Annual Report 2011

fcibank

First Credit And Investment Bank Ltd.

Major Joint Venture Partners:

NBP National Bank of Pakistan

Vision

Be a preferred investment bank enhancing value for the stakeholders and contributing to the National goals.

Mission Statement

Contributing through innovative financing and investment in quality portfolio, advisory services delivered in an environment of trust and customer confidence supported by a team of professionals.

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COMPANY INFORMATION

HR COMMITTEE:

Dr. Asif A. Brohi	(Chairman)
Anwar-ul-Haq	(Member)
Mr. Mohammad Imran Malik	(Member)

AUDIT COMMITTEE:

Mr. Najib Tariq	(Chairman)
Mr. Wajahat A. Baqai	(Member)
Mr. Anwar -ul- Haq	(Member)
Mr. Imdad Ali Shaikh	(Member)

INVESTMENT AND CREDIT COMMITTEE:

Chaudhry Tahir Hussain	(Chairman)
Mr. Najib Tariq	(Member)
Mr. Wajahat A. Baqai	(Member)

COMPANY SECRETARY:

Mr. Muhammad Mohsin Ali

AUDITORS:

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

LEGAL ADVISOR:

Mohsin Tayebaly & Company

BANKERS:

Allied Bank Limited
MCB Bank Limited
National Bank of Pakistan

SHARE REGISTRAR:

THK Associates (Pvt.) Limited
Ground Floor, State Life Building-3
Dr. Ziauddin Ahmed Road,
Karachi. 75530
Ph. # +92 (21) 111-000-322
Fax # +92 (21) 35655595

HEAD OFFICE / REGISTERED OFFICE:

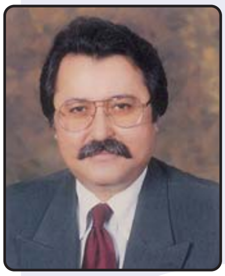
2nd Floor, Sidco Avenue Centre,
Stratchen Road,
Karachi - 74200
Pakistan.
Ph. # : 35658750-1, 35670452, 35688490
Fax. # : 35689331, 35686310
E-mail: info@fcibank.com.pk
Website: www.fcibank.com.pk

LAHORE BRANCH:

Ground Floor, Office # 2, 83-A-E/1
Main Boulevard, Gulberg III, Lahore.
Ph. # : +92 (42) 35790251
Fax. # : +92 (42) 35790252

BOARD OF DIRECTORS

Mr. Shahid Anwar Khan
Chairman



Dr. Asif A. Brohi
Director

Mr. Najib Tariq
Director

Mr. Imdad Ali Shaikh
Director

Mr. Wajahat A. Baqai
Director

Mr. Anwar-ul-Haq
Director

Chaudhary Tahir Hussain
Director

President & Chief Executive

Mr. Mohammad Imran Malik

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 22nd Annual General Meeting of the shareholders of First Credit & Investment Bank Limited will be held on Tuesday, October 25, 2011 at 5:00 p.m. at PIIA (Pakistan Institute of International Affairs) Auditorium, Aiwan-e-Saddar Road, Karachi to transact the following business:

1. To confirm the minutes of the Extra-Ordinary General Meeting held on April 12, 2011.
2. To receive, consider and adopt the audited financial statements of the Company together with the Auditors' and Directors reports thereon for the year ended June 30, 2011.
3. To appoint the statutory auditors for the year ending June 30, 2012 and fix their remuneration. The present auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Muhammad Mohsin Ali
Company Secretary

Karachi
October 3, 2011

Notes:

1. The share transfer books of the Company will remain closed from October 16, 2011 to October 25, 2011 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. THK Associates (Pvt.) Ltd, Ground Floor, State Life Building # 3, Dr. Ziauddin Ahmed Road, Karachi, 75530 upto the close of business on October 15, 2011, will be considered in time for purpose of entitlement of shareholders to attend and vote at the meeting.
2. A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another person as his/her proxy in writing to attend the meeting who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member. A proxy need not be a member of the Company.
3. In order to be effective, proxy form must be received at the office of our Registrar not later than forty eight (48) hours before the meeting, duly signed, stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.
4. In case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
5. In case of the proxy by a corporate entity, Board of Directors resolution/ power of attorney and attested copy of CNIC or passport of the proxy shall be submitted alongwith the proxy form.
6. Accountholders and sub-accountholders holding book entries securities of the Company in the Central Depository Company of Pakistan Ltd, who wish to attend the meeting, are requested to bring their original CNIC with copies thereof duly attested for identification purpose.
7. The shareholders are requested to timely notify any change in their addresses to our Registrar office.

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the 22nd Annual Report of the First Credit & Investment Bank Limited alongwith the audited financial statements and Auditors' Report thereon, for the year ended June 30, 2011.

State of Pakistan's Economy

Pakistan's economy is currently facing three broad challenges in the shape of persistent high inflation, falling investment and low growth, and rising total debt. At the same time, severe energy shortages and dismal law and order conditions have rendered the domestic economic environment least conducive for productive activities. Developments in the global economy are not that encouraging either from the perspective of international commodity prices and trade flows.

While exemptions and ineffective taxation of major parts of income generating sectors of the economy are limiting the revenue generation capacity, continued provision of financial support to the mismanaged loss making PSEs and untargeted subsidies are keeping the current expenditures under pressure. Consequently, the tax to GDP ratio remains low, 8.6 % in FY11, and any fiscal adjustment inevitably results in cuts in the development expenditures, which is not desirable given the infrastructure needs of the economy.

The external current account improved considerably in FY11 and contrary to earlier projections a surplus of $542 million has been realized. A significant and unexpected growth of 29.4 % in exports and a robust growth in workers' remittances, which now stand at $11.2 billion, are the primary factors responsible for this improvement.

The main risk in external accounts emanates from the declining capital and financial flows, which have dropped to $1.8 billion in FY11 from $5.3 billion in FY10. The perceived high country risk, relative to other emerging market economies, is the main factor underlying the reluctance of private foreign investors to invest in the country. The delays in implementation of economic reforms, on the other hand, resulted in shortfalls in estimated foreign loans. Nonetheless, in FY11 improvement in the external current account overshadowed this substantial decline in capital and financial inflows and there was an almost 100% increase, to $2.5 billion, in the overall balance of payments surplus. by end-June 2011. This has helped SBP in building its liquid foreign exchange reserves, which have increased to $14.8 billion from $13.0 billion at end-June 2010.

Effective from 1st August 2011, the SBP has decided to reduce the policy rate by 50 basis points to 13.5%. The key parameter in this assessment is the outlook of inflation that indicates that average inflation in FY12 is expected to remain in line with the announced target. According to the SBP, no adjustment in the interest rate would have entailed further tightening of monetary policy in real terms, which is not warranted given the decline in private investment. Despite fiscal slippages, the government has so far adhered to restricting the stock of its borrowings from SBP.

Maintaining generally the rising trend, KSE100 managed to close at 12,496 on June 30, 2011, with total market capitalization at Rs 3,289 billion as against the level of 9,722 on June 30, 2010, with total market capitalization at Rs 2,732 billion. However, following the trend in the world stock markets, KSE100 is under pressure and closed at 11,264 on September 13, 2011 with total market capitalization at Rs 2,985 billion.. Developing domestic capital markets is crucial to help foster savings, ease credit access concerns and enhance efficiency of the financial institutions including investment banks.

Financial Results

Financial results of the Bank for 2010-11 are summarized below, comparative data for 2009-10 has also been provided:

	2010-11	**2009-10**
	(Rupees in ,000)	(Rupees in ,000)
Total revenue	137,804	164,282
Operating (loss)/profit before taxation and provisions	(3,716)	33,510
(Loss)/profit before taxation	(136,419)	5,015
(Loss)/profit after taxation	(88,462)	7,874
Shareholders' equity (net of surplus/ deficit)	715,394	801,475
Total assets	1,517,877	1,464,724
(Loss)/earning per share-basic and diluted (Rs.)	(1.36)	0.12

Review of Operations

Previous three years have been bad for the NBFC sector particularly for investment banks due to adverse market and economic conditions and overall law and order situation in the country. Most of the investment banks are facing serious problems in terms of liquidity, profitability and viability. Your bank, however, despite adverse market conditions has been successful in maintaining its liquidity and long term viability. However, due to unfavourable market conditions, lack of viable business opportunities and non-performing assets your bank was unable to maintain its continuous profitability record. This year FCIB suffered first ever loss in its history since inception.

The net shareholders' equity decreased by Rs. 86 million to Rs. 715 million as at June 30, 2011 from Rs. 801 million as at June 30, 2010. Despite recording of loss, the book value of Bank's share is above par value as at June 30, 2011. The Bank with equity of Rs. 715 million as on June 30, 2011 (Rs. 801 million as on June 30, 2010) is also fully in compliance with the SECP's equity requirement. With expected improvement in operations and profitability we do not see any problem in meeting the future requirement.

Changes since Balance Sheet Date

There have not been any material events or changes that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

Dividend

Dividend policy of the Bank has been a mix of offering attractive cash dividends, bonus shares to the shareholders, improving its credit rating and allowing the availability of adequate funds to meet its investment and expansion plans. Due to after-tax loss for FY11, the Directors do not recommend any dividend for the year ended June 30, 2011.

Credit Rating

JCR-VIS Credit Rating Company Limited vide its report dated December 31, 2010 has maintained the medium to long-term entity rating of the Bank at 'A-' (Single A Minus). Short-term rating has been maintained at 'A-2' (A-Two). Outlook on the medium to long term rating is 'Stable'. This is an achievement in view of the overall performance of the investment banking sector.

Corporate and Financial Reporting Framework

As required by the Code of Corporate Governance, the directors are pleased to report the following:

a) These financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and change of equity.

b) Proper books of accounts of the company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control, which is in place, is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Key operating and financial data

The key operating and financial data of the company for the last six years is as under:

Year ended June 30	2011	2010	2009	2008	2007	2006
			Rupees in million			
Total revenue	138	164	214	178	190	171
Profit/(loss) before taxation	(136)	5	13	25	57	50
Profit/(loss) after taxation	(88)	8	8	16	56	47
Shareholders' equity	715	801	786	550	548	492
Total assets	1,518	1,465	1,800	1,729	2,058	1,764
Earning/(loss) per share (Rs)	(1.36)	0.12	0.12	0.40	1.39	4.00

Future Outlook & Strategy

We are vigilant for diversifying our business and increasing revenue streams, which will be forthcoming with improvement in economic conditions of the country. Your Bank would endeavour to restore reasonable quality of its assets, improve its infrastructure, build capacity through training of existing personnel and hiring key professionals, diversify products and services, and updating policies and procedures.

Staff Retirement Benefit Schemes

Value of the investment of Employees' Provident Fund and Gratuity Fund based on their un-audited accounts as on June 30, 2011, were as follows:

Provident Fund	Rs.11,421,691/-
Gratuity Fund	Rs.8,790,989/-

Human Resource: Training and Development

The Bank has been making use of training opportunities locally or abroad for upgrading skills of the employees for the long term growth of the Bank.

Election of Directors

At the Extraordinary General Meeting of the Bank held on April 12, 2011, the following Directors were elected unopposed to constitute the new Board for a term of three years:

1. Mr. Shahid Anwar Khan (Chairman)
2. Dr. Asif A. Brohi
3. Mr. Wajahat A. Baqai
4. Mr. Najib Tariq
5. Mr. Anwar-ul-Haq
6. Chaudhry Tahir Hussain
7. Mr. Imdad Ali Shaikh

Board Meetings

During the year 2010-11, five (5) Board meetings were held, in which Directors' attendance was as follows:

	Name of Directors	No. of meetings attended
1.	Mr. Shahid Anwar Khan	5
2.	Dr. Asif A. Brohi	3
3.	Mr. Najib Tariq	5
4.	Mr. Wajahat A. Baqai	4
5.	Ch. Abdul Qadeer	0
6.	Mr. Anwar-ul-Haq	4
7.	Mr. Imdad Ali Shaikh	1
8.	Chaudhry Tahir Hussain	1
9.	Mr. Mohammad Imran Malik	5

Audit Committee and Internal Controls

Audit Committee of the Board comprises of four non-executive directors. Terms of reference of the Audit Committee have been formulated by the Board in accordance with the Code of Corporate Governance.

Auditors

The present auditors Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire and being eligible offer themselves for re-appointment. As required under the Code of Corporate Governance the Audit Committee has recommended the appointment of M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, as auditors for the year ending June 30, 2012.

Pattern of Shareholdings

The Pattern of Shareholding including Categories of Shareholders of the Company as on June 30, 2011 is annexed at the end of the annual report.

During the year, no trade of shares of the Bank was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Acknowledgement

The directors wish to place on record their appreciation to our shareholders, valued customers and financial institutions for their continued trust and patronage. We are grateful to the regulatory authorities especially the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan and the Karachi Stock Exchange for their continued guidance and support. We acknowledge hard work and dedication of the employees who are our real assets.

By order of the Board

Mohammad Imran Malik
Chief Executive/President

Karachi
October 01, 2011

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This Statement is being presented by the Board of Directors (the Board) of First Credit Investment Bank Limited (the Company) to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 (chapter XI) of The Listing Regulations of The Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with best practices of corporate governance.

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

1. The Company encourages representation of independent non executive directors and directors representing minority interests on its Board of Directors. At present the Board includes seven non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more then ten listed companies, including the Company.
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 NBFC and none of them is a member of any stock exchange.
4. The three years term of office of previous Board of Directors was completed and new board comprising of seven directors was elected unopposed for next term of three years during the financial year. No casual vacancy in the Board of Directors occurred during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board and signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
7. 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 Chief Executive Officer (CEO) have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions that were made on terms equivalent to those that prevails in the arm's length transactions only if such terms can be substantiated.
10. The members of the Board are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations.
11. There was no new appointment of CFO, Company Secretary or Head of Internal Audit during the financial year.
12. The Directors' report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.
13. The Financial statements of the Bank were duly endorsed by the Chief Executive and Chief Financial Officer before approval of the Board.

14. The directors, chief executive and executives of the Company do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
15. The Company has complied with all the corporate and financial reporting requirements of Code.
16. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the committee.
17. The meetings of audit committee were held at least once every quarter prior to approval of the interim and final results of the Company and as required by Code. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.
18. The Company has set up an Internal Audit Department manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the Internal Audit function on full time basis.
19. The statutory Auditors of the Company have confirmed that they have been given satisfactory rating under quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 Internal Federations of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. 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.
21. We confirm that all other material principles contained in the Code have been complied with.

By order of the Board

Karachi
October 01, 2011

Mohammad Imran Malik
Chief Executive/President

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2011 prepared by the Board of Directors of **First Credit and Investment Bank Limited** ("the Company") to comply with the Listing Regulation No.35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance 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 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 (xiii) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors 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 of Directors and placement of such transactions before the Audit Committee. We have not carried 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 of Compliance does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance .

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Muhammad Waseem

Karachi
October 01, 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **First Credit and Investment Bank Limited** ("the Company") as at 30th June, 2011 and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion;

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30th June, 2011** and of the loss, its total comprehensive loss, cash flows and changes in equity for the year then ended; and

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

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner : Muhammed Waseem

Karachi
October 01, 2011

BALANCE SHEET

	Note	2011 Rupees	2010 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	**10,265,622**	4,460,522
Intangible asset	5	**1,805,616**	526,412
Long-term investments	6	**676,605,288**	786,087,520
Long-term loans and finances	7	**61,132,786**	32,632,027
Long-term security deposits	8	**1,050,000**	1,050,000
Deferred tax asset	9	**67,823,992**	18,491,451
		818,683,304	843,247,932
CURRENT ASSETS			
Short-term investments	10	**154,343,017**	242,823,133
Short-term placements	11	**255,924,700**	10,000,000
Current portion of non-current assets			
-Long term investments	12	**204,834,420**	148,195,119
-Long term loans and finances	12	**25,115,122**	132,501,677
Markup/interest accrued	13	**38,437,935**	57,597,787
Advances, prepayments and other receivables	14	**3,517,348**	5,173,340
Advance tax - net		**8,423,041**	6,286,954
Cash and bank balances	15	**8,597,745**	18,898,227
		699,193,328	621,476,237
		1,517,876,632	1,464,724,169

Chief Executive Officer / President

AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 75,000,000 (2010: 75,000,000) ordinary shares of Rs. 10 each		**750,000,000**	750,000,000
Issued, subscribed and paid-up capital	16	**650,000,000**	650,000,000
Reserves	17	**77,979,714**	166,442,089
		727,979,714	816,442,089
DEFICIT ON REVALUATION OF INVESTMENTS - NET	18	**(12,586,134)**	(14,966,784)
NON-CURRENT LIABILITIES			
Long-term loan	19	**203,125,000**	125,000,000
Long-term certificates of deposits	20	**5,000,000**	5,000,000
		208,125,000	130,000,000
Current Liabilities			
Short-term borrowings	21	**181,575,800**	169,128,050
Short-term running finance	22	**-**	11,180,805
Current portion of long-term loan	19	**46,875,000**	-
Short-term certificates of deposits	23	**333,020,000**	334,150,000
Accrued markup	24	**24,524,319**	10,599,200
Accrued expenses and other liabilities	25	**8,362,933**	8,190,808
		594,358,052	533,248,863
CONTINGENCIES AND COMMITMENTS	26	**-**	-
		1,517,876,632	1,464,724,169

The annexed notes from 1 to 39 form an integral part of these financial statements.

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
INCOME			
Income from term finances and funds placements	27	**23,886,880**	37,547,758
Income from investments	28	**112,772,359**	123,172,656
Fees and commission	29	**545,043**	2,957,110
Other income		**599,990**	604,296
		137,804,272	164,281,820
EXPENDITURE			
Finance cost	30	**92,343,867**	81,279,930
Administrative and operating expenses	31	**49,176,673**	49,064,080
Workers' Welfare Fund		**-**	427,991
		141,520,540	130,772,001
OPERATING (LOSS)/PROFIT BEFORE TAXATION AND PROVISIONS		**(3,716,268)**	33,509,819
Provision for markup/ interest accrued		**(30,606,106)**	(520,727)
Provision for non-performing investments	6.1.14	**(94,243,496)**	(20,000,000)
Provision for non-performing finances	7.2.3	**(7,839,063)**	(3,333,335)
Unrealized loss on held-for-trading investments	10.6	**(14,320)**	(28,545)
Permanent diminution in value of investments		**-**	(4,611,870)
(LOSS) / PROFIT BEFORE TAXATION		**(136,419,253)**	5,015,342
Provision for taxation	32	**47,956,878**	2,858,949
(LOSS) / PROFIT FOR THE YEAR		**(88,462,375)**	7,874,291
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED	33	**(1.36)**	0.12

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive Officer / President

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
(Loss) / Profit after taxation	**(88,462,375)**	**7,874,291**
Other comprehensive income not transferred to equity		
Gains on remeasurement of investments classified 'as available for sale'	**2,380,650**	7,421,041
Total comprehensive (loss) / income for the year	**(86,081,725)**	15,295,332

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive Officer / President

Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	**(136,419,253)**	5,015,342
Less: dividend income	**(1,464,655)**	(6,127,456)
Adjustments for:		
Depreciation	**2,705,577**	2,706,065
Amortization	**310,972**	200,308
Provision for the gratuity	**810,381**	691,645
(Gain) on disposal of property, plant and equipment	**(94,763)**	(31,841)
Permanent diminution in value of investments	**-**	4,611,870
Provision for markup/ interest accrued	**30,606,106**	520,727
Provision for non-performing finances	**7,839,063**	3,333,335
Provision for non-performing investments	**94,243,496**	20,000,000
Unrealized loss on held-for-trading investments	**14,320**	28,545
	136,435,152	32,060,654
Operating cash flows before working capital changes	**(1,448,756)**	30,948,540
(Increase) / decrease in current assets		
- Short-term investments	**88,480,116**	(86,047,098)
- Short-term placements	**(245,924,700)**	406,600,100
- Markup/interest accrued	**19,159,852**	(16,817,849)
- Advances, prepayments and other receivables	**1,527,621**	2,618,794
	(136,757,111)	306,353,947
Increase / (decrease) in current liabilities		
- Accrued expenses and other liabilities	**172,125**	691,333
- Accrued markup	**13,925,119**	(8,952,675)
- Short-term borrowings	**12,447,750**	29,962,000
	26,544,994	21,700,658
Cash (used in) / generated from operations	**(111,660,873)**	359,003,145
Gratuity contribution paid	**(682,010)**	(1,613,444)
Income tax paid	**(3,511,750)**	(5,962,302)
	(4,193,760)	(7,575,746)
Net cash (used in) / generated from operating activities	**(115,854,633)**	351,427,399
B. Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	**(8,514,914)**	(329,716)
Acquisition of intangible assets	**(1,590,176)**	(347,250)
Proceed from disposal of property, plant and equipment	**99,000**	34,000
Capital work in progress	**-**	(275,000)
Long-term investments - net	**(69,640,342)**	(117,336,332)
Dividend received	**1,464,655**	6,127,456
Long-term finances	**71,046,733**	120,897,729
Net cash (used in) / from investing activities	**(7,135,044)**	8,770,887
C. Cash Flows from Financing Activities		
Acquisition of long term loans	**125,000,000**	37,500,000
Short-term running finance	**(11,180,805)**	(238,818,637)
Certificates of deposit	**(1,130,000)**	(171,450,000)
Net cash from / (used in) financing activities	**112,689,195**	(372,768,637)
Net increase in cash and cash equivalents	**(10,300,482)**	(12,570,351)
Cash and cash equivalents at the beginning of the year	**18,898,227**	31,468,578
Cash and cash equivalents at the end of the year	**8,597,745**	18,898,227

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive Officer / President

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Issued, subscribed and paid-up capital	Statutory Reserve	Unappropriated profit / (loss)	Total
	...............................(Rupees)...............................			
Balance as at July 01, 2009	650,000,000	116,088,626	42,479,172	808,567,798
Changes in equity for the year 2010				
Profit for the year	-	-	7,874,291	7,874,291
Transfer to statutory reserve	-	1,574,858	(1,574,858)	-
Balance as at June 30, 2010	650,000,000	117,663,484	48,778,605	816,442,089
Balance as at July 01, 2010	650,000,000	117,663,484	48,778,605	816,442,089
Changes in equity for the year 2011				
Loss for the year	-	-	(88,462,375)	(88,462,375)
Transfer to statutory reserve	-	-	-	-
Balance as at June 30, 2011	**650,000,000**	**117,663,484**	**(39,683,770)**	**727,979,714**

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive Officer / President

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND OPERATIONS

First Credit and Investment Bank Limited ("the Company") was incorporated in Pakistan on August 31, 1989 as a private limited company under the name of First Credit and Discount Corporation (Private) Limited and thereafter converted in to a public limited company. Subsequently, the name of the Company was changed to First Credit and Investment Bank Limited. During 2008-09, the Company was listed on Karachi Stock Exchange by way of issue of shares to general public. The registered office of the Company is situated at 2nd floor, Sidco Avenue Centre, Stratchen Road, R.A. Lines, Karachi, Pakistan. The Company is an associated undertaking of Water and Power Development Authority (WAPDA) and National Bank of Pakistan (NBP) and each holds 30.77% holding in the Company.

The Company is licensed to undertake business of investment finance services as a Non-Banking Finance Company ("NBFC") under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("the NBFC Rules") issued by the Securities and Exchange Commission of Pakistan (SECP).

The medium to long term credit rating of the Company, rated by JCR-VIS Credit Rating Company, is 'A-' with a stable outlook. Short term rating of the Company is 'A-2'.

2 Basis of Preparation

2.1 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 ("the Ordinance"), the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("the NBFC Regulations") and the directives issued by the SECP. Wherever the requirements of the Ordinance, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Ordinance, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The SECP has deferred the applicability of International Accounting Standard, IAS-39, 'Financial Instruments: Recognition and measurement' and IAS-40, 'Investment Property' through Circular No. 19 dated August 13, 2003 to NBFCs providing investment finance services, discounting services and housing finance services. The SECP has also deferred the applicability of International Financial Reporting Standard, IFRS-7 'Financial Instruments: Disclosures' through Circular No. 411(1) / 2008 dated April 28, 2008 to NBFCs providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the measurement of certain financial instruments at fair value and certain retirement benefits at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded to the nearest rupee.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In preparing these financial statements, the significant judgement made by the management in applying accounting policies include:

- Provision for current and deferred taxation (Note 3.10 and 32)
- Classification and provisioning of investments (Note 3.3, 6 and 10)
- Provision against finances (Note 3.15)

2.5 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective in 2010 and are relevant to the Company:

IAS 1 (amendment), 'Presentation of financial statements'. The amendment was part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It did not have a material impact on the Company's financial statements.

IAS 7 (amendment), 'Statement of Cash Flows' is effective from January 1, 2010. The amendment provides clarification that only expenditure that results in a recognised asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognised assets in the balance sheet. The application of the amendment does not affect the results or net assets of the company as it is only concerned with presentation and disclosures.

IAS 39 (amendment); 'Cash flow hedge accounting' effective from July 1, 2010. This amendment provides clarification when to recognise gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. It did not have any affect on the Company's financial statements.

IAS 17 (amendment), 'Leases' is effective from January 1, 2010. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. The amendment provides clarification that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. A lease newly classified as a finance lease should be recognized retrospectively. Its adoption does not have any impact on the company's financial statements.

IAS 36 (amendment), 'Impairment of Assets', is effective from January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The application of the amendment does not have any material impact on the company's financial statements.

IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The application of this amendment has no material impact on the company's financial statements.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale' effective from July 1, 2010. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. It is not expected to have a material impact on the Company's financial statements.

IFRIC 19 (interpretation), 'Extinguishing Financial Liabilities with Equity Instruments', effective from annual periods beginning on or after July 1, 2010. The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Company has not offered its shares to the creditors, therefore, this interpretation could not have any impact on the Company's financial statements.

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 and May 2010 (not addressed above). These amendments are unlikely to have any impact on the company's financial statements and therefore have not been analyzed in detail.

b) **Standards, amendments to published standards and interpretations that are effective in 2010 but not relevant to the Company**

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2010 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and therefore have not been analyzed in detail.

c) **Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

Following new standards, amendments and interpretation to existing standards have been issued but are not effective for the financial year beginning July 1, 2010 and have not been early adopted by the Company:

IAS 1 'Presentation of financial statements' (Amendment) effective for annual periods beginning on or after July 1, 2012. This brings changes to the disclosure of items presented in other comprehensive income (OCI) in the 'Statement of Comprehensive Income'. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in future. The amendment will affect the presentation of the OCI items in the Company's financial statements.

IAS 19 Employee benefits (Amendment) effective for periods beginning on or after January 1, 2013. The amendment makes significant changes to the recognition and measurement of defined pension expense and termination benefits, and to disclosure for all employee benefits.

- **Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011.** The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's does not have any defined benefit plan, hence, these amendments will have no impact on the Company's financial statements.

- **IAS 24 (revised), 'Related Party Disclosures',effective from January 1, 2011.** The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.

- **IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions' In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions',** the amendments expand on the guidance in IFRIC 11 to address the classification of the Company's arrangements that were not covered by that interpretation. The new guidance is not expected to have any material impact on the Company's financial statements.

- **IFRS 9, 'Financial Instruments', effective from January 1, 2013.** IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to asses the full impact of IFRS 9.

- **IFRS 10, 'Consolidation financial statements', effective for annual periods beginning on or after January 1, 2013.** This standard replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements' and SIC 12, 'Consolidation - separate purpose entities'. This standard is not expected to have any impact on the Company's financial statements.

- **IFRS 11, 'Joint arrangements', effective for annual periods beginning on or after January 1, 2013.** This standard brings in changes in definition of joint arrangements and reduces the 'types' of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. This standard is not expected to have any impact on the Company's financial statements.

- **IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013.** This standard set out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11; it replaces the disclosure requirements currently found in IAS 28, 'Investments in associates'; and requires entities to disclose information that helps users to evaluate the nature, risks and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. This standard is not expected to have any impact on the Company's financial statements.

3 Summary of Significant Accounting Policies

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

3.1 Fixed assets

3.1.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to income using the straight line method whereby the cost of an asset is written-off over its estimated useful life at rates specified in note 4 to the financial statements. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal, respectively.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Gains or losses on disposal or retirement of property, plant and equipment are taken to profit and loss account.

3.1.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. The cost of intangible asset is amortized over its estimated useful life, using straight line method at rate specified in note 5 to the financial statements.

3.2 Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such indication exists, where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

3.3 Investments

The Company determines the appropriate classification of its investments at the time of purchase of investment and re-evaluates this classification on a regular basis. The existing investment portfolio of the Company has been categorized as follows:

Held-for-trading

These are investments which are acquired principally for the purpose of generating profits from short-term fluctuations in market prices, interest rate movements, dealer's margin or are investments included in a portfolio in which a pattern of short-term profit taking exists.

Available-for-sale

These are investments that are intended to be held for an indefinite period of time and which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices.

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

All investments are initially recognized at cost, being the fair value of the consideration given. Cost includes transaction costs associated with the investment. Subsequent to initial recognition, held-for-trading and available-for-sale investments for which active market exists, are measured at their market value while held-to-maturity investments are stated at amortized cost using the effective interest rate method less impairment, if any.

Any surplus or deficit on revaluation of held-for-trading investments are charged to income currently, while in case of available-for-sale investments, the resulting surplus/(deficit) is kept in a separate account and is shown in the balance sheet below the shareholders' equity as surplus/(deficit) on revaluation of investments. At the time of disposal the respective surplus or deficit is transferred to income currently.

Unquoted available for sale investments, except where an active market exists, are carried at cost less accumulated impairment losses, if any,

Impairment of investments is recognized when there is a permanent diminution in their values. Provision for impairment in the value of investment, if any, is taken to the profit and loss account.

3.4 Trade date accounting

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

3.5 Derivatives instruments

Derivative instruments held by the Company generally comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of derivatives is equivalent to the unrealized gain or loss from marking the derivatives to market using prevailing market rates at the balance sheet date. Derivatives with positive market values (unrealized gains) are included in other assets and derivatives with negative market values (unrealized losses) are included in other liabilities in the balance sheet. The corresponding gains and losses are included in the profit and loss account.

3.6 Securities under repurchase and reverse repurchase agreements

Transactions of repurchase / reverse repurchase of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows.

Repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. The counterparty liability for amounts received under these agreements is included in borrowings from banks /NBFCs. The difference between sale and repurchase price is treated as mark-up on borrowings from banks/NBFCs and accrued over the life of the repo agreement.

Reverse repurchase agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised in the balance sheet. Amounts paid under these agreements are recorded as fund placements. The difference between purchase and resale price is treated as return from fund placements with financial institutions and accrued over the life of the reverse repo agreement.

3.7 Margin trading System (MTS) / Continuous funding system (CFS) transactions

Receivable against MTS/CFS transactions are recorded at the fair value of the consideration given. The MTS/CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from MTS/CFS transactions in the profit and loss account and is recognized over the term of the respective transaction.

3.8 Term finance / Credit facilities

Term finances originated by the Company are stated net of provision for losses on such assets. The specific provision for bad and doubtful loans, if any, is determined in accordance with the requirements of the NBFC Regulations. Loans are written off when there is no realistic prospect of recovery.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose statement of cash flows , cash and cash equivalents consist of cash and bank balances.

3.10 Taxation

Current

The provision for current taxation is based on taxable income at current tax rates after taking into account tax credits, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicale tax rates under such regime. The charge for current tax also includes adjustments where necessary relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred tax is recognised using the liability method in respect of all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts used for financial reporting purpose. Deferred tax asset is recognized for all deductible temporary differences and tax losses, if any, to the extent that it is probable that the temporary differences will reverse in the future and the taxable profits will be available against which the temporary differences and tax losses can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the deferred tax asset to be utilized.

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

3.11 Staff retirement benefits

Defined benefit plan

The Company operates an approved gratuity fund for all its eligible employees. Provisions are made to cover the obligations under the schemes on the basis of actuarial assumptions using "Projected Unit Credit Method".

Actuarial gains and losses are recognized in the balance sheet using 10% Corridor approach and are amortized over the expected average remaining lives of the employees. The significant actuarial assumptions are stated in note 14.1 to these financial statements.

Defined contribution plan

The Company also operates a recognized contributory provident fund for all of its regular employees. Equal monthly contributions are made, both by the Company and the employees to the fund at the rate of 10% of basic salary.

3.12 Long term financing- Term finance certificates (TFCs)

Term finance certificates are initially recognised at its fair values less transaction costs that are directly attributable to the issue of TFCs. The transaction costs are amortised over the term of TFCs using the effective interest method.

3.13 Finances, Certificate of deposits and other borrowings

These are recorded at the proceeds received.

3.14 Return on certificates of deposit

Return on certificates of deposit (CODs) issued by the Company is recognised on time proportionate basis taking into account the relevant CODs issue date and final maturity date.

3.15 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past event 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.16 Accrued and other liabilities

Accrued and other liabilities are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

3.17 Proposed dividend and transfer between reserves

Proposed dividend are transfer between reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.18 Borrowing costs

Borrowing costs are recognised as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset.

3.19 Revenue recognition

a) Return on term finances and funds placements, is recognised on time proportion basis taking into account the principal / net investment outstanding and applicable rates of profit thereon except in case of classified loans on which income is recognized on receipt basis.

Interest / markup on rescheduled / restructured advances and investments is recognised in accordance with the guidelines given in the NBFC Regulations.

b) Return on government securities and term finance certificates is recognised on time proportion basis.

c) Dividend income on equity investments is recognised when the right to receive the dividend is established.

d) Income from fees, commission and brokerage is recognised, when such services are provided.

e) Other income is recognised as and when incurred.

3.20 Earnings per share (EPS)

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3.21 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company looses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

3.22 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.23 Related Party Transacrions

The Company enters into transactions with related parties on arm's length basis. Prices for transactions with related parties are determined using admissible valuation method.

4 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST				ACCUMULATED DEPRECIATION				W.D.V.	
	As at July 1, 2010	Additions	Deletion	As at June 30, 2011	As at July 1, 2010	Depreciation for the year	Depreciation on Disposal	As at June 30, 2011	As at June 30, 2011	Depreciation Rate %
	Rupees									
Furniture and fittings	1,179,935	27,202	(174,749)	1,032,388	850,361	116,863	(170,512)	796,712	235,676	15
Office equipment	2,118,455	7,400	(60,625)	2,065,230	1,712,421	293,072	(60,625)	1,944,868	120,362	20
Computers	2,909,906	739,302	(268,885)	3,380,323	2,364,650	342,604	(268,885)	2,438,369	941,954	33
Air conditioners	878,289	849,680	(193,064)	1,534,905	645,700	166,739	(193,064)	619,375	915,530	15
Vehicles	11,165,572	966,330	(1,410,550)	10,721,352	8,748,502	1,549,922	(1,410,550)	8,887,874	1,833,478	20
Leasehold improvements	665,218	6,200,000	-	6,865,218	410,219	236,377	-	646,596	6,218,622	20
June 30, 2011	18,917,375	8,789,914	(2,107,873)	25,599,416	14,731,854	2,705,577	(2,103,636)	15,333,794	10,265,622	

Property, plant and equipment	
- Fixed Assets	10,265,622
- Capital work in progress	-
	10,265,622

PARTICULARS	COST				ACCUMULATED DEPRECIATION				W.D.V.	
	As at July 1, 2009	Additions	Deletion	As at June 30, 2010	As at July 1, 2009	Depreciation for the year	Depreciation on Disposal	As at June 30, 2010	As at June 30, 2010	Depreciation Rate %
	Rupees									
Furniture and fittings	1,179,935	-	-	1,179,935	706,604	143,758	-	850,362	329,573	15
Office equipment	2,203,405	-	(84,950)	2,118,455	1,472,763	322,212	(82,554)	1,712,421	406,034	20
Computers	2,676,190	233,716	-	2,909,906	1,892,630	472,020	-	2,364,650	545,256	33
Air conditioners	782,289	96,000	-	878,289	573,906	71,794	-	645,700	232,589	15
Vehicles	11,165,572	-	-	11,165,572	7,185,264	1,563,238	-	8,748,502	2,417,070	20
Leasehold improvements	665,218	-	-	665,218	277,175	133,044	-	410,219	254,999	20
June 30, 2010	18,672,609	329,716	(84,950)	18,917,375	12,108,342	2,706,065	(82,554)	14,731,853	4,185,522	

Property, plant and equipment

- Fixed Assets	4,185,522
- Capital work in progress	275,000
	4,460,522

The following assets were disposed off during the period

Description	**Cost**	**"Accumulated depreciation"**	**Book value**	**"Sale proceeds"**	**Gain on disposal**	**"Mode of diposal"**	**"Particular of buyers"**
Furniture and fixtures	174,749	170,512	4,237	42,609	38,372	Advertisement	Khalid Rashed / Fazal Wahid
Office equipments	60,625	60,625	-	4,010	4,010	Negotiation	Qureshi Brothers
Computers	268,885	268,885	-	12,490	12,490	Advertisement	Ghulam Mustufa
Air conditioners	193,064	193,064	-	39,891	39,891	Advertisement	FFF Traders
Vehicles	1,410,550	1,410,550	-	-		Transferred to employees as per Company's policy	Mr. Najam Rizvi / Mr. Imran Malik
Total: 2011 Rupees	2,107,873	2,103,636	4,237	99,000	94,763		
Total: 2010 Rupees	84,950	82,554	2,396	34,000	31,604		

5 INTANGIBLE ASSET

PARTICULARS	COST				ACCUMULATED DEPRECIATION				W.D.V.	
	As at July 1, 2010	Additions	Deletion	As at June 30, 2011	As at July 1, 2010	Amortization for the year	Amortization on Disposal	As at June 30, 2011	As at June 30, 2011	Amortization Rate %
	Rupees									
Computer software	818,880	1,590,176	-	2,409,056	292,468	310,972	-	603,440	1,805,616	33
June 30, 2011	818,880	1,590,176	-	2,409,056	292,468	310,972	-	603,440	1,805,616	

PARTICULARS	COST				ACCUMULATED DEPRECIATION				W.D.V.	
	As at July 1, 2010	Additions	Deletion	As at June 30, 2011	As at July 1, 2010	Amortization for the year	Amortization on Disposal	As at June 30, 2011	As at June 30, 2011	Amortization Rate %
	Rupees									
Computer software	471,630	347,250	-	818,880	92,160	200,308	-	292,468	526,412	33
June 30, 2010	471,630	347,250	-	818,880	92,160	200,308	-	292,468	526,412	

6 Long-Term Investments

	Note	2011 Rupees	2010 Rupees
Held-to-maturity			
- Term finance certificates/Sukuk - Unlisted	6.1	**362,318,072**	351,562,400
- Term finance certificates/Sukuk - Listed	6.2	**29,902,048**	29,914,016
- Government securities - PIB's	6.3	**254,179,220**	362,466,118
		646,399,340	743,942,534
Available-for-sale			
- Term finance certificates - Listed	6.4	**30,205,948**	42,144,986
		676,605,288	786,087,520

6.1 Term finance certificates/Sukuk - Unlisted

Number of Certificates		Investee Company	Note	2011 Cost Rupees	2010 Cost Rupees
2011	2010				
		Sugar & Allied industries			
8,000	8,000	Haq Bahoo Sugar Mills (pvt) Ltd	6.1.1	**10,000,000**	30,000,000
		Cement			
8,000	8,000	Gharibwal Cement Limited	6.1.2	**36,075,480**	37,981,000
		Chemical			
30,000	30,000	Engro Chemical Pakistan Limited	6.1.3	**134,753,500**	134,753,500
14,000	-	Sitara chemical	6.1.4	**39,608,349**	-
		Cable & electrical goods			
15,900	15,900	Pak Electron Limited	6.1.5	**31,516,212**	47,274,317
8,000	8,000	New Allied Electronics Industries (pvt) Limited	6.1.6	**39,243,496**	40,000,000
		Textile			
5,000	5,000	Amtex Limited	6.1.7	**18,750,001**	20,833,334
28,000	28,000	Three Star Hosiery (Private) Limited	6.1.8	**140,000,000**	140,000,000
		Financial Institutions			
2,000	2,000	Jahangir Siddiqui & Co. Limited	6.1.9	**8,912,505**	8,916,075
13,000	5,000	House Building Finance Corporation	6.1.10	**35,880,000**	18,400,000
4,995	-	Pak Libya Holding Company (Pvt.) Limited	6.1.11	**24,975,000**	-
		Miscellaneous			
10,000	10,000	Eden Housing Limited	6.1.12	**35,040,000**	37,500,000
100	100	TPL Trakker (Pvt) Limited	6.1.13	**1,250,000**	3,750,000
				556,004,543	519,408,226
		Less: provision for non-performing investments	6.1.14	**(109,243,496)**	(40,000,000)
				446,761,047	479,408,226
		Less: current maturity	12	**(84,442,975)**	(127,845,826)
				362,318,072	351,562,400

6.1.1 This represents Sukuk Certificate issued on August 13, 2008 for a period of three years at the rate of 6 month KIBOR + 3.25%.

6.1.2 This represents Term Finance Certificates issued on April 1, 2010 for a period of five years at the rate of 6 month KIBOR + 3%.

6.1.3 This represents Term Finance Certificates issued on March 18, 2008 for a period of ten years at the rate of 6 month KIBOR + 1.7% to 1.9%.

6.1.4 This represents Sukuk Certificates issued on January 2, 2008 for a period of five years at the rate of 3 month KIBOR + 1% .

6.1.5 This represents Term Finance Certificates issued on September 28, 2007 for a period of five years at the rate of 3 month KIBOR + 1.75% .

6.1.6 This represents Sukuk Certificate issued on December 3, 2007 for a period of five years at the rate of 3 months KIBOR + 2.2% with a floor of 7% and cap of 20%.

6.1.7 This represents Sukuk Certificates issued on October 12, 2007 for a period of five years at the rate of 3 month KIBOR + 2% with a floor of 11% and cap of 25%.

6.1.8 This represents Sukuk Certificates issued on February 4, 2009 for a period of five years at the rate of 3 month KIBOR + 3.25% with a floor of 11% and cap of 25%.

6.1.9 This represents Term Finance Certificates issued on July 4, 2007 for a period of five years at the rate of 6 month KIBOR + 1.70% .

6.1.10 This represents Sukuk Certificates issued on May 8, 2008 for a period of five years at the rate of 6 month KIBOR + 1.00% .

6.1.11 This represents Term Finance Certificates issued on February 7, 2011 for a period of five years at the rate of 6 month KIBOR + 1.60% .

6.1.12 This represents Sukuk Certificates issued on December 31, 2007 for a period of five years at the rate of 6 month KIBOR + 2.5% with a floor of 7% and cap of 20%.

6.1.13 This represents Term Finance Certificates issued on October 5, 2007 for a period of four years at the rate of 6 month KIBOR + 3.5% .

6.1.14 Provision for non-performing TFC's/Sukuk	**Note**	**2011 Rupees**	**2010 Rupees**
Opening balance		**40,000,000**	20,000,000
Charged for the year		**94,243,496**	20,000,000
Closing balance		**134,243,496**	40,000,000

6.2 This represents Term Finance Certificates issued on August 28, 2009 for a period of ten years at the rate of 6 month KIBOR + 0.85% to 1.30%.

6.3 Government Securities - Pakistan Investment Bonds

	Note	2011 Rupees	2010 Rupees
Cost			
Opening		**386,524,200**	284,057,900
Purchased during the year		**-**	102,466,300
		386,524,200	386,524,200
Amortization			
Opening		**24,058,082**	19,001,532
Charged during the year		**4,610,757**	5,056,550
		28,668,839	24,058,082
	6.3.1	**357,855,361**	362,466,118
Current portion	12	**(103,676,141)**	-
		254,179,220	362,466,118

6.3.1 This represents investments in 10 years bonds issued by the Government of Pakistan. Periods to maturity of these ranges from 6 months to 8 years and carry markup rates (coupon rate) ranging from 8% to 12% per annum (2010: 8% to 12% per annum). Two PIBs of Rs.200 million (2010: 175 million) is held by other financial institution as security under repurchase agreement.

These represent investment in government securities to comply with the requirement of Regulation 14(4)(i) of NBFC Regulations.

6.4 Term finance certificates - Listed

Number of Certificates 2011	Number of Certificates 2010	Investee Company	Note	2011 Cost Rupees	2011 Market Value Rupees	2010 Cost Rupees	2010 Market Value Rupees
		Pharmaceuticals					
-	7,245	Searle Pakistan Limited		-	-	9,052,628	8,839,512
		Textile Composite					
4,000	4,000	Azgard Nine Limited	6.4.1	14,979,600	14,487,763	14,979,600	14,487,763
		Investment Banks/Investment Companies					
-	2,903	Trust Investment Bank Limited		-	-	1,451,500	1,430,864
455	-	NIB Bank Limited	6.4.2	2,158,657	2,080,794	-	-
1,000	1,000	Jahangir Siddiqui & Company Limited	6.4.3	4,991,000	5,050,510	4,993,000	5,043,030
		Technology and Communication					
6,886	6,886	Worldcall Telecom Ltd	6.4.4	24,577,951	22,476,536	34,409,192	32,693,110
		Fertilizer					
691	-	PakArab Fertilizer Limited	6.4.5	2,800,623	2,825,649	-	-
				49,507,831	46,921,252	64,885,920	62,494,279
		(Deficit)/surplus on revaluation	18	(2,586,579)	-	(2,391,641)	-
				46,921,252	46,921,252	62,494,279	62,494,279
		Less: current maturity	12	(16,715,304)	(16,715,304)	(20,349,293)	(20,349,293)
				30,205,948	30,205,948	42,144,986	42,144,986

6.4.1 This represents Term Finance Certificates issued on March 20, 2010 for a period of seven years at the rate of 6 month KIBOR + 2.4%.

6.4.2 This represents Term Finance Certificates issued on March 5, 2008 for a period of eight years at the rate of 6 month KIBOR + 1.15%.

6.4.3 This represents Term Finance Certificates issued on May 20, 2007 for a period of five years and six month at the rate of 6 month KIBOR + 2.5% with a floor of 6% and cap of 16%.

6.4.4 This represents Term Finance Certificates issued on October 31, 2008 for a period of five years at the rate of 6 month KIBOR + 1.6%.

6.4.5 This represents Term Finance Certificates issued on February 28, 2008 for a period of five years at the rate of 6 month KIBOR + 1.5%.

	Note	2011 Rupees	2010 Rupees
7 Long-Term Loans and finances			
Loan to employees	7.1	**12,745,118**	11,512,230
Loan to others- Term finance facility	7.2	**48,387,668**	21,119,797
		61,132,786	32,632,027

	Note	2011 Rupees	2010 Rupees
7.1 House loans to staff - Secured			
- Chief executive		**3,963,478**	4,517,710
- Executives		**7,184,520**	6,249,277
- Employees		**269,707**	2,197,770
	7.1.2	**11,417,705**	12,964,757
Mark-up on house loans to staff		**2,115,206**	-
		13,532,911	12,964,757
Other loans - unsecured, interest free			
- Chief executive		**-**	-
- Executives		**1,206,522**	-
- Employees		**277,933**	212,525
	7.1.3	**1,484,455**	212,525
Current portion			
- House loans		**(1,547,052)**	(1,547,052)
- Other loans		**(725,196)**	(118,000)
	12	**(2,272,248)**	(1,665,052)
		12,745,118	11,512,230

7.1.1 Reconciliation of carrying amount of long-term loans to Chief Executive and Executives:

	2011 Chief Executive	**2011** Executive	2010 Chief Executive	2010 Executive
	........................Rupees		....	
Opening balance	**4,517,710**	**6,249,277**	5,867,315	7,919,694
Disbursements during the year	**-**	**1,550,568**	-	-
Receipts during the year	**(554,232)**	**(1,183,950)**	(1,349,605)	(1,670,417)
Transfer to executive category	-	**1,775,147**	**-**	**-**
	3,963,478	**8,391,042**	4,517,710	6,249,277

7.1.2 These represent loans provided to the chief executive, executives and employees for purchase of property in accordance with the terms of employment. These loans carry mark-up rate at 4% (2010:4%) per annum and are repayable on monthly basis over a period of 15 years. These loans are secured against mortgage of properties. The maximum aggregate balance due at the end of any month during the year from the chief executive is Rs.4,517,710 (2010: Rs.5,071,942) and executives are Rs. 8,024,424 (2010: Rs.6,872,166).

7.1.3 These represent loans provided to the chief executive, executives and employees and are repayable on monthly basis over a period of 3 years. The maximum aggregate balance due at the end of any month during the year from executive is Rs. 1,550,568 (2010: Rs.602,979).

	Note	2011 Rupees	2010 Rupees
7.2 Loan to others -Term finance facility (Secured)			
Considered good	7.2.1	**62,891,480**	151,956,422
Considered doubtful	7.2.2	**22,844,795**	6,666,670
		85,736,275	158,623,092
Less: provision for non-performing finances	7.2.3	**(14,505,733)**	(6,666,670)
		71,230,542	151,956,422
Less: current portion	12	**(22,842,874)**	(130,836,625)
		48,387,668	21,119,797

7.2.1 These represent finances with maturities ranging from eighteen months to six years at mark-up rates ranging from 16.69 % to 16.79% (2010: 15.37% to 15.50%) per annum and are repayable in monthly, quarterly and half yearly installments. These loans are secured against ranking and / or pari passu hypothecation and / or mortgage charge over present and future fixed assets of the Company and / or personal guarantees of directors of the Company.

7.2.2 This represents a financing facilities that has been classified as non-performing under 'doubtful' category.

			2011 Rupees	2010 Rupees
7.2.3	**Provision for non-performing finances**			
	Opening balance		**(6,666,670)**	(3,333,335)
	Charge for the year		**(7,839,063)**	(3,333,335)
	Closing balance		**(14,505,733)**	(6,666,670)
8	**Long Term Security Deposit**			
	National Clearing Company		**1,000,000**	1,000,000
	CDC		**50,000**	50,000
			1,050,000	1,050,000
9	**Deferred Tax Asset**			
	Deferred tax asset on deductible temporary differences:			
	-Unused tax losses		**3,525,378**	1,531,500
	-Provisions		**63,921,441**	17,295,259
	-Minimum tax on turnover		**1,345,531**	-
			68,792,350	18,826,759
	Deferred tax liability on taxable temporary differences:			
	-Accelerated tax depreciation allowance		**(568,444)**	-
	- On gratuity		**(399,914)**	(335,308)
			67,823,992	18,491,451
10	**Short-Term Investments**			
	Available-for-sale			
	- Dewan Cement Limited - Pre IPO term finance certificates	10.1	**50,000,000**	50,000,000
	- Investment in Shares- Listed	10.2	**33,684,701**	40,133,134
	- Investment in Mutual Funds	10.3	**33,676,116**	78,529,419
	- Investment in Preference shares	10.4	**15,000,000**	17,362,500
			132,360,817	186,025,053
	Provision for non-performing investments	10.1	**(25,000,000)**	-
			107,360,817	186,025,053
	Held-to-maturity			
	- Government securities - T-Bills	10.5	**46,839,950**	56,766,480
	Held-for-trading			
	- Investment in shares - Listed	10.6	**142,250**	31,600
			154,343,017	242,823,133

10.1 No interest has been accrued on these Pre - IPO investments, as the investment has been classified under doubtful category, further a provision has also been made against the investment to coform with NBFC Regulations no. 25(12)

10.2 Investment in shares - Listed

Number of Shares 2011	Number of Shares 2010	Investee Company	Note	2011 Cost Rupees	2011 Market Value Rupees	2010 Cost Rupees	2010 Market Value Rupees

(Unless otherwise specified the face value of each share is Rs.10/-)

		Automobile and parts					
-	10,000	Dewan Farooq Motors Limited		-	-	31,911	16,700
3,000	3,000	Agriauto Industries Limited		107,999	208,500	107,999	207,000
		Cosntruction and material					
-	8,640	Attock Cement Pakistan Limited		-	-	316,296	565,920
61,927	61,927	Fauji Cement Company Limited		322,075	255,139	322,075	281,768
3,000	3,000	Lucky Cement limited		171,059	212,520	171,059	186,420
110,534	110,534	Maple Leaf Cement Limited		671,269	227,700	671,269	343,761
		Commercial Banks					
-	1,687	Allied Bank Limited		-	-	76,013	96,075
10,376	10,376	Summit Bank Limited		65,260	39,014	65,260	37,250
14,500	13,182	Askari Bank Limited		190,645	157,760	190,645	200,630
-	12,500	Bank of Khyber		-	-	61,210	47,250
20,000	20,000	Bank of Punjab		325,676	116,800	325,676	201,600
1,607	1,461	Habib Bank Limited		141,807	186,508	141,807	142,082
8,032	7,302	MCB Bank Limited		1,419,364	1,600,778	1,419,364	1,417,975
9,375	7,500	National Bank Limited	10.2.1	383,636	472,688	383,636	480,750
-	34,400	Standard Chartered Bank Limited		-	-	295,384	252,840
6,238	6,238	United Bank Limited		327,941	386,195	327,941	338,162
		Industrial metals and mining					
-	6,879	Dost Steel Limited		-	-	33,126	17,748
43,500	43,500	Siddique Sons Tin Plate Limited		617,824	390,193	617,824	439,350
		Chemicals					
1,278	1,023	Fauji Fertilizer Company Limited		49,335	192,147	49,335	105,441
-	2,500	ICI Pakistan Limited		-	-	349,098	296,400
815,800	815,800	Agritech limited		24,474,000	15,500,200	24,474,000	20,501,054
		bal c/f		**29,267,890**	**19,946,142**	**30,430,928**	**26,176,176**

Number of Shares		Investee Company	Note	2011		2010	
				Cost	Market Value	Cost	Market Value
2011	2010			Rupees	Rupees	Rupees	Rupees
		bal b/f		**29,267,890**	**19,946,142**	**30,430,928**	**26,176,176**
15,000	-	Fatima Fertilizer Company Limited		-	249,600	-	-
		Financial services					
50,000	50,000	Arif HabibCorporation Limited		2,158,395	1,315,000	2,158,395	1,660,500
75	15,000	"Innovative Investment Bank Limited"		-	-	-	-
5,666	5,666	Jahangir Siddiqui & Co. Limited		138,650	36,716	138,650	71,618
		Equity Investment Instruments					
104,249	104,249	First Constellation Modaraba		241,765	168,883	241,765	186,606
87,618	142,723	PICIC Growth Fund		1,303,311	1,172,328	2,122,994	1,321,615
		Oil and Gas					
1,000	1,000	Mari Gas Company Limited		67,290	107,370	67,290	129,380
4,000	2,500	Pakistan Petroleum Limited		611,792	828,280	396,618	460,300
5,000	5,000	Oil & Gas Development Co. Ltd		541,645	764,950	541,645	708,450
2,033	2,033	Pakistan Oil Fields Limited		391,448	729,867	391,448	438,925
2,500	2,500	Pakistan State Oil Company Limited		738,225	661,450	738,225	650,500
30,000	124,627	Byco Petroleum Pakistan Limited		355,669	272,100	1,477,541	1,243,777
2,000	2,000	Attock Refinery Limited		238,644	245,460	238,644	161,120
		Electricity					
30,000	30,000	Kot Addu Power Company Limited		1,218,333	1,278,300	1,218,333	1,252,200
132,459	132,459	The Hub Power Company Limited		4,477,635	4,967,213	4,477,635	4,233,390
60,000	60,000	Karachi Electric Supply Corporation		214,561	129,000	214,561	133,800
		Software and computer services					
2,265	2,265	Netsol Technologies Limited		67,612	46,342	67,612	56,648
		Fixed line Telecommunication					
2,500	2,500	Pakistan Telecommunication Company Limited		51,395	35,550	51,395	44,500
108,212	108,212	Telecard Limited		439,361	166,645	439,361	287,840
		Personal Goods					
-	8,365	Nishat Chunian Limited		-	-	207,056	132,000
		Travel and leisure					
50,000	50,000	Pakistan International Airlines		218,804	107,000	218,804	137,500
		bal c/f		**42,742,425**	**33,228,196**	**45,838,900**	**39,486,845**

Number of Shares 2011	Number of Shares 2010	Investee Company	Note	2011 Cost Rupees	2011 Market Value Rupees	2010 Cost Rupees	2010 Market Value Rupees
		bal b/f		**42,742,425**	**33,228,196**	**45,838,900**	**39,486,845**
		Non-life insurance					
13,152	13,152	EFU general Insurance		1,097,057	456,505	1,097,058	646,289
				43,839,482	33,684,701	46,935,958	40,133,134
		Deficit on revaluation	18	(10,154,781)	-	(6,802,824)	-
				33,684,701	**33,684,701**	**40,133,134**	**40,133,134**

10.2.1 This represents an investment in shares of associated undertaking.

10.3 Investment in mutual funds

Number of Units 2011	Number of Units 2010	Investee Company	Note	2011 Cost Rupees	2011 Market Value Rupees	2010 Cost Rupees	2010 Market Value Rupees
-	298,006	Arif Habib-Pak Income Fund		-	-	15,308,594	15,311,548
55,596	44,271	Faysal Asset Allocation Fund		2,676,200	3,931,179	2,676,200	3,260,116
-	80,000	Namco Income Fund		-	-	8,000,000	7,976,864
121,116	99,645	Dawood Money Market Fund		10,000,000	10,169,529	10,000,000	7,474,830
-	424,299	Nafa Multi Asset Fund		-	-	4,437,332	3,973,136
1,473,467	1,473,467	Namco Balanced Fund		10,844,715	7,102,111	10,844,716	5,127,665
-	1,497,933	ABL Income Fund		-	-	15,000,000	15,003,896
100,982	-	JS Principal Secure Fund		9,999,975	12,473,297		
-	197,841	Faysal Saving Growth Fund		-	-	20,397,396	20,401,364
				33,520,890	33,676,116	86,664,238	78,529,419
		Surplus / (deficit) on revaluation	18	155,226	-	(8,134,819)	-
				33,676,116	33,676,116	78,529,419	78,529,419

10.4 Investment in preference shares

Number of Shares 2011	Number of Shares 2010	Investee Company	Note	2011 Cost Rupees	2011 Market Value Rupees	2010 Cost Rupees	2010 Market Value Rupees
		Cable and Electrical Goods					
1,500,000	1,500,000	Pak Electron Limited		15,000,000	15,000,000	15,000,000	17,362,500
		Surplus on revaluation	18	-	-	2,362,500	-
				15,000,000	15,000,000	17,362,500	17,362,500

10.5 These represent investment in government securities to comply with the requirement of Regulation 14(4)(i) of NBFC Regulations. This carries rate of return is 13.53% per annum and mature on September 22, 2011.

10.6 Investments in shares - Quoted

Number of Shares 2011	Number of Shares 2010	Investee Company	Note	2011 Cost Rupees	2011 Market Value Rupees	2010 Cost Rupees	2010 Market Value Rupees
		Financial services					
2,500	2,500	Jahangir Sidique & Co. ltd		31,600	16,200	60,145	31,600
		Banks					
2,500	-	National Bank of Pakistan		124,970	126,050	-	-
		Deficit on revaluation		(14,320)	-	(28,545)	
				142,250	142,250	31,600	31,600

11 Short-Term Placements

	Note	2011 Rupees	2010 Rupees
Unsecured placements - considered good	11.1	**255,924,700**	10,000,000

11.1 These are certificate of investmentsand term deposit receipts with Commercial Banks and Non Banking Finance Companies carrying markup rates ranging from 13.75% to 13.90% (2010: 13% to 21%) per annum and maturing on various dates latest by August 15, 2011.

12 Current portion of Non-Current Assets

	Note	2011	2010
Investments			
Current portion of term finance certificates - unlisted	6.1	**84,442,975**	127,845,826
Current portion of government securities -PIB's	6.3	**103,676,141**	-
Current portion of term finance certificates - listed	6.4	**16,715,304**	20,349,293
Advances		**204,834,420**	148,195,119
Current portion of long-term loans to employees	7	**2,272,248**	1,665,052
Current portion of long-term loans to other		**22,842,874**	130,836,625
		25,115,122	132,501,677
		229,949,542	280,696,796

13 Markup / Interest Accrued

Accrued profit/markup/interest on:

	2011	2010
- Staff	**-**	1,624,980
- Term finance certificates/Sukuk	**48,823,330**	47,708,264
- Government securities	**11,500,753**	9,882,486
- Term finances	**5,378,993**	1,567,354
- Placements	**5,043,319**	92,057
	70,746,395	60,875,141
Less : provision for markup/interest on non-performing investment	**(32,308,460)**	(3,277,354)
	38,437,935	57,597,787

		Note	2011 Rupees	2010 Rupees
14	**Advance, Prepayments and Other Receivables**			
	Prepayments - Considered good		**2,142,941**	771,847
	Other receivables			
	- Dividend receivable		**32,875**	12,874
	- Receivable from gratuity fund	14.1	**1,142,611**	1,270,982
	- Advance against travelling		**-**	85,500
	- Other receivables		**1,773,921**	3,032,137
			5,092,348	5,173,340
	Less : provision for markup/interest on non-performing investment		**(1,575,000)**	-
			3,517,348	5,173,340
14.1	**Receivable from gratuity fund**		**1,142,611**	1,270,982

14.1.1 Actuarial Assumptions

The valuation has been carried out based on the Projected Unit Credit Method, using the following significant assumptions:

	2011	2010
Discount rate (per annum)	12%	12%
Expected rate of increase in salaries (per annum)	11%	11%
Expected return on plan assets (per annum)	12%	13%
Expected average remaining working lives of employees	7 years	7 years

14.1.2 Reconciliation of amount receivable from defined benefit plan

	2011	2010
Present value of defined benefit obligation	**8,801,252**	7,000,667
Fair value of plan assets	**(9,911,262)**	(8,251,696)
Unrecognized actuarial (losses)/gains	**-**	292,995
	(1,110,010)	(958,034)

14.1.3 Changes in the present value of the defined benefit obligation

	2011	2010
Opening defined benefit obligation	**7,000,667**	5,826,866
Current service cost	**960,505**	670,042
Interest cost	**840,080**	757,493
Actuarial loss	**-**	(253,734)
	8,801,252	7,000,667

14.1.4 Changes in the fair value of plan assets

	2011	2010
Fair value of plan asset as at July 01:	**8,251,696**	5,660,696
Expected return	**735,890**	735,890
Contribution	**682,010**	1,300,496
Actuarial gain	**241,666**	554,614
	9,911,262	8,251,696

	Note	2011 Rupees	2010 Rupees
14.1.5 Movement in net (asset)/liability			
Opening (asset)/liability		**(1,270,982)**	(349,183)
Charge for the year		**810,381**	691,645
Contributions		**(682,010)**	(1,613,444)
Closing (asset)/liability		**(1,142,611)**	(1,270,982)

14.1.6 Charge for the year

Current service cost	**960,505**	670,042
Interest cost	**840,080**	757,493
Expected return on plan assets	**(990,204)**	(735,890)
Actuarial loss recognized	**-**	-
	810,381	691,645

14.1.7 The present value of defined benefit obligation, fair value of plan assets and surplus or deficit on gratuity fund for the five years is as follows:

	2011	2010	2009	2008	2007
	----------------------------Rupees----------------------------				
Present value of defined obligation	(8,801,252)	(7,000,667)	(5,826,866)	(4,283,257)	(3,334,089)
Fair value of plan assets	9,911,262	8,251,696	5,660,696	5,038,910	2,895,911
(Deficit)/surplus	1,110,010	1,251,029	(166,170)	755,653	(438,178)

	Note	2011 Rupees	2010 Rupees
15 Cash and Bank Balances			
Balance with banks			
- Deposit accounts	15.1	**4,972,235**	12,917,207
- Current account with SBP		**1,843,026**	4,187,638
- Reserve account with SBP		**1,750,000**	1,750,000
Cash in hand		**32,484**	43,382
		8,597,745	18,898,227

15.1 Effective markup rate in respect of deposit accounts ranges from 3.5 % to 7 % (2010: 3.5% to 7%) per annum.

16 Issued, Subscribed and Paid-Up Capital

2011 No. of Shares	2010 No. of Shares		2011 Rupees	2010 Rupees
28,500,000	28,500,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	**285,000,000**	285,000,000
36,500,000	36,500,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**365,000,000**	365,000,000
65,000,000	65,000,000		**650,000,000**	650,000,000

		Note	2011 Rupees	2010 Rupees
17	**Reserves**			
	Capital			
	- statutory reserve	17.1	**117,663,484**	117,663,484
	Revenue			
	- unappropriated (loss) / profit		**(39,683,770)**	48,778,605
			77,979,714	166,442,089

		Note	2011 Rupees	2010 Rupees
17.1	**Statutory reserve**			
	Opening balance		**117,663,484**	116,088,626
	Transferred from profit and loss account	17.2	**-**	1,574,858
	Closing balance		**117,663,484**	117,663,484

17.2 Statutory reserve represents amount set aside at the rate of 20% of profit for the year after taxation as per the requirements of clause 16 of Non-Banking Finance Companies and Notified Entities Regulations, 2008.

		Note	2011 Rupees	2010 Rupees
18	**Deficit on Revaluation of Investments - Net Available-for-sale - listed securities**			
	Term finance certificates	6.4	**(2,586,579)**	(2,391,641)
	Shares	10.2	**(10,154,781)**	(6,802,824)
	Mutual funds	10.3	**155,226**	(8,134,819)
	Preference shares	10.4	**-**	2,362,500
			(12,586,134)	(14,966,784)

		2011 Rupees	2010 Rupees
19	**Long-Term Loans From Banking Companies - Secured**		
	National Bank of Pakistan (NBP) - an associated undertaking	**250,000,000**	125,000,000
	Current portion of long term loans	**(46,875,000)**	-
		203,125,000	125,000,000

On June 30, 2010, the Company obtained a five year term loan facility of Rs. 250 million from NBP with a grace period of one year. The loan is repayable in 16 equal quarterly installments commencing from October 01, 2011 and carries markup @ 3 months KIBOR plus 0.4% per annum. The loan is secured by first pari passu hypothecation charge against all present and future assets of the Company.

		2011 Rupees	2010 Rupees
20	**Long-Term Certificate of Deposit**	**5,000,000**	5,000,000

This represents certificate issued for a term of three years at the rate of 12.50% (2010: 12.50%) per annum payable half yearly.

		2011 Rupees	2010 Rupees
21	**Short-Term Borrowings Secured from Banking Companies**		
	Under repurchase agreement	**181,575,800**	169,128,050

This represents funds borrowed from National Bank of Pakistan, an associated undertaking against government securities carrying markup rate of 13.4 % (2010: 12.40%) per annum maturing in July and August 2011.

		Note	2011 Rupees	2010 Rupees
22	**Short-Term Running Finance - Secured**			
	National Bank of Pakistan (NBP)-an associated undertaking		-	11,180,805
23	**Short-Term Certificates of Deposit- Unsecured**		**333,020,000**	334,150,000

These have been issued to various customers for terms ranging from one month to one year and expected return on these certificates ranges from 10.5 to 13.8684% (2010: 10.50% to 13%) per annum payable monthly, quarterly, semi annually or on maturity.

		Note	2011 Rupees	2010 Rupees
24	**Accrued Markup**			
	Mark-up allocated on:			
	Secured			
	- Loans and borrowings including running finance	24.1	**8,781,757**	360,942
	- Repo borrowings		**4,668,414**	976,794
	Unsecured			
	- Certificates of deposits		**11,074,148**	9,261,464
			24,524,319	10,599,200

24.1 This amount includes Rs.8,781,704 (2010: Rs.360,492) due to National Bank of Pakistan, an associated undertaking.

		Note	2011 Rupees	2010 Rupees
25	**Accrued Expenses and Other Liabilities**			
	Accrued expenses		**4,972,034**	6,769,872
	Other liabilities		**3,390,899**	992,945
	Workers Welfare Fund		-	427,991
			8,362,933	8,190,808

26 Contingencies and Commitments

Contingencies

There are no material contingencies as at the reporting date (2010: Nil)

		Note	2011 Rupees	2010 Rupees
	Commitments			
	- Bank guarantee		**5,000,000**	5,000,000
	- Standby letter of credit facility		**91,443,991**	-
	- Underwriting to IPO Term finance certificates		**10,000,000**	-
			106,443,991	5,000,000
27	**Income from Term Finances and Funds Placements**			
	Income from long-term finances		**9,365,678**	25,855,539
	Return on fund placements with financial institutions	27.1	**14,521,202**	11,692,219
			23,886,880	37,547,758

		Note	2011 Rupees	2010 Rupees
27.1	**Return on fund placements with financial institutions**			
	Return on:			
	- bank deposits		**910,718**	751,347
	- certificates of investment		**11,483,131**	155,769
	- fund placements		**2,127,353**	8,331,804
	- commercial paper		**-**	2,453,299
			14,521,202	11,692,219
28	**Income from Investments**			
	Return on government securities		**39,007,812**	42,671,855
	Return on Mutual Funds		**-**	36,441
	Return on term finance certificates / sukuks		**70,513,352**	62,371,888
	Dividend income on available-for-sale investments		**1,464,655**	6,127,456
	Capital gain on sale of securities		**1,786,540**	11,965,016
			112,772,359	123,172,656
29	**Fees and Commission**			
	Underwriting commission		**-**	360,000
	Guarantee commission		**200,000**	100,000
	Consultancy and corporate advisory fees		**345,043**	2,497,110
			545,043	2,957,110
30	**Finance Costs**			
	Markup/Interest on:			
	- Long-term loans		**26,992,870**	6,219,343
	- Short-term borrowings		**20,103,877**	23,828,358
	- Short-term running finances		**433,663**	1,428,590
	- Certificate of deposits		**43,965,827**	49,602,309
	- Other charges		**847,630**	201,330
			92,343,867	81,279,930
31	**Administrative and Operating Expenses**			
	Salaries and allowances	31.1 & 31.2	**24,173,801**	24,157,621
	Travelling, conveyance and meeting charges		**1,955,218**	4,205,893
	Printing and stationery		**740,189**	697,191
	Rent, rates and taxes		**2,913,422**	2,752,559
	Legal and professional		**2,531,963**	1,337,948
	Repairs and maintenance		**1,118,630**	1,125,990
	Auditors' remuneration	31.3	**590,000**	583,500
	Brokerage and commission		**456,928**	284,462
	Motor vehicle running expenses		**2,551,817**	2,208,120
	Telephone, telex and fax		**522,303**	579,641
	Electricity, gas and water charges		**1,082,468**	1,032,978
	Advertisement and business promotion		**912,433**	870,216
	Newspaper and periodicals		**66,312**	60,513
	Postage and courier services		**77,297**	80,820
	Fees and subscription		**1,503,235**	2,367,043
	Security guards		**198,000**	196,000
	Insurance		**708,743**	652,781
	Medical		**2,305,768**	1,203,060
	Office supplies		**434,316**	338,390
	IT support		**494,010**	459,475
	Research and training		**823,271**	963,507
	Depreciation	4	**2,705,577**	2,706,065
	Amortization	5	**310,972**	200,308
			49,176,673	49,064,080

	Note	2011 Rupees	2010 Rupees
31.1 It includes charge for gratuity and provident fund as follows:			
- Gratuity	14.1.6	**810,381**	691,645
- Provident fund		**853,228**	813,806
		1,663,609	1,505,451

31.2 The aggregate amounts incurred during the year for remuneration including all benefits to Chief Executive, directors and executives of the Company are given below:

	2011		2010	
	Chief Executive	**Executive**	Chief Executive	Executive
	......................Rupees.........................			
Managerial remuneration	**3,773,317**	**5,047,345**	3,890,825	4,393,791
Bonus	**647,055**	**660,495**	562,656	613,890
Retirement benefits	**981,427**	**526,608**	888,070	422,591
Total	**5,401,799**	**6,234,448**	5,341,551	5,430,272
Number of persons	**1**	**3**	1	3

31.2.1 In addition, the chief executive and executives are provided with free use of company provided cars in accordance with the terms of their employment.

31.2.2 Fee of Rs. 525,000 (2010: Rs. 470,000) was paid to directors for attending the Board and Audit Committee Meetings.

	Note	2011 Rupees	2010 Rupees
31.3 Auditor's remuneration			
Statutory audit		**375,000**	325,000
Half - yearly review		**125,000**	125,000
Code of Corporate Governance certification and other services		**40,000**	105,000
Out of pocket expenses		**50,000**	28,500
		590,000	583,500
32 Taxation			
Current		**1,375,663**	6,374,706
Prior		**-**	(150,699)
Deferred		**(49,332,541)**	(9,082,956)
		(47,956,878)	(2,858,949)

32.1 Tax Charge Reconciliation

Since the company incurred tax losses, the current tax provision represents the tax under section 113 of the Income Tax Ordinance, 2001, and therefore it is impracticable to prepare the reconciliation between accounting profit and tax expense.

32.2 The income tax assessment of the Company has been finalized upto the tax year 2010.

		Note	2011 Rupees	2010 Rupees
33	**Earnings per Share - basic and diluted**			
	(Loss) / profit for the year		**(88,462,375)**	7,874,291
	Weighted average number of shares outstanding during the year		**65,000,000**	65,000,000
	Earnings / (loss) per share - basic and diluted		**(1.36)**	0.12

34 Financial Instruments

Financial assets as per balance sheet

	2011	2010
Long-term investments	**676,605,288**	786,087,520
Long-Term loans and finances	**61,132,786**	32,632,027
Long-term security deposits	**1,050,000**	1,050,000
Short-term investments	**154,343,017**	242,823,133
Short-term placements	**255,924,700**	10,000,000
Current portion of non-current assets		
-Long term investments	**204,834,420**	148,195,119
-Long term loans and finances	**25,115,122**	132,501,677
Markup/interest accrued	**38,437,935**	57,597,787
Advances and other receivables	**1,374,407**	4,401,493
Cash and bank balances	**8,597,745**	18,898,227
	1,427,415,420	1,434,186,983

Financial liabilities as per balance sheet

	2011	2010
Long-term loans	**203,125,000**	125,000,000
Long-term certificate of deposit	**5,000,000**	5,000,000
Short-term borrowings	**181,575,800**	169,128,050
Short-term running finance	**-**	11,180,805
Current portion of long-term loans	**46,875,000**	-
Short-term certificates of deposit	**333,020,000**	334,150,000
Accrued markup	**24,524,319**	10,599,200
Accrued expenses and other liabilities	**8,362,933**	8,190,808
	802,483,052	663,248,863

35 Financial Risk Management

Financial risk factors

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's Finance Department under policies approved by the Board.

35.1 Market risk

Market risk is the risk that the fair value or the future cash flows of financial instrument may fluctuate as a result of changes in market prices. the Company is exposed to market risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

Market risk mainly comprises of currency risk and interest rate risk.

35.1.1 Currency risk

Currency risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

35.1.2 Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Market rate risk arises from the possibility that changes in market rates of return will affect the value of the financial instruments. An entity is exposed to yield / market rate risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. the Company manages this risk by matching the repricing of financial assets and liabilities through risk management strategies. The Company's exposure to yield / market rate risk and the effective rates on its financial assets and liabilities are summarized as follows:

		Exposed to yield / market rate risk				
As at June 30, 2011	Effective rate %	Total	Within one year	More than one year and less than five years	More than five years	Not exposed to yield / market rate risk
		Rupees				
Financial Assets						
Investments	12.75	1,035,782,725	276,674,370	303,991,445	372,613,843	82,503,067
Long term loans and finances	10.37	86,247,908	25,115,122	54,072,496	4,183,821	2,876,469
Long-term security deposits	-	1,050,000	-	-	-	1,050,000
Placements	13.83	255,924,700	255,924,700	-	-	-
Markup / interest accrued	-	38,437,935	38,437,935	-	-	-
Other receivables		1,806,796	-	-	-	1,806,796
Cash and bank balances	5.00	8,597,745	4,972,235	-	-	3,625,510
		1,427,847,809	601,124,362	358,063,941	376,797,664	91,861,842
Financial Liabilities						
Term Loans	13.92	250,000,000	46,875,000	203,125,000	-	-
Certificates of deposit	13.66	338,020,000	333,020,000	5,000,000	-	-
Short-term borrowings	13.40	181,575,800	181,575,800	-	-	-
Short-term running finance		-	-	-	-	-
Interest and mark-up accrued		24,524,319	-	-	-	24,524,319
Accrued expenses and other liabilities		8,362,932	-	-	-	8,362,932
		802,483,051	561,470,800	208,125,000	-	32,887,251
On-balance sheet gap		625,364,758	39,653,562	149,938,941	376,797,664	58,974,591

As at June 30, 2010	Effective rate %	Total	Exposed to yield / market rate risk: Within one year	More than one year and less than five years	More than five years	Not exposed to yield / market rate risk
		--------Rupees--------				
Financial Assets						
Investments	12.53	1,177,105,772	204,993,199	411,785,820	424,301,700	136,025,053
Long term loans and finances	9.79	165,133,704	132,501,677	27,028,618	5,603,409	-
Long-term security deposits		1,050,000	-	-	-	1,050,000
Placements	13.9	10,000,000	10,000,000	-	-	-
Markup / interest accrued		57,597,787	57,597,787	-	-	-
Other receivables		3,092,762	-	-	-	3,092,762
Cash and bank balance	3.79	18,889,287	12,908,267	-	-	5,981,020
		1,432,869,312	418,000,930	438,814,438	429,905,109	146,148,835
Financial Liabilities						
Term Loans	13.40	125,000,000	-	125,000,000	-	-
Certificates of deposit	12.42	339,150,000	334,150,000	5,000,000	-	-
Short-term borrowings	12.27	169,128,050	169,128,050	-	-	-
Short-term running finance	13.19	11,180,805	11,180,805	-	-	-
Interest and markup accrued		10,599,200	-	-	-	10,599,200
Accrued expenses and other liabilities		7,762,817	-	-	-	7,762,817
		662,820,872	514,458,855	130,000,000	-	18,362,017
On-balance sheet gap		770,048,440	(96,457,925)	308,814,438	429,905,109	127,786,818

35.2 Credit risk and concentrations of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

The Company follows two sets of guidelines. It has its own operaing policy and the management of the Company also adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group

The Company seeks to manage its credit risk through diversification of financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. Its also obains securities when appropriate. Details of the composition of finance portfolios of the Company are given below:

	2011		2010	
	Rupees	%	Rupees	%
Investment and Finances *				
Sugar and allied industry	17,500,000	2.27	42,500,000	5.17
Cement	131,675,289	17.08	89,033,628	10.82
Chemical	174,361,849	22.61	134,753,500	16.38
Cable and electrical goods	76,926,378	9.98	93,940,987	11.42
Textile	190,407,726	24.69	208,527,705	25.34
Financial institutions	116,610,881	15.12	142,163,614	17.28
Tecnology and communication	24,577,951	3.19	34,409,192	4.18
Fertilizer	2,800,623	0.36		
Pharmaceuticals	-	0.00	9,052,628	1.10
Construction	35,040,000	4.54	64,700,000	7.86
Miscellaneous	1,250,000	0.16	3,750,000	0.46
	771,150,697	100.00	822,831,254	100.00

* Investment and finances are gross of provisions.

35.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet the commitments associated with financial instruments. To safeguard this risk, the Company has diversified sources of funds and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile of assets and liabilities is monitored to ensure adequate liquidity is maintained. The Company has the ability to mitigate any short-term liquidity gaps by disposal of short-term investments and the availability of liquid funds at short notice.

The table below summarises the maturity profile of the Company assets and liabilities. The contractual maturities of assets and liabilities at the year-end have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

As at June 30, 2011	**Total**	**Within one year**	**More than one year and less than five years**	**More than five years**
	Rupees			
Financial Assets				
Investments	1,035,782,725	359,177,437	303,991,445	372,613,843
Long term loans and finances	86,247,908	25,115,122	54,072,496	7,060,290
Long-term security deposits	1,050,000	-	1,050,000	-
Placements	255,924,700	255,924,700	-	-
Markup / interest accrued	38,437,935	38,437,935	-	-
Advances, and other receivables	1,374,407	1,374,407	-	-
Cash and bank balance	8,597,745	8,597,745	-	-
	1,427,415,420	688,627,346	359,113,941	379,674,133
Financial Liabilities				
Term loans	250,000,000	46,875,000	203,125,000	-
Certificates of deposit	338,020,000	333,020,000	5,000,000	-
Short-term borrowings	181,575,800	181,575,800	-	-
Interest and markup accrued	24,524,319	24,524,319	-	-
Accrued expenses and other liabilities	8,362,932	-	-	8,362,932
	802,483,051	585,995,119	208,125,000	8,362,932
	624,932,369	102,632,227	150,988,941	371,311,201

As at June 30, 2010	Total	Within one year	More than one year and less than five years	More than five years
	---------------------------------Rupees----------------------------------			
Financial Assets				
Investments	1,177,105,772	341,018,252	411,785,820	424,301,700
Long term loans and finances	165,133,704	132,501,677	27,028,618	5,603,409
Long term security deposit	1,050,000	-	-	1,050,000
Placements	10,000,000	10,000,000	-	-
Markup / interest accrued	57,597,787	57,597,787	-	-
Advances, and other receivables	4,401,493	4,401,493	-	-
Cash and bank balance	18,889,287	18,889,287	-	-
	1,434,178,043	564,408,496	438,814,438	430,955,109
Financial Liabilities				
Term loans	125,000,000	-	125,000,000	-
Certificates of deposit	339,150,000	334,150,000	5,000,000	-
Short-term borrowings	169,128,050	169,128,050	-	-
Short-term running finance	11,180,805	11,180,805	-	
Interest and markup accrued	10,599,200	10,599,200	-	
Accrued expenses and other liabilities	8,190,808	8,190,808	-	
	663,248,863	533,248,863	130,000,000	-
	770,929,180	31,159,633	308,814,438	430,955,109

36 Capital risk management

The objective of managing capital is to safeguard the Company ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Company to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The capital structure of the Company consist of equity comprising issued share capital, statutory reserves and unappropriated profits.

Goals of managing capital

The goals of managing capital of the Company are as follows:

- To be an appropriately capitalised institution, as defined by regulatory authorities and comparable to the peers;

- Maintain strong ratings and to protect against unexpected events;

- Availability of adequate capital at a reasonable cost so as to expand and achieve low overall cost of capital with appropriate mix of capital elements.

The Securities Exchange Commission of Pakistan through it's SRO 1230(1)2008 dated November 21, 2008 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2008 in which the capital requirements for NBFCs licensed by the commission to undertake different from of business have been prescribed. The present issued, subscribed and paid up capital of the Company adequately covers the minimum levels specified by the aforementioned regulations for the year ended June 30, 2011. The Board of Directors and the management of the Company is committed to comply with the minimum capital requirements specified in the regulations for future years.

37 Fair value of Financial Instruments

37.1 As at June 30, 2011, the fair values of all financial instruments are based on the valuation methodology outlined below:

a) **Finance and certificates of deposit**

For all finances (including certificates of deposit) the fair values have been taken at carrying amounts as these are not considered materially different from their fair values based on the current yields / market rates and repricing profits of similar finance and deposit portfolios.

b) **Investments**

The fair values of quoted investments are based on quoted market prices. Unquoted investments, except where an active market exists, are carried at cost less accumulated impairment, if any, which approximates their fair value in the absence of an active market.

c) **Other financial instruments**

The fair values of all other financial instruments are considered to approximate their carrying amounts.

38 Transactions with Related Parties

The related parties comprise associated undertakings, key management personnel and post employment benefit schemes. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to associated undertakings, executives and remuneration of directors and executives are disclosed in the relevant notes. Transactions with related parties are as follows:

	2011 Rupees	2010 Rupees
Associated Undertakings		
Mark-up on repo borrowings	**4,668,414**	480,750
Mark-up on long-term loans	**26,992,870**	4,022,719
Mark-up on short-term running finance	**433,993**	1,066,296
Rent paid	**2,010,812**	1,890,765
Staff Retirement Plans		
Contribution to staff retirement Plans	**1,768,909**	1,525,371
Key Management Personnel		
Salaries, benefits and other allowances	**10,128,212**	9,461,162
Retirement benefits	**1,508,035**	1,310,661
	11,636,247	10,771,823
Return on long-term loans	**476,126**	457,408

39 Date of Authorization for Issue

These financial statements have been authorized for issue on October 01, 2011 by the Board of Directors of the Company.

Chief Executive Officer / President

Director

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2011

Number of Shareholders	Shareholding From	Shareholding To	Total number of Shares held	Percentage %
58	1	100	945	0.0014
615	101	500	307,050	0.4724
92	501	1,000	91,553	0.1409
68	1,001	5,000	169,501	0.2608
9	5,001	10,000	70,999	0.1092
3	10,001	15,000	41,000	0.0631
1	20,001	25,000	21,000	0.0323
1	35,001	40,000	38,575	0.0593
1	180,001	185,000	184,625	0.2840
1	565,001	570,000	568,764	0.8750
1	1,905,001	1,910,000	1,907,249	2.9342
1	4,100,001	4,105,000	4,102,261	6.3112
1	4,995,001	5,000,000	5,000,000	7.6923
1	6,195,001	6,200,000	6,200,000	9.5385
1	6,295,001	6,300,000	6,296,478	9.6869
2	19,995,001	20,000,000	40,000,000	61.5385
856			65,000,000	100.0000

Categories of Shareholders	Number	Shares Held	Percentage
Directors /Sponsors	4	41,908,249	64.4743%
Banks, DFI & NBFI	1	4,102,261	6.3112%
General Public (Local)	843	7,760,337	11.9389%
General Public (Foreign)	1	553	0.0009%
Others	7	11,228,600	17.2747%
Total	856	65,000,000	100.0000%

DETAILS OF PATTERN OF SHAREHOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage %
Directors, Chief Executive Officer & their spouse and minor children			
Water and Power Development Authority	1	20,000,000	30.7693%
National Bank of Pakistan	1	20,000,000	30.7693%
Chaudhary Tahir Hussain	1	1,907,249	2.9342%
Mr. Imdad Ali Shaikh	1	1,000	0.0015%
Executives	3	3,000	0.0046%
Associated Companies	-	-	-
Banks, DFIs, NBFCs,	1	4,102,261	6.3112%
Insurance Companies	-	-	-
Modarbas and Mutual Funds	-	-	-
General Public			
Local	840	7,757,337	11.9343%
Foreign	1	553	0.0009%
Others	7	11,228,600	17.2747%
Shareholders holding 10% or more voting interest	-	-	-
Total	**856**	**65,000,000**	**100.0000%**

AFFIX
CORRECT
POSTAGE

First Credit And Investment Bank Ltd.

Registrar:
THK Associates (Pvt.) Limited
Ground Floor, State Life Building-3
Dr. Ziauddin Ahmed Road,
Karachi. 75530

Fold : Here | Fold : Here

Fold : Here | Fold : Here

FORM OF PROXY

The Company Secretary
First Credit and Investment Bank Ltd.
2nd Floor, Sidco Avenue Centre,
Stratchen Road,
Karachi -74200
Pakistan.

I/We ____
(name)
of ____being member(s)
(address)
of First Credit and Investment Bank Ltd. and holder of ______________________ Ordinary
(number of shares)
Shares as per Share Registered Folio No. ________and/or CDC Participant I.D No. ________

and Sub Account No. __________ hereby appoint ____________________ of
(name)
____________________ or failing him/her ____________________
(address) (name)
of ____ as my proxy to vote
(address)
for me and on my behalf at the Annual General meeting of the company to be held on Tuesday, October 25, 2011 at 5.00 p.m. at PIIA (Pakistan Institute of International Affairs) Auditorium, Aiwan-e-Saddar Road Karachi.

Signed this ________________ day of ________ 2011.

1. Witness:
Signature ________________
Name ________________
Address ________________
____
CNIC or ________________
Passport # ________________

Signature

Signature on
Rs. 5/-
Revenue Stamp

(Signature should agree with the specimen registered with the Company)

2. Witness:
Signature ________________
Name ________________
Address ________________
____
CNIC or ________________
Passport # ________________

IMPORTANT:

- In order to be effective, the proxy forms must be received at the office of our Registrar THK Associates (Pvt.) Limited, Ground Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signatures, names, address and CNIC numbers given on the form.
- In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- In the case of proxy by a corporate entity, Board of Directors Resolution / power of attorney and attested copy CNIC or passport of the proxy shall be submitted alongwith proxy form.
- Proxy shall authenticate his / her identity by showing his / her original national identity card or original passport and bring folio number at the time of attending the meeting.

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