prudential Regulations’ issued by the SBP and the Credit Policy of the holding company. The provision is charged to the profit and loss account.

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

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

5.9 Operating fixed assets

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

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

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

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

5.10 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortization and accumulated impairment loss (if any). Amortization is charged on a straight line basis over their estimated useful lives. Amortization is charged at the rates stated in note 11.2.

5.11 Certificates of investment (COI) / deposits

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

5.12 Revenue recognition

i) Dividend income is recognised when the Group's right to receive payment is established.

ii) Income from loans, term finance certificates, debentures, bank deposits, government securities and reverse repo transactions is recognised under effective interest method, except where recovery is considered doubtful, the income is recognised on receipt basis.

iii) The holding company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

iv) Gain on sale of securities is recognised at the time of sale of relevant securities.

v) Advisory income is recognised as the services are rendered.

5.13 Taxation

Current

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

Deferred

The Group accounts for deferred taxation using the balance sheet liability method providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

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

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

5.14 Staff retirement benefits

Defined benefit plan

The holding company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. The Company has adopted IAS 19 (revised) as mentioned in note 5.2.1. Actuarial gains or losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Previously Actuarial gains or losses in excess of 10% of the present value of defined benefit obligation and fair value of plan assets, whichever is higher were recognized over the average remaining working life of the employees in the profit and loss account.

The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2013.

Defined contribution plan

The holding company also operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of the salary. Contributions from the holding company are charged to profit and loss account for the year.

5.15 Employees' compensated absences

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

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2013.

5.16 Derivative financial instruments

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

5.17 Impairment

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

5.18 Provisions

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

5.19 Foreign currency

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

5.20 Off-setting of financial assets and financial liabilities

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

5.21 Earnings per share

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

5.22 Dividend distribution

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

5.23 Segment information

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

Business segments

Following are the main segments of the Gompany:

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

Geographical segments

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

5.24 Accounting estimates and judgement

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

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

6. CASH AND BALANCES WITH TREASURY BANKS

	2013	2012
	(Rupees in '000)	
Cash in hand in local currency	50	50
With State Bank of Pakistan in		
- local currency current account	30,710	32,588
With National Bank of Pakistan in		
- local currency current account	35	12
	30,795	32,650

7. BALANCES WITH OTHER BANKS

	Note	2013	2012
		(Rupees in '000)	
In Pakistan			
- current account		324	88
- deposit account		27,237	712,888
		27,561	712,976

8. LENDINGS TO FINANCIAL INSTITUTIONS

8.1 In local currency

	Note	2013	2012
Repurchase agreement lendings (reverse repo)	8.2	5,824,062	-

8.2

Securities held as collateral against lendings to financial institutions	Note	2013 Held by the Group	2013 Further given as collateral	2013 Total	2012 Held by the Group	2012 Further given as collateral	2012 Total
		(Rupees in '000)					
Market treasury bills	8.2.1	5,824,062	-	5,824,062	-	-	-

8.2.1 The holding company has arranged lendings to financial institutions against purchase and resale of government securities. Market value of these securities as at December 31, 2013 amounted to Rs. 5,821 million (2012: nil). The markup on these securities range between 9.95 and 10.00 (2012: nil) percent per annum with maturity ranging from two to nine days (2012: nil)

9. INVESTMENTS

9.1 Investments by type

	Note	2013 Held by the Group	2013 Given as collateral	2013 Total	2012 Held by the Group	2012 Given as collateral	2012 Total
		(Rupees in '000)					
Held-for-trading securities							
Shares of listed companies		-	-	-	6,410	-	6,410
Available-for-sale securities							
Market treasury bills		-	-	-	2,596,379	10,684,921	13,281,300
Pakistan investment bonds		902,893	-	902,893	1,642,868	-	1,642,868
Shares of listed companies		2,375,294	-	2,375,294	1,801,711	-	1,801,711
Shares of unlisted companies		110,501	-	110,501	127,686	-	127,686
Listed preference shares		55,029	-	55,029	55,029	-	55,029
Listed term finance certificates		-	-	-	82,037	-	82,037
Unlisted term finance certificates		607,938	-	607,938	608,168	-	608,168
		4,051,655	-	4,051,655	6,913,878	10,684,921	17,598,799
Held-to-maturity securities							
Unlisted preference shares		110,297	-	110,297	-	-	-
Associates		7,354,069	-	7,354,069	6,479,283	-	6,479,283
Total investments - at cost		11,516,021	-	11,516,021	13,399,571	10,684,921	24,084,492
Provision for diminution / impairment in the value of investments	9.3 & 39.3	(139,020)	-	(139,020)	(158,273)	-	(158,273)
Total investments - net of provisions		11,377,001	-	11,377,001	13,241,298	10,684,921	23,926,219
Deficit on revaluation of 'held-for-trading' securities		-	-	-	(25)	-	(25)
Surplus / (deficit) on revaluation of 'available-for-sale' securities		509,801	-	509,801	267,436	9,673	277,109
Total investments at market value		11,886,802	-	11,886,802	13,508,709	10,694,594	24,203,303

9.2 Investments by segments

	Note	2013	2012
		(Rupees in '000)	
Federal Government Securities			
- Market treasury bills		-	13,281,300
- Pakistan investment bonds	9.2.1	902,893	1,642,868
Fully paid up Ordinary Shares			
- Listed companies		2,375,294	1,808,121
- Unlisted companies		110,501	127,686
		2,485,795	1,935,807
Preference Shares			
- Listed companies		55,029	55,029
- Unlisted	9.2.2	110,297	-
Term Finance Certificates (TFCs)			
- Listed		-	82,037
- Unlisted		607,938	608,168
		607,938	690,205
Investments in Associates			
Ordinary shares-listed companies			
- Meezan Bank Limited	9.2.3	5,776,196	5,093,010
- The General Tyre & Rubber Co. of Pakistan Ltd.		436,502	394,582
Mutual Funds			
- Al Meezan Mutual Fund		241,288	216,107
- Meezan Balanced Fund		157,021	138,945
Ordinary shares-unlisted companies			
- Al Meezan Investment Management Limited	9.2.4	482,941	388,548
- Plexus (Private) Limited		-	-
- Pak Kuwait Takaful Company Limited		184,540	156,478
- National Clearing Company of Pakistan Limited		75,581	67,799
- Falcon Greenwood (Private) Limited		-	23,814
		7,354,069	6,479,283
Total investments - at cost		11,516,021	24,084,492
Provision for diminution / impairment in the value of investments	9.3 & 39.3	(139,020)	(158,273)
Total investments - net of provisions		11,377,001	23,926,219
Deficit on revaluation of 'held-for-trading' securities		-	(25)
Surplus / (deficit) on revaluation of 'available-for-sale' securities		509,801	277,109
		509,801	277,084
Total investments		11,886,802	24,203,303

9.2.1 The investments in Pakistan investment bonds are maturing between August 18, 2016 and September 3, 2019 (2012: August 30, 2013 and September 3, 2019) and the effective interest rate ranges between 11.45 and 13.12 (2012: 11.45 and 13.18) percent per annum.

9.2.2 The amount represents investment in non-cummulative preference shares of Silk Bank. The investment is maturing on March 26, 2016 (2012: nil) and the effective interest is 13.96 (2012: nil) percent per annum

9.2.3 Investments in shares of Meezan Bank Limited costing Rs. 1,520 million and market value of Rs. 11,846 million (2012: Cost Rs. 1,520 million, market value Rs.8,144 million) are held as strategic investment in terms of Prudential Regulation applicable to Corporate / Commercial Banking which can be sold only with prior permission of SBP.

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

9.3 Particulars for impairment / diminution in the value of investments

	2013	2012
	(Rupees in '000)	
Opening balance	158,273	230,587
Charge for the year	6,615	42,248
Reversals due to sale of impaired securities	(25,868)	(114,562)
	(19,253)	(72,314)
Closing balance	139,020	158,273

9.3.1 Particulars of provision in respect of type and segment

'Available-for-sale' securities	139,020	158,273
	139,020	158,273

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

9.5 Summary of financial information of associates

Associates	Accounting date	Assets	Liabilities	Equity	Revenue	Profit / (loss)
	(Rupees in '000)					
2013						
Meezan Bank Limited	30-Sep-13	318,009,482	298,130,148	19,879,334	17,184,847	5,127,246
Plexus (Private) Limited	31-Dec-09	15,980	7,146	8,834	9,368	(2,100)
Pak Kuwait Takaful Company Limited	30-Sep-13	825,579	210,445	615,134	61,774	12,382
The General Tyre & Rubber Company of Pakistan Limited	30-Sep-13	6,184,271	4,628,898	1,555,373	1,776,992	54,591
Al Meezan Investment Management Limited	30-Sep-13	2,424,214	689,410	1,734,804	187,443	126,134
Al Meezan Mutual Fund Limited	31-Dec-13	2,528,369	43,156	2,485,213	111,127	248,932
Meezan Balanced Fund	31-Dec-13	1,769,685	42,912	1,726,773	96,560	110,122
National Clearing Company of Pakistan Limited	30-Sep-13	2,331,442	1,883,225	448,217	74,301	21,550

The above information is based on latest available financial statements.

Associates	Accounting date	Assets	Liabilities	Equity	Revenue	Profit / (loss)
	(Rupees in '000)					
2012						
Meezan Bank Limited	30-Sep-12	240,829,984	223,304,244	17,525,740	16,056,281	4,893,788
Plexus (Private) Limited	31-Dec-09	15,980	7,146	8,834	9,368	(2,100)
Pak Kuwait Takaful Company Limited	30-Jun-12	718,498	196,905	521,593	296,752	35,874
Falcon Green Wood (Private) Limited	30-Jun-10	706,750	38,364	668,386	-	(107)
The General Tyre & Rubber Company of Pakistan Limited	30-Sep-12	5,525,542	4,119,539	1,406,003	1,550,672	6,513
Al Meezan Investment Management Limited	30-Jun-12	1,824,728	429,568	1,395,160	726,177	380,954
Al Meezan Mutual Fund Limited	31-Dec-12	1,820,818	16,790	1,804,028	227,291	208,020
Meezan Balanced Fund	31-Dec-12	1,547,695	39,856	1,507,839	166,810	141,590
National Clearing Company of Pakistan Limited	30-Jun-12	1,066,706	674,545	392,161	126,280	14,237

The above information is based on latest available financial statements.

10.	ADVANCES	Note	2013	2012
			(Rupees in '000)	
	In Pakistan			
	Advances		4,353,948	5,567,283
	Net investment in finance leases	10.2	1,152,308	1,311,860
			5,506,256	6,879,143
	Provision for non-performing advances	10.4	(1,733,766)	(1,636,742)
	Advances net of provision		3,772,490	5,242,401
10.1	Particulars of gross advances			
	In local currency		5,506,256	6,879,143
	Short term (for upto one year)		1,303,381	3,379,965
	Long term (for over one year)		4,202,875	3,499,178
			5,506,256	6,879,143

10.2 Net investment in finance leases

	2013				2012			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)							
Lease rentals receivable	873,309	377,815	22,400	1,273,524	910,945	512,939	38,709	1,462,593
Residual value	77,526	20,408	717	98,651	52,405	50,344	-	102,749
Minimum lease payments	950,835	398,223	23,117	1,372,175	963,350	563,283	38,709	1,565,342
Financial charges for future periods	142,139	75,511	2,217	219,867	162,022	86,197	5,263	253,482
Present value of minimum lease payments	808,696	322,712	20,900	1,152,308	801,328	477,086	33,446	1,311,860

10.2.1 The holding company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable latest by the year 2020 and are subject to finance income at rates ranging between 7.0 and 21.83 (2012: 7.0 and 21.83) percent per annum.

10.2.2 In respect of the aforementioned finance leases the holding company holds an aggregate sum of Rs. 76.437 million (2012: Rs. 80.535 million) as security deposits on behalf of the lessees which are included under other liabilities (note 16).

10.3 Advances include Rs. 1,992.396 million (2012: Rs 1,771.283 million) which have been placed under non-performing status as detailed below:

	2013			2012		
Category of classification	Classified Advances	Provision Required	Provision Held	Classified Advances	Provision Required	Provision Held
	(Rupees in '000)					
Substandard	-	-	-	-	-	-
Doubtful	517,260	258,630	258,630	269,081	134,540	134,540
Loss	1,475,136	1,475,136	1,475,136	1,502,202	1,502,202	1,502,202
	1,992,396	1,733,766	1,733,766	1,771,283	1,636,742	1,636,742

10.4 Particulars of provision against non-performing advances - specific

	2013	2012
	(Rupees in '000)	
Opening balance	1,636,742	1,577,790
Charge for the year	142,082	83,074
Reversals	(45,058)	(24,122)
	97,024	58,952
Amounts written off	-	-
Closing balance	1,733,766	1,636,742

10.4.1 Local currency	1,733,766	1,636,742
Foreign currency	-	-
	1,733,766	1,636,742

10.5 Particulars of write offs

The Group has not written off any loans and advances or allowed any financial relief during the year as disclosed in annexure III.

10.6 Particulars of loans and advances to staff included in advances

Opening balance	123,961	143,730
Disbursements during the year	34,645	37,251
Repayments during the year	(50,283)	(57,020)
	(15,638)	(19,769)
Balance at end of the year	108,323	123,961

11. OPERATING FIXED ASSETS

	Note	2013	2012
		(Rupees in '000)	
Property and equipment	11.1	161,536	171,318
Capital work in progress		-	3,150
Intangible assets	11.2	42,318	77,765
		203,854	252,233

11.1 Property and equipment

2013

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

	2012										
	Cost			Depreciation			Impairment			Net book value as at December 31, 2012	Rate of depreciation
	As at January 1, 2012	Additions / (disposals)	As at December 31, 2012	As at January 1, 2012	Charge / (disposals)	As at December 31, 2012	As at January 1, 2012	Charge / (reversals)	As at December 31, 2012		
	-----------------	-----------------	-----------------	-----------------	(Rupees in '000)	-----------------	-----------------	-----------------	-----------------	-----------------	%
Leasehold land	100	-	100	-	-	-	-	-	-	100	-
Building on lease hold land	237,503	-	237,503	40,386	463	40,849	-	45,724	45,724	150,930	2.50 - 20.00
Furniture and fixtures	17,367	-	14,262	10,303	1,489	8,707	-	-	-	5,555	20.00
		(3,105)			(3,085)						
Motor vehicles	12,998	-	12,016	7,711	1,741	8,470	-	-	-	3,546	20.00
		(982)			(982)						
Office equipment	50,121	956	50,435	30,474	9,605	39,437	-	-	-	10,998	33.33
		(642)			(642)						
Electrical appliances	2,072	133	1,684	1,955	61	1,495	-	-	-	189	20.00
		(521)			(521)						
	320,161	1,089 (5,250)	316,000	90,829	13,359 (5,230)	98,958	-	45,724	45,724	171,318	

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

	2013 (Rupees in '000)
Furniture and fixtures	6,962
Motor vehicles	5,569
Office equipment	30,905
Electrical appliances	1,398

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particular of purchaser
	----------	----------	(Rupees in '000)	----------		
PKIC House	1,694	1,298	396	900	Demolition	Not applicable

11.2 Intangible assets

		2013							
		Cost			Amortization			Net book value as at December 31, 2013	Rate of amortization
	Note	As at January 1, 2013	Additions / (disposals)	As at December 31, 2013	As at January 1, 2013	Charge / (disposals)	As at December 31, 2013		
		----------	----------	----------	(Rupees in '000)	----------	----------	----------	%
Software		48,077	13,493	61,570	8,062	11,190	19,252	42,318	20.00
KSE (Guarantee) Limited Card	11.2.1	34,750	- (34,750)	-	-	-	-	-	-
NCEL Card	11.2.1	3,000	- (3,000)	-	-	-	-	-	-
		85,827	13,493 (37,750)	61,570	8,062	11,190	19,252	42,318	

11.2.1 During the year these assets were disposed off as part of the disposal of the Group's subsidiary FCSL

	2012							
	Cost			Amortization			Net book value	Rate of
	As at January 1, 2012	Additions / (disposals)	As at December 31, 2012	As at January 1, 2012	Charge / (disposals)	As at December 31, 2012	as at December 31, 2012	amortization
	(Rupees in '000)							%
Software	15,029	33,048	48,077	2,336	5,726	8,062	40,015	20.00
KSE (Guarantee) Limited Card	34,750	-	34,750	-	-	-	34,750	-
NCEL Card	3,000	-	3,000	-	-	-	3,000	-
	52,779	33,048	85,827	2,336	5,726	8,062	77,765	

12. DEFERRED TAX ASSETS / (LIABILITIES)

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

	Balance January 01 2012 (Restated)	Recognised in profit and loss	Recognised in equity	Balance December 31, 2012 (Restated)
Debit / (credit) balances arising on account of	(Rupees in '000)			
Accelerated tax depreciation allowance	(38,193)	14,975	-	(23,218)
Provision for staff retirement gratuity and compensated absences	11,465	(121)	780	12,124
Finance lease arrangements	(275,474)	23,226	-	(252,248)
Share of Profits from Associates	(395,388)	(97,956)	(15,415)	(508,759)
Provision against non-performing advances	561,133	19,645	-	580,778
Surplus / (deficit) on revaluation of 'held-for-trading' securities	-	2	-	2
Surplus / (deficit) on revaluation of 'available-for-sale' securities	19,867	-	(60,788)	(40,921)
	(116,590)	(40,229)	(75,423)	(232,242)

13.	OTHER ASSETS		2013	2012
			(Rupees in '000)	
	Income / mark-up accrued in local currency		117,886	147,559
	Advances, deposits, prepayments and other receivables		16,191	33,742
	Advance tax		411,656	180,184
			545,733	361,485
14.	BORROWINGS			
	In Pakistan		5,042,353	14,839,975
14.1	Particulars of borrowings with respect to currencies			
	In local currency		5,042,353	14,839,975
14.2	Details of borrowings secured / unsecured			
	Secured			
	Repurchase agreement borrowings - Government securities		-	10,694,704
	Borrowings from SBP			
	Under Long Term Facility - Export Oriented Project (LTF-EOP)	14.2.1	49,948	71,899
	Under Long Term Finance Facility (LTFF)	14.2.2	227,606	305,285
	Under Finance Facility for Storage of Agricultural Produce (FFSAP)	14.2.3	14,799	18,087
	Term Finance Facility	14.2.4	4,750,000	3,750,000
			5,042,353	14,839,975

14.2.1 LTF-EOP facility from SBP

This represents a one time swap facility option under the scheme LTF - EOP allowed by the SBP through their SMED Circular No. 19 of 2006. The loan is repayable over a maximum period of 7.5 years from the date of first disbursement with mark-up payable at maximum of 5 percent per annum. The sanctioned limit was Rs. 1,000 million.

14.2.2 Borrowings from SBP under LTFF

Represents Long Term Finance Facility on concessional rates to promote industrial growth leading to exports. The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of one and a half years with mark-up payable at maximum of 10.10 percent per annum. SBP allocates an overall yearly limit under the facility to individual PFI. The sanctioned limit was Rs. 500 million.

14.2.3 Borrowings from SBP under FFSAP

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

14.2.4 Term Finance Facility

The holding company has availed long term finance facilities from two banks. The interest rate on these facilities ranges between 9.93 and 10.59 percent per annum (2012: 9.96 and 10.70) and are due for maturity between November 29, 2014 and June 25, 2018 (2012: November 29, 2014 and October 1, 2015).

15. DEPOSITS AND OTHER ACCOUNTS

	2013	2012
	(Rupees in '000)	
Certificates of investment (COI)	349,680	1,015,429

15.1 Particulars of deposits

In local currency	349,680	1,015,429

The profit rates on these COIs ranges between 8.75 and 12.25 (2012: 9.20 and 12.25) percent per annum. The COIs are due for maturity between January 3, 2014 and March 22, 2015 (2012: January 4, 2013 and March 22, 2015). Included in COIs is an amount of Rs. 347.180 million (2012: Rs. 1,012.929 million) payable within twelve months.

16. OTHER LIABILITIES

	Note	2013	2012 (Restated)
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		76,821	96,874
Accrued liabilities		187,201	131,285
Staff retirement gratuity	31.1.4	16,136	16,906
Security deposits against finance lease	10.2.2	76,437	80,535
Employees' compensated absences		10,757	9,898
Payable on account of purchase of marketable securities		-	36,337
Other liabilities		5,950	4,368
		373,302	376,203

17. SHARE CAPITAL

17.1 Authorised Share Capital

2013	2012		2013	2012
(Number of shares)			(Rupees in '000)	
400,000	400,000	Ordinary shares of Rs. 25,000 each	10,000,000	10,000,000

17.2 Issued, Subscribed and Paid-up Share Capital

2013	2012			
(Number of shares)				
25,950	25,950	Ordinary shares of Rs. 25,000 each issued for cash	648,750	648,750
214,050	214,050	Ordinary shares of Rs. 25,000 each issued as bonus shares	5,351,250	5,351,250
240,000	240,000		6,000,000	6,000,000

The SBP on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each hold 120,000 (2012 : 120,000) ordinary shares of the holding company as at December 31, 2013.

17.3 Reserves

	2013	2012
	(Rupees in '000)	
Statutory reserve	3,553,438	3,285,976
At beginning of the year	3,285,976	3,114,865
Add: Transfer during the year	267,462	171,111
	3,553,438	3,285,976

According to BPD Circular No. 15 dated May 31, 2004 issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve. The holding company has transferred 20% of its after tax profit for the year to this reserve amounting to Rs. 267.462 million (2012: 171.111 million).

18. SURPLUS ON RE VALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES-NET OF TAX	2013	2012
	(Rupees in '000)	
Federal government securities	2	88,245
Shares of listed companies	509,799	188,422
Listed term finance certificates	-	441
Share of surplus on revaluation held by associates	121,994	365,326
	631,795	642,434
Deferred tax	(42,630)	(77,837)
	589,165	564,597

19. CONTINGENCIES AND COMMITMENTS

19.1 Other Contingencies

19.1.1 The Income Tax Department has amended the deemed assessment orders for the tax years from 2003 to 2012, raising a tax demand of Rs 2,149 million, mainly due to additions in respect of allocation of expenses against exempt capital gains and dividend income subject to tax at reduced rate.

In such orders, the taxation authority has not accepted the holding company's contention on the matter of allocation of expenses on exempt capital gains and dividend income. The total additions made in tax years 2003 to 2012 under this head amounts to Rs 4,753 million.

In tax year 2003, the Appellate Tribunal Inland Revenue (ATIR) had directed the tax authorities that the allocation has to be made taking into account the 'cost of investment' rather than 'gross turnover'. Subsequently, the action of the Taxation Officer in refusing to issue the appeal effect in view of the departmental appeal before the High Court was contested in appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)]. The CIR(A) adjudged the matter in favour of the company directing the Officer to give effect to the direction of the ATIR.

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

The department has preferred appeals against the order of the CIR(A) in the years 2003 to 2007 and 2010 before the ATIR.

Appeal effect orders for the years 2003 to 2007 and 2010 have been issued where the allocation as per the company's contention have been accepted. These are however to attain finality once the departmental appeals before the ATIR / High Court as the case may be, are decided.

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

The holding company has made provision of Rs 1,007 million against the demand for the abovementioned years based on cost of investment. The management is confident that the ultimate outcome of the appeal would be in favor of the holding company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

19.1.2 Letter of Comfort	Note	2013	2012
		(Rupees in '000)	
Letter of comfort issued		-	64,000

19.2 Other Commitments			
Commitment - acquisition of software		5,218	6,718
Undisbursed sanctions for financial assistance in the form of:			
- loans and advances		3,060,355	403,208
		3,065,573	409,926

20. MARK - UP / RETURN / INTEREST EARNED			
On loans and advances		567,544	788,341
On investments in:			
- 'Available-for-sale' securities		1,011,306	1,551,388
- 'Held-for-trading' securities		-	-
- 'Held-to-maturity' securities		10,297	-
On lendings to financial institutions		21,949	24,086
On securities purchased under resale agreements - government securities		95,608	1,000
		1,706,704	2,364,815

21. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits / COI		77,440	231,431
Borrowings		483,452	391,790
Securities sold under repurchase agreements - government securities		458,220	982,439
		1,019,112	1,605,660

22. GAIN ON SALE OF SECURITIES			
Federal government securities			
- Market treasury bills		(93)	(7,497)
- Pakistan investment bonds		19,080	-
Shares - listed securities - net	22.1	541,756	289,401
Shares - unlisted securities - net	22.2	85,727	(100)
		646,470	281,804

22.1 It includes reversal of impairment on sale of impaired securities as disclosed in note 9.3.

22.2 This includes the following:

Gain on disposal of subsidiary - First Choice Securities Limited	1	9,896	-
Gain on disposal of associate - Falcon Greenwood (Pvt.) Ltd.		72,976	-
Gain on liquidation of Faysal Management Services (Pvt.) Ltd.		2,855	-
Loss on disposal of Rozgar Micro Finance Bank		-	(100)
		85,727	(100)

23. OTHER INCOME

	Note	2013	2012
		(Rupees in '000)	
Gain on disposal of operating fixed assets		621	1,434
Space / arrangement income		16,936	16,486
Late payment charges		12,525	1,329
Prepayment charges		2,536	1,683
Unrealised exchange gain on investment		815	760
Nominee directors fee		6,736	-
Others		88	16
		40,257	21,708

24. ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries, allowances and employees' benefits		277,069	254,033
Directors' remuneration (including remuneration of Chief Executive)		30,853	13,764
Provision for gratuity	31.1.5	14,287	15,433
Employer's contribution to the provident fund		15,541	15,625
Travelling and conveyance		4,628	6,365
Rent and rates		9,251	7,646
Utilities		3,426	3,047
Communication		5,667	6,960
Professional training and staff welfare		1,021	1,952
Advertisements, periodicals and membership dues		1,663	1,663
Printing and stationery		1,630	2,477
Depreciation	11.1	15,004	13,359
Amortization	11.2	11,190	5,726
Auditor's remuneration	24.1	3,489	3,516
Legal, consultancy and other professional services		45,298	40,007
Repairs and maintenance		13,189	13,370
Motor vehicle expenses		1,778	863
Insurance		968	939
Donations	24.2	10,000	5,100
Workers' Welfare Fund		33,042	23,474
Entertainment		205	154
Bank charges		107	287
Miscellaneous		3,681	3,756
		502,987	439,516

24.1 Auditor's remuneration

	2013	2012
Audit fee	1,390	1,310
Fee for half yearly review	566	500
Special certifications and sundry advisory services	1,323	1,360
Out of pocket expenses	210	346
	3,489	3,516

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

Donee	(Rupees in '000)
The Citizens Foundation	4,950
The Kidney Centre	2,000
Layton Rehmatullah Benevolent Trust	2,000
Shaukat Khanum Memorial Trust	1,050
	10,000

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

25. OTHER CHARGES

	2013	2012
	(Rupees in '000)	
Penalties imposed by the SBP	-	442
Penalties imposed by the FBR	-	10
	-	452

26. TAXATION

	2013	2012
For the year		
- Current	384,424	376,637
- Deferred	62,905	40,229
	447,329	416,866

26.1 Relationship between tax expense and accounting profit

	2013	2012
Profit before taxation	2,807,002	2,057,783
Tax at the applicable rate of 34% (2012: 35%)	954,381	720,224
Net tax effect on income taxed at reduced rates	(203,815)	(171,597)
Net tax effect of expenses not subject to tax	43,471	61,791
Others	(346,708)	(193,552)
	447,329	416,866

27. BASIC EARNINGS PER SHARE

	2013	2012
Profit for the year	2,359,673	1,640,917
	(Number in '000)	
Weighted average number of ordinary shares	240	240
	(Rupees)	
Basic earnings per share	9,832	6,837

28. DILUTED EARNINGS PER SHARE

	2013	2012
	(Rupees in '000)	
Profit for the year	2,359,673	1,640,917
	(Number in '000)	
Weighted average number of ordinary shares	240	240
	(Rupees)	
Diluted earnings per share	9,832	6,837

28.1 There were no convertible potential ordinary shares outstanding as on December 31, 2013 and December 31, 2012.

29. CASH AND CASH EQUIVALENTS

	Note	2013	2012
		(Rupees in '000)	
Cash and balances with treasury banks	6	30,795	32,650
Balances with other banks	7	27,561	712,522
		58,356	745,172

30. STAFF STRENGTH

	2013	2012
	(Number)	
Permanent	63	67
Temporary / on contractual basis	2	4
Own staff strength at the end of the year	65	71
Outsourced	26	28
Total staff strength	91	99

31 DEFINED BENEFIT PLAN

31.1 Staff retirement gratuity

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

	Note	2013	2012
31.1.2 Principal actuarial assumptions		(% per annum)	
Discount rate		13.00	12.00
Expected rate of increase in salaries		13.00	12.00

31.1.3 Reconciliation of payable to defined benefit plan

	Note	2013	2012
		(Rupees in '000)	
			(Restated)
Present value of defined benefit obligations	31.1.6	146,168	124,031
Fair value of plan assets	31.1.7	(130,032)	(107,125)
		16,136	16,906

31.1.4 Movement in payable to defined benefit plan

	Note	2013	2012
Opening balance		16,906	13,555
Expense charged in the current year	31.1.5	14,287	15,433
Company's contribution to gratuity fund		(24,474)	(14,313)
Remeasurements recognized in OCI during the year	5.2.1	9,417	2,231
Closing balance		16,136	16,906

31.1.5 Charge for defined benefit plan

	2013	2012
Cost recognized in profit and loss account for the year:		
Current service cost	12,319	12,259
Interest cost	15,356	14,212
Expected return on plan assets	(13,388)	(11,038)
Recognized prior service cost	-	-
	14,287	15,433
Remeasurements recognized in OCI during the year:		
Actuarial loss on obligation	5,326	1,306
Actuarial loss on assets	4,091	924
	9,417	2,230
Total defined benefit cost recognized in profit and loss and OCI	23,704	17,663

31.1.6 Reconciliation of present value of defined benefit obligation

	2013	2012
Opening balance of defined benefit obligation	124,031	106,149
Current service cost	12,319	12,259
Interest cost	15,356	14,212
Benefits paid during the year	(10,864)	(9,895)
Recognized prior service cost	-	-
Remeasurements: Actuarial loss on obligation	5,326	1,306
Closing balance of defined benefit obligation	146,168	124,031

31.1.7 Reconciliation of fair value of plan assets

	2013	2012
	(Rupees in '000)	
Opening fair value of plan assets	107,125	92,594
Expected return on plan assets during the year	13,388	11,038
Actual contributions made by the employer	24,474	14,313
Actual benefits paid during the year	(10,864)	(9,895)
Remeasurements: Return on plan assets	(4,091)	(925)
Closing fair value of plan assets	130,032	107,125

Actual return on plan assets is 8.60 % as at December 31, 2013 (10.36% as at December 31, 2012).

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

	2013
	(Rupees in '000)
Remeasurements: Actuarial gain/ (loss) on obligation:	
(Loss) due to change in experience adjustments	(5,326)
Total actuarial loss on obligation	(5,326)
Remeasurements: Actuarial gain/ (loss) on assets:	
Actual net return on plan assets	9,220
less: Interest income on plan assets	13,388
Net return on plan assets	(4,168)
Opening difference	77
Total Remeasurements recognized in OCI during the year	(4,091)

31.1.9 Disaggregation of fair value of plan assets

Quoted:	
Cash and cash equivalents	143
Debt instruments - term deposit receipts	129,888

31.1.10 Maturity profile of defined benefit obligation

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

Distribution of timing of benefit payments	2013 Benefit Payments
Years	(Rupees in '000)
1	4,729
2	34,539
3	39,791
4	16,794
5	23,953
6 - 10	110,273
11 - 15	116,359
16 - 20	547,811
20+	1,277,578

31.1.11 Expected contribution to the plan

The expected contribution to the plan for the year 2014 is Rs. 14.439 million.

31.1.12 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	2013 Benefit Payments
	(Rupees in '000)
Base	146,168
Discount rate +1%	136,532
Discount rate -1%	157,229
Future salary increases +1%	157,819
Future salary increases -1%	135,846

32. DEFINED CONTRIBUTION PLAN

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

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Fee	-	-	11,915	11,081	-	-
Managerial remuneration	14,240	2,400	-	-	192,767	183,607
Charge for defined benefit plan	-	-	-	-	12,526	12,347
Contribution to defined contribution plan	-	-	-	-	15,577	14,975
Rent and house maintenance	2,400	-	-	-	-	-
Utilities	928	19	-	-	-	-
Medical	269	-	-	-	-	-
Bonus paid	1,000	-	-	-	45,973	34,611
Others	676	264	-	-	-	-
	19,513	2,683	11,915	11,081	266,843	245,540
No. of persons	1	1	5	5	66	66

33.1 The Chief Executive is also provided with the free use of Company maintained car.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On balance sheet financial instruments

	2013		2012	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
Financial Assets				
- Cash balances with treasury banks	30,795	30,795	32,650	32,650
- Balances with other banks	27,561	27,561	712,976	712,976
- Lendings to financial institutions	5,824,062	5,824,062	-	-
- Investments	11,886,802	23,183,188	24,203,303	26,876,943
- Advances	3,772,490	3,772,490	5,242,401	5,242,401
- Other assets	117,886	117,886	147,559	147,559
	21,659,596	32,955,982	30,338,889	33,012,529
Financial Liabilities				
- Borrowings	5,042,353	5,042,353	14,839,975	14,839,975
- Deposits and other accounts	349,680	349,680	1,015,429	1,015,429
- Other liabilities	357,166	357,166	359,297	358,770
	5,749,199	5,749,199	16,214,701	16,214,174

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

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

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35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2013					
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
	----(Rupees in '000)----					
Total income - gross	910,067	1,086,796	-	2,409,405	26,472	4,432,740
Total mark-up / return / interest expense	(448,645)	(570,467)	-	-	-	(1,019,112)
Segment provision / impairment / unrealised losses	(103,639)	-	-	-	-	(103,639)
	(552,284)	(570,467)	-	-	-	(1,122,751)
Net operating income	357,783	516,329	-	2,409,405	26,472	3,309,989
Administrative expenses and other charges						(502,987)
Profit before taxation						2,807,002
Segment assets - net	5,021,301	6,885,101	-	9,035,338	1,349,557	22,291,297
Segment non-performing loans	1,992,396	-	-	-	-	1,992,396
Segment provision required and held	1,733,766	-	-	-	-	1,733,766
Segment liabilities	5,118,790	349,680	-	-	553,722	6,022,192
Segment return on net assets (ROA) %	14.37	9.69	-	35.63	1.54	-
Segment cost of funds (%)	9.55	9.21	-	-	-	-

	2012					
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
	----(Rupees in '000)----					
Total income - gross	952,742	1,497,612	228	1,776,916	20,040	4,247,538
Total mark-up / return / interest expense	(293,746)	(1,311,914)	-	-	-	(1,605,660)
Segment provision / impairment / unrealised gains	(54,714)	2,822	-	(46,511)	-	(98,403)
	(348,460)	(1,309,092)	-	(46,511)	-	(1,704,063)
Net operating income	604,282	188,520	228	1,730,405	20,040	2,543,475
Administrative expenses and other charges						(485,692)
Profit before taxation						2,057,783
Segment assets - net	6,327,172	15,246,503	-	7,661,506	1,569,867	30,805,048
Segment non-performing loans	1,771,283	-	-	-	-	1,771,283
Segment provision required and held	1,636,742	-	-	-	-	1,636,742
Segment liabilities (restated)	4,225,806	11,710,134	-	-	527,909	16,463,849
Segment return on net assets (ROA) %	13.73	11.55	-	26.23	1.14	-
Segment cost of funds (%)	10.68	11.04	-	-	-	-

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

36. RELATED PARTY TRANSACTIONS

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

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

	2013	2012
	(Rupees in '000)	
Expenses charged to a related party	17,244	16,863
Expenses charged by		
- associates	873	896
- other related party	16,944	16,494
Dividend income from		
- associates	584,319	492,480
Gain on disposal of shares of subsidiary	9,896	-
Gain on disposal of shares of associates	72,976	19,279
Mark-up earned on bank deposit with an associate	807	502
Mark-up earned on loans and advances		
- key management personnel	913	757
Loans and advances to key management personnel		
Balance as at January 1,	38,062	43,918
Disbursement during the year	2,234	12,716
Recovery during the year	(11,389)	(18,572)
	(9,155)	(5,856)
Balance as at December 31,	28,907	38,062
Mark-up expense on COI		
- associates	1,809	5,506
- other related party	306	929
Deposits / COIs		
- associates	-	35,000
- other related party	2,500	2,500
Bank balances with an associate	25,154	8,474
Mark-up receivable on bank deposit with an associate	49	40
Mark-up payable to related party		
- associates	-	1,274
- other related party	1,159	852
Investments in		
- associates	7,354,069	6,479,283
- other related party	500	500
Contribution made to provident fund	15,541	15,625
Contribution made to gratuity fund	24,474	14,313

Key management personnel

Key management personnel include the Managing Director, Deputy General Manager / Chief Financial Officer, Head of Corporate Finance & Investment Banking, Head of Risk Management, Head of Capital Markets & Treasury, Head of Compliance, Head of Internal Audit and Head of Human Resources. Their salaries and other benefits amount to Rs. 78.095 million (2012: Rs. 60.814 million) and staff retirement benefits amount to Rs. 9.138 million (2012: Rs. 9.064 million).

37. CAPITAL ADEQUACY Capital adequacy disclosures under Basel III have been given on PKIC website (www.pkic.com).

37.1 State Bank of Pakistan (SBP) requires Banks/DFIs to maintain regulatory capital for credit, market and operational risks which should atleast be equal to 10% of total risk weighted assets. The Basel II Framework for capital adequacy is applicable to the Group both at the standalone level and also on consolidated basis. The Group monitors its capital adequacy ratio and endeavours to maintain it at a level sufficiently higher than the minimum regulatory requirement. The Group calculates capital requirement as per Basel II regulatory framework, using the Standardized Approach for Credit Risk and Market Risk whereas Basic Indicator Approach for Operational Risk.

Objectives of Capital Management

The capital management objectives of the Group are as follows:

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

Capital Management

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

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

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

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

Statutory Capital Requirement

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

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

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

37.2 Capital adequacy ratio

		2013	2012 (Restated)
		(Rupees in '000)	
CAP 1			
Tier 1 Capital			
Fully paid-up share capital		6,000,000	6,000,000
General Reserves as disclosed in the statement of financial position		3,553,438	3,285,976
Unappropriated profit		6,126,502	4,490,626
Sub-Total		15,679,940	13,776,602
Deductions:			
Book value of Intangibles		42,318	77,765
Deficit on account of revaluation of investments held AFS category		-	-
Other deductions (50% of the amount as calculated on CAP 2)		3,221,838	2,819,018
Sub-Total		3,264,156	2,896,783
Total eligible Tier 1 Capital		12,415,784	10,879,819
Supplementary Capital			
Tier 2 Capital		297,584	289,096
Deductions			
Other deductions (50% of the amount as calculated on CAP 2)		3,221,838	2,819,018
Total deductions		3,221,838	2,819,018
Total supplementary capital eligible for capital adequacy ratio		(2,924,254)	(2,529,922)
(Maximum upto 100% of Total eligible Tier 1 capital)			
Total eligible capital	(A)	9,491,530	8,349,897

Risk weighted exposures		Capital Requirements		Risk Weighted Assets	
		2013	2012 (Restated)	2013	2012 (Restated)
		(Rupees in '000)			
Credit risk					
PSE's		40,999	3,066	409,990	30,662
Banks		77,783	14,431	777,831	144,311
Corporates		172,362	301,034	1,723,627	3,010,338
Retail portfolio		3,192	2,813	31,917	28,132
Secured by residential property		2,302	3,026	23,019	30,258
Past due loans		28,051	15,662	280,517	156,623
Listed equity investments		105,457	144,148	1,054,565	1,441,482
Unlisted equity investments		32,279	21,887	322,788	218,869
Investments in fixed assets		16,154	17,132	161,537	171,318
Other assets		1,619	3,346	16,190	33,461
		480,198	526,545	4,801,981	5,265,454
Credit risk on off balance sheet					
Non market related		194,557	261,287	1,945,573	2,612,867
Market Risk					
Equity position risk		653,371	393,680	6,533,707	3,936,795
Operational risk		454,389	367,132	4,543,894	3,671,323
	(B)	1,782,515	1,548,644	17,825,155	15,486,439

Capital adequacy ratios			
Total eligible regulatory capital	(A)	9,491,530	8,349,897
Total risk weighted assets	(B)	17,825,155	15,486,439
TOTAL CAPITAL ADEQUACY RATIO	(A)/(B) * 100	53.25%	53.92%

37.3 Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA
PSE's	✓	-
Banks	✓	✓
Corporates	✓	✓
Sovereigns and GOP other than PKR	-	-

37.4 Credit exposures subject to standardised approach

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
		--------(Rupees in '000)--------		
Banks				
	1	3,889,153	-	3,889,153
Corporates				
	1	1,196,326	-	1,196,326
	2	1,451,149	-	1,451,149
	Unrated	758,788	-	758,788
		7,295,416	-	7,295,416

38. RISK MANAGEMENT

Risk is an integral part of business and the Company aims at delivering superior shareholder value by achieving an appropriate trade-off between risk and returns. Risk Management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The risks that the holding company takes are reasonable, controlled within its financial resources and credit competence. The primary objective of this risk management is to ensure that the process of achieving an appropriate balance between risks the holding company wishes to accept (at a price that is commensurate to that risk) and risks the holding company wishes to mitigate, or whenever capital is put at risk, is done in an objective, documented and transparent fashion and also to ensure that these risks are taken within predefined and pre-approved tolerance limits / levels.

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

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

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

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

The holding company is in the process of implementing Risk Management System ORACLE REVELEUS. The system will cater all the major risk areas which include Credit, Market, Operational and Liquidity Risks. The system will facilitate in achieving requirements of developing advance risk models, improving risk reporting frequency, improving the overall control environment by developing system in-built controls, towards implementation of advance approaches of Basel – II.

38.1 Credit risk

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

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

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

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

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

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

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

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

38.1.1 Segment Information

38.1.1.1 Segment by class of business

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

	2012					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Textile	2,130,675	30.98	-	-	-	-
Chemical and pharmaceutical	1,041,240	15.14	-	-	64,000	13.50
Cement	93,333	1.36	-	-	-	-
Sugar	390,202	5.67	-	-	3,208	0.68
Footwear and leather garments	13,238	0.19	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	11,111	0.16	-	-	-	-
Construction	322,819	4.69	-	-	-	-
Transport, storage and communication	250,000	3.63	-	-	-	-
Financial and Insurance	-	-	450,000	44.32	-	-
Power	1,746,074	25.39	-	-	-	-
Trusts	-	-	362,929	35.74	-	-
Services	309,053	4.49	202,500	19.94	6,718	1.42
Individuals	123,961	1.80	-	-	-	-
Education	-	-	-	-	200,000	42.20
Others	447,437	6.50	-	-	200,000	42.20
	6,879,143	100.00	1,015,429	100.00	473,926	100.00

38.1.1.2 Segment by sector

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

	2012					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	59,127	0.86	-	-	-	-
Private	6,820,016	99.14	1,015,429	100.00	473,926	100.00
	6,879,143	100.00	1,015,429	100.00	473,926	100.00

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

	2013		2012	
	Classified advances	Specific provision held	Classfied advances	Specific provision held
	--------------------------------(Rupees in '000)----------------------			
Textile	993,988	993,988	1,034,621	1,026,170
Construction	169,111	169,111	171,289	170,200
Cement	93,333	93,333	93,333	93,333
Others	735,964	477,334	472,040	347,039
	1,992,396	1,733,766	1,771,283	1,636,742

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

	2013		2012	
	Classified advances	Specific provision held	Classfied advances	Specific provision held
	--------------------------------(Rupees in '000)----------------------			
Public / government	-	-	-	-
Private	1,992,396	1,733,766	1,771,283	1,636,742
	1,992,396	1,733,766	1,771,283	1,636,742

38.2 Liquidity risk

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

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

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

38.2.1 Maturities of assets and liabilities

	2013									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	30,795	30,795	-	-	-	-	-	-	-	-
Balances with other banks	27,561	27,561	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,824,062	5,824,062	-	-	-	-	-	-	-	-
Investments	11,886,802	-	-	116	2,873,988	835,040	6,137,949	1,497,697	542,012	-
Advances	3,772,490	85,524	121,029	564,753	529,275	893,739	662,094	733,472	158,511	24,093
Operating fixed assets	203,854	1,327	2,650	3,975	7,952	15,904	15,904	27,550	18,370	110,222
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	545,733	35,186	62,879	31,969	465	411,656	83	3,495	-	-
	22,291,297	6,004,455	186,558	600,813	3,411,680	2,156,339	6,816,030	2,262,214	718,893	134,315
Liabilities										
Borrowings	5,042,353	6,881	22,228	23,298	802,408	3,072,305	48,999	1,047,299	18,935	-
Deposits and other accounts	349,680	7,200	306,980	33,000	-	2,500	-	-	-	-
Deferred tax liabilities	256,857	(32,908)	(17,150)	-	-	-	617,177	-	(310,262)	-
Other liabilities	373,302	130,227	204,525	1,606	14,171	5,928	1,161	15,684	-	-
	6,022,192	111,400	516,583	57,904	816,579	3,080,733	667,337	1,062,983	(291,327)	-
Net assets	16,269,105	5,893,055	(330,025)	542,909	2,595,101	(924,394)	6,148,693	1,199,231	1,010,220	134,315
Share capital	6,000,000									
Reserves	3,553,438									
Accumulated profit	6,126,502									
Surplus on revaluation of 'available-for-sale' securities – net of tax	589,165									
	16,269,105									

	2012									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	32,650	32,650	-	-	-	-	-	-	-	-
Balances with other banks	712,976	12,976	700,000	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	24,203,303	5,468,127	4,963,322	2,901,439	2,290,566	749,864	5,124,573	1,105,060	1,600,352	-
Advances	5,242,401	145,752	105,194	287,115	1,267,697	1,059,999	959,640	1,031,301	346,758	38,945
Operating fixed assets	252,233	1,440	2,883	4,325	49,552	17,304	17,304	27,274	18,879	113,272
Other assets	361,485	19,885	111,835	41,753	3,873	180,339	-	3,800	-	-
	30,805,048	5,680,830	5,883,234	3,234,632	3,611,688	2,007,506	6,101,517	2,167,435	1,965,989	152,217
Liabilities										
Borrowings	14,839,975	10,699,482	22,284	23,458	52,407	854,816	3,072,305	80,437	34,786	-
Deposits and other accounts	1,015,429	256,751	514,910	230,770	10,498	-	2,500	-	-	-
Deferred tax liabilities (restated)	232,242	(57,168)	(39,990)	(5,076)	(20,328)	-	508,759	-	(153,955)	
Other liabilities (restated)	376,203	202,519	83,793	48,817	3,750	19,737	5,621	11,966	-	-
	16,463,849	11,101,584	580,997	297,969	46,327	874,553	3,589,185	92,403	(119,169)	-
Net assets	14,341,199	(5,420,754)	5,302,237	2,936,663	3,565,361	1,132,953	2,512,332	2,075,032	2,085,158	152,217
Share capital	6,000,000									
Reserves	3,285,976									
Accumulated profit (restated)	4,498,373									
Surplus on revaluation of 'available-for-sale' securities – net of tax	564,597									
	14,348,946									

38.3 Market risk

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

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

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

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

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

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

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

To facilitate the overall Market Risk Management process, the holding company has successfully implemented one of the module of Oracle Reveleus for Market Risk Management System. The system went Live during the year.

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

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

38.3.1 Interest rate risk

Interest Rate Risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specific period. The holding company manages its interest rate risk by entering into floating rate agreements with its customers. The interest rate risk strategy is discussed in ALCO meetings on periodic basis. The Risk Management Function carries out stress testing to ascertain the interest rate risk on the statement of financial position and also prepares the interest rate risk profile on monthly basis.

The proceedings of ALCO are reported to the Risk Management Committee of the Board on quarterly basis.

	2013											
	Effective yield / interest rate	Exposed to yield / profit risk										Not exposed to yield /interest rate risk
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to years	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years	
	%	-----(Rupees in '000)-----										
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks	-	30,795	-	-	-	-	-	-	-	-	-	30,795
Balances with other banks	6.00	27,561	27,404	-	-	-	-	-	-	-	-	157
Lendings to financial institutions	9.96	5,824,062	5,824,062	-	-	-	-	-	-	-	-	-
Investments	9.00	11,886,802	-	-	574,300	-	-	124,196	497,034	391,962	-	10,299,310
Advances	11.67	3,772,490	900,257	574,800	1,814,353	200,523	75,051	43,410	50,004	31,200	19,154	63,738
Other assets	-	117,886	-	-	-	-	-	-	-	-	-	117,886
		21,659,596	6,751,723	574,800	2,388,653	200,523	75,051	167,606	547,038	423,162	19,154	10,511,886
Financial Liabilities												
Borrowings	10.15	5,042,353	2,006,881	2,772,228	23,298	52,408	72,305	48,999	47,299	18,935	-	-
Deposits and other accounts	9.43	349,680	7,200	306,980	33,000	-	2,500	-	-	-	-	-
Other liabilities	-	357,166	-	-	-	-	-	-	-	-	-	357,166
		5,749,199	2,014,081	3,079,208	56,298	52,408	74,805	48,999	47,299	18,935	-	357,166
On balance sheet gap		15,910,397	4,737,642	(2,504,408)	2,332,355	148,115	246	118,607	499,739	404,227	19,154	10,154,720

	2012											
	Effective yield / interest rate	Exposed to yield / profit risk										Not exposed to yield /interest rate risk
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to years	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years	
	%	-----(Rupees in '000)-----										
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks	-	32,650	-	-	-	-	-	-	-	-	-	32,650
Balances with other banks	9.57	712,522	12,438	700,000	-	-	-	-	-	-	-	84
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	10.37	19,793,097	5,468,127	4,934,308	3,376,512	253,481	-	-	164,118	1,450,242	-	4,146,309
Advances	11.94	5,242,401	871,487	827,698	2,897,761	231,495	111,993	77,787	78,640	46,027	30,904	68,609
Other assets	-	147,559	-	-	-	-	-	-	-	-	-	147,559
		25,928,229	6,352,052	6,462,006	6,274,273	484,976	111,993	77,787	242,758	1,496,269	30,904	4,395,211
Financial Liabilities												
Borrowings	9.28	14,839,975	12,699,482	1,772,284	23,458	52,407	104,816	72,305	80,437	34,786	-	-
Deposits and other accounts	10.35	1,015,429	256,751	514,910	230,770	10,498	-	2,500	-	-	-	-
Other liabilities	-	358,770	-	-	-	-	-	-	-	-	-	358,770
		16,214,174	12,956,233	2,287,194	254,228	62,905	104,816	74,805	80,437	34,786	-	358,770
On balance sheet gap		9,714,055	(6,604,181)	4,174,812	6,020,045	422,071	7,177	2,982	162,321	1,461,483	30,904	4,036,441

38.3.2 Currency risk

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

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

	2012			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupees (restated)	30,804,163	16,463,849	473,926	13,866,388
United States Dollars	885	-	-	885
	30,805,048	16,463,849	473,926	13,867,273

38.3.3 Equity price risk

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

ALCO is responsible for overseeing investment strategies in the capital market and setting limits that are a component of the risk management framework. Equity Price Risk is monitored and controlled through various regulatory and internal limits. Portfolio, sector and scrip-wise limits are assigned by the ALCO such as overall exposure limits in capital market HFT and AFS portfolio, mark-to-market limit on trading portfolio, sector-wise Investment limits in various sectors to guard against concentration risk. These limits are monitored on daily basis and are reviewed and revised periodically by ALCO. Portfolio Management Committee has been constituted to decide daily operations with respect to trading activities of equity portfolio. The holding company calculates Value at Risk (VaR) on a daily basis using Historical Method and Variance Covariance Approach taking into consideration the data of over 3 years. The findings of VaR are reported to Risk Management Committee of the Board on quarterly basis.

38.4 Operational risk

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

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

During the year, BCP plan was revised in the light of regulatory framework and considering holding company's nature, size and complexity of business. The revised plan targets Operational Risk Events ranging from minor business hinderences to severe business disruptions and it details the step by step procedures for disaster management covering the aspects of continuity, restoration and recovery. Periodic BCP testing is also conducted.

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

39. ACCOUNTING ESTIMATES AND JUDGEMENTS

39.1 Provision against non-performing advances

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

39.2 Classification of investments

In classifying investments as 'held-for-trading' the holding company has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as 'held-to-maturity' the holding company follows the guidance provided in SBP circulars on classifying non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgement, the holding company evaluates its intention and ability to hold such investment to maturity.

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

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

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

39.4 Income taxes

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

39.5 Useful life and residual value of property and equipment

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

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on January 27, 2014.

41. GENERAL AND NON-ADJUSTING EVENT

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

41.2 The Board of Directors of the holding company has proposed cash dividend of Rs. 675 million (2012: Rs. 450 million) for the year ended December 31, 2013 in their meeting held on January 27, 2014. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

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

Chairman	Chief Executive	Director

Annexure - I

QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Company	2013 Market Value	2013 Rating	2012 Market Value	2012 Rating
		(Rupees in '000)		(Rupees in '000)	
	AVAILABLE FOR SALE PORTFOLIO				
	PKIC STRATEGIC PORTFOLIO				
1	MEEZAN BANK LIMITED	11,846,345	AA/A-1+	8,143,858	AA-/A-1+
2	THE HUB POWER COMPANY LIMITED	42,055	AA+/A1+	31,333	AA+/A1+
	TOTAL	11,888,400		8,175,191	
	GENERAL PORTFOLIO				
	OIL AND GAS				
3	OIL AND GAS DEVELOPMENT CO. LTD.	-	-	13,630	AAA-/A-1+
4	PAKISTAN STATE OIL COMPANY LIMITED	129,765	Unrated	-	-
5	PAKISTAN OILFIELDS LIMITED	273,741	Unrated	87,508	Unrated
6	PAKISTAN PETROLEUM LIMITED	389,955	Unrated	289,723	Unrated
	TOTAL	793,461		390,861	
	CHEMICALS				
7	ENGRO CORPORATION LIMITED	-	-	138,060	A/A1
8	FAUJI FERTILIZER BIN QASIM LIMITED	259,183	Unrated	204,723	Unrated
9	FAUJI FERTILIZER COMPANY LIMITED	249,525	Unrated	175,710	Unrated
	TOTAL	508,708		518,493	
	CONSTRUCTION AND MATERIALS				
10	D.G.KHAN CEMENT COMPANY LIMITED	42,865	-	-	-
11	CHERAT CEMENT COMPANY LIMITED	42,404	-	-	-
12	LUCKY CEMENT LIMITED	10,046	Unrated	30,308	Unrated
	TOTAL	95,315		30,308	
	AUTOMOBILE AND PARTS				
13	THE GENERAL TYRE & RUBBER CO.	884,341	Unrated	445,190	Unrated
	TOTAL	884,341		445,190	
	PERSONAL GOODS				
14	NISHAT (CHUNIAN) LIMITED	-	-	3,105	A-/A-2
	TOTAL	-		3,105	
	FIXED LINE TELECOMMUNICATION				
15	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	142,200	Unrated	-	-
	TOTAL	142,200		-	
	ELECTRICITY				
16	THE HUB POWER COMPANY LIMITED	-	-	203,580	AA+/A1+
17	KOT ADDU POWER CO. LTD.	305,138	AA+/A-1+	176,312	AA+/A-1+
18	NISHAT CHUNIAN POWER LTD	468,462	A+/A-2	321,817	A/A-2
	TOTAL	773,600		701,709	

Sr. No.	Name of Company	2013 Market Value	2013 Rating	2012 Market Value	2012 Rating
		(Rupees in '000)		(Rupees in '000)	
	BANKS				
19	NATIONAL BANK OF PAKISTAN	153,830	AAA/A-1+	-	-
20	ALLIED BANK LIMITED	99,013	AA+/A1+	44,912	AA+/A1+
21	BANK AL FALAH LIMITED	74,360	AA+/A1+	-	-
22	BANK AL HABIB LIMITED	41,550	AA+/A1+	13,037	AA+/A1+
23	MCB BANK LIMITED	-	-	40,777	AA+/A1+
24	UNITED BANK LIMITED	28,419	AA+/A-1+	100,404	AA+/A-1+
25	HABIB BANK LIMITED	74,867	AAA+/A-1+	-	-
	TOTAL	472,039		199,130	
	FINANCIAL SERVICES				
26	SME LEASING LIMITED	1,125	BB+/B	1,687	BBB-/A-3
27	DADABHOY LEASING COMPANY LIMITED	-	-	-	-
	TOTAL	1,125		1,687	
	EQUITY INVESTMENT INSTRUMENTS				
28	AL MEEZAN MUTUAL FUND LIMITED (O)	241,270	Unrated	216,434	Unrated
29	MEEZAN BALANCED FUND	157,021	Unrated	127,828	Unrated
30	NAMCO BALANCED FUND	-	-	20,611	MFR-3 Star
31	PAK OMAN ADVANTAGE FUND	37,425	A+(f)	46,108	A+(f)
	TOTAL	435,716		410,981	
	PREFERENCE SHARES				
32	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	50,000	Unrated	50,000	Unrated
33	SECURITIES LEASING CORPORATION LIMITED PREFERENCE SHARES 9.1%	-	-	-	-
	PREFERENCE SHARES TOTAL	50,000		50,000	
	GRAND TOTAL	16,044,905		10,926,655	

Annexure - I

As Referred to in Note 9.4 to the financial statements

QUALITY OF AVAILABLE FOR SALE SECURITIES

Sr. No.	Particulars	2013 Market Value	2013 Rating	2012 Market Value	2012 Rating
		(Rupees in '000)		(Rupees in '000)	
	Government Securities				
1	MARKET TREASURY BILLS				
	- Six months	-	GOVERNMENT	10,786,339	GOVERNMENT
	- Twelve months	-	SECURITIES	2,485,513	SECURITIES
2	PAKISTAN INVESTMENT BONDS				
	- Five years	13,898	GOVERNMENT	267,689	GOVERNMENT
	- Ten years	888,996	SECURITIES	1,450,242	SECURITIES
	Sub Total	902,894		14,989,783	
	Listed Term Finance Certificates				
1	FAYSAL BANK LIMITED -TFCs (10-02-2005) Certificate of Rs. 5,000 each Mark up : 13.60% (6-Months KIBOR Ask Rate + 1.90%) Redemption : Half yearly from Feb -2005 Maturity : Feb, 2013	-	-	5,000	AA-
2	BANK AL FALAH LIMITED - TFC-3 (25-11-2005) Certificate of Rs. 5,000 each Mark up : 11.04% (6-Months Kibor + 1.5%) Redemption : Half Yearly from Nov-2012 Maturity : Nov, 2013	-	-	50,571	AA-
3	ASKARI COMMERCIAL BANK LIMITED -TFCs (04-02-2005) Certificate of Rs. 5,000 each Mark up : 13.24% (6-Months Kibor + 1.5%) Redemption : Half Yearly from Feb-2013 Maturity : Feb, 2013	-	-	26,906	AA-
	Sub Total	-		82,477	

Annexure - I

As Referred to in Note 9.4 to the financial statements

QUALITY OF AVAILABLE FOR SALE SECURITIES

Sr. No.	Particulars	2013 Cost	2013 Rating	2012 Cost	2012 Rating
		(Rupees in '000)		(Rupees in '000)	
	Unlisted Term Finance Certificates				
	BANK AL FALAH LIMITED Certificate of Rs. 5,000 each Mark up : 12.58% (6-Months KIBOR Ask Rate + 2.50%) Redemption : Half yearly from Dec - 2009 Maturity : Nov - 2017 CEO of the company : Mr. Atif Bajwa	99,840	AA-	99,880	AA-
	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED Certificate of Rs. 5,000 each Mark up : 16.37% (KIBOR 3-Months Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : Jul - 2011 CEO of the company : Mr. Mian Pervez Akhtar	21,138	Unrated	21,138	Unrated
	DEWAN FAROOQUE SPINNING MILLS LIMITED Certificate of Rs. 5,000 each Mark up : 16.66% (KIBOR 6-Months Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec - 2009 CEO of the company : Mr. Dewan Abdul Baqi Farooqui	12,500	Unrated	12,500	Unrated
	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 12.40% (KIBOR 3-Months Ask Rate + 0.75%) Redemption : Half yearly Installments commencing from Dec - 2010 Maturity : Dec - 2017 CEO of the company : Mr. Naved A. Khan	324,610	AA-	324,740	AA-
	BANK AL HABIB LIMITED Certificate of Rs. 5,000 each Mark up : 15.00% - 15.50% Redemption : Half yearly Maturity : Jun - 2021 CEO of the company : Mr. Abbas D. Habib	149,850	AA	149,910	AA
	Sub Total	607,938		608,168	

Annexure - II

PARTICULARS OF INVESTMENT HELD IN SHARES OF LISTED COMPANIES

Sr. No.	Name of Company	Total Shares 2013	Total Shares 2012	2013 Cost	2013 Impairment	2013 Cost after Impairment	2012 Cost	2012 Impairment	2012 Cost after Impairment
				(Rupees in '000)					
	AVAILABLE FOR SALE PORTFOLIO								
	PKIC STRATEGIC PORTFOLIO								
1	MEEZAN BANK LIMITED	300,821,365	271,010,239	5,776,196	-	5,776,196	1,519,905	-	1,519,905
2	THE HUB POWER COMPANY LIMITED	692,602	692,602	23,850	-	23,850	23,850	-	23,850
	TOTAL	301,513,967	271,702,841	5,800,046	-	5,800,046	1,543,755	-	1,543,755
	PKIC GENERAL PORTFOLIO								
	OIL AND GAS								
3	OIL AND GAS DEVELOPMENT CO. LTD.	-	70,766	-	-	-	12,084	-	12,084
4	PAKISTAN STATE OIL COMPANY LIMITED	390,600	-	104,961	-	104,961	-	-	-
5	PAKISTAN OILFIELDS LIMITED	550,000	200,000	251,813	-	251,813	75,782	-	75,782
6	PAKISTAN PETROLEUM LIMITED	1,822,560	1,638,800	282,331	-	282,331	289,118	-	289,118
	TOTAL	2,763,160	1,909,566	639,105	-	639,105	376,984	-	376,984
	CHEMICALS								
7	ENGRO CORPORATION LIMITED	-	1,500,000	-	-	-	152,496	-	152,496
8	FAUJI FERTILIZER BIN QASIM LIMITED	5,916,080	5,305,080	245,152	-	245,152	222,352	-	222,352
9	FAUJI FERTILIZER COMPANY LIMITED	2,228,700	1,500,000	255,245	-	255,245	173,104	-	173,104
	TOTAL	8,144,780	8,305,080	500,397	-	500,397	547,952	-	547,952
	CONSTRUCTION AND MATERIALS								
10	D.G. KHAN CEMENT COMPANY LTD.	500,000	-	32,928	-	32,928	-	-	-
11	CHERAT CEMENT COMPANY LIMITED	670,000	-	35,793	-	35,793	-	-	-
12	LUCKY CEMENT LIMITED	33,500	200,000	7,442	-	7,442	29,930	-	29,930
	TOTAL	1,203,500	200,000	76,163	-	76,163	29,930	-	29,930
	AUTOMOBILE AND PARTS								
13	THE GENERAL TYRE & RUBBER CO.	16,774,292	16,774,292	436,502	-	436,502	173,480	-	173,480
	TOTAL	16,774,292	16,774,292	436,502	-	436,502	173,480	-	173,480
	PERSONAL GOODS								
14	NISHAT (CHUNIAN) LIMITED	-	88,614	-	-	-	2,086	685	1,401
	TOTAL	-	88,614	-	-	-	2,086	685	1,401
	FIXED LINE TELECOMMUNICATION								
15	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	5,000,000	-	118,028	-	118,028	-	-	-
	TOTAL	5,000,000	-	118,028	-	118,028	-	-	-
	ELECTRICITY								
16	THE HUB POWER COMPANY LIMITED	-	4,500,000	-	-	-	205,828	-	205,828
17	KOT ADDU POWER CO. LTD.	4,941,500	3,569,801	294,770	-	294,770	157,518	-	157,518
18	NISHAT CHUNIAN POWER LTD	13,469,302	15,317,302	282,011	-	282,011	192,401	-	192,401
	TOTAL	18,410,802	23,387,103	576,781	-	576,781	555,747	-	555,747

Annexure - II

Sr. No.	Name of Company	Total Shares 2013	Total Shares 2012	2013 Cost	2013 Impairment	2013 Cost after Impairment	2012 Cost	2012 Impairment	2012 Cost after Impairment
				----------(Rupees in '000)----------					
	BANKS								
19	NATIONAL BANK OF PAKISTAN	2,649,500	-	133,984	-	133,984	-	-	-
20	ALLIED BANK LIMITED	1,100,144	611,131	66,423	-	66,423	37,594	-	37,594
21	BANK AL-FALAH LIMITED	2,750,000	-	53,602	-	53,602	-	-	-
22	BANK AL-HABIB LIMITED	1,000,000	410,855	35,049	-	35,049	10,907	-	10,907
23	MCB BANK LIMITED	-	194,400	-	-	-	34,503	-	34,503
24	UNITED BANK LIMITED	214,400	1,200,000	26,816	-	26,816	89,918	-	89,918
25	HABIB BANK LIMITED	449,300	-	72,707	-	72,707	-	-	-
	TOTAL	8,163,344	2,416,386	388,581	-	388,581	172,922	-	172,922
	FINANCIAL SERVICES								
26	SME LEASING LIMITED	225,000	225,000	2,475	1,688	787	2,475	1,688	787
27	DADABHOY LEASING COMPANY LIMITED	10,750	10,750	13	13	-	13	13	-
	TOTAL	235,750	235,750	2,488	1,701	787	2,488	1,701	787
	EQUITY INVESTMENT INSTRUMENTS								
28	AL MEEZAN MUTUAL FUND LIMITED	16,895,690	16,895,690	241,288	-	241,288	92,279	14,711	77,568
29	MEEZAN BALANCED FUND	11,057,791	11,057,791	157,021	-	157,021	110,578	32,068	78,510
30	NAMCO BALANCED FUND	-	4,339,131	-	-	-	39,351	26,365	12,986
31	PAK OMAN ADVANTAGE FUND	4,990,000	4,990,000	49,900	17,465	32,435	49,900	17,465	32,435
	TOTAL	32,943,481	37,282,612	448,209	17,465	430,744	292,108	90,609	201,499
	PREFERENCE SHARES								
32	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	5,000,000	5,000,000	50,000	-	50,000	50,000	-	50,000
33	SECURITY LEASING CORPORATION LIMITED (PREF.SHARES) 9.1%	500,000	500,000	5,029	5,029	-	5,029	5,029	-
	PREFERENCE SHARES TOTAL	5,500,000	5,500,000	55,029	5,029	50,000	55,029	5,029	50,000
	GRAND TOTAL	400,653,076	367,802,244	9,041,329	24,195	9,017,134	3,752,481	98,024	3,654,457

	HELD FOR TRADING PORTFOLIO								
	TEXTILE COMPOSITE								
1	NISHAT MILLS LIMITED	-	100,000	-	-	-	6,410	-	6,410
	TOTAL	-	100,000	-	-	-	6,410	-	6,410
	TOTAL - HELD FOR TRADING PORTFOLIO	-	100,000	-	-	-	6,410	-	6,410

Annexure - II

As Referred to in Note 9.4 to the financial statements

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Sr. No	Name of TFCs	2013	2012	2013	2012
		NUMBER OF TFCs		COST (Rupees in '000)	
	Particulars of investments held in listed term finance certificates (TFCs)				
1	FAYSAL BANK LIMITED -TFCs (10-02-2005) Certificate of Rs. 5,000 each Mark up : 13.60% (6-Months KIBOR Ask Rate + 1.90%) Redemption : Half yearly Installments commencing from Feb -2005 Maturity : Feb - 2013	-	998	-	4,992
2	BANK AL FALAH - TFC-III (25-11-2005) Certificate of Rs. 5,000 each Mark up : 11.04% (6-Months Kibor + 1.5%) Redemption : Half Yearly from Nov-2012 Maturity : Nov - 2013	-	10,058	-	50,133
3	ASKARI COMMERCIAL BANK LIMITED -TFCs (04-02-2005) Certificate of Rs. 5,000 each Mark up : 13.24% (6-Months Kibor + 1.5%) Redemption : Half Yearly from Feb-2013 Maturity : Feb - 2013	-	5,384	-	26,912
	TOTAL	-	16,440	-	82,037

Annexure - II

As Referred to in Note 9.4 to the financial statements

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Sr. No.	Name of TFCs	2013 NUMBER OF TFCs	2012 NUMBER OF TFCs	2013 COST (Rupees in '000)	2012 COST (Rupees in '000)
	Particulars of investments held in unlisted term finance certificates (TFCs)				
1	BANK AL FALAH LIMITED Certificate of Rs. 5,000 each Mark up : 12.58% (6-Months KIBOR + 2.50%) Redemption : Half yearly from Dec - 2009 Maturity : Nov - 2017	19,968	19,976	99,840	99,880
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED Certificate of Rs. 5,000 each Mark up : 16.37% (3-Months KIBOR Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : Jul - 2011	4,228	4,228	21,138	21,138
3	DEWAN FAROOQUE SPINNING MILLS LIMITED Certificate of Rs. 5,000 each Mark up : 16.66% (6-Months KIBOR Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec - 2009	2,500	2,500	12,500	12,500
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 12.40% (3-Months KIBOR Ask Rate + 0.75%) Redemption : Half yearly Installments commencing from June 2011 Maturity : Dec - 2017	64,922	64,948	324,610	324,740
5	BANK AL-HABIB LIMITED Certificate of Rs. 5,000 each Mark up : 15.00% - 15.50% Redemption : Half yearly Maturity : June - 2021	29,970	29,982	149,850	149,910
	TOTAL	121,588	121,634	607,938	608,168

Annexure - III

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED 31 December 2013

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	NIC / CNIC Nos.	Father's/ Husband's	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
					Principal name	Interest/	Others Mark-up	Total				
1	2	3		4	5	6	7	8	9	10	11	12
	Rupees in '000											
2013												
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
				Sub Total (2013) :	-	-	-	-	-	-	-	-

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