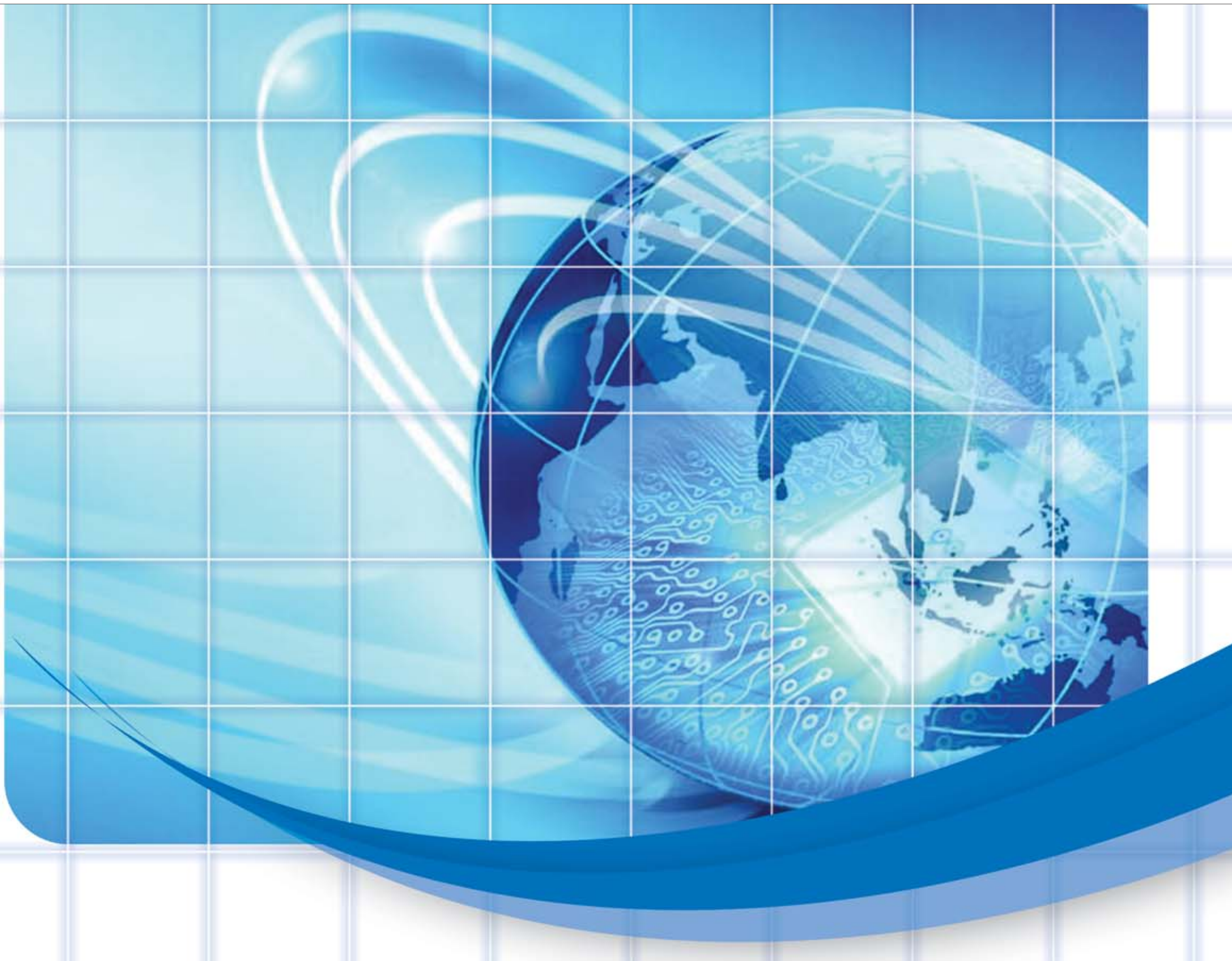

fcibank

First Credit And Investment Bank Ltd.

ANNUAL REPORT 2012

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.

CONTENTS

COMPANY INFORMATION

HR COMMITTEE:

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

AUDIT COMMITTEE:

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

INVESTMENT AND CREDIT COMMITTEE:

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

COMPANY SECRETARY:

Mr. Muhammad Mohsin Ali

AUDITORS:

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

LEGAL ADVISOR:

Mohsin Tayebaly & Company

BANKERS:

Allied Bank Limited
MCB Bank Limited
National Bank of Pakistan

SHARE REGISTRAR:

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

HEAD OFFICE / REGISTERED OFFICE:

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

LAHORE BRANCH:

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

BOARD OF DIRECTORS

Mr. Shahid Anwar Khan
Chairman

Dr. Asif A. Brohi
Director

Mr. Najib Tariq
Director

Mr. Imdad Ali Shaikh
Director

Mr. Wajahat A. Baqai
Director

Mr. Anwar-ul-Haq
Director

Chaudhary Tahir Hussain
Director

Mr. Mohammad Imran Malik
President & Chief Executive

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 23rd Annual General Meeting of the shareholders of **First Credit & Investment Bank Limited** will be held on Monday, October 22, 2012 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 25, 2011.
2. To receive, consider and adopt the audited financial statements of the Company together with the Auditors' and Directors reports thereon for the year ended June 30, 2012.
3. To appoint the statutory auditors for the year ending June 30, 2013 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 1, 2012

Notes:

1. The share transfer books of the Company will remain closed from October 13, 2012 to October 22, 2012 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. THK Associates (Pvt.) Ltd, Ground Floor, State Life Building # 3, Dr. Ziauddin Ahmed Road, Karachi, 75530 upto the close of business on October 12, 2012, will be considered in time for purpose of entitlement of shareholders to attend and vote at the meeting.
2. A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another person as his/her proxy in writing to attend the meeting who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member. A proxy need not be a member of the Company.
3. In order to be effective, proxy form must be received at the office of our Registrar not later than forty eight (48) hours before the meeting, duly signed, stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.
4. In case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
5. In case of the proxy by a corporate entity, Board of Directors resolution/ power of attorney and attested copy of CNIC or passport of the proxy shall be submitted alongwith the proxy form.
6. Accountholders and sub-accountholders holding book entries securities of the Company in the Central Depository Company of Pakistan Ltd, who wish to attend the meeting, are requested to bring their original CNIC with copies thereof duly attested for identification purpose.
7. The shareholders are requested to timely notify any change in their addresses to our Registrar office.

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the 23nd Annual Report of the First Credit & Investment Bank Limited alongwith the audited financial statements and Auditors' Report thereon, for the year ended June 30, 2012.

State of Pakistan's Economy

Pakistan economic growth target of 4.2% was missed as according to latest economic survey, GDP growth was recorded at 3.7% in FY12. However, the GDP growth has accelerated as compared to 3% in FY11. This improved performance has been fairly broad based with commodity producing sector and agriculture. A resurgence of sorts can also be seen in services sector and large scale manufacturing. However, concern regarding macroeconomic outlook have somewhat increased due to faster than expected weakening of external sector and resurgence of Government borrowings from SBP on the back of delay in realization of CSF flows, and postponement of bidding for 3G licenses. Government deficit increased to 7.4% of GDP against a budgetary target of 4.7%, due to higher subsidies and lower than targeted tax collection.

Given the structural vulnerabilities in our trade account which ensue from disproportionate reliance on international cotton and oil prices our current account returned to negative territory in FY12 from a surplus current account in FY11- a rather disconcerting especially in tandem with the financial account dry up and IFM loan repayments dues. The full year current account deficit was recorded at 1.9% of GDP, i.e., USD 4.517 billion vs a surplus of USD 214 million in FY11. The deficit was largely financed by drawing down on FX reserves - which subsequently depleted to USD 15.284 billion by end of FY12 vs USD 18.234 billion at the end of FY11. These developments in turn took their toll on the PKR/ USD parity which depreciated by approx. 9% during FY12. The saving grace was the improved performance of home remittances which were recorded at USD 13.18 billion vs 11.2 billion last year, an impressive yoy growth of 17.6%. Another positive aspect was that the KSE 100 index closed at 13,801 at the end of FY12 showing an increase of 10.4%.

Effective from August 13, SBP in the first Monetary Policy of FY13 has aggressively cut the policy rate by150 basis point to 10.5%. The key parameter in this assessment is the sharp decline witnessed in CPI reported at 11% against 13.7% during FY11 and receipt of the USD 1.1 billion CSF.

The key challenges facing Pakistan's economy still emanate from long standing structural issues. The fiscal front remains challenged on one hand by resource constraints (the tax to GDP continues to hover around 10%) and on the other hand the dismal performance of PSEs and the GOP's penchant for untargeted subsidies is taking a considerable toll on public finances. Beside the fiscal front, energy shortage, precarious law and order situation and the stress lines running through the global economy-on the aftermath of European debt crisis are also causes of concern.

Financial Results

Financial results of the Bank for 2011-12 are summarized below, comparative data for 2010-11 has also been provided:

	2011-12 (Rupees in ,000)	**2010-11** (Rupees in ,000)
Total revenue	**139,198**	137,804
Operating (loss) before taxation & provisions	**(870)**	(3,716)
(Loss) before taxation	**(85,113)**	(136,419)
(Loss) after taxation	**(71,197)**	(88,462)
Shareholders' equity	**656,783**	727,980
Total assets	**1,221,078**	1,517,877
(Loss) per share-basic and diluted (Rs.)	**(1.10)**	(1.36)

Review of Operations

Previous few years have been bad for the NBFC sector particularly for investment banks due to adverse market and economic conditions and overall law and order situation in the country. Most of the investment banks are facing serious problems in terms of liquidity, profitability and viability. Prudent approach was adopted while undertaking new business due to lack of viable opportunities. Your bank was, however, successful in maintaining its liquidity and viability. The bank was also able to contain its loss after tax at Rs.71.2 million against loss after tax of Rs.88.5 million for the last year. The shareholders' equity decreased by Rs. 71 million to Rs 657 million as at June 30, 2012 from Rs 727 million as at June 30, 2011. However, it is noteworthy that despite loss during consecutive two years, the book value of Bank's share is above par value as at June 30, 2012. Total assets of the Bank declined to Rs.1,221 million as at June 30, 2012 from Rs.1,518 million from June 30, 2011.

Changes since Balance Sheet Date

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

Dividend

Dividend policy of the Bank has been a mix of offering attractive cash dividends, bonus shares to the shareholders, improving its credit rating and allowing the availability of adequate funds to meet its investment and expansion plans. Due to after-tax loss for FY12, the Directors do not recommend any dividend for the year ended June 30, 2012.

Credit Rating

JCR-VIS Credit Rating Company Limited vide its report dated January 31, 2012 maintained the medium to long-term entity rating of the Bank at 'A-' (Single A Minus) and Short-term rating at 'A-2' (A-Two).

Corporate and Financial Reporting Framework

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

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

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

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

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

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

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

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

Key operating and financial data

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

Year ended June 30	2012	2011	2010	2009	2008	2007
			Rupees in million			
Total revenue	139	138	164	214	178	190
Profit/ (loss) before taxation	(85)	(136)	5	13	25	57
Profit/ (loss) after taxation	(71)	(88)	8	8	16	56
Shareholders' equity	656	727	816	809	558	548
Total assets	1,221	1,518	1,465	1,800	1,729	2,058
Earning/ (loss) per share (Rs)	(1.10)	(1.36)	0.12	0.12	0.40	1.39

Staff Retirement Benefit Schemes

Value of the investment of Employees' Provident Fund and Gratuity Fund based on their latest audited financial statements were Rs.11,423,843/- and Rs.8,792,699/-, respectively.

Board of Directors

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

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

Leave of absence was granted to the directors who could not attend the meetings.

Audit Committee and Internal Controls

Audit Committee of the Board comprises of four non-executive directors. Terms of reference of the Audit Committee have been formulated by the Board in accordance with the Code of Corporate Governance. During the year four (4) meetings of Audit Committee of the Board were held, in which directors' attendance was as follows:

	Name of Directors	No. of meetings attended
1.	Mr. Najib Tariq	4
2.	Mr. Wajahat A. Baqai	4
3.	Mr. Anwar-ul-Haq	3
4.	Mr. Imdad Ali Shaikh	4

Leave of absence was granted to the directors who could not attend the meetings.

Human Resource Committee

Human Resource Committee was constituted by the Board to assist the Directors in discharging their responsibilities with regard to selection, evaluation and succession planning of key management personnel. It is also involved in recommending improvements in Company's human resource policies. The committee consists of three members. Majority of members including the Chairman of the Committee are non-executive directors.

Training Programs

The directors have been provided with copies of Listing Regulations of the Karachi Stock Exchange, Memorandum and Articles of Association and they are well conversant with their duties and responsibilities. No training program was arranged for the directors during the year. The Company intends to facilitate training for the directors as required under the Code of Corporate Governance. Similarly, training opportunities will be provided to employees for upgrading their skills for the long term growth of the Bank.

Investment and Credit Committee

Board also constituted an Investment and Credit Committee of the Board. The committee consists of four directors all of whom are non-executive directors including the Chairman of the Committee.

Auditors

The present auditors Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire and being eligible offer themselves for re-appointment. As required under the Code of Corporate Governance the Audit Committee has recommended the appointment of M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, as auditors for the year ending June 30, 2013.

Pattern of Shareholdings

The Pattern of Shareholding including Categories of Shareholders of the Company as on June 30, 2012 is annexed at the end of the annual report.

During the year, no trade of shares of the Bank was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children, except as those reported in pattern of shareholding.

Future Outlook & Strategy

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

Acknowledgement

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

By order of the Board

Mohammad Imran Malik
Chief Executive/President

Karachi
September 27, 2012

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE 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 & Investment Bank Limited** ("the Company"), to comply with the Listing Regulations of the Karachi Stock Exchanges (Guarantee) Limited where the Company is listed.

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

As part of the 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 Boards statement on internal control covers all risks and control, or to form an opinion on the effectiveness of such internal controls, the company corporate governance procedures and risks.

Further Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited 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 the 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 audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.

Rahman Sh [signature]

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

Karachi
September 27, 2012

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

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No.35 of listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG 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:

Name	Category	
	Non-Executive Directors	Executive Directors
Mr. Shahid Anwar Khan	✓	
Dr. Asif A. Brohi	✓	
Mr. Najib Tariq	✓	
Chaudhry Tahir Hussain	✓	
Mr. Wajahat A. Baqai	✓	
Mr. Anwar-ul-Haq	✓	
Mr. Imdad Ali Shaikh	✓	
Mr. Mohammad Imran Malik		✓

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy on the Board occurred during the year under reviewed.

5. The company has prepared a "Statement of Ethics and Business Practices" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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

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 the CEO, other executive and non-executive directors, 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 in every quarter. Written notices of the board meetings, along with 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 directors have been provided with copies of Listing Regulations of the Karachi Stock Exchange, Memorandum and Articles of Association and they are well conversant with their duties and responsibilities. No training program was arranged for the directors during the year. The Company intends to facilitate training for the directors as required under the Code of Corporate Governance.

10. There was no new appointment of CFO, Company Secretary or Head of Internal Audit during the year under reviewed.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises four members, of whom all are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR Committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

18. The board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company.

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

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. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

By order of the Board

Karachi
September 27, 2012

Mohammad Imran Malik
Chief Executive/President

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, 2012 and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion;

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30th June, 2012 and of the loss, its total comprehensive loss, cash flows and changes in equity for the year then ended; and

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

Rahman Sarfaraz Rahim Iqbal Rafiq

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

Karachi
September 27, 2012

BALANCE SHEET

	Note	2012 Rupees	2011 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	**10,966,102**	10,265,622
Intangible asset	5	**2,059,149**	1,805,616
Long-term investments	6	**560,575,495**	676,605,288
Long-term loans and finances	7	**58,472,493**	61,132,786
Long-term security deposits	8	**1,050,000**	1,050,000
Deferred tax asset	9	**83,798,027**	67,823,992
		716,921,266	818,683,304
CURRENT ASSETS			
Short-term investments	10	**237,728,850**	154,343,017
Short-term placements	11	**100,000,000**	255,924,700
Current portion of non-current assets			
-Long term investments	12	**94,221,008**	204,834,420
-Long term loans and finances	12	**16,266,712**	25,115,122
Markup/interest accrued	13	**37,938,915**	38,437,935
Advances, prepayments and other receivables	14	**2,709,748**	3,517,348
Advance tax - net		**10,777,477**	8,423,041
Cash and bank balances	15	**4,514,160**	8,597,745
		504,156,870	699,193,328
		1,221,078,136	1,517,876,632

MOHAMMAD IMRAN MALIK
Chief Executive Officer/President

AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 75,000,000 (2011: 75,000,000) ordinary shares of Rs. 10 each		**750,000,000**	750,000,000
Issued, subscribed and paid-up capital	16	**650,000,000**	650,000,000
Reserves	17	**6,782,851**	77,979,714
		656,782,851	727,979,714
DEFICIT ON REVALUATION OF INVESTMENTS - NET	18	**(19,446,884)**	(12,586,134)
NON-CURRENT LIABILITIES			
Long-term loan	19	**125,000,000**	203,125,000
Long-term certificates of deposits	20	**9,200,000**	5,000,000
		134,200,000	208,125,000
CURRENT LIABILITIES			
Short-term borrowings	21	**279,162,800**	181,575,800
Short-term running finance	22	**37,415,695**	-
Current portion of long-term loan	19	**78,125,000**	46,875,000
Short-term certificates of deposits	23	**32,740,000**	333,020,000
Accrued markup	24	**13,060,926**	24,524,319
Accrued expenses and other liabilities	25	**9,037,748**	8,362,933
		449,542,169	594,358,052
CONTINGENCIES AND COMMITMENTS	26	**-**	-
		1,221,078,136	1,517,876,632

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

WAJAHAT A. BAQAI
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
INCOME			
Income from term finances and funds placements	27	**27,785,745**	23,886,880
Income from investments	28	**110,105,774**	112,772,359
Fees and commission	29	**924,423**	545,043
Other income		**382,159**	599,990
		139,198,101	137,804,272
EXPENDITURE			
Finance cost	30	**91,040,806**	92,343,867
Administrative and operating expenses	31	**49,027,453**	49,176,673
		140,068,259	141,520,540
OPERATING LOSS BEFORE TAXATION AND PROVISIONS		**(870,158)**	(3,716,268)
Provision for markup/ interest accrued		**(4,618,377)**	(30,606,106)
Provision for non-performing investments	6.1.12	**(75,649,626)**	(94,243,496)
Provision for non-performing finances	7.2.3	**231,667**	(7,839,063)
Unrealized (loss) / gain on held-for-trading investments	10.6	**8,510**	(14,320)
Permanent diminution in value of investments	10.2	**(4,214,711)**	-
LOSS BEFORE TAXATION		**(85,112,695)**	(136,419,253)
Provision for taxation	32	**13,915,832**	47,956,878
LOSS FOR THE YEAR		**(71,196,863)**	(88,462,375)
LOSS PER SHARE - BASIC AND DILUTED	33	**(1.10)**	(1.36)

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 COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
Loss after taxation for the year	**(71,196,863)**	(88,462,375)
(Deficit) / surplus on remeasurement of investments classified 'as available for sale'	**(6,860,750)**	2,380,650
Total comprehensive loss for the year	**(78,057,613)**	(86,081,725)

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 CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	**(85,112,695)**	(136,419,253)
Less: dividend income	**(2,192,822)**	(1,464,655)
Adjustments for:		
Depreciation	**3,518,806**	2,705,577
Amortization	**746,467**	310,972
Provision for the gratuity	**798,885**	810,381
(Gain) on disposal of property, plant and equipment	**(5,500)**	(94,763)
Permanent diminution in value of investments	**4,214,711**	-
Provision for markup/ interest accrued	**4,618,377**	30,606,106
Provision for non-performing finances	**(231,667)**	7,839,063
Provision for non-performing investments	**75,649,626**	94,243,496
Unrealized loss on held-for-trading investments	**(8,510)**	14,320
	89,301,195	136,435,152
Operating cash flows before working capital changes	**1,995,678**	(1,448,756)
(Increase) / decrease in current assets		
- Short-term investments	**(92,133,458)**	88,480,116
- Short-term placements	**155,924,700**	(245,924,700)
- Markup/interest accrued	**(4,119,357)**	19,159,852
- Advances, prepayments and other receivables	**807,601**	1,527,621
	60,479,485	(136,757,111)
Increase / (decrease) in current liabilities		
- Accrued expenses and other liabilities	**674,815**	172,125
- Accrued markup	**(11,463,393)**	13,925,119
- Short-term borrowings	**97,587,000**	12,447,750
	86,798,422	26,544,994
Cash (used in) / generated from operations	**149,273,586**	(111,660,873)
Gratuity contribution paid	**(855,030)**	(682,010)
Income tax paid	**(4,343,256)**	(3,511,750)
	(5,198,286)	(4,193,760)
Net cash (used in) / generated from operating activities	**144,075,300**	(115,854,633)
B. Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	**(4,219,286)**	(8,514,914)
Acquisition of intangible assets	**(1,000,000)**	(1,590,176)
Proceed from disposal of property, plant and equipment	**5,500**	99,000
Long-term investments - net	**148,657,233**	(69,640,342)
Dividend received	**2,196,603**	1,464,655
Long-term finances	**11,740,370**	71,046,733
Net cash (used in) / generated from investing activities	**157,380,420**	(7,135,044)
C. Cash Flows from Financing Activities		
Acquisition of long term loans	**(46,875,000)**	125,000,000
Short-term running finance	**37,415,695**	(11,180,805)
Certificates of deposit	**(296,080,000)**	(1,130,000)
Net cash generated from / (used in) financing activities	**(305,539,305)**	112,689,195
Net increase in cash and cash equivalents	**(4,083,585)**	(10,300,482)
Cash and cash equivalents at the beginning of the year	**8,597,745**	18,898,227
Cash and cash equivalents at the end of the year	**4,514,160**	8,597,745

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, 2012

	Issued, subscribed and paid-up capital	Statutory Reserve	Unappropriated profit / (loss)	Total
	................................(Rupees)................................			
Balance as at July 01, 2010	650,000,000	117,663,484	48,778,605	816,442,089
Loss for the year	-	-	(88,462,375)	(88,462,375)
Transfer to statutory reserve	-	-	-	-
Balance as at June 30, 2011	**650,000,000**	**117,663,484**	**(39,683,770)**	**727,979,714**
Balance as at July 01, 2011	650,000,000	117,663,484	(39,683,770)	727,979,714
Loss for the year	-	-	(71,196,863)	(71,196,863)
Transfer to statutory reserve	-	-	-	-
Balance as at June 30, 2012	**650,000,000**	**117,663,484**	**(110,880,633)**	**656,782,851**

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, 2012

1 LEGAL STATUS AND OPERATIONS

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

The Company is licensed to undertake business of investment finance services as a Non-Banking Finance Company ("NBFC") under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("the NBFC Rules") issued by the Securities and Exchange Commission of Pakistan (SECP). The license has been renewed on January 16, 2011 and is valid for a period of three years. Minimum equity requirement as per SRO 1230(1) 2008 dated November 21, 2008 issued by SECP for the companies undertaking business of investment finance services as at June 30, 2012 is Rs. 700 million (2011 : Rs. 500 million). The medium to long term credit rating of the Company, rated by JCR-VIS Credit Rating Company, is 'A-' with a negative 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 judgments

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 judgments 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 judgment made by the management in applying accounting policies include:

- Provision for current and deferred taxation (Note 3.10)
- Classification, impairment and provisioning of investments (Note 3.2, 3.3 and 3.15)
- Provision against finances (Note 3.15)
- Staff retirement benefits (Note 3.11)
- Depreciation and amortization on fixed and intangible assets (Note 3.1.1 and 3.1.2)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IAS 1 'Presentation of financial statements' (Amendment) effective for annual periods beginning on or after July 1, 2012. The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

IAS 12 Deferred Tax (Amendment) effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

IAS 19 Employee benefits (Amendment) effective for periods beginning on or after January 1, 2013. The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

IAS 27 Seperate Financial Statements (2011) effective for periods beginning on or after January 1, 2013. IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company

IAS 28 Investments in Associated and Joint Ventures (2011) effective for periods beginning on or after January 1, 2013. IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

IAS 32 (Amendment) 'Offsetting Financial Assets and Financial Liabilities effective for periods beginning on or after January 1, 2014. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

Annual Improvements 2009-2011 effective for periods beginning on or after January 1, 2013. The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies

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

3.1 Fixed assets

3.1.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to Profit and Loss account 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.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

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

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

3.1.2 Intangible assets

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

3.2 Impairment

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

3.3 Investments

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

Held-for-trading

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

Available-for-sale

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

Held-to-maturity

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

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

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

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

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

3.4 Trade date accounting

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

3.5 Derivatives instruments

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

3.6 Securities under repurchase and reverse repurchase agreements

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

Repurchase agreements

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

Reverse repurchase agreements

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

3.7 Margin Trading System (MTS) transactions

Receivable against MTS transactions are recorded at the fair value of the consideration given. The MTS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from MTS 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 14.1.1 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 and subsequently carried at amortized cost using effective interest rate method .The transaction costs are also amortised over the term of TFCs using the effective interest method.

3.13 Finances, Certificates of deposit and other borrowings

These financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method.

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 looses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

3.22 Offsetting of financial assets and financial liabilities

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

3.23 Related Party Transactions

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

4 PROPERTY, PLANT AND EQUIPMENT

	Furniture & Fittings	Office equipment	Computers	Air Conditioners	Vehicles	Leasehold Improvements	Total
As at July 01, 2010							
Cost	1,179,935	2,118,455	2,909,906	878,289	11,165,572	665,218	18,917,375
Accumulated depreciation	(850,361)	(1,712,421)	(2,364,650)	(645,700)	(8,748,502)	(410,219)	(14,731,853)
Net book value	329,574	406,034	545,256	232,589	2,417,070	254,999	4,185,522
Year ended June 30, 2011							
Opening net book value	329,574	406,034	545,256	232,589	2,417,070	254,999	4,185,522
Additions during the year	27,202	7,400	739,302	849,680	966,330	6,200,000	8,789,914
Disposals / transfers							
Cost	174,749	60,625	268,885	193,064	1,410,550	-	2,107,873
Accumulated depreciation	(170,512)	(60,625)	(268,885)	(193,064)	(1,410,550)	-	(2,103,636)
Net book value	(4,237)	-	-	-	-	-	(4,237)
Depreciation for the year	(116,863)	(293,072)	(342,604)	(166,739)	(1,549,922)	(236,377)	(2,705,577)
Closing net book value	235,676	120,362	941,954	915,530	1,833,478	6,218,622	10,265,622
As at June 30, 2011							
Cost	1,032,388	2,065,230	3,380,323	1,534,905	10,721,352	6,865,218	25,599,416
Accumulated depreciation	(796,712)	(1,944,868)	(2,438,369)	(619,375)	(8,887,874)	(646,596)	(15,333,794)
Net book value	235,676	120,362	941,954	915,530	1,833,478	6,218,622	10,265,622
Year ended June 30, 2012							
Opening net book value	235,676	120,362	941,954	915,530	1,833,478	6,218,622	10,265,622
Additions during the year	449,020	81,120	462,271	-	3,226,875	-	4,219,286
Disposals / transfers							
Cost	13,500	-	-	-	2,031,192	-	2,044,692
Accumulated depreciation	(13,500)	-	-	-	(2,031,192)	-	(2,044,692)
Net book value	-	-	-	-	-	-	-
Depreciation for the year	(112,555)	(106,947)	(470,009)	(175,691)	(1,291,647)	(1,361,957)	(3,518,806)
Closing net book value	572,141	94,535	934,216	739,839	3,768,706	4,856,665	10,966,102
As at June 30, 2012							
Cost	1,467,908	2,146,350	3,842,594	1,534,905	11,917,035	6,865,218	27,774,010
Accumulated depreciation	(895,767)	(2,051,815)	(2,908,378)	(795,066)	(8,148,329)	(2,008,553)	(16,807,908)
Net book value	572,141	94,535	934,216	739,839	3,768,706	4,856,665	10,966,102
Annual rates of depreciation	**15%**	**20%**	**33%**	**15%**	**20%**	**20%**	

		Intangible Asset
5	**INTANGIBLE ASSET**	
	As at July 01, 2010	
	Cost	818,880
	Accumulated amortization	(292,468)
	Net book value	526,412
	Year ended June 30, 2011	
	Opening net book value	526,412
	Additions during the year	1,590,176
	Disposals / transfers	
	Cost	-
	Accumulated amortization	-
	Net book value	-
	Amortization for the year	(310,972)
	Closing net book value	1,805,616
	As at June 30, 2011	
	Cost	2,409,056
	Accumulated amortization	(603,440)
	Net book value	1,805,616
	Year ended June 30, 2012	
	Opening net book value	1,805,616
	Additions during the year	1,000,000
	Disposals / transfers	
	Cost	-
	Accumulated amortization	-
	Net book value	-
	Amortization for the year	(746,467)
	Closing net book value	2,059,149
	As at June 30, 2012	
	Cost	3,409,056
	Accumulated amortization	(1,349,907)
	Net book value	2,059,149
	Annual rates of Amortization	33%

6	Long-Term Investments	Note	2012 Rupees	2011 Rupees
	Held-to-maturity			
	- Term finance certificates/Sukuk - Unlisted	6.1	**242,087,538**	362,318,072
	- Term finance certificates - Listed	6.2	**49,839,330**	29,890,080
	- Government securities - PIB's	6.3	**253,419,114**	254,179,220
			545,345,982	646,387,372
	Available-for-sale			
	- Term finance certificates - Listed	6.4	**15,229,513**	30,217,916
			560,575,495	676,605,288

6.1 Term finance certificates/Sukuk - Unlisted

Number of Certificates 2012	Number of Certificates 2011	Investee Company	Note	2012 Cost Rupees	2011 Cost Rupees
		Sugar & Allied industries			
-	8,000	Haq Bahoo Sugar Mills (pvt) Ltd	-	-	10,000,000
		Cement			
8,000	8,000	Gharibwal Cement Limited	6.1.1	**37,024,840**	36,075,480
		Chemical			
30,000	30,000	Engro Chemical Pakistan Limited	6.1.2	**134,753,500**	134,753,500
14,000	14,000	Sitara chemical	6.1.3	**16,975,017**	39,608,349
		Cable & electrical goods			
15,900	15,900	Pak Electron Limited	6.1.4	**31,516,212**	31,516,212
8,000	8,000	New Allied Electronics Industries (pvt) Limited	6.1.5	**39,243,496**	39,243,496
		Textile			
5,000	5,000	Amtex Limited	6.1.6	**18,750,001**	18,750,001
28,000	28,000	Three Star Hosiery (Private) Limited	6.1.7	**140,000,000**	140,000,000
		Financial Institutions			
2,000	2,000	Jahangir Siddiqui & Co. Limited	6.1.8	**8,908,935**	8,912,505
13,000	13,000	House Building Finance Corporation	6.1.9	**23,920,000**	35,880,000
4,995	4,995	Pak Libya Holding Company (Pvt.) Limited	6.1.10	**24,965,010**	24,975,000
		Miscellaneous			
10,000	10,000	Eden Housing Limited	6.1.11	**26,700,000**	35,040,000
-	100	TPL Trakker (Pvt) Limited		-	1,250,000
				502,757,011	556,004,543
		Less: provision for non-performing investments	6.1.12	**(182,993,496)**	(109,243,496)
				319,763,515	446,761,047
		Less: current maturity	12	**(77,675,977)**	(84,442,975)
				242,087,538	362,318,072

6.1.1 This represents Term Finance Certificates issued on January 19, 2008 at the rate of 3 month KIBOR maturing on October 01, 2016.

6.1.2 This represents Term Finance Certificates issued on March 18, 2008 for a period of ten years at the rate of 6 month KIBOR + 1.7% to 1.9%. Entire principal will be redeemed at the end of the period as a bullet payment.

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

6.1.4 This represents Term Finance Certificates issued on September 28, 2007 at the rate of 3 month KIBOR + 1.75% maturing on September 28, 2014.

6.1.5 This represents Sukuk Certificate issued on December 3, 2007 for a period of five years at the rate of 3 months KIBOR + 2.2% with a floor of 7% and cap of 20%. The company has made provision in respect thereof in accordance with the NBFC regulation 25.

6.1.6 This represents Sukuk Certificates issued on October 12, 2007 for a period of five years at the rate of 3 month KIBOR + 2% with a floor of 11% and cap of 25%.The company has made provision in respect thereof in accordance with the NBFC regulation 25.

6.1.7 This represents Sukuk Certificates issued on August 5, 2008 for a period of five years at the rate of 3 month KIBOR + 3.25% with a floor of 11% and cap of 25%. The company has made provision in respect thereof in accordance with the NBFC regulation 25.

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

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

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

6.1.11 This represents Sukuk Certificates issued on December 31, 2007 at the rate of 3 month KIBOR + 2.5% with a floor of 7% and cap of 20% maturing on June 29, 2014.

6.1.12 Provision for non-performing TFC's/Sukuk	**Note**	**2012 Rupees**	**2011 Rupees**
Opening balance		**134,243,496**	40,000,000
Charged for the year	6.1 & 6.4	**75,649,626**	94,243,496
Closing balance		**209,893,122**	134,243,496

6.2 Term finance certificates - listed

Number of Certificates		Investee Company	Note	2012 Cost	2011 Cost
2012	2011			Rupees	Rupees
		Commercial Banks			
5,984	5,984	Allied Bank Limited	6.2.1	**29,890,080**	29,902,048
3,995	-	Summit Bank Limited	6.2.2	**19,970,406**	-
				49,860,486	29,902,048
		Less: current maturity	12	**(21,156)**	(11,968)
				49,839,330	29,890,080

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

6.2.2 This represents Term Finance Certificates issued on October 27, 2011 for a period of seven years at the rate of 6 month KIBOR + 3.25%.

	Note	2012 Rupees	2011 Rupees
6.3 Government Securities - Pakistan Investment Bonds			
Cost			
Opening		**386,524,200**	386,524,200
Matured during the year		**(103,676,141)**	
Purchased during the year		**-**	-
		282,848,059	386,524,200
Amortization			
Opening		**28,668,839**	24,058,082
Charged during the year		**760,106**	4,610,757
		29,428,945	28,668,839
	6.3.1	**253,419,114**	357,855,361
Current portion	12	**-**	(103,676,141)
		253,419,114	254,179,220

6.3.1 These include investments in 10 years bonds issued by the Government of Pakistan to comply with Regulation 14(4)(i) of NBFC Regulations. Periods to maturity of these ranges from 1 year 10 months to 6 years and carry markup rates (coupon rate) ranging from 8% to 12% per annum (2011: 8% to 12% per annum). PIBs of Rs.150 million (2011: 200 million) are held by other financial institution as security under repurchase agreement.

6.4 Term finance certificates - Listed

Number of Certificates 2012	Number of Certificates 2011	Investee Company	Note	2012 Cost Rupees	2012 Market Value Rupees	2011 Cost Rupees	2011 Market Value Rupees
		Textile Composite					
4,000	4,000	Azgard Nine Limited	6.4.1	**14,979,600**	**14,979,600**	14,979,600	14,487,763
		Investment Banks/ Investment Companies					
455	455	NIB Bank Limited	6.4.2	**2,157,793**	**2,148,083**	2,158,657	2,080,794
-	1,000	Jahangir Siddiqui & Company Limited		**-**	**-**	4,991,000	5,050,510
`		**Technology and Communication**					
6,886	6,886	Worldcall Telecom Ltd	6.4.3	**19,662,331**	**14,746,748**	24,577,951	22,476,536
		Fertilizer					
691	691	PakArab Fertilizer Limited	6.4.4	**1,776,215**	**1,778,583**	2,800,623	2,825,649
				38,575,939	**33,653,014**	49,507,831	46,921,252
		Less:Provisions against non-performing investments	6.1.12	**(1,899,626)**	**(1,899,626)**	-	-
		(Deficit)/surplus on revaluation	18	**(4,922,925)**	**-**	(2,586,579)	-
				31,753,388	**31,753,388**	46,921,252	46,921,252
		Less: current maturity	12	**(16,523,875)**	**(16,523,875)**	(16,703,336)	(16,703,336)
				15,229,513	**15,229,513**	30,217,916	30,217,916

6.4.1 This represents Term Finance Certificates issued on September 20, 2005 at the rate of 6 month KIBOR + 1% maturing on September 20, 2017. The company has made provision in respect thereof in accordance with the NBFC regulation 25.

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

6.4.3 This represents Term Finance Certificates issued on October 7, 2008 for a period of five years at the rate of 6 month KIBOR + 1.6%.

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

	Note	2012 Rupees	2011 Rupees
7 Long-Term Loans and finances			
Loan to employees	7.1	**11,260,286**	12,745,118
Loan to others- Term finance facility	7.2	**47,212,207**	48,387,668
		58,472,493	61,132,786
7.1 House loans to staff - Secured			
- Chief executive		**3,409,246**	3,963,478
- Executives		**6,008,204**	7,184,520
- Employees		**116,791**	269,707
	7.1.2	**9,534,241**	11,417,705
Mark-up on house loans to staff	7.1.2	**2,822,777**	2,115,206
		12,357,018	13,532,911
Other loans - unsecured			
- Executives		**238,338**	1,206,522
- Employees		**431,642**	277,933
	7.1.3	**669,980**	1,484,455
Current portion			
- House loans		**(1,432,076)**	(1,547,052)
- Other loans		**(334,636)**	(725,196)
	12	**(1,766,712)**	(2,272,248)
		11,260,286	12,745,118

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

	2012 Chief Executive	2012 Executive	2011 Chief Executive	2011 Executive
	……………………Rupees……………………			
Opening balance	**3,963,478**	**7,184,520**	4,517,710	6,249,277
Disbursements during the year	**-**	**-**	-	1,550,568
Receipts during the year	**(554,232)**	**(1,176,316)**	(554,232)	(1,183,950)
Transfer to executive category	**-**	**-**	-	1,775,147
	3,409,246	**6,008,204**	3,963,478	8,391,042

7.1.2 These represent loans provided to the chief executive, executives and employees for purchase of property in accordance with the terms of employment and are repayable on monthly basis over a period of 15 years. These loans carry mark-up rate at 4% (2011:4%) per annum and are recoverable after recovery of principal amount. 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.3,917,292/- (2011: Rs.4,517,710/-) and executives are Rs. 7,114,528/- (2011: Rs.8,024,424/-).

7.1.3 These represent loans provided to the chief executive, executives and employees and are repayable on monthly basis over a period of 3 yearsThese loans are unsecured and interest free. The maximum aggregate balance due at the end of any month during the year from executive is Rs. 3,390,538/- (2011: Rs.1,550,568/-).

7.2 Loan to others -Term finance facility (Secured)

	Note	2012 Rupees	2011 Rupees
Considered good		**61,712,207**	62,891,480
Considered doubtful	7.2.1	**14,274,066**	22,844,795
	7.2.2	**75,986,273**	85,736,275
Less: provision for non-performing finances	7.2.3	**(14,274,066)**	(14,505,733)
		61,712,207	71,230,542
Less: current portion	12	**(14,500,000)**	(22,842,874)
		47,212,207	48,387,668

7.2.1 This represents financing facilities that has been classified as non-performing under 'sub standard' and 'loss' category in accordance with Regulation 25.

7.2.2 These represent finances with maturities ranging from eighteen months to six years at mark-up rates ranging from 14.95 % to 15.01% (2011: 16.69 % to 16.79%) per annum and are repayable in monthly, quarterly and half yearly installments. These loans are secured against ranking and / or pari passu hypothecation and / or mortgage charge over present and future fixed assets of the Company and / or personal guarantees of directors of the Company.

7.2.3 Provision for non-performing finances

	2012 Rupees	2011 Rupees
Opening balance	**(14,505,733)**	(6,666,670)
Reversal/Charge for the year	**231,667**	(7,839,063)
Closing balance	**(14,274,066)**	(14,505,733)

8 Long Term Security Deposit

	2012	2011
National Clearing Company	**1,000,000**	1,000,000
CDC	**50,000**	50,000
	1,050,000	1,050,000

9 Deferred Tax Asset

	2012	2011
Deferred tax asset on deductible temporary differences:		
-Unused tax losses	**6,276,022**	3,525,378
-Provisions	**76,425,324**	63,921,441
-Minimum tax on turnover	**1,366,231**	1,345,531
	84,067,577	68,792,350
Deferred tax liability on taxable temporary differences:		
-Accelerated tax depreciation allowance	**138,605**	(568,444)
- On gratuity	**(408,154)**	(399,914)
	83,798,027	67,823,992

	Note	2012 Rupees	2011 Rupees
10 Short-Term Investments			
Available-for-sale			
- Dewan Cement Limited - Pre IPO term finance certificates	10.1	**50,000,000**	50,000,000
- Investment in Shares- Listed	10.2	**23,393,876**	33,684,701
- Investment in Mutual Funds	10.3	**35,677,834**	33,676,116
- Investment in Preference shares	10.4	**15,055,000**	15,000,000
		124,126,710	132,360,817
Provision for non-performing investments	10.1	**(25,000,000)**	(25,000,000)
		99,126,710	107,360,817
Held-to-maturity			
- Government securities - T-Bills	10.5	**138,451,380**	46,839,950
Held-for-trading			
- Investment in shares - Listed	10.6	**150,760**	142,250
		237,728,850	154,343,017

10.1 The company has made provision in respect thereof in accordance with the NBFC regulation 25.

10.2 Investment in shares - Listed

Number of Shares		Investee Company	Note	2012		2011	
2012	2011			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
		Automobile and parts					
3,000	3,000	Agriauto Industries Limited		**107,999**	**243,000**	107,999	208,500
		Construction and material					
-	61,927	Fauji Cement Company Limited		**-**	**-**	322,075	255,139
-	3,000	Lucky Cement limited		**-**	**-**	171,059	212,520
-	110,534	Maple Leaf Cement Limited		**-**	**-**	671,269	227,700
		Commercial Banks					
10,376	10,376	Summit Bank Limited		**65,260**	**32,996**	65,260	39,014
16,675	14,500	Askari Bank Limited		**190,645**	**226,280**	190,645	157,760
20,000	20,000	Bank of Punjab		**325,676**	**153,600**	325,676	116,800
1,767	1,607	Habib Bank Limited		**141,807**	**199,388**	141,807	186,508
8,835	8,032	MCB Bank Limited		**1,419,364**	**1,468,730**	1,419,364	1,600,778
10,312	9,375	National Bank Limited	10.2.1	**383,636**	**448,984**	383,636	472,688
-	-	Standard Chartered Bank Limited		-	-	-	-
6,238	6,238	United Bank Limited		**327,941**	**488,934**	327,941	386,195
		bal c/f		**2,962,328**	**3,261,912**	4,126,731	3,863,602

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

Number of Shares 2012	Number of Shares 2011	Investee Company	Note	2012 Cost Rupees	2012 Market Value Rupees	2011 Cost Rupees	2011 Market Value Rupees
		bal b/f		2,962,328	3,261,912	4,126,731	3,863,602
		Industrial metals and mining					
43,500	43,500	Siddique Sons Tin Plate Limited		617,824	315,375	617,824	390,193
		Chemicals					
19,917	1,278	Fauji Fertilizer Company Limited		2,248,956	2,211,783	49,335	192,147
815,800	815,800	Agritech limited		24,474,000	10,230,132	24,474,000	15,500,200
15,000	15,000	Fatima Fertilizer Company Limited		150,000	370,050	-	249,600
		Financial services					
55,000	50,000	Arif HabibCorporation Limited		2,158,395	1,701,150	2,158,395	1,315,000
5,666	5,666	Jahangir Siddiqui & Co. Limited		138,650	70,315	138,650	36,716
		Equity Investment Instruments					
104,249	104,249	First Constellation Modaraba		241,765	-	241,765	168,883
87,618	87,618	PICIC Growth Fund		1,303,311	1,073,321	1,303,311	1,172,328
		Oil and Gas					
1,250	1,000	Mari Gas Company Limited		67,290	117,263	67,290	107,370
4,400	4,000	Pakistan Petroleum Limited		611,792	828,476	611,792	828,280
5,000	5,000	Oil & Gas Development Company Limited		541,645	802,200	541,645	764,950
-	2,033	Pakistan Oil Fields Limited		-	-	391,448	729,867
2,500	2,500	Pakistan State Oil Company Limited		738,225	589,600	738,225	661,450
-	30,000	Byco Petroleum Pakistan Limited		-	-	355,669	272,100
2,000	2,000	Attock Refinery Limited		238,644	245,740	238,644	245,460
		Electricity					
30,000	30,000	Kot Addu Power Company Limited		1,218,333	1,350,000	1,218,333	1,278,300
-	132,459	The Hub Power Company Limited		-	-	4,477,635	4,967,213
-	60,000	Karachi Electric Supply Corporation		-	-	214,561	129,000
		Software and computer services					
2,265	2,265	Netsol Technologies Limited		67,612	31,098	67,612	46,342
		Fixed line Telecommunication					
2,500	2,500	Pakistan Telecommunication Company Limited		51,395	34,225	51,395	35,550
108,212	108,212	Telecard Limited		439,361	161,236	439,361	166,645
		Travel and leisure					
-	50,000	Pakistan International Airlines		-	-	218,804	107,000
		bal c/f		38,269,526	23,393,876	42,742,425	33,228,196

Number of Shares 2012	Number of Shares 2011	Investee Company	Note	2012 Cost Rupees	2012 Market Value Rupees	2011 Cost Rupees	2011 Market Value Rupees
		bal b/f		**38,269,526**	**23,393,876**	**42,742,425**	**33,228,196**
		Non-life insurance					
-	13,152	EFU General Insurance		-	-	1,097,057	456,505
				38,269,526	**23,393,876**	43,839,482	33,684,701
		Permanent Diminution in value of investments		**(4,214,711)**	-	-	-
		Deficit on revaluation	18	**(10,660,939)**	-	(10,154,781)	-
				23,393,876	**23,393,876**	33,684,701	33,684,701

10.2.1 This represents an investment in shares of associated undertaking.

10.3 Investment in mutual funds

Number of Units 2012	Number of Units 2011	Investee Company	Note	2012 Cost Rupees	2012 Market Value Rupees	2011 Cost Rupees	2011 Market Value Rupees
-	55,596	Faysal Asset Allocation Fund		-	-	2,676,200	3,931,179
-	121,116	Dawood Money Market Fund		-	-	10,000,000	10,169,529
1,591,344	1,473,467	Namco Balanced Fund		**10,844,716**	**6,842,779**	10,844,715	7,102,111
123,227	100,982	JS Principal Secure Fund	10.3.1	**13,696,138**	**13,761,475**	9,999,975	12,473,297
171,116	-	JS Income Fund		**15,000,000**	**15,073,580**	-	-
				39,540,854	**35,677,834**	33,520,890	33,676,116
		Surplus / (deficit) on revaluation	18	**(3,863,020)**	-	155,226	-
				35,677,834	**35,677,834**	33,676,116	33,676,116

10.3.1 It has been matured on June 11, 2012 and due to be redeemed within 30 days of the maturity date as per offering document.

10.4 Investment in preference shares

Number of Shares 2012	Number of Shares 2011	Investee Company	Note	2012 Cost Rupees	2012 Market Value Rupees	2011 Cost Rupees	2011 Market Value Rupees
Listed Shares							
		Cable and Electrical Goods					
1,500,000	1,500,000	Pak Electron Limited		**15,000,000**	**15,000,000**	15,000,000	15,000,000
Unlisted Shares							
		Industrial Metals and Mining					
5,500	-	Aisha Steel Mills Ltd.		**55,000**	**55,000**	-	-
				15,055,000	**15,055,000**	15,000,000	15,000,000

10.5 These represent investment in government securities to comply with the requirement of Regulation 14(4)(i) of NBFC Regulations. These carry rate of return ranging from 11.8% to 13.35% per annum and maturing on various dates latest by November 15, 2012. T-Bills of Rs.129.6 million (2011: Nil) is held by other financial institution as security under repurchase agreement.

10.6 Investments in shares - Quoted

Number of Shares 2012	Number of Shares 2011	Investee Company	Note	2012 Cost Rupees	2012 Market Value Rupees	2011 Cost Rupees	2011 Market Value Rupees
		Financial services					
2,500	2,500	Jahangir Siddiqui & Co. Ltd		**31,600**	**31,025**	31,600	16,200
		Commercial Banks					
2,750	2,500	National Bank of Pakistan		**124,970**	**119,735**	124,970	126,050
		Less: Deficit on revaluation		**(5,810)**	**-**	(14,320)	-
				150,760	**150,760**	142,250	142,250

	Note	2012 Rupees	2011 Rupees
11 Short-Term Placements			
Unsecured placements - considered good	11.1	**100,000,000**	255,924,700

11.1 This represents certificate of investment deposited with Development Financial Institution carrying markup rate of 12.45% (2011: 13.75% to 13.90%) per annum and maturing on July 19, 2012.

	Note	2012 Rupees	2011 Rupees
12 Current portion of Non-Current Assets			
Investments			
Current portion of term finance certificates - unlisted	6.1	**77,675,977**	84,442,975
Current portion of government securities -PIB's	6.3	**-**	103,676,141
Current portion of term finance certificates - listed	6.2 & 6.4	**16,545,031**	16,715,304
		94,221,008	204,834,420
Advances			
Current portion of long-term loans to employees	7.1	**1,766,712**	2,272,248
Current portion of long-term loans to other	7.2	**14,500,000**	22,842,874
		16,266,712	25,115,122
		110,487,720	229,949,542

13 Markup / Interest Accrued

	2012	2011
Accrued profit/markup/interest on:		
- Term finance certificates/Sukuk	**46,988,086**	48,823,330
- Government securities	**20,137,950**	11,500,753
- Term finances	**5,100,894**	5,378,993
- Placements	**2,490,022**	5,043,319
	74,716,952	70,746,395
Less : provision for markup/interest on non-performing investment	**(36,778,037)**	(32,308,460)
	37,938,915	38,437,935

		Note	2012 Rupees	2011 Rupees
14	**Advance, Prepayments and Other Receivables**			
	Prepayments - Considered good		**1,278,740**	2,142,941
	Other receivables			
	- Dividend receivable		**16,250**	32,875
	- Receivable from gratuity fund	14.1	**1,198,756**	1,142,611
	- Other receivables		**1,791,002**	1,773,921
			4,284,748	5,092,348
	Less : provision against other receivables		**(1,575,000)**	(1,575,000)
			2,709,748	3,517,348
14.1	**Receivable from gratuity fund**	14.1.5	**1,198,756**	1,142,611

14.1.1 Actuarial Assumptions

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

	2012	2011
Discount rate (per annum)	**13%**	12%
Expected rate of increase in salaries (per annum)	**13%**	11%
Expected return on plan assets (per annum)	**12%**	12%
Expected average remaining working lives of employees	**7 years**	7 years

	Note	2012 Rupees	2011 Rupees
14.1.2 Reconciliation of amount receivable from defined benefit plan			
Present value of defined benefit obligation		**9,657,498**	8,801,252
Fair value of plan assets		**(11,650,324)**	(9,911,262)
Unrecognized actuarial gains / (losses)		**826,671**	-
		(1,166,155)	(1,110,010)
14.1.3 Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation		**8,801,252**	7,000,667
Current service cost		**932,086**	960,505
Interest cost		**1,056,150**	840,080
Benefits paid		**(822,653)**	-
Actuarial gain		**(309,337)**	-
		9,657,498	8,801,252
14.1.4 Changes in the fair value of plan assets			
Fair value of plan asset as at July 01:		**9,911,262**	8,251,696
Expected return		**1,189,351**	735,890
Contribution		**855,030**	682,010
Benefits paid		**(822,653)**	-
Actuarial gain		**517,334**	241,666
		11,650,324	9,911,262

	Note	2012 Rupees	2011 Rupees
14.1.5 Movement in net (asset)/liability			
Opening (asset)/liability		**(1,142,611)**	(1,270,982)
Charge for the year		**798,885**	810,381
Contributions		**(855,030)**	(682,010)
Closing (asset)/liability		**(1,198,756)**	(1,142,611)

14.1.6 Charge for the year

		2012	2011
Current service cost		**932,086**	960,505
Interest cost		**1,056,150**	840,080
Expected return on plan assets		**(1,189,351)**	(990,204)
		798,885	810,381

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

	2012	2011	2010	2009	2008
	----------------------------		Rupees		----------------------------
Present value of defined obligation	(9,657,498)	(8,801,252)	(7,000,667)	(5,826,866)	(4,283,257)
Fair value of plan assets	11,650,324	9,911,262	8,251,696	5,660,696	5,038,910
Unrecognized actuarial (gain)	(826,671)	-	-	-	-
(Deficit)/surplus	1,166,155	1,110,010	1,251,029	(166,170)	755,653

	Note	2012 Rupees	2011 Rupees
15 Cash and Bank Balances			
Balance with banks			
- Deposit accounts	15.1	**2,241,350**	4,972,235
- Current account with SBP		**459,359**	1,843,026
- Reserve account with SBP		**1,750,000**	1,750,000
Cash in hand		**63,451**	32,484
		4,514,160	8,597,745

15.1 Effective markup rate in respect of deposit accounts ranges from 5 % to 7 % (2011: 3.5% to 7%) per annum.

16 Issued, Subscribed and Paid-Up Capital

2012 No. of Shares	2011 No. of Shares		2012 Rupees	2011 Rupees
28,500,000	28,500,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	**285,000,000**	285,000,000
36,500,000	36,500,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**365,000,000**	365,000,000
65,000,000	65,000,000		**650,000,000**	650,000,000

		Note	2012 Rupees	2011 Rupees
17	**Reserves**			
	Capital			
	- statutory reserve	17.1	**117,663,484**	117,663,484
	Revenue			
	- unappropriated (loss) / profit		**(110,880,633)**	(39,683,770)
			6,782,851	77,979,714
17.1	**Statutory reserve**			
	Opening balance		**117,663,484**	117,663,484
	Transferred from profit and loss account	17.2	**-**	-
	Closing balance		**117,663,484**	117,663,484

17.2 Statutory reserve represents amount set aside at the rate of 20% of profit for the year after taxation as per the requirements of clause 16 of Non-Banking Finance Companies and Notified Entities Regulations, 2008. Since the company is making losses for the last two years, therefore there is no such transfer from profit and loss account to there reserves.

		Note	2012 Rupees	2011 Rupees
18	**Deficit on Revaluation of Investments - Net**			
	Available-for-sale - listed securities			
	Term finance certificates	6.4	**(4,922,925)**	(2,586,579)
	Shares	10.2	**(10,660,939)**	(10,154,781)
	Mutual funds	10.3	**(3,863,020)**	155,226
			(19,446,884)	(12,586,134)
19	**Long-Term Loans**			
	From Banking Companies - Secured			
	National Bank of Pakistan (NBP) - an associated undertaking		**203,125,000**	250,000,000
	Current portion of long term loans		**(78,125,000)**	(46,875,000)
			125,000,000	203,125,000

On June 30, 2010, the Company obtained a five year term loan facility of Rs. 250 million from NBP with a grace period of one year. The loan is repayable in 16 equal quarterly installments commencing from 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	**Long-Term Certificate of Deposit**		**9,200,000**	5,000,000

This represents certificate issued for a term of three years at the rate of 13% (2011: 12.50%) per annum payable half yearly.

21	**Short-Term Borrowings Secured from Banking Companies**			
	Under repurchase agreement		**279,162,800**	181,575,800

This represents funds borrowed from National Bank of Pakistan, an associated undertaking against government securities carrying markup rates ranging from 11.85 % to 11.90 % (2011: 13.40%) per annum maturing from July to November 2012. This borrowing is secured against PIBs and T-Bills (Refer 6.3.1 and 10.5).

		Note	2012 Rupees	2011 Rupees
22	**Short-Term Running Finance - Secured**			
	National Bank of Pakistan (NBP)-an associated undertaking		**37,415,695**	-

This represent short term running finance obtained from NBP with a limit of Rs. 50,000,000 (2011: Rs 50,000,000) carrying markup at a rate based on 3 month KIBOR plus 1.5% (2011: 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 with 25% margin.

			2012	2011
23	**Short-Term Certificates of Deposit- Unsecured**		**32,740,000**	333,020,000

These have been issued to various customers for terms ranging from one month to one year and expected return on these certificates ranges from 11% to13.86% (2011: 10.50% to 13.8684%) per annum payable monthly, quarterly, semi annually or on maturity.

24 Accrued Markup

	Note	2012 Rupees	2011 Rupees
Mark-up allocated on:			
Secured			
- Loans and borrowings including running finance	24.1	**7,089,938**	8,781,757
- Repo borrowings	24.1	**4,893,181**	4,668,414
Unsecured			
- Certificates of deposits		**1,077,807**	11,074,148
		13,060,926	24,524,319

24.1 This amount includes Rs.11,983,047/- (2011: Rs.8,781,704/-) due to National Bank of Pakistan, an associated undertaking.

25 Accrued Expenses and Other Liabilities

	2012	2011
Accrued expenses	**5,730,724**	4,972,034
Other liabilities	**3,307,024**	3,390,899
	9,037,748	8,362,933

26 Contingencies and Commitments

Contingencies

There are no material contingencies as at the reporting date (2011: Nil)

Commitments

	2012	2011
Bank guarantee	**5,000,000**	5,000,000
Standby letter of credit facility	**56,375,712**	91,443,991
Underwriting to IPO Term finance certificates	**-**	10,000,000
	61,375,712	106,443,991

27 Income from Term Finances and Funds Placements

	Note	2012	2011
Income from long-term finances		**789,605**	9,365,678
Return on fund placements with financial institutions	27.1	**26,996,140**	14,521,202
		27,785,745	23,886,880

		Note	2012 Rupees	2011 Rupees
27.1	**Return on fund placements with financial institutions**			
	Return on:			
	- bank deposits		**550,092**	910,718
	- certificates of investment		**14,158,431**	11,483,131
	- fund placements		**12,287,617**	2,127,353
			26,996,140	14,521,202
28	**Income from Investments**			
	Return on government securities		**44,021,707**	39,007,812
	Return on term finance certificates / sukuks		**57,916,589**	70,513,352
	Dividend income on available-for-sale investments		**2,192,822**	1,464,655
	Capital gain on sale of securities		**5,974,656**	1,786,540
			110,105,774	112,772,359
29	**Fees and Commission**			
	Underwriting commission		**399,375**	-
	Guarantee commission		**525,048**	200,000
	Consultancy and corporate advisory fees		**-**	345,043
			924,423	545,043
30	**Finance Costs**			
	Markup/Interest on:			
	- Long-term loans		**29,735,898**	26,992,870
	- Short-term borrowings		**21,209,939**	20,103,877
	- Short-term running finances		**959,888**	433,663
	- Certificate of deposits		**39,084,141**	43,965,827
	- Other charges		**50,940**	847,630
			91,040,806	92,343,867
31	**Administrative and Operating Expenses**			
	Salaries and allowances	31.1 & 31.2	**24,380,600**	24,173,801
	Travelling, conveyance and meeting charges		**2,195,121**	1,955,218
	Printing and stationery		**713,112**	740,189
	Rent, rates and taxes		**3,008,827**	2,913,422
	Legal and professional		**1,502,786**	2,531,963
	Repairs and maintenance		**1,153,664**	1,118,630
	Auditors' remuneration	31.3	**590,000**	590,000
	Brokerage and commission		**319,633**	456,928
	Motor vehicle running expenses		**3,040,493**	2,551,817
	Telephone, telex and fax		**501,850**	522,303
	Electricity, gas and water charges		**1,050,915**	1,082,468
	Advertisement and business promotion		**822,432**	912,433
	Newspaper and periodicals		**64,232**	66,312
	Postage and courier services		**111,210**	77,297
	Fees and subscription		**1,389,092**	1,503,235
	Security guards		**231,000**	198,000
	Insurance		**716,096**	708,743
	Medical		**1,474,536**	2,305,768
	Office supplies		**396,452**	434,316
	IT support		**575,940**	494,010
	Staff training		**524,189**	823,271
	Depreciation	4	**3,518,806**	2,705,577
	Amortization	5	**746,467**	310,972
			49,027,453	49,176,673

	Note	2012 Rupees	2011 Rupees
31.1 It includes charge for gratuity and provident fund as follows:			
- Gratuity		**798,885**	810,381
- Provident fund		**928,427**	853,228
		1,727,312	1,663,609

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

	2012		2011	
	Chief Executive	**Executive**	Chief Executive	Executive
	……………………..**Rupees**………………………			
Managerial remuneration	**5,290,357**	**7,350,363**	3,773,317	5,047,345
Bonus	**-**	**-**	647,055	660,495
Retirement benefits	**1,123,405**	**655,638**	981,427	526,608
Total	**6,413,762**	**8,006,001**	5,401,799	6,234,448
Number of persons	**1**	**4**	1	3

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

31.2.2 Fee of Rs. Rs.675,000/- (2011: Rs. 525,000/-) was paid to directors for attending the Board and Audit Committee Meetings.

	Note	2012 Rupees	2011 Rupees
31.3 Auditor's remuneration			
Statutory audit		**375,000**	375,000
Half - yearly review		**125,000**	125,000
Other services		**40,000**	40,000
Out of pocket expenses		**50,000**	50,000
		590,000	590,000

32 Taxation

		2012	2011
Current		**1,560,241**	1,375,663
Prior		**497,962**	-
Deferred		**(15,974,035)**	(49,332,541)
		(13,915,832)	(47,956,878)

32.1 Tax Charge Reconciliation

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

32.2 The income tax assessment of the Company has been finalized upto the tax year 2011.

		Note	2012 Rupees	2011 Rupees
33	**Earnings/(Loss) per Share - basic and diluted**			
	(Loss) for the year		**(71,196,863)**	(88,462,375)
	Weighted average number of shares outstanding during the year		**65,000,000**	65,000,000
	Earnings / (loss) per share - basic and diluted		**(1.10)**	(1.36)

34 Financial Instruments

Financial assets as per balance sheet

	2012	2011
Long-term investments	**560,575,495**	676,605,288
Long-Term loans and finances	**58,472,493**	61,132,786
Long-term security deposits	**1,050,000**	1,050,000
Short-term investments	**237,728,850**	154,343,017
Short-term placements	**100,000,000**	255,924,700
Current portion of non-current assets		
-Long term investments	**94,221,008**	204,834,420
-Long term loans and finances	**16,266,712**	25,115,122
Markup/interest accrued	**37,938,915**	38,437,935
Advances and other receivables	**1,431,008**	1,374,407
Cash and bank balances	**4,514,160**	8,597,745
	1,112,198,640	1,427,415,420

Financial liabilities as per balance sheet

	2012	2011
Long-term loans	**125,000,000**	203,125,000
Long-term certificate of deposit	**9,200,000**	5,000,000
Short-term borrowings	**279,162,800**	181,575,800
Short-term running finance	**37,415,695**	-
Current portion of long-term loans	**78,125,000**	46,875,000
Short-term certificates of deposit	**32,740,000**	333,020,000
Accrued markup	**13,060,926**	24,524,319
Accrued expenses and other liabilities	**9,037,748**	8,362,933
	583,742,169	802,483,052

35 Financial Risk Management

Financial risk factors

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

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

35.1 Market risk

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

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

35.1.1 Currency risk

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

35.1.2 Interest rate risk

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

			Exposed to yield / market rate risk			
	Effective rate %	Total	Within one year	More than one year and less than five years	More than five years	Not exposed to yield / market rate risk
As at June 30, 2012						
Financial Assets						
Investments	12.35	866,457,764	232,672,388	170,547,748	388,960,158	74,277,470
Long term loans and finances	12.79	67,200,143	15,932,076	41,095,029	6,680,281	3,492,757
Long-term security deposits		1,050,000	-	-	-	1,050,000
Placements	12.45	100,000,000	100,000,000	-	-	-
Markup / interest accrued		37,938,915	37,938,915	-	-	-
Other receivables		1,807,252	-	-	-	1,807,252
Cash and bank balance	7.00	4,514,160	2,241,350	-	-	2,272,810
		1,078,968,233	388,784,729	211,642,777	395,640,439	82,900,289
Financial Liabilities						
Term Loans	13.92	203,125,000	78,125,000	125,000,000	-	-
Certificates of deposit	12.12.	41,940,000	32,740,000	9,200,000	-	-
Short-term borrowings	13.40	279,162,800	279,162,800	-	-	-
Short-term running finance		37,415,695	37,415,695	-	-	-
Interest and markup accrued		13,060,926	-	-	-	13,060,926
Accrued expenses and other liabilities		9,037,748	-	-	-	9,037,748
		583,742,169	427,443,495	134,200,000	-	22,098,674
On-balance sheet gap		495,226,064	(38,658,766)	77,442,777	395,640,439	60,801,615

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

35.1.3 Other price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity and debt securities and the chances of market crush at any moment. The company manages the price risk through diversification and placing limits on individual and total equity and debt instruments in accordance with NBFC's regulation and internal investment policy.. Reports on the equity and debt portfolio are submitted to the company's senior management on regular basis. The company's Board of Directors reviews and approves all equity and debt investment decisions.The Company is exposed to price risk since it has investments in quoted equity and debt securities amounting to Rs.131.59 million (2011: 142.02 million).

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark KSE 100 Index has increased by 10.5% during the financial year.

The table below summarizes Company's equity price risk as of 30 June 2012 and 2011 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity and debt investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in shareholders' equity	Hypothetical increase (decrease) in profit / (loss) after tax
June 30, 2012	**Rupees**	**131,597,889**	**10% increase**	**144,757,678**	**13,159,789**	**13,159,789**
			10% decrease	**118,438,100**	**(13,159,789)**	**(13,159,789)**
June 30, 2011	Rupees	142,024,773	10% increase	156,227,250	14,202,477	14,202,477
			10% decrease	127,822,296	(14,202,477)	(14,202,477)

35.2 Credit risk and concentrations of credit risk

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

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

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

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

	2012 Rupees	2012 %	2011 Rupees	2011 %
	......................Rupees.........................			
Investment and Finances *				
Sugar and allied industry	**2,500,000**	**0.34**	17,500,000	2.27
Cement	**132,624,649**	**17.99**	131,675,289	17.08
Chemical	**151,728,517**	**20.58**	174,361,849	22.61
Cable and electrical goods	**75,176,378**	**10.20**	76,926,378	9.98
Textile	**189,607,726**	**25.72**	190,407,726	24.69
Financial institutions	**137,374,301**	**18.64**	116,610,881	15.12
Technology and communication	**19,662,331**	**2.67**	24,577,951	3.19
Fertilizer	**1,776,215**	**0.24**	2,800,623	0.36
Pharmaceuticals	**-**	**0.00**	-	0.00
Construction	**26,700,000**	**3.62**	35,040,000	4.54
Miscellaneous	**-**	**0.00**	1,250,000	0.16
	737,150,117	**100.00**	771,150,697	100.00

* Investment and finances are gross of provisions.

35.3 Liquidity risk

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

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

As at June 30, 2012	**Total**	**Within one year**	**More than one year and less than five years**	**More than five years**
	--------------------------------Rupees----------------------------------			
Financial Assets				
Investments	866,457,764	306,949,858	170,547,748	388,960,158
Long term loans and finances	67,200,143	15,932,076	41,095,029	10,173,038
Long-term security deposits	1,050,000	-	1,050,000	-
Placements	100,000,000	100,000,000	-	-
Markup / interest accrued	37,938,915	37,938,915	-	-
Advances, and other receivables	1,431,008	1,431,008	-	-
Cash and bank balance	4,514,160	4,514,160	-	-
	1,078,591,989	466,766,016	212,692,777	399,133,196
Financial Liabilities				
Term loans	203,125,000	78,125,000	125,000,000	-
Certificates of deposit	41,940,000	32,740,000	9,200,000	-
Short-term borrowings	279,162,800	279,162,800	-	-
Interest and markup accrued	13,060,926	13,060,926	-	-
Accrued expenses and other liabilities	9,037,748	9,037,748	-	-
	546,326,474	412,126,474	134,200,000	-
	532,265,515	54,639,542	78,492,777	399,133,196

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

36 Capital risk management

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

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.

37 Fair value of Financial Instruments

37.1 As at June 30, 2012, the fair values of all financial instruments are based on the valuation methodology outlined below:

a) **Finance and certificates of deposit**

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

b) **Investments**

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

c) **Other financial instruments**

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

38 Transactions with Related Parties

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

Nature of relationship of the related party with the company	Nature of Transaction	2012 Rupees	2011 Rupees
Associate	Markup paid on repo borrowings	**10,535,454**	4,668,414
	Mark-up paid on long-term loan	**29,639,774**	26,992,870
	Mark-up paid on short term running finance	**1,055,941**	433,993
	Rent paid	**2,111,343**	2,010,812
	Balance at year end	**519,703,495**	431,575,800
Key Management Personnel	Salaries, benefits and other allowances	**13,475,158**	10,128,212
	Retirement benefits	**1,779,044**	1,508,035
	Return on long-term loans	**699,586**	476,126
	Balance at year end	**9,004,569**	10,449,483
FCIBL Provident and Gratuity Fund	Contributions made to staff retirement plans	**1,885,314**	1,768,909

39 Date of Authorization for Issue

These financial statements have been authorized for issue on September 27, 2012 by the Board of Directors of the Company.

40 General

Figures have been rounded off to the nearest rupee.

MOHAMMAD IMRAN MALIK
Chief Executive Officer/President

WAJAHAT A. BAQAI
Director

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2012

Number of Shareholders	Shareholding From	Shareholding To	Total number of Shares held	Percentage %
205	1	100	3,137	0.005%
588	101	500	291,936	0.449%
88	501	1,000	86,860	0.134%
70	1,001	5,000	169,177	0.260%
12	5,001	10,000	90,880	0.140%
1	10,001	15,000	11,000	0.017%
1	15,001	20,000	19,321	0.030%
1	20,001	25,000	21,000	0.032%
2	25,001	30,000	52,126	0.080%
1	55,001	60,000	56,236	0.086%
1	4,800,001	4,805,000	4,801,703	7.387%
1	6,295,001	6,300,000	6,296,478	9.687%
1	6,490,001	6,495,000	6,494,900	9.992%
1	6,605,001	6,610,000	6,605,246	10.162%
2	19,995,001	20,000,000	40,000,000	61.539%
975			**65,000,000**	**100.0000%**

The Slabs representing nil holding have been omitted

Categories of Shareholders	Number	Shares Held	Percentage
Directors	2	13,101,146	20.155%
Associated companies, undertakings & related parties	2	40,000,000	61.539%
General Public			
Local	963	11,876,300	18.271%
Foreign	2	8,155	0.013%
Others	6	14,399	0.022%
Total	**975**	**65,000,000**	**100.0000%**

PATTERN OF SHAREHOLDING INFORMATION REQUIRED UNDER THE CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage %
Associated Companies, Undertakings and Related Parties			
National Bank of Pakistan	1	20,000,000	30.77%
Water and Power Development Authority (WAPDA)	1	20,000,000	30.77%
	2	40,000,000	61.54%
Mutual Fund	-	-	-
NIT and ICP	-	-	-
Directors, Chief Executive and their spouse and minor children			
Chaudhry Tahir Hussain	1	6,606,246	10.16%
Imdad Ali	1	6,494,900	9.99%
	2	13,101,146	20.15%
Executives	10	11,000	0.01%
Public Sector Companies & Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies and Mutual Funds	-	-	-
General Public	955	11,873,455	18.28%
Others	6	14,399	0.02%
Total	**975**	**65,000,000**	**100.00%**
Shareholders holding 5% or more voting interest			
National Bank of Pakistan	1	20,000,000	30.77%
Water and Power Development Authority (WAPDA)	1	20,000,000	30.77%
Chaudhry Tahir Hussain	1	6,606,246	10.16%
Imdad Ali	1	6,494,900	9.99%
Syed Shoaib Khursheed	1	6,296,478	9.69%
Javed Ali Khan	1	4,801,703	7.39%

Details of Trading in the shares by Directors

Name	Number of Shares Traded	Date of Trade	Detail
Imdad Ali	5,493,900	14-09-2011	Purchased from market
Imdad Ali	1,000,000	01-11-2011	Purchased from market
Chaudhry Tahir Hussain	4,697,997	01-11-2011	Purchased from market

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 22, 2012 at 5.00 p.m. at PIIA (Pakistan Institute of International Affairs) Auditorium, Aiwan-e-Saddar Road Karachi.

Signed this ____________________ day of __________ 2012.

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

Signature

Signature on
Rs. 5/-
Revenue Stamp

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

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

IMPORTANT:

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

AFFIX
CORRECT
POSTAGE

First Credit And Investment Bank Ltd.

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

Fold : Here **Fold : Here**

Fold : Here **Fold : Here**