

Annual Report 2010



fcib

FIRST CREDIT AND INVESTMENT BANK LTD.

Major Joint Venture Partners:



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:

Ch. Abdul Qadeer
Dr. Asif A. Brohi
Mr. Mohammad Imran Malik

AUDIT COMMITTEE:

Mr. Najib Tariq
Mr. Wajahat A. Baqai
Mr. Anwar -ul- Haq

COMPANY SECRETARY:

Mr. Muhammad Mohsin Ali

AUDITORS:

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

LEGAL ADVISOR:

Zahid Hamid - Advocate

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,
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BOARD OF DIRECTORS



Mr. Shahid Anwar Khan
Chairman



Ch. Abdul Qadeer
Director



Dr. Asif A. Brohi
Director



Mr. Najib Tariq
Director



Mr. Wajahat A. Baqai
Director



Mr. Anwar-ul-Haq
Director



Mr. Mohammad Imran Malik
President & CEO



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 21st Annual General Meeting of the shareholders of First Credit & Investment Bank Limited will be held on Monday, October 25, 2010 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 Annual General Meeting held on October 21, 2009.
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, 2010.
3. To appoint the statutory auditors for the year ending June 30, 2011 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 2, 2010

Notes:

1. The share transfer books of the Company will remain closed from October 17, 2010 to October 25, 2010 (both days inclusive).
2. A member entitled to attend and vote at the Meeting may appoint a 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 21st Annual Report of the First Credit & Investment Bank Limited along with the audited financial statements and Auditors' Report thereon, for the year ended June 30, 2010.

State of Pakistan's Economy

For FY10 the economic indicators started some showing improvement with reduction in budgetary deficit due to decrease in overall imports and increased worker's remittances. In the meanwhile, public sector consumption expenditure remains high. Besides, the economy continues suffering from inflation, energy & infrastructure shortages and dismal law and order conditions. These developments together with rising total debt are stressing the macroeconomic stability and call for renewed efforts to maintain an upward trajectory in economic growth.

The SBP's foreign exchange reserves increased to \$13 billion by end-June 2010 from \$9.1 billion at end-June 2009, despite lower FDI and shortfall in projected foreign inflows. As regards the balance of payments for FY11, much will depend on the release of IMF's remaining two tranches worth \$3.4 billion, which are linked various conditionalities to reforming of GST, broadening of tax base and restructuring of power sector in Pakistan.

The current monsoon floods in Pakistan have directly affected over 20 million people, left 6 million people homeless and destroyed thousands of villages. Pakistan's economic outlook has deteriorated substantially as a result of the floods. The agriculture sector, which accounts for 21% of GDP and 45% of employment, has been hit particularly hard. Preliminary assessments suggest that real GDP growth is unlikely to exceed 2.75% in FY11. Further, owing to the disruption in economic activity caused by the recent floods, the country's budget deficit would remain under pressure. IMF has approved a loan of \$451 Million for budgetary support to Pakistan.

Effective from 2nd August 2010, the SBP Discount Rate has been increased from 12.50% to 13.00% p.a. Due to the unprecedented floods in the country with the high loss of lives, property and infrastructure in the affected areas, it will be no surprise if the policy rate is further increased by SBP in the next Monetary Policy to be announced on September 29, 2010.

The stock exchanges in the country appear to have gradually come out of the earlier turmoil due to imposition of "floor" and by June 30, 2009, KSE100 Index had climbed to 7,162 with total market capitalization at Rs 2,121 billion. Foreign buyers also remained by and large active. Despite occasional ups and downs, KSE100 managed to close at 9,722 on June 30, 2010, with total market capitalization at Rs 2,732 billion. The upward trend is generally continuing and KSE100 Index closed at 10,007 on September 16, 2010, with total market capitalization at Rs 2,784 billion.

It is important that the development of domestic capital markets is accelerated. Not only will this reduce the government's need to borrow from the banking system, a vibrant debt market could help ease credit access concerns, increase efficiency of the financial institutions including investment banks and help foster savings.

Financial Results

Financial results of the Bank for 2009-10 are summarized below, comparative data for 2008-09 has also been provided:

	2009-10 (Rupees in ,000)	2008-09 (Rupees in ,000)
Total revenue	164,281	214,296
Profit before taxation and provisions	33,510	60,614
Profit before taxation	5,015	12,751
Profit after taxation	7,874	7,655
Shareholders' equity (net of surplus/ deficit)	801,475	786,180
Total assets	1,464,724	1,800,497
Earning per share-basic and diluted (Rs.)	0.12	0.12

Review of Operational

The net shareholders' equity increased by Rs. 15.3 million to Rs 801.5 million as at June 30, 2010 from Rs 786.2 million as at June 30, 2009. Despite unfavourable market conditions your bank was able to maintain



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modest growth in After Tax Profit which increased by 3% to Rs 7.9 million from Rs 7.6 million for last year. Total assets, Revenue, Financial Expenses, and the Profit before Taxation have declined mainly due to reduction in business volume as a consequence of overall slowdown of the economy.

On June 30, 2010, the Bank with equity of Rs 801.5 million (Rs 786.2 million as on June 30, 2009) is fully in compliance with the SECP's equity requirement and we do not see any problem in meeting the future requirements.

Treatment of Impairment Loss on Available for Sale Investments

Due to substantial decline in price of listed securities, the SECP vide SRO 150 (1)/2009 dated February 13, 2009 allowed to defer the impairment loss on "Available for Sale" equity securities determined as on December 31, 2008 and show the same under shareholders' equity. Accordingly, the Bank opted to show the impairment under deficit on revaluation of investments below shareholders' equity. Subsequently, during the four quarters of calendar year 2009, the Bank charged the total impairment of Rs 19,583,221/- to profit and loss account in compliance to SECP's instructions.

Major Developments

The top global central bankers and regulators on September 12, 2010 agreed on a new set of rules, called Basel III, requiring banks to raise the capital they hold in reserve to prevent a repeat of the world financial crisis. Under the new rules to be phased in from 2013, banks would be required to hold more reserves by January 1, 2015, with the so-called core Tier 1 capital raised to 4.5% from 2.0% at the moment. In addition, banks would be required by January 1, 2019 to set aside an additional buffer of 2.5% to withstand future periods of stress, bringing the total core reserves required to 7.0%. The new regulations will be submitted for ratification at a summit meeting of the Group of 20 in November 2010. The change will be implemented in about eight years and require equity injection of hundreds of billions. These rules in due course will be followed in Pakistan; the banks and other financial institutions should be gearing up for the change.

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

Normally dividend policy of the Bank is a mix of offering competitive return to the shareholders, improving its credit rating and allowing the availability of adequate funds to meet its investment and expansion plans. After careful deliberation of FY10 operations including sharp fall in profitability due to unexpected adverse market conditions and possible further provisions if the economic conditions do not improve in Financial Year 2011, the Directors have decided not to recommend any dividend for the year ended June 30, 2010.

Credit Rating

JCR-VIS Credit Rating Company Limited vide its report dated December 31, 2009 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'.

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 Bank, present fairly its state of affairs, the results of its operations, cash flows and change of equity.
- b) Proper books of accounts of the Bank 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.



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- 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 Bank'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 Bank for the last six years is as under:

Year ended June 30	2010	2009	2008	2007	2006	2005
Rupees in million						
Total revenue	164	214	178	190	171	94
Profit before taxation	5	13	25	57	50	39
Profit after taxation	8	8	16	56	47	31
Shareholders' equity (net)	801	786	550	548	492	458
Total assets	1,465	1,800	1,729	2,058	1,764	1,346
Earning per share (Rs.)	0.12	0.12	0.40	1.39	4.00	3.04

Future Outlook & Strategy

Previous couple of years have been bad for the NBFC sector due to adverse market and economic conditions. Your Bank has, however, been successful to maintain, rather augment, its long term viability as well remained profitable though at lower than achieved in earlier years. We expect financial year 2011 to be also difficult one due to additional factors like floods and security situation. This may further affect some of our customers, investment portfolio and profitability to a certain extent. We will endeavour to ward off such situation by continuing to follow conservative and prudent policies. Further, we will look for diversifying and increasing our revenue streams. To meet these challenges your Bank would endeavour to introduce new products and services, improve IT infrastructure, market research, capacity building through trainings and hiring adequate professionals.

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, 2010, were as follows:

	Rupees in '000
Provident Fund	8,855,516/-
Gratuity	7,964,020/-

Human Resource: Training and Development

The Bank has been making use of training opportunities locally or abroad in areas considered critical for its operations and / or for the career plan of its personnel.

Board Meetings

During the year 2009-10, six (6) 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. Ch. Abdul Qadeer	4
3. Dr. Asif A. Brohi	3
4. Mr. Najib Tariq	6
5. Mr. Wajahat A. Baqai	4
6. Mr. Anwar-ul-Haq	6
7. Mr. Mohammad Imran Malik	6



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Audit Committee and Internal Controls

Audit Committee of the Board comprises of three 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 Accountant, 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, 2011.

Pattern of Shareholdings

The Pattern of Shareholding including Categories of Shareholders of the Bank as on June 30, 2010 is annexed at the end of the annual report.

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 the hard work and dedication of our employees who are our real assets.

By Order of the Board .



Mohammad Imran Malik
Chief Executive/President

Karachi
September 29, 2010



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 six non-executive directors and one executive director.
2. The directors have confirmed that none of them is serving as a director in more than 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. 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 Directors of the Company have been provided with copies of listing Regulations, Code of Corporate Governance, NBFC Rules and Regulations, Company Memorandum and Article of Association and all other relevant rules and regulations and hence are conversant of the laws applicable to the Company, its policies and procedures and provisions of Memorandum and Article of Association and of their duties and responsibilities.
11. The Board has approved the appointment of Head of Internal Audit, including his remuneration and terms and conditions of employment as determined by the Chief Executive.
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.



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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 .



Muhammad Imran Malik
Chief Executive /President

Karachi
September 29, 2010



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

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **First Credit and Investment Bank Limited** ("the Company") to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange, 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 as applicable for the year ended June 30, 2010.



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Karachi
September 29, 2010



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, 2010** and the related profit and loss account, 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 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, 2010** and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended 30th June, 2009 were audited by another firm of chartered accountants whose report dated 26th September 2009, expressed an unqualified opinion thereon.



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: (Sarfaraz H. Siddiqi)

Karachi
September 29, 2010



BALANCE SHEET

	Note	2010 Rupees	2009 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property and equipment	4	4,460,522	6,564,267
Intangible asset	5	526,412	379,470
Long-term investments	6	786,087,520	788,163,158
Long-term loans	7	11,512,230	15,086,847
Long-term finances	8	21,119,797	144,516,894
Long-term security deposits	9	1,050,000	1,050,000
Deferred tax asset	10	18,491,451	9,408,495
		843,247,932	965,169,131
CURRENT ASSETS			
Short-term investments	11	242,823,133	161,416,450
Short-term placements	12	10,000,000	416,600,100
Current portion of non-current assets	13	280,696,796	171,122,897
Markup/interest accrued	14	57,597,787	41,300,665
Advances, prepayments and other receivables	15	5,173,340	6,870,335
Advance tax - net		6,286,954	6,548,659
Cash and bank balances	16	18,898,227	31,468,578
		621,476,237	835,327,684
		1,464,724,169	1,800,496,815


MOHAMMAD IMRAN MALIK
 Chief Executive Officer/President



AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
EQUITY & LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 75,000,000 (2009: 75,000,000) ordinary shares of Rs. 10 each		<u>750,000,000</u>	<u>750,000,000</u>
Issued, subscribed and paid-up capital	17	<u>650,000,000</u>	650,000,000
Reserves	18	<u>166,442,089</u>	158,567,798
		816,442,089	808,567,798
DEFICIT ON REVALUATION OF INVESTMENTS - NET	19	(14,966,784)	(22,387,825)
NON-CURRENT LIABILITIES			
Long-term loans	20	<u>125,000,000</u>	-
Long-term certificate of deposits	21	<u>5,000,000</u>	100,000
		130,000,000	100,000
CURRENT LIABILITIES			
Short-term borrowings	22	<u>169,128,050</u>	139,166,050
Short-term running finance	23	<u>11,180,805</u>	249,999,442
Current portion of long-term loans		-	87,500,000
Short-term certificates of deposits	24	<u>334,150,000</u>	510,500,000
Accrued markup	25	<u>10,599,200</u>	19,551,875
Accrued expenses and other liabilities	26	<u>8,190,808</u>	7,499,475
		533,248,863	1,014,216,842
CONTINGENCIES AND COMMITMENTS	27	-	-
		<u>1,464,724,169</u>	<u>1,800,496,815</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

The details of valuation of investments, impairment and impact on profit and loss account are given in the note 11.6.1.


WAJAHAT A. BAQAI
 Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
INCOME			
Income from term finances and funds placements	28	37,547,758	123,999,488
Income from investments	29	123,172,656	87,176,871
Fees and commission	30	2,957,110	2,555,000
Other income		604,296	564,800
		164,281,820	214,296,159
EXPENDITURE			
Finance cost	31	81,279,930	106,488,054
Administrative and operating expenses	32	49,064,080	46,239,892
Workers' Welfare Fund		427,991	954,320
		130,772,001	153,682,266
OPERATING PROFIT BEFORE TAXATION AND PROVISIONS		33,509,819	60,613,893
Provision for markup/ interest accrued		(520,727)	(2,756,627)
Provision for non-performing investments	6.1.12	(20,000,000)	(20,000,000)
Unrealized loss on transfer of held-for-trading securities to available for sale		-	(6,801,304)
Provision for non-performing finances	8.3	(3,333,335)	(3,333,335)
Unrealized loss on held-for-trading investments	11.6	(28,545)	-
Permanent diminution in value of investments	11.6.1	(4,611,870)	(14,971,351)
PROFIT BEFORE TAXATION		5,015,342	12,751,276
Provision for taxation	33	2,858,949	(5,096,635)
PROFIT FOR THE YEAR		7,874,291	7,654,641
EARNINGS PER SHARE - BASIC AND DILUTED	34	0.12	0.12

The annexed notes from 1 to 40 form an integral part of these financial statements.

The details of valuation of investments, impairment and impact on profit and loss account are given in the note 11.6.1.


MOHAMMAD IMRAN MALIK
 Chief Executive Officer/President


WAJAHAT A. BAQAI
 Director



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
Profit after taxation	7,874,291	7,654,641
Other comprehensive income not transferred to equity		
Gains / (losses) on remeasuring of investments classified 'as available for sale'	7,421,041	(14,588,086)
Total comprehensive income / (loss) for the period	15,295,332	(6,933,445)

The annexed notes from 1 to 40 form an integral part of these financial statements.



MOHAMMAD IMRAN MALIK
 Chief Executive Officer/President



WAJAHAT A. BAQAI
 Director



FIRST CREDIT AND INVESTMENT BANK LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,015,342	12,751,276
Less: dividend income	(6,127,456)	(4,430,152)
Adjustments for:		
Depreciation	2,706,065	3,366,747
Amortization	200,308	86,007
Provision for the gratuity	691,645	649,324
(Gain)/loss on disposal of property and equipment	(31,841)	(11,518)
Permanent diminution in value of investments	4,611,870	14,971,351
Provision for markup/ interest accrued	520,727	2,756,627
Provision for non-performing finances	3,333,335	3,333,335
Unrealized loss on transfer of held-for-trading securities to available for sale	-	6,801,304
Provision for non-performing investments	20,000,000	20,000,000
Unrealized loss on held-for-trading investments	28,545	-
	<u>32,060,654</u>	<u>51,953,177</u>
Operating cash flows before working capital changes	30,948,540	60,274,301
(Increase) / decrease in current assets		
- Short-term investments	(86,047,098)	(69,711,737)
- Short-term finances	-	398,145,717
- Short-term placements	406,600,100	(16,600,100)
- Markup/interest accrued	(16,817,849)	(22,115,478)
- Advances, prepayments and other receivables	2,618,794	38,729,394
	<u>306,353,947</u>	<u>328,447,796</u>
Increase / (decrease) in current liabilities		
- Accrued expenses and other liabilities	691,333	(924,038)
- Accrued markup	(8,952,675)	1,012,859
- Short-term borrowings	29,962,000	3,200,900
	<u>21,700,658</u>	<u>3,289,721</u>
Cash generated from (used in) operations	359,003,145	392,011,818
Security deposits (paid)/received	-	(50,000)
Gratuity contribution paid	(1,613,444)	(489,269)
Income tax paid	(5,962,302)	(2,976,496)
	<u>(7,575,746)</u>	<u>(3,515,765)</u>
Net cash generated from operating activities	351,427,399	388,496,053
B. Cash Flows from (used in) Investing Activities		
Acquisition of property and equipment	(329,716)	(421,348)
Acquisition of intangible assets	(347,250)	(247,900)
Proceed from disposal of property and equipment	34,000	14,300
Capital work in progress	(275,000)	-
Long-term investments - net	(117,336,332)	(299,397,148)
Dividend income received	6,127,456	4,417,317
Long-term finances	117,076,113	(145,528,447)
Long-term loans	3,821,616	(928,055)
Net cash from / (used in) investing activities	8,770,887	(442,091,281)
C. Cash Flows from Financing Activities		
Repayments of long term loan	37,500,000	(120,833,332)
Short-term running finance	(238,818,637)	188,661
Certificates of deposit	(171,450,000)	(47,400,000)
Proceed from issue of share capital	-	250,000,000
IPO expenses paid	-	(10,860,721)
Net cash (used in) / from financing activities	<u>(372,768,637)</u>	<u>71,094,608</u>
Net increase in cash and cash equivalents	(12,570,351)	17,499,380
Cash and cash equivalents at the beginning of the year	31,468,578	13,969,198
Cash and cash equivalents at the end of the year	<u>18,898,227</u>	<u>31,468,578</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.


MOHAMMAD IMRAN MALIK
Chief Executive Officer/President


WAJAHAT A. BAQAI
Director



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010

	Issued, subscribed and paid-up capital	Statutory reserve	Unappropriated profit	Total
 (Rupees)			
Balance as at July 1, 2009	400,000,000	114,557,698	43,423,673	557,981,371
Changes in equity for the year 2009				
Issue of 25,000,000 ordinary shares of Rs. 10 each	250,000,000	-	-	250,000,000
Initial Public Offering expense - net of tax			(7,068,214)	(7,068,214)
Profit for the year	-	-	7,654,641	7,654,641
Transfer to statutory reserve	-	1,530,928	(1,530,928)	-
Balance as at June 30, 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

The annexed notes from 1 to 40 form an integral part of these financial statements.


MOHAMMAD IMRAN MALIK
 Chief Executive Officer/President


WAJAHAT A. BAQAI
 Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1 LEGAL STATUS AND OPERATION

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).

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) [previously described under SRO 585(1)/87 dated July 13, 1987 issued by the Ministry of Finance, Government of Pakistan].

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 33)
- Classification and provisioning of investments (Note 3.3, 6 and 11)
- 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 become effective in 2009 and are relevant to the Company

- IAS 1 (revised) - 'Presentation of financial statements' (effective from 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The Company has preferred to present two statements, a profit and loss account (income statement) and statement of other comprehensive income. Comparative information has also been re-presented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

- IAS 1(amendment) - 'Presentation of financial statements'. The amendment is 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. The Company applied IAS 1 (amendment) from January 1, 2010. It is not expected to have a material impact on the Company's financial statements.
- IAS 23 (amendment) - 'Borrowing costs' (effective from January 01, 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. The option of immediately expensing those borrowing costs is removed. The Company's current accounting policy is in compliance with this amendment, and therefore there is no effect on the Company's financial statements.
- IFRS 2 (amendment) - 'Share-based Payment' (effective from January 01, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.
- IFRS-7 Financial Instruments: Disclosures' (amendment) effective from January 01, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of the fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on profit for the year.
- IFRS 8 - 'Operating Segments' (effective from January 01, 2009). IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduces detailed



disclosures regarding the reportable segments and products. There is no impact of the new standard on the Company's financial statements.

Standards, amendments to published standards and interpretations that were effective in 2009 but not relevant to the Company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

- IAS-27 (revised) - 'Consolidated and separate financial statements' (effective from July 01, 2009).
- IAS 39 (amendments) - 'Cash flow hedge accounting'.
- IFRS 3 (revised) - 'Business Combinations' (effective from July 01, 2009).

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

- IAS 38 (amendment) - 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted.
- Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009).
- IFRS 2 (amendments) - 'Group Cash-settled 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.
- IFRS 5 (amendment) - 'Measurement of non-current assets (or disposal group) classified as held-for-sale'.
- IFRIC 17 - 'Distributions of Non-cash Assets to Owners' (effective on or after 1 July 2009).
- IFRIC 18 - 'Transfers of Assets from Customers' (effective for periods beginning on or after July 01, 2009).
- There are number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 (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.

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 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 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 Continuous funding system (CFS) transactions

Receivable against CFS transactions are recorded at the fair value of the consideration given. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from 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 applicable 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 15.1 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, Certificates of deposit 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 and 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 loses 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.



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4. PROPERTY AND EQUIPMENT

PARTICULARS	COST			ACCUMULATED DEPRECIATION				W.D.V.		
	As at	Additions	Deletion	As at	As at	Depreciation for the year	Depreciation on Disposal	As at	As at	Rate %
	July 1, 2009			June 30, 2010	July 1, 2009			June 30, 2010		
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 and equipment										
- Fixed Assets				4,185,522						
- Capital work in progress				275,000						
				4,460,522						

PARTICULARS	COST			ACCUMULATED DEPRECIATION				W.D.V.		
	As at	Additions	Deletion	As at	As at	Depreciation for the year	Depreciation on Disposal	As at	As at	Rate %
	July 1, 2008			June 30, 2009	July 1, 2008			June 30, 2009		
RUPEES										
Furniture and fittings	1,179,935	-	-	1,179,935	549,391	157,213	-	706,604	473,331	15
Office equipment	2,186,237	17,168	-	2,203,405	1,068,007	404,756	-	1,472,763	730,642	20
Computers	2,286,310	404,180	(14,300)	2,676,190	1,368,637	535,511	(11,518)	1,892,630	783,560	33
Air conditioners	782,289	-	-	782,289	500,797	73,109	-	573,906	208,383	15
Vehicles	11,165,572	-	-	11,165,572	5,122,150	2,063,114	-	7,185,264	3,980,308	20
Leasehold improvements	665,218	-	-	665,218	144,131	133,044	-	277,175	388,043	20
June 30, 2009	18,265,561	421,348	(14,300)	18,672,609	8,753,113	3,366,747	(11,518)	12,108,342	6,564,267	

5 INTANGIBLE ASSET

PARTICULARS	COST			ACCUMULATED AMORTIZATION				W.D.V.		
	As at	Additions	Deletion	As at	As at	Amortization for the year	Amortization on Disposal	As at	As at	Rate %
	July 1, 2009			June 30, 2010	July 1, 2009			June 30, 2010		
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	

PARTICULARS	COST			ACCUMULATED AMORTIZATION				W.D.V.		
	As at	Additions	Deletion	As at	As at	Amortization for the year	Amortization on Disposal	As at	As at	Rate %
	July 1, 2009			June 30, 2010	July 1, 2009			June 30, 2010		
RUPEES										
Computer software	223,730	247,900	-	471,630	6,153	86,007	-	92,160	379,470	33
June 30, 2009	223,730	247,900	-	471,630	6,153	86,007	-	92,160	379,470	



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6. LONG-TERM INVESTMENTS	Note	2010 Rupees	2009 Rupees
Held-to-maturity			
- Term finance certificates/Sukuk - Unlisted	6.1	351,562,400	305,182,133
- Term finance certificates/Sukuk - Listed	6.2	29,914,016	-
- Government securities - PIB's	6.3	362,466,118	265,056,368
		743,942,534	570,238,501
Available-for-sale			
- Term finance certificates - Listed	6.4	42,144,986	58,502,788
- Investment in shares - Listed	6.5	-	32,168,911
- Investment in mutual funds	6.6	-	109,890,458
- Investment in preference shares - Listed	6.7	-	17,362,500
		42,144,986	217,924,657
		786,087,520	788,163,158

6.1 Term finance certificates/Sukuk - Unlisted

Number of Units		Investee Company	Note	2010	2009
2010	2009			Cost	Cost
				Rupees	Rupees
Sugar & Allied industries					
8,000	8,000	Haq Bahoo Sugar (Pvt.) Mills Ltd	6.1.1	30,000,000	40,000,000
Cement					
8,000	8,000	Gharibwal Cement Limited	6.1.2	37,981,000	37,989,000
Fertilizer					
30,000	2,400	Engro Chemical Pakistan Limited	6.1.3	134,753,500	12,000,000
Cable & electrical goods					
15,900	-	Pak Elektron Limited	6.1.4	47,274,317	-
8,000	8,000	New Allied Electronics Industries (Pvt.) Limited	6.1.5	40,000,000	40,000,000
Textile					
5,000	5,000	Amtex Limited	6.1.6	20,833,334	25,000,000
28,000	28,000	Three Star Hosiery (Private) Limited	6.1.7	140,000,000	140,000,000
Financial Institutions					
2,000	-	Jahangir Siddiqui Investment Co. Limited	6.1.8	8,916,075	-
5,000	-	House Building Finance Corporation	6.1.9	18,400,000	-
Miscellaneous					
10,000	10,000	Eden Housing Limited	6.1.10	37,500,000	50,000,000
100	100	TPL Trakker Limited (formerly Trakker (Pvt.) Ltd.)	6.1.11	3,750,000	6,250,000
				519,408,226	351,239,000
Less: provision for non-performing investments			6.1.12	(40,000,000)	(20,000,000)
				479,408,226	331,239,000
Less: current maturity			13	(127,845,826)	(26,056,867)
				351,562,400	305,182,133



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- 6.1.1** This represents Sukuk Certificate issued for a period of three years at the rate of 6 month KIBOR + 3.25%.
- 6.1.2** This represents Term Finance Certificates issued for a period of five years at the rate of 6 month KIBOR + 3%.
- 6.1.3** This represents Term Finance Certificates issued for a period of ten years at the rate of 6 month KIBOR + 1.7% to 1.9%.
- 6.1.4** This represents Term Finance Certificates issued for a period of five years at the rate of 3 month KIBOR + 1.75% .
- 6.1.5** This represents Sukuk Certificate issued for a period of five years at the rate of 3 months KIBOR + 2.2% with a floor of 7% and cap of 20%.
- 6.1.6** This represents Sukuk Certificates issued for a period of five years at the rate of 3 month KIBOR + 2% with a floor of 11% and cap of 25%.
- 6.1.7** This represents Sukuk Certificates issued for a period of five years at the rate of 3 month KIBOR + 3.25% with a floor of 11% and cap of 25%.
- 6.1.8** This represents Term Finance Certificates issued for a period of five years at the rate of 6 month KIBOR + 1.70% .
- 6.1.9** This represents Sukuk Certificates issued for a period of five years at the rate of 6 month KIBOR + 1.00% .
- 6.1.10** This represents Sukuk Certificates issued for a period of five years at the rate of 6 month KIBOR + 2.5% with a floor of 7% and cap of 20%.
- 6.1.11** This represents Term Finance Certificates issued for a period of four years at the rate of 6 month KIBOR + 3.5%

6.1.12 Provision for non-performing TFC's/Sukuk	Note	2010 Rupees	2009 Rupees
Opening balance		20,000,000	-
Charged for the year		20,000,000	20,000,000
Closing balance		40,000,000	20,000,000
6.2 This represents Term Finance Certificates issued 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			
Cost			
Opening		284,057,900	183,299,550
Purchased during the year		102,466,300	100,758,350
		386,524,200	284,057,900
Amortization			
Opening		19,001,532	14,541,506
Charged during the year		5,056,550	4,460,026
		24,058,082	19,001,532
6.3.1		362,466,118	265,056,368

- 6.3.1** This represents investments in 10 years bonds issued by the Government of Pakistan. Periods to maturity of these ranges from 1 to 9 years and carry markup rates (coupon rate) ranging from 8% to 12% per annum (2009: 8% to 12% per annum). One of these investment of Rs.175 million is held by other financial institution as security under repurchase agreement.



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6.4 Term finance certificates - Listed

Number of Units		Investee Company	Note	2010		2009	
				Cost	Market value	Cost	Market value
2010	2009						
				Rupees	Rupees	Rupees	Rupees
Pharmaceuticals							
7,245	7,245	Searle Pakistan Limited	6.4.1	9,052,628	8,839,512	18,105,255	17,384,231
Textile Composite							
4,000	4,000	Azgard Nine Limited	6.4.2	14,979,600	14,487,763	16,646,400	14,727,902
Investment Banks/Investment Companies							
2,903	2,903	Trust Investment Bank Limited (formerly Trust Leasing Corporation Limited)	6.4.3	1,451,500	1,430,864	4,354,500	4,288,116
1,000	1,000	Jahangir Siddiqui & Company Limited	6.4.4	4,993,000	5,043,030	4,995,000	4,645,345
Technology and Communication							
6,886	6,886	Worldcall Telecom Limited	6.4.5	34,409,192	32,693,110	34,422,964	32,762,194
				64,885,920	62,494,279	78,524,119	73,807,788
(Deficit)/surplus on revaluation			19	(2,391,641)	-	(4,716,331)	-
				62,494,279	62,494,279	73,807,788	73,807,788
Less: current maturity			13	(20,349,293)	(20,349,293)	(15,305,000)	(15,305,000)
				42,144,986	42,144,986	58,502,788	58,502,788

6.4.1 This represents Term Finance Certificates issued for a period of five years at the rate of 6 month KIBOR + 2.5%.

6.4.2 This represents Term Finance Certificates issued for a period of seven years at the rate of 6 month KIBOR + 2.4%.

6.4.3 This represents Term Finance Certificates issued for a period of five years at the rate of 6 month KIBOR + 2.%.

6.4.4 This represents Term Finance Certificates issued 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%.

6.4.5 This represents Term Finance Certificates issued for a period of five years at the rate of 6 month KIBOR + 1.6%.



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6.5 Investment in shares - Listed

Number of Shares		Investee Company	Note	2010		2009	
				Cost	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees	
Automobile							
-	29,000	Dewan Farooq Motors Limited	-	-	453,640	48,720	
Automobile Assembler							
-	1,000	Pak Suzuki Motors Limited	-	-	83,790	67,900	
-	5,044	Indus Motors	-	-	721,741	543,340	
Automobile Parts and Accessories							
-	6,000	Agriauto Industries	-	-	215,999	195,840	
Cable and Electrical Goods							
-	61	Pak Elektron Limited	-	-	1,488	1,495	
Cement							
-	17,200	Attock Cement Pakistan Limited	-	-	755,597	1,207,783	
-	34,100	D.G Khan Cement Limited	-	-	804,264	1,011,064	
-	139,927	Fauji Cement Company Limited	-	-	727,744	922,118	
-	9,288	Lucky Cement	-	-	529,599	543,626	
-	500	Pioneer Cement Limited	-	-	10,508	6,790	
-	110,534	Maple Leaf Cement Limited	-	-	2,637,355	470,875	
Commercial Banks							
-	1,534	Allied Bank Limited	-	-	76,013	57,678	
-	10,376	Arif Habib Bank Limited	-	-	85,150	72,528	
-	18,182	Askari Bank Limited	-	-	315,541	277,821	
-	12,500	Bank of Khyber	-	-	107,400	35,125	
-	49,004	Bank of Punjab	-	-	905,353	538,064	
-	5,183	Faysal Bank Limited	-	-	102,601	50,171	
-	1,461	Habib Bank Limited	-	-	155,978	125,734	
-	6,639	MCB Bank Limited	-	-	1,419,364	1,029,244	
-	23,631	National Bank of Pakistan	-	-	1,510,950	1,583,986	
-	6,000	NIB Bank Limited	-	-	17,378	28,500	
-	34,400	Standard Chartered Bank Limited	-	-	546,960	292,056	
-	6,238	United Bank Limited	-	-	360,693	238,853	
Engineering							
-	6,879	Dost Steel Limited	-	-	81,790	36,734	
Fertilizer							
-	8,471	Engro Chemicals Limited	-	-	1,055,260	1,087,931	
-	5,819	Fauji Fertilizer Bin Qasim Limited	-	-	96,336	102,938	
-	1,023	Fauji Fertilizer Company Limited	-	-	49,335	88,950	
Insurance							
-	2,139	Adamjee Insurance Limited	-	-	271,454	179,655	
-	12,100	EFU general Insurance	-	-	1,482,356	1,065,889	
Balance c/f			-	-	15,581,637	11,911,408	



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Number of Shares		Investee Company	Note	2010		2009	
				Cost	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees	
		Balance b/f	-	-	15,581,637	11,911,408	
		Investment bank/ Investment Companies					
-	131,287	Arif Habib Securities Limited	-	-	5,966,954	3,628,773	
-	15,000	Innovative Investment Bank Limited	-	-	62,250	62,250	
-	5,666	Jahangir Siddiqui & Co. Limited	-	-	318,089	131,395	
-	2,316	Javed Omar Vohra & Co.	-	-	37,139	31,197	
-	179	J.S Investment Limited	-	-	7,145	3,032	
-	4,896	Pervaiz Ahmed Securities	-	-	39,553	25,900	
		Modaraba					
-	104,250	First Constellation Modaraba	-	-	806,577	113,633	
		Oil and Gas Exploration Companies					
-	1,000	Mari Gas Company Limited	-	-	134,580	148,830	
-	4,575	Pakistan Petroleum Limited	-	-	870,972	867,146	
-	43,912	Oil & Gas Development Company Limited	-	-	4,495,377	3,453,240	
-	13,033	Pakistan Oil Fields Limited	-	-	2,509,462	1,901,515	
		Oil and Gas Marketing Companies					
-	6,463	Pakistan State Oil Company Limited	-	-	1,676,842	1,380,820	
		Power Generation and Distribution					
-	24,068	Kot Addu Power Company	-	-	908,054	1,017,114	
-	147,459	The Hub Power Company Limited	-	-	4,984,694	3,994,664	
-	60,000	Karachi Electric Supply Corporation	-	-	693,576	159,000	
		Refinery					
-	1,063	National Refinery Limited	-	-	182,469	233,881	
-	124,627	Byco Petroleum	-	-	2,683,475	867,404	
		Technology and Communication					
-	3,765	Netsol Technologies	-	-	153,715	67,243	
-	6	Pakistan Telecommunication Company Limited	-	-	183	103	
-	27,096	Worldcall telecom	-	-	151,080	67,740	
-	108,212	Telecard Limited	-	-	1,712,200	187,203	
		Textile Spinning					
-	60	D.S. Industries Limited	-	-	780	185	
		Textile Composite					
-	8,365	Nishat Chunian Limited	-	-	650,945	72,023	
		Balance c/f	-	-	44,627,748	30,325,699	



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Number of Shares		Investee Company	Note	2010		2009	
				Cost	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees	
		Balance b/f	-	-	44,627,748	30,325,699	
		Transport					
-	50,000	Pakistan International Airlines	-	-	1,030,764	166,000	
		Close-end Mutual Funds					
-	142,723	PICIC Growth Fund	-	-	5,471,748	1,198,873	
		Miscellaneous					
-	43,500	Siddique Sons Tin Plate	-	-	2,508,118	370,187	
-	19,382	Pace (Pakistan) Limited	-	-	224,641	108,152	
					53,863,019	32,168,911	
		Permanent diminution in the value of equity securities	6.5.1	-	(13,458,985)	-	
					40,404,034	32,168,911	
		Deficit on revaluation	19	-	(8,235,123)	-	
					32,168,911	32,168,911	

During the year management, as allowed under BSD Circular No. 10 of 2004, has transferred its investment from Long-term to short-term.

6.5.1 Permanent diminution in value of listed equity securities	Note	2010 Rupees	2009 Rupees
Opening balance		-	(3,327,228)
Charged for the year		-	(10,131,757)
	11.6.1	-	(13,458,985)

6.6 Investment in mutual funds

Number of Units		Investee Company	Note	2010		2009	
				Cost	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees	
-	369,403	Nafa Stock Fund	-	-	5,000,000	2,241,723	
-	1,997,264	Nafa Cash Fund	-	-	20,000,000	20,164,175	
-	44,271	AMZ Plus Stock Fund	-	-	5,000,000	2,676,200	
-	90,083	Namco Income Fund	-	-	8,000,000	9,180,564	
-	99,645	Dawood Money Market Fund	-	-	10,000,000	8,069,641	
-	101,046	Dawood Islamic Fund	-	-	10,000,000	9,630,200	
-	410,995	Nafa Multi Asset Fund	-	-	5,000,000	3,535,376	
-	1,000,000	Nafa Islamic Multi Fund	-	-	10,000,000	8,573,600	
-	1,473,467	Namco Balanced Fund	-	-	14,734,670	6,954,764	
-	2,429,425	ABL Income Fund	-	-	24,294,252	24,334,580	
-	141,119	Faysal Saving Growth Fund	-	-	14,500,001	14,529,635	
					126,528,923	109,890,458	
		Permanent diminution in the value of mutual funds	6.6.1	-	(4,839,594)	-	
					121,689,329	109,890,458	
		Deficit on revaluation	19	-	(11,798,871)	-	
					109,890,458	109,890,458	

During the year management, as allowed under BSD Circular No. 10 of 2004, has transferred its investment from Long-term to short-term.



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6.6.1 Permanent diminution in value of mutual funds	Note	2010 Rupees	2009 Rupees
Charged for the year		-	(4,839,594)
	11.6.1	-	(4,839,594)

6.7 Investment in preference shares

Number of Shares		Investee Company	Note	2010		2009	
				Cost	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees	
Cable and Electrical Goods							
-	1,500,000	Pak Elektron Limited	-	-	15,000,000	17,362,500	
		Surplus on revaluation	-	-	2,362,500	-	
			-	-	17,362,500	17,362,500	

During the year management, as allowed under BSD Circular No. 10 of 2004, has transferred its investment from Long-term to short-term.

7 Long-Term Loans - Considered Good	Note	2010 Rupees	2009 Rupees
House loans to staff - Secured			
- Chief executive		4,517,710	5,760,659
- Executives		6,249,277	7,290,498
- Employees		2,197,770	2,533,528
	7.2	12,964,757	15,584,685
Other loans - unsecured, interest free			
- Chief executive		-	106,656
- Executives		-	629,196
- Employees		212,525	678,361
	7.3	212,525	1,414,213
Current portion			
- House loans		(1,547,052)	(994,946)
- Other loans		(118,000)	(917,105)
	13	(1,665,052)	(1,912,051)
		11,512,230	15,086,847

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

	2010		2009	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees			
Opening balance	5,867,315	7,919,694	6,526,666	8,621,936
Disbursements during the year	-	-	-	-
Receipts during the year	(1,349,605)	(1,670,417)	(659,351)	(702,242)
	4,517,710	6,249,277	5,867,315	7,919,694



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7.2 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% (2009:4%) 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.5,071,942 (2009: Rs.6,072,573) and executives are Rs. 6,872,166 (2009: Rs.7,547,402)

7.3 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 the chief executive is Rs.79,989 (2009: Rs.399,993) and executive is Rs.602,979 (2009: Rs.917,583).

8 Long-Term Finances - Secured	Note	2010 Rupees	2009 Rupees
Considered good	8.1	151,956,422	269,032,539
Considered doubtful	8.2	6,666,670	6,666,669
		158,623,092	275,699,208
Less: provision for non-performing finances	8.3	(6,666,670)	(3,333,335)
		151,956,422	272,365,873
Less: current portion	13	(130,836,625)	(127,848,979)
		21,119,797	144,516,894
8.1 These represent finances with maturities ranging from eighteen months to six years at mark-up rates ranging from 15.37 % to 15.50 % (2009: 11.88% to 21.49%) 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.			
8.2 This represents a finance facility that has been classified as non-performing under 'doubtful' category.			
8.3 Provision for non-performing finances			
Opening balance		(3,333,335)	-
Charge for the year		(3,333,335)	(3,333,335)
Closing balance		(6,666,670)	(3,333,335)
9 Long Term Security Deposit			
National Clearing Company		1,000,000	1,000,000
CDC		50,000	50,000
		1,050,000	1,050,000
10 Deferred Tax Asset			
Deferred tax asset on deductible temporary differences:			
-Accelerated tax depreciation allowance		1,531,500	864,004
-Provisions		17,295,259	8,555,205
		18,826,759	9,419,209
Deferred tax liability on taxable temporary differences:			
- Accelerated tax amortization allowance		-	(10,714)
- On gratuity		(335,308)	-
		18,491,451	9,408,495



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11	Short-Term Investments	Note	2010 Rupees	2009 Rupees
	Available-for-sale			
	- Dewan Cement Limited - Pre IPO term finance certificates	11.1	50,000,000	50,000,000
	- Investment in Shares- Listed	11.2	40,133,134	-
	- Investment in Mutual Funds	11.3	78,529,419	-
	- Investment in Preference shares	11.4	17,362,500	-
			186,025,053	50,000,000
	Held-to-maturity			
	- Government securities - T-Bills	11.5	56,766,480	89,077,200
	- Commercial paper		-	22,339,250
			56,766,480	111,416,450
	Held-for-trading			
	- Investment in shares - Listed	11.6	31,600	-
			242,823,133	161,416,450

11.1 No interest has been accrued on these certificates, as the investment has been classified under doubtful category. Due to availability of adequate security, no provision has been made against the investment.

11.2 Investment in shares - Listed

Number of Shares		Investee Company	Note	2010		2009	
				Cost	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees	
		Automobile					
10,000	-	Dewan Farooq Motors Limited		31,911	16,700	-	-
		Automobile Parts and Accessories					
3,000	-	Agriauto Industries		107,999	207,000	-	-
		Cement					
8,640	-	Attock Cement Pakistan Limited		316,296	565,920	-	-
61,927	-	Fauji Cement Company Limited		322,075	281,768	-	-
3,000	-	Lucky Cement Ltd.		171,059	186,420	-	-
110,534	-	Maple Leaf Cement Limited		671,269	343,761	-	-
		Commercial Banks					
1,687	-	Allied Bank Limited		76,013	96,075	-	-
10,376	-	Arif Habib Bank Limited		65,260	37,250	-	-
13,182	-	Askari Bank Limited		190,645	200,630	-	-
12,500	-	Bank of Khyber		61,210	47,250	-	-
20,000	-	Bank of Punjab		325,676	201,600	-	-
1,461	-	Habib Bank Limited		141,807	142,082	-	-
7,302	-	MCB Bank Limited		1,419,364	1,417,975	-	-
7,500	-	National Bank Limited	11.2.1	383,636	480,750	-	-
34,400	-	Standard Chartered Bank Limited		295,384	252,840	-	-
6,238	-	United Bank Limited		327,941	338,162	-	-
		Engineering					
6,879	-	Dost Steel Limited		33,126	17,748	-	-
		Balance c/f		4,940,671	4,833,931	-	-



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Number of Shares		Investee Company	Note	2010		2009	
				Cost	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees	
		Balance c/f		4,940,671	4,833,931	-	-
		Fertilizer					
1,023	-	Fauji Fertilizer Company Limited		49,335	105,441	-	-
2,500	-	ICI Pakistan		349,098	296,400	-	-
13,152	-	EFU General Insurance		1,097,058	646,289	-	-
		Investment Bank/ Investment Companies					
50,000	-	Arif Habib Securities Limited		2,158,395	1,660,500	-	-
15,000	-	Innovative Investment Bank Limited		-	-	-	-
5,666	-	Jahangir Siddiqui & Co. Limited		138,650	71,618	-	-
		Modaraba					
104,249	-	First Constellation Modaraba		241,765	186,606	-	-
		Oil and Gas Exploration Companies					
1,000	-	Mari Gas Company Limited		67,290	129,380	-	-
2,500	-	Pakistan Petroleum Limited		396,618	460,300	-	-
5,000	-	Oil & Gas Development Company Limited		541,645	708,450	-	-
2,033	-	Pakistan Oil Fields Limited		391,448	438,925	-	-
		Oil and Gas Marketing Companies					
2,500	-	Pakistan State Oil Company Ltd.		738,225	650,500	-	-
		Power Generation and Distribution					
30,000	-	Kot Addu Power Company		1,218,333	1,252,200	-	-
132,459	-	The Hub Power Company Limited		4,477,635	4,233,390	-	-
60,000	-	Karachi Electric Supply Corporation		214,561	133,800	-	-
		Refinery					
124,627	-	Byco Petroleum		1,477,541	1,243,777	-	-
2,000	-	Attock Refinery Limited		238,644	161,120	-	-
		Technology and Communication					
2,265	-	Netsol Technologies		67,612	56,648	-	-
2,500	-	Pakistan Telecommunication Company Limited		51,395	44,500	-	-
108,212	-	Telecard Limited		439,361	287,840	-	-
		Textile Composite					
8,365	-	Nishat Chunian Limited		207,056	132,000	-	-
		Transport					
50,000	-	Pakistan International Airlines		218,804	137,500	-	-
		Close-end Mutual Funds					
142,723	-	PICIC Growth Fund		2,122,994	1,321,615	-	-
		Miscellaneous					
43,500	-	Siddique Sons Tin Plate		617,824	439,350	-	-
815,800	-	Agritech limited		24,474,000	20,501,054	-	-
		Deficit on revaluation	19	(6,802,824)	-	-	-
				<u>40,133,134</u>	<u>40,133,134</u>	-	-

11.2.1 This represents an investment in shares of associated undertaking.



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11.3 Investment in mutual funds

Number of Units		Investee Company	Note	2010		2009	
				Cost	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees	
298,006	-	Arif Habib-Pak Income Fund		15,308,594	15,311,548	-	-
44,271	-	Faysal Asset Allocation Fund		2,676,200	3,260,116	-	-
80,000	-	Namco Income Fund		8,000,000	7,976,864	-	-
99,645	-	Dawood Money Market Fund		10,000,000	7,474,830	-	-
424,299	-	Nafa Multi Asset Fund		4,437,332	3,973,136	-	-
1,473,467	-	Namco Balanced Fund		10,844,716	5,127,665	-	-
1,497,933	-	ABL Income Fund		15,000,000	15,003,896	-	-
197,841	-	Faysal Saving Growth Fund		20,397,396	20,401,364	-	-
				86,664,238	78,529,419	-	-
		Deficit on revaluation	19	(8,134,819)	-	-	-
				78,529,419	78,529,419	-	-

11.4 Investment in preference shares

Number of Shares		Investee Company	Note	2010		2009	
				Cost	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees	
		Cable and Electrical Goods					
1,500,000	-	Pak Electron Limited		15,000,000	17,362,500	-	-
		Surplus on revaluation	19	2,362,500	-	-	-
				17,362,500	17,362,500	-	-

11.5 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 12.23% per annum and mature on December 16, 2010.

11.6 Investments in shares - Quoted

Number of Shares		Investee Company	Note	2010		2009	
				Cost	Market value	Cost	Market value
2010	2009		Rupees	Rupees	Rupees	Rupees	
		Investment Bank/ Investment Companies					
2,500	-	Jahangir Siddiqui & CO		60,145	31,600	-	-
		Deficit on revaluation		(28,545)	-	-	-
				31,600	31,600	-	-

11.6.1 During the previous year, the Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within the normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008. Consequent to the introduction of the above measures by the KSE, the market volume declined significantly. The "Floor Mechanism" was subsequently removed by the KSE on December 15, 2008. Subsequent to the removal of the "Floor Mechanism" the KSE 100 index declined from 9,187.10 points at December 15, 2008 to 5,865.01 points at December 31, 2008 and the market remained generally inactive during this period due to low trading volumes.



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As a result of above, the value of listed equity securities and mutual funds declined significantly indicating impairment in value of these securities. Due to unprecedented decline in prices of securities, the SECP vide SRO 150(1)/2009 dated February 13, 2009 allowed to defer the impairment loss on 'Available for sale' listed securities determined as on December 31, 2008 and show the same under equity. The amount taken to equity, including any adjustment / effect for price movements during the quarter of calendar year 2009 was taken to profit and loss account on quarterly basis during the calendar year ending on December 31, 2009. The amount taken to equity as specified above shall be treated as a charge to profit as loss account for the purposes of distribution as dividend.

The Company opted not to charge the impairment loss to profit and loss account as at December 31, 2008 and showed the impairment under deficit on revaluation of investments below equity. During the four quarters of calendar year 2009, the Company charged Rs.19,583,221/- to profit and loss account.

	Note	2010 Rupees	2009 Rupees
12 Short-Term Placements			
Unsecured placements - considered good	12.1	<u>10,000,000</u>	<u>416,600,100</u>
12.1 These are clean placements with Commercial Banks and Non Banking Finance Companies carrying markup rates ranging from 16% (2009: 13% to 21%) per annum and maturing on various dates latest by July 07, 2010.			
13 Current portion of Non-Current Assets			
Investments			
Current portion of term finance certificates - unlisted	6.1	<u>127,845,826</u>	<u>26,056,867</u>
Current portion of term finance certificates - listed	6.4	<u>20,349,293</u>	<u>15,305,000</u>
Advances		148,195,119	41,361,867
Current portion of long-term loans	7	<u>1,665,052</u>	<u>1,912,051</u>
Current portion of long-term finances	8	<u>130,836,625</u>	<u>127,848,979</u>
		<u>132,501,677</u>	<u>129,761,030</u>
		<u>280,696,796</u>	<u>171,122,897</u>
14 Markup / Interest Accrued			
Accrued profit/markup/interest on:			
- Staff		1,624,980	-
- Term finance certificates/Sukuk		47,708,264	27,110,617
- Government securities		9,882,486	8,036,977
- Term finances		1,567,354	5,288,230
- Placements		92,057	2,691,275
- Commercial papers		-	930,193
		<u>60,875,141</u>	<u>44,057,292</u>
Less : provision for markup/interest on non-performing investment		<u>(3,277,354)</u>	<u>(2,756,627)</u>
		<u>57,597,787</u>	<u>41,300,665</u>
15 Advance, Prepayments and Other Receivables			
Prepayments - Considered good		771,847	1,487,195
Other receivables			
- Dividend receivable		12,874	132,835
- Receivable from brokers against sale of shares		-	3,347,309
- Receivable from gratuity fund	15.1.5	1,270,982	349,183
- Advance against travelling		85,500	-
- Other receivables		3,032,137	1,553,813
		<u>5,173,340</u>	<u>6,870,335</u>
15.1.5 Receivable from Gratuity Fund		<u>1,270,982</u>	<u>349,183</u>



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15.1.1 Actuarial Assumptions

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

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

	Note	2010 Rupees	2009 Rupees
15.1.2 Reconciliation of amount receivable from defined benefit plan			
Present value of defined benefit obligation		7,000,667	5,826,866
Fair value of plan assets		(8,251,696)	(5,660,696)
Unrecognized actuarial (losses)/gains		292,995	(515,353)
		<u>(958,034)</u>	<u>(349,183)</u>
15.1.3 Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation		5,826,866	4,283,257
Current service cost		670,042	599,656
Interest cost		757,493	428,326
Actuarial loss		(253,734)	515,627
		<u>7,000,667</u>	<u>5,826,866</u>
15.1.4 Changes in the fair value of plan assets			
Fair value of plan asset as at July 01:		5,660,696	5,038,910
Expected return		735,890	503,891
Contribution		1,300,496	489,269
Actuarial loss		554,614	(371,374)
		<u>8,251,696</u>	<u>5,660,696</u>
15.1.5 Movement in net (asset)/liability			
Opening (asset)/liability		(349,183)	(509,238)
Charge for the year		691,645	649,324
Contributions		(1,613,444)	(489,269)
		<u>(1,270,982)</u>	<u>(349,183)</u>
15.1.6 Charge for the year			
Current service cost		670,042	599,656
Interest cost		757,493	428,326
Expected return on plan assets		(735,890)	(503,891)
Actuarial loss recognized		-	125,233
		<u>691,645</u>	<u>649,324</u>



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	Note	2010 Rupees	2009 Rupees
15.1.7 The present value of defined benefit obligation, fair value of plan assets and surplus or deficit on gratuity fund for the last three years is as follows:			
As at 30 June			
Present value of defined obligation		(7,000,667)	(5,826,866)
Fair value of plan assets		8,251,696	5,660,696
(Deficit)/surplus		<u>1,251,029</u>	<u>(166,170)</u>
16 Cash and Bank Balances			
Balance with banks			
- Deposit accounts	16.1	12,917,207	22,520,545
- Current account with SBP		4,187,638	7,129,875
- Reserve account with SBP		1,750,000	1,750,000
Cash in hand		43,382	68,158
		<u>18,898,227</u>	<u>31,468,578</u>
16.1 Effective markup rate in respect of deposit accounts ranges from 3.5 % to 7 % (2009: 3.5% to 7%) per annum.			
17 Issued, Subscribed and Paid-Up Capital			
	No. of Shares	2010	2009
	2010	Rupees	Rupees
28,500,000	28,500,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	285,000,000
36,500,000	36,500,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	365,000,000
<u>65,000,000</u>	<u>65,000,000</u>	<u>650,000,000</u>	<u>650,000,000</u>
17.1 Reconciliation of number of ordinary shares of Rs. 10 each			
	No. of Shares		
At the beginning of the year		65,000,000	40,000,000
Issue of shares to general public		-	25,000,000
At the end of the year		<u>65,000,000</u>	<u>65,000,000</u>
18 Reserves			
Capital			
- statutory reserve	18.1	117,663,484	116,088,626
Revenue			
- unappropriated profit		48,778,605	42,479,172
		<u>166,442,089</u>	<u>158,567,798</u>
18.1 Statutory reserve			
Opening balance		116,088,626	114,557,698
Transferred from profit and loss account	18.2	1,574,858	1,530,928
Closing balance		<u>117,663,484</u>	<u>116,088,626</u>



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18.2 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.

19 Deficit on Revaluation of Investments - Net	Note	2010 Rupees	2009 Rupees
Available-for-sale - listed securities			
Term finance certificates	6.4	(2,391,641)	(4,716,331)
Shares	11.2.1 / 6.5	(6,802,824)	(8,235,123)
Mutual funds	11.3 / 6.6	(8,134,819)	(11,798,871)
Preference shares	11.4 / 6.7	2,362,500	2,362,500
		<u>(14,966,784)</u>	<u>(22,387,825)</u>
20 Long-Term Loans			
From Banking Companies - Secured			
National Bank of Pakistan (NBP) - an associated undertaking	20.1	125,000,000	62,500,000
Allied Bank Limited (ABL)	20.2	-	25,000,000
		<u>125,000,000</u>	<u>87,500,000</u>
Current portion of long-term loans		-	(87,500,000)
		<u>125,000,000</u>	<u>-</u>
20.1 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 was repayable in 16 equal quarterly installments commencing from September 11, 2011 and carried 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.			
20.2 On June 27, 2007, the Company obtained three year term loan facility of Rs. 200 million. The loan was repayable in 8 equal quarterly installments after a grace period of one year. The facility carried markup @ 3 months KIBOR plus 1.50% per annum and is secured by first pari passu hypothecation charge against all present and future assets of the Company.			
21 Long-Term Certificate of Deposit			
This represents certificate issued for a term of three years at the rate of 12.50% (2009: 11.25%) per annum payable half yearly.			
22 Short-Term Borrowings-Secured-from Banking Companies and other financial institutions other than related parties			
Under repurchase agreement	22.1	169,128,050	139,166,050
22.1 This represents funds borrowed from the local interbank market against government securities carrying markup rate of 12.4 % (2009: 11.50% to 12.50%) per annum maturing in July 2010.			
23 Short-Term Running Finance - Secured			
National Bank of Pakistan (NBP)- an associated undertaking	23.1	11,180,805	50,000,000
Allied Bank Limited - RF I	23.2	-	99,999,779
Allied Bank Limited - RF II	23.3	-	99,999,663
		<u>11,180,805</u>	<u>249,999,442</u>



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23.1 This represents short-term running finance obtained from NBP with a limit of Rs. 50,000,000 (2009: Rs. 50,000,000) carrying markup at a rate based on 3 month KIBOR plus 1% (2009: 3 month KIBOR plus 1%) per annum. The running finance is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 62.5 million.

23.2 This represents short-term running finance obtained from ABL with a limit of Rs. 100,000,000 (2009: Rs. 100,000,000) carrying markup at a rate based on 3 month KIBOR plus 1.50% (2009: 3 month KIBOR plus 1.5%) per annum. The running finance is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 134 million.

23.3 This represents short-term running finance obtained from ABL with a limit of Rs. 100,000,000 (2009: Rs. 100,000,000) carrying markup at a rate based on 3 month KIBOR plus 1.50% (2009: 3 month KIBOR plus 1.5%) per annum. The running finance is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 134 million.

24 Short-Term Certificates of Deposit- Unsecured

These have been issued for terms ranging from one month to one year and expected return on these certificates ranges from 10.5% to 13% (2009: 10.50% to 13%) per annum payable monthly, quarterly, semi annually or on maturity.

25 Accrued Markup	Note	2010 Rupees	2009 Rupees
Secured			
- Loans and borrowings including running finance	25.1	360,942	1,434,986
- Repo borrowings		976,794	1,998,029
Unsecured			
- Certificates of deposits		9,261,464	16,110,860
- Others		-	8,000
		<u>10,599,200</u>	<u>19,551,875</u>

25.1 This amount includes Rs.360,492 (2009: Rs.1,199,897) due to National Bank of Pakistan, an associated undertaking.

26 Accrued Expenses and Other Liabilities

Accrued expenses	6,769,872	6,065,674
Other liabilities	992,945	479,481
Workers Welfare Fund	427,991	954,320
	<u>8,190,808</u>	<u>7,499,475</u>

27 Contingencies and Commitments

Commitments

- Bank guarantee	5,000,000	-
- Commitment to provide term finance facility	-	30,000,000
	<u>5,000,000</u>	<u>30,000,000</u>

28 Income from Term Finances and Funds Placements

Income from long-term finances	25,855,539	33,072,645
Return on fund placements with financial institutions	28.1	11,692,219
Income from short-term finances	-	8,126,986
	<u>37,547,758</u>	<u>123,999,488</u>



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	Note	2010 Rupees	2009 Rupees
28.1 Return on fund placements with financial institutions			
Return on:			
- bank deposits		751,347	2,801,197
- certificates of investment		155,769	28,792,105
- fund placements	-	8,331,804	47,115,222
- commercial paper		2,453,299	4,091,333
		<u>11,692,219</u>	<u>82,799,857</u>
29 Income from Investments			
Return on government securities		42,671,855	13,302,236
Return on Mutual Funds		36,441	-
Return on term finance certificates / sukuku		62,371,888	63,074,736
Dividend income on available-for-sale investments		6,127,456	4,430,152
Capital gain on sale of securities		11,965,016	6,369,747
		<u>123,172,656</u>	<u>87,176,871</u>
30 Fees and Commission			
Underwriting commission		360,000	75,000
Guarantee commission		100,000	217,500
Consultancy and corporate advisory fees		2,497,110	2,262,500
		<u>2,957,110</u>	<u>2,555,000</u>
31 Finance Costs			
Markup/Interest on:			
- Long-term loans		6,219,343	20,871,645
- Short-term borrowings		23,828,358	14,609,570
- Short-term running finances		1,428,590	5,031,387
- Certificate of deposits		49,602,309	65,108,757
- Clean borrowings		-	718,561
- Other charges		201,330	148,134
		<u>81,279,930</u>	<u>106,488,054</u>
32 Administrative and Operating Expenses			
Salaries and allowances	32.1 & 32.2	24,157,621	21,421,344
Travelling, conveyance and meeting charges		4,205,893	3,646,150
Printing and stationery		697,191	655,855
Rent, rates and taxes		2,752,559	2,599,083
Legal and professional		1,337,948	1,519,948
Repair and maintenance		1,125,990	1,057,723
Auditors' remuneration	32.3	583,500	546,500
Brokerage and commission		284,462	832,038
Motor vehicle running expenses		2,208,120	2,106,489
Telephone, telex and fax		579,641	706,899
Electricity, gas and water charges		1,032,978	1,026,453
Advertisement and business promotion		870,216	1,206,109
Newspaper and periodicals		60,513	52,045
Postage and courier services		80,820	69,934
Fees and subscription		2,367,043	2,275,006
Security guards		196,000	190,000
Insurance		652,781	342,966
Medical		1,203,060	1,063,449
Office supplies		338,390	330,193
IT support		459,475	399,294
Research and training		963,507	739,660
Depreciation	4	2,706,065	3,366,747
Amortization	5	200,308	86,007
		<u>49,064,080</u>	<u>46,239,892</u>



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	Note	2010 Rupees	2009 Rupees
32.1	It includes charge for gratuity and provident fund as follows:		
- Gratuity	15.1	691,645	649,324
- Provident fund		813,806	695,881
		1,505,451	1,345,205
32.2	The aggregate amounts incurred during the year for remuneration including all benefits to Chief Executive, directors and executives of the Company are given below:		

	2009 Rupees		2008 Rupees	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	4,453,481	5,007,681	4,135,467	4,705,775
Retirement benefits	888,070	422,591	869,813	590,549
Total	5,341,551	5,430,272	5,005,280	5,296,324
Number of persons	1	3	1	3

32.2.1 This includes bonus paid to chief executive amounting to Rs. 562,656 (2009: Rs.734,712) and executives amounting to Rs. 613,890 (2009: Rs.486,147).

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

32.2.3 Fee of Rs. 470,000 (2009: Rs. 155,000) was paid to directors for attending the Board and Audit Committee Meetings.

	Note	2010 Rupees	2009 Rupees
32.3 Auditor's remuneration			
Statutory audit		325,000	250,000
Half - yearly review		125,000	100,000
Other services		105,000	170,000
Out of pocket expenses		28,500	26,500
		583,500	546,500
33 Taxation			
Current		6,374,706	15,759,075
Prior		(150,699)	(1,253,945)
Deferred		(9,082,956)	(9,408,495)
		(2,858,949)	5,096,635
33.1 Relationship between tax expense and accounting profit			
Profit before tax		5,015,342	12,751,276
Tax at applicable rate of 35% (2009: 35%)			
Tax effect of:		1,755,370	4,462,947
- Income chargeable to tax at reduced rates		(1,438,459)	(936,714)
- Income/expenses that are exempted/ not allowed in determining taxable income		(2,563,610)	5,973,964
- Prior year charge		(150,699)	(1,253,945)
- Pre IPO expenses recognized in equity	-	(3,792,507)	
- Others		(461,551)	642,890
Tax charge for the year		(2,858,949)	5,096,635



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33.2 The income tax assessment of the Company has been finalized upto the tax year 2009.

34 Earning per Share - basic and diluted

Profit for the year	7,874,291	7,654,641
Weighted average number of shares outstanding during the year	65,000,000	62,191,781
Earnings per share - basic and diluted	0.12	0.12

35 Financial Instruments

Financial assets as per balance sheet

	Note	2010 Rupees	2009 Rupees
Long-term investments		786,087,520	788,163,158
Long-term loans		11,512,230	15,086,847
Long-term finances		21,119,797	144,516,894
Long-term security deposits		1,050,000	1,050,000
Short-term investments		242,823,133	161,416,450
Short-term placements		10,000,000	416,600,100
Current portion of non-current assets		280,696,796	171,122,897
Markup/interest accrued		57,597,787	41,300,665
Advance, prepayments and other receivables		5,182,280	6,870,335
Cash and bank balances		18,889,287	31,468,578
		1,434,958,830	1,777,595,924

Financial liabilities as per balance sheet

Long-term loans		125,000,000	-
Long-term certificate of deposit		5,000,000	100,000
Short-term borrowings		169,128,050	139,166,050
Short-term running finance		11,180,805	249,999,442
Current portion of long-term loans		-	87,500,000
Short-term certificates of deposit		334,150,000	510,500,000
Accrued markup		10,599,200	19,551,875
Accrued expenses and other liabilities		8,190,808	7,499,475
		663,248,863	1,014,316,842

36 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.



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36.1 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.

36.1.1 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.

36.1.2 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:

As at June 30, 2010	Effective rate %	Exposed to yield / market rate risk				Not exposed to yield / market rate risk
		Total	Within one year	More than one year and less than five years	More than five years	
Financial Assets						
Investments	12.53	1,177,105,772	204,993,199	411,785,820	424,301,700	136,025,053
Loans	4.00	13,177,282	1,665,052	5,908,821	5,603,409	-
Long-term finances	15.58	151,956,422	130,836,625	21,119,797	-	-
Long-term security deposits		1,050,000	-	-	-	1,050,000
Placements	13.90	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 mark-up 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



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As at June 30, 2009	Effective rate %	Exposed to yield / market rate risk				Not exposed to yield / market rate risk
		Total	Within one year	More than one year and less than five years	More than five years	
Financial Assets						
Investments	11.71%	990,941,475	62,781,865	655,980,384	112,757,357	159,421,869
Loans	4.00%	16,998,898	1,912,051	8,613,272	6,473,575	-
Long-term finances	16.20%	272,365,873	127,848,979	144,516,894	-	-
Long-term security deposits		1,050,000	-	-	-	1,050,000
Placements	16.85%	416,600,100	416,600,100	-	-	-
Markup / interest accrued		41,300,665	41,300,665	-	-	-
Other receivables		5,033,957	-	-	-	5,033,957
Cash and bank balance	5.22%	31,468,578	22,520,545	-	-	8,948,033
		1,775,759,546	672,964,205	809,110,550	119,230,932	174,453,859
Financial Liabilities						
Term Loans	14.57%	87,500,000	87,500,000	-	-	-
Certificates of deposit	12.06%	510,600,000	510,500,000	100,000	-	-
Short-term borrowings	13.96%	139,166,050	139,166,050	-	-	-
Short-term running finance	15.96%	249,999,442	249,999,442	-	-	-
Interest and markup accrued		19,551,875	-	-	-	19,551,875
Accrued expenses and other liabilities		6,545,155	-	-	-	6,545,155
		1,013,362,522	987,165,492	100,000	-	26,097,030
On-balance sheet gap		762,397,024	(314,201,287)	809,010,550	119,230,932	148,356,829

36.2 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 seeks to minimize its credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where possible. Details of composition of finances and loans are given below:

36.3 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 balance sheet 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.



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	Total	Within one year	More than one year and less than five years	More than five years
As at June 30, 2010				
Assets				
Fixed assets	4,986,934	2,539,735	2,378,449	68,750
Investments	1,177,105,772	341,018,252	411,785,820	424,301,700
Loans	13,177,282	1,665,052	5,908,821	5,603,409
Long-term finances	151,956,422	130,836,625	21,119,797	-
Long term security deposit	1,050,000	-	1,050,000	-
Deferred tax asset-net	18,491,451	-	18,491,451	-
Placements	10,000,000	10,000,000	-	-
Markup / interest accrued	57,597,787	57,597,787	-	-
Advances, prepayments and other receivables	5,182,280	5,182,280	-	-
Taxation - net	6,286,954	6,286,954	-	-
Cash and bank balance	18,889,287	18,889,287	-	-
	<u>1,464,724,169</u>	<u>574,015,972</u>	<u>459,684,338</u>	<u>431,023,859</u>
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	-	-
	<u>663,248,863</u>	<u>533,248,863</u>	<u>130,000,000</u>	<u>-</u>
	<u>801,475,306</u>	<u>40,767,109</u>	<u>329,684,338</u>	<u>431,023,859</u>
	Total	Within one year	More than one year and less than five years	More than five years
As at June 30, 2009				
Assets				
Fixed assets	6,943,737	3,441,236	3,502,501	-
Investments	990,941,475	222,203,734	655,980,384	112,757,357
Loans	16,998,898	1,912,051	8,613,272	6,473,575
Long-term finances	272,365,873	127,848,979	144,516,894	-
Long-term security deposits	1,050,000	-	-	1,050,000
Deferred tax asset-net	9,408,495	9,408,495	-	-
Placements	416,600,100	416,600,100	-	-
Markup / interest accrued	41,300,665	41,300,665	-	-
Advances, prepayments and other receivables	6,870,335	6,870,335	-	-
Taxation - net	6,548,659	6,548,659	-	-
Cash and bank balance	31,468,578	31,468,578	-	-
	<u>1,800,496,815</u>	<u>858,194,337</u>	<u>822,021,546</u>	<u>120,280,932</u>
Liabilities				
Term loans	87,500,000	87,500,000	-	-
Certificates of deposit	510,600,000	510,500,000	100,000	-
Short-term borrowings	139,166,050	139,166,050	-	-
Short-term running finance	249,999,442	249,999,442	-	-
Interest and markup accrued	19,551,875	19,551,875	-	-
Accrued expenses and other liabilities	7,499,475	7,499,475	-	-
	<u>1,014,316,842</u>	<u>1,014,216,842</u>	<u>100,000</u>	<u>-</u>
	<u>786,179,973</u>	<u>(156,022,505)</u>	<u>821,921,546</u>	<u>120,280,932</u>



37 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 and unappropriated profit.

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, 2009. 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.

38 Fair value of Financial Instruments

38.1 As at June 30, 2010, 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.

39 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:



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	Note	2010 Rupees	2009 Rupees
Associated Undertakings			
Mark-up on repo borrowings		480,750	50,171
Mark-up on long-term loans		4,022,719	13,058,822
Mark-up on short-term running finance		1,066,296	1,611,004
Rent paid		1,890,765	1,800,728
Staff Retirement Plans			
Contribution to staff retirement Plans		1,525,371	1,437,655
Key Management Personnel			
Salaries, benefits and other allowances		9,461,162	7,962,374
Retirement benefits		1,310,661	1,460,362
		10,771,823	9,422,736
Return on long-term loans		457,408	506,760

40 Date of Authorization for Issue

These financial statements have been authorized for issue on September 29, 2010 by the **Board of Directors** of the Company.


MOHAMMAD IMRAN MALIK
 Chief Executive Officer/President


WAJAHAT A. BAQAI
 Director



FIRST CREDIT AND INVESTMENT BANK LTD.

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2010

Number of Shareholders	Shareholding		Total number of Shares held	Percentage %
	From	To		
24	1	100	494	0.0008
653	101	500	326439	0.5022
99	501	1000	98331	0.1513
90	1001	5000	232603	0.3579
14	5001	10000	107806	0.1659
5	10001	15000	57709	0.0888
2	15001	20000	36000	0.0554
1	20001	25000	21000	0.0323
1	25001	30000	26000	0.0400
3	30001	35000	98513	0.1516
1	35001	40000	36500	0.0562
3	45001	50000	148704	0.2288
1	95001	100000	100000	0.1538
1	465001	470000	469539	0.7224
1	505001	510000	510000	0.7846
1	675001	680000	676640	1.0410
1	725001	730000	726718	1.1180
1	995001	1000000	1000000	1.5385
1	1845001	1850000	1849659	2.8456
1	2295001	2300000	2300000	3.5385
1	2345001	2350000	2346900	3.6106
1	3520001	3525000	3520045	5.4155
1	4610001	4615000	4610400	7.0929
1	5695001	5700000	5700000	8.7692
2	19995001	20000000	40000000	61.5385
Company Total			65000000	100.0000

Categories of Shareholders	Number	Shares Held	Percentage
Sponsors	2	40,000,000	61.54%
Banks,DFI & NBFIs	3	9,980,104	15.35%
Modarbas and Mutual Funds	2	4,646,900	7.15%
General Public	895	4,664,918	7.18%
Others	8	5,708,078	8.78%
	910	65,000,000	100.00%



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

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
Individuals	895	4,664,918	7.18%
Directors, Chief Executive Officer & their spouse and minor children			
Water and Power Development Authority	1	20,000,000	30.77%
National Bank of Pakistan	1	20,000,000	30.77%
Associated Companies			
Banks, DFI, NBF1	3	9,980,104	15.35%
Modarbas and Mutual Funds	2	4,646,900	7.15%
Shareholders holding ten percent or more voting interest			
Others	8	5,708,078	8.78%
Total	910	65,000,000	100.00%



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 Monday,
October 25, 2010 at 5.00 p.m. at PIIA (Pakistan Institute of International Affairs) Auditorium, Aiwan-e- Saddar
Road Karachi.

Signed this _____ day of _____ 2010.

1. Witness:

Signature _____
Name _____
Address _____
CNIC or _____
Passport # _____

2. Witness:

Signature _____
Name _____
Address _____
CNIC or _____
Passport # _____

Signature

Signature on
Rs. 5/-
Revenue Stamp

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

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, addresses 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



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

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Fold : Here

Fold : Here



