Saudi Pak Industrial and Agricultural
Investment Company Limited

Registered/ Head Office
Saudi Pak Tower, 61-A, Jinnah Avenue, Islamabad
www.saudipak.com
E-mail: saudipak@saudipak.com
Phone: UAN 111 222 003
Fax : UAN 111 222 004

Regional Offices:

Regional Office, Karachi
Lakson Square Building No. 1, 9th Floor
265-R.A. Line Karachi

Regional Office, Lahore
2nd Floor, MM Tower, 28-A,
Block "K", Gulberg II, Lahore

Designed & Produced by **TOPNOTCH** Communications
Islamabad, Pakistan: 0333-5107598

Annual Report 2012

SAUDI PAK

Saudi Pak Industrial and
Agricultural Investment
Company Limited

Annual Report 2012

Saudi Pak Industrial and Agricultural Investment Company Limited

Registered/ Head Office
Saudi Pak Tower, 61-A,
Jinnah Avenue, Islamabad

Regional Office, Karachi
Lakson Square Building No. 1, 9th
Floor 265-R.A. Line Karachi

Regional Office, Lahore
2nd Floor, MM Tower, 28-A,
Block “K”, Gulberg II, Lahore

E-mail: saudipak@saudipak.com
Phone: UAN 111 222 003
Fax: UAN 111 222 004

In the name of Allah,
most Gracious,
most Compassionate

investing in progerss

contents

commited to economic growth of the country

Corporate Information

Mr. Mohammed W. Al-Harby	Chairman
Mr. Manzoor Ali Khan	Deputy Chairman
Mr. Musaad A. Al-Fakhri	Director
Mr. Abdul Ghaffar Soomro*	Director
Mr. Mohammed A. Al-Jarbou	Director
Mr. Shafqut Ur-Rehman Ranjha	Director

GM/Chief Executive
Mr. Kamal Uddin Khan

Company Secretary
Mr. Mohammad Nayeem Akhtar

Risk Management Committee

Mr. Mohammed W. Al-Harby	Chairman
Mr. Abdul Ghaffar Soomro*	Member
Mr. Musaad A. Al-Fakhri	Member
Mr. Mohammad Nayeem Akhtar	Secretary

Human Resource and Remuneration Committee

Mr. Mohammed W. Al-Harby	Chairman
Mr. Manzoor Ali Khan	Member
Mr. Shafqut Ur-Rehman Ranjha	Member
Mr. Kamal Uddin Khan	Member
Mr. Mohammad Nayeem Akhtar	Secretary

Audit Committee

Mr. Mohammed A. Al-Jarbou	Chairman
Mr. Manzoor Ali Khan	Member
Mr. Shafqut Ur-Rehman Ranjha	Member
Mr. Atif Islam	Secretary

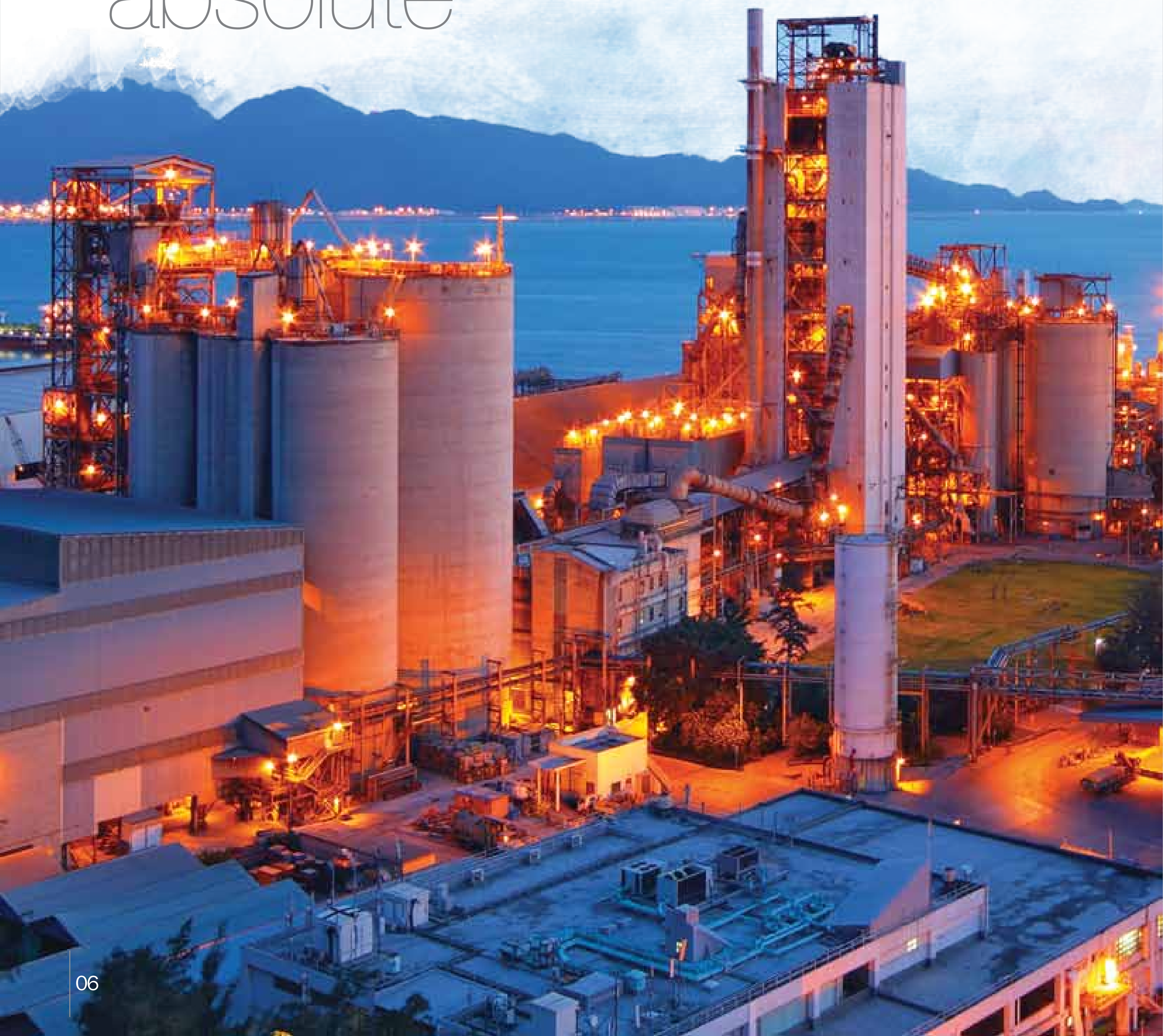
Chief Financial Officer
Mr. Rohail Ajmal

Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors
Hassan Kaunain Nafees**

* Was replaced with Mr. Jahanzeb I. Gill, whose clearance of fit and proper test is pending.
**Mr. Muhammad Bilal was replaced as legal advisor on January 01, 2013.

our values are concrete our support is absolute



Mission Statement

Saudi Pak Industrial and Agricultural Investment Company Limited aims at strengthening economic cooperation between the brotherly people of Saudi Arabia and Pakistan. To achieve this objective, we are committed to add value for our stakeholders through capital formation and investment related activities in Pakistan and abroad.

Corporate Vision

To excel and play a leading role in the financial sector in Pakistan.

Corporate Objectives

- Promote investment in industrial projects with high value addition, export potential, and maximum utilization of indigenous resources
- Build and manage a diversified equity portfolio promising optimum return
- Mobilize funds in a cost effective manner to meet our financing needs
- Achieve sustainable growth and be competitive in our commercial operations
- Undertake investment advisory services and formation/participation in financing syndicates

Core Values

- Professionalism in our conduct
- Competitiveness in our business
- Transparency in our operations
- Ethics in our dealings

Corporate Profile

Saudi Pak Industrial and Agricultural Investment Company Limited was incorporated in 1981 under a joint venture agreement between the Kingdom of Saudi Arabia and the Government of Islamic Republic of Pakistan. The initial authorized capital of the Company was Rs.1,000 million. As of December 31, 2012 paid up capital of the Company is Rs.6,000 million. It is held as under:

Kingdom of Saudi Arabia (Through Public Investment Fund)	50%
Government of Islamic Republic of Pakistan (Through State Bank of Pakistan)	50%

Saudi Pak has a diverse product range to cater the growing needs of its corporate customers in the private and public sectors. The product mix and services comprise of:

Project Finance

- Medium to long term loans
- Lease financing
- Term Finance Certificates (TFCs)
- Long Term Finance for Export Oriented Projects (LTF-EOP)

Short term loans to meet the working capital requirements

Direct equity investments

Underwriting of public issues of shares and Term Finance Certificates

Non-funded commitments in the form of Letter of Comfort etc.

Syndication, Trusteeship, Acting as Financial Arranger/ Advisor and Consultancy services

Board of Directors

Sitting Left to right

Mr. Mohammed W. Al-Harby
Chairman
General Manager (Rtd.)
Real Estate Development Fund
Kingdom of Saudi Arabia

Mr. Manzoor Ali Khan
Deputy Chairman
Secretary Parliamentary Affairs Division
Ministry of Parliamentary Affairs
Government of Pakistan

Standing Left to right

Mr. Musaad A. Al-Fakhri
Director
Chief, Infrastructure Sector Budget and
Organization Affairs, Ministry of Finance
Kingdom of Saudi Arabia

Mr. Shafqut Ur Rehman Ranjha
Director
Additional Secretary (Internal Finance)
Ministry of Finance
Government of Pakistan

Mr. Mohammed A. Al-Jarbou
Director
Financial Advisor
Public Investment Fund
Ministry of Finance
Kingdom of Saudi Arabia

Management

appearance

(left to right)

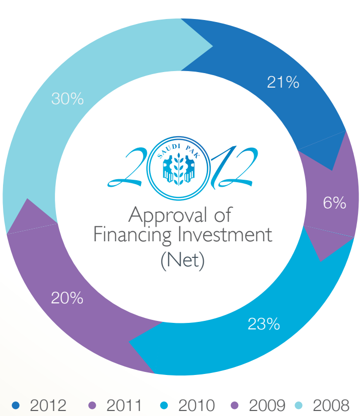
Mr. Azhar Ahmed Khan (Vice President) | Sheikh Aftab Ahmad (Senior Vice President) | Mr. Ali Imran (Senior Vice President)
Mr. Muhammad Saeed Akhtar (Senior Vice President) | Ms. Fozia Fakhar (Senior Vice President) | Mr. Rohail Ajmal (Executive Vice President)
Mr. Muhammad Tariq Masoud (Executive Vice President)

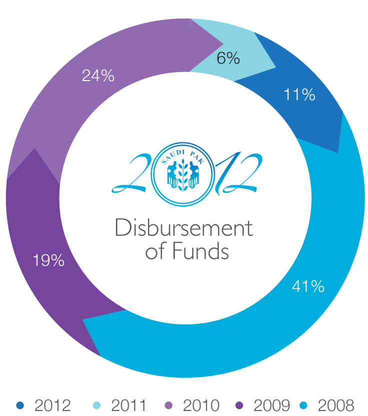
(left to right)

Mr. Kamal Uddin Khan (General Manager/Chief Executive) | Ms. Parveen A. Malik (Executive Vice President)
Mr. Mohammad Nayeem Akhtar (Senior Vice President) | Mr. Arshed Ahmed Khan (Senior Vice President)
Mr. Nasir A. Malik (Senior Vice President) | Mr. Muhammad Tanweer (Senior Vice President) | Mr. Atif Islam (Senior Vice President)
Mr. Arif Majeed Butt (Assistant Vice President)

Operational Highlights

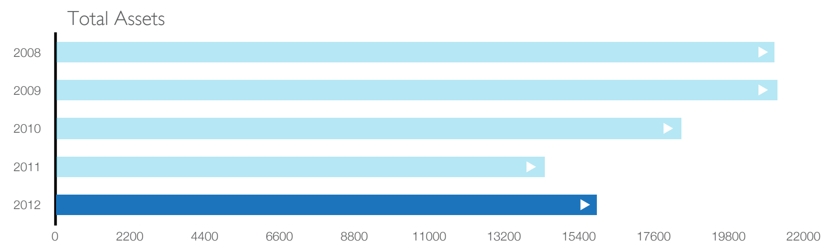
	2012	2011	2010	2009	2008
Approval of Financing and Investment					
Long Term Finance/TFCs	980.0	389.9	1,724.1	1,211.5	2,027.9
Lease Finance	-	80.0	-	92.0	-
Equity Investment	-	-	-	15.0	168.8
Strategic Investments	-	-	-	250.0	225.0
Short Term Finance	979.8	601.1	970.0	600.0	330.0
Guarantees and Underwriting	200.0	35.1	10.8	35.0	484.6
Gross Approvals	2,159.8	1,106.1	2,704.9	2,203.5	3,236.3
Withdrawals	-	497.9	360.9	100.0	75.0
Net Approvals	2,159.8	608.2	2,344.0	2,103.5	3,161.3
Gross Cumulative Approvals	55,167.2	53,007.4	51,901.3	49,196.4	46,992.9
Cumulative Withdrawals	1,033.8	1,033.8	535.9	175.0	75.0
Net Cumulative Approvals	54,133.4	51,973.6	51,365.4	49,021.4	46,917.9
Disbursement of Funds					
Long Term Finance/TFCs	609.0	208.2	1,980.3	1,338.5	3,536.7
Lease Finance	-	-	92.0	-	46.1
Short Term Finance	624.9	448.0	605.5	544.4	707.3
Direct Equity & Underwriting Take-ups	-	-	19.3	15.0	112.2
Strategic Investment	-	-	-	250.0	225.0
Total Disbursements	1,233.9	656.2	2,697.1	2,147.9	4,627.3
Cumulative Disbursements	48,119.5	46,885.6	46,229.4	43,532.3	41,384.4
Recoveries					
Total Amount	2,432.4	2,625.2	2,992.9	3,185.8	4,298.3
Current Dues Collection Ratio (%)	81.40	80.67	83.12	78.99	82.99

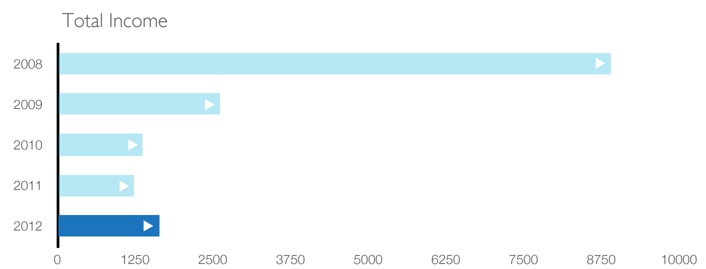


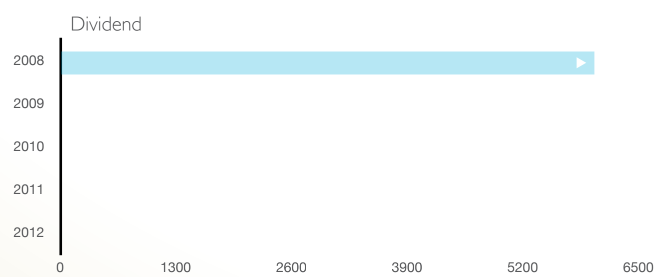


Financial Highlights

	2012	2011	2010	2009	2008
Income Statement					
Total Income	1,629.7	1,217.7	1,356.6	2,601.2	8,897.2
Net Income	961.1	267.0	242.3	1,173.1	7,186.2
Profit/(loss) before Provisions and Tax	405.5	(1,001.6)	24.3	976.8	5,051.8
Profit/(loss) after Provisions and Tax	380.6	(1,468.1)	(503.8)	418.9	4,426.6
Payouts:					
Cash Dividend	-	-	-	-	6,000.0
Stock Dividend/Right Issue®	-	-	-	1000.0®	1000.0®
Balance Sheet at year end					
Total shareholders' Equity	6,536.4	6,100.5	7,513.2	7,992.3	6,487.3
Total Assets	15,904.5	14,377.7	18,273.1	21,211.1	21,133.6
Selected Ratios					
Return on Average Equity(%)	6.0	(21.6)	(6.5)	5.8	65.6
Return on Average Assets(%)	2.5	(9.0)	(2.5)	2.0	19.2
Assets/Equity(times)	2.4	2.4	2.4	2.6	3.3



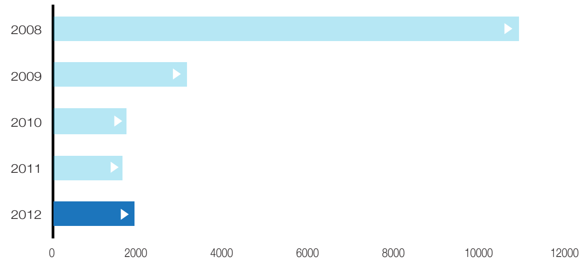




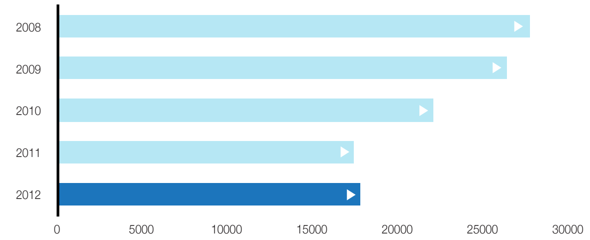
Summary of Consolidated Accounts

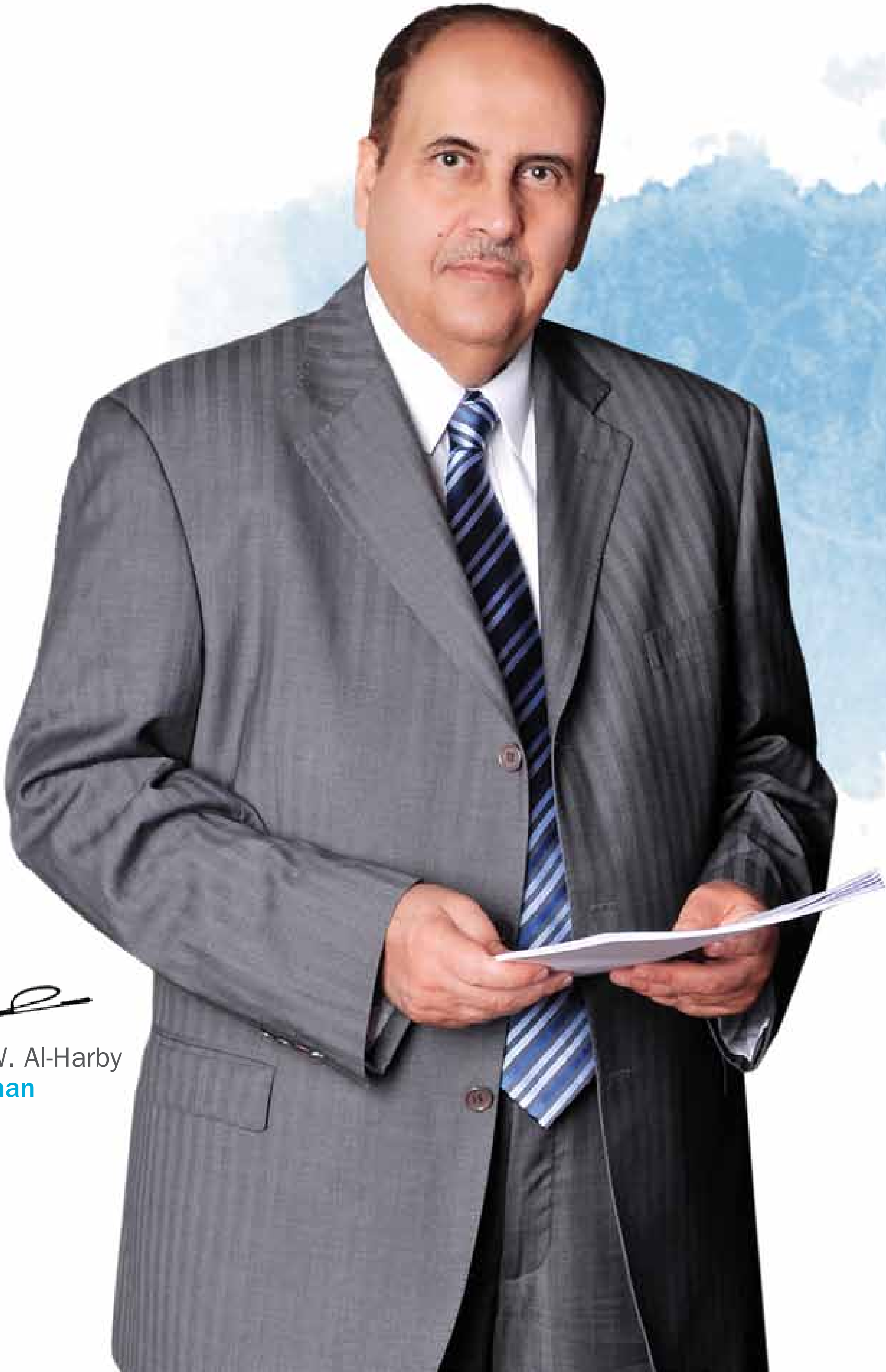
	2012	2011	2010	2009	2008
	(Rs. in million)				
Income Statement					
Total Income	1,892.7	1,616.7	1,707.8	3,117.7	10,849.1
Interest/Markup Income	1,246.9	1,479.9	1,728.2	2,315.6	3,764.2
Profit/(Loss) before Tax	268.6	(1,747.7)	(274.1)	33.1	3,904.4
Profit/(Loss) after Tax	247.0	(2,042.6)	(434.0)	237.9	4,125.6
Balance Sheet at year end					
Total Shareholders' Equity	7,661.6	7,062.5	8,804.4	10,202.1	8,581.8
Total Assets	17,708.6	17,324.7	21,982.9	26,292.6	27,633.0

Total Income
(Rs. in million)



Total Assets
(Rs. in million)





Mohammed W. Al-Harby
Chairman

Chairman's Message

On behalf of the Board of Directors, I am pleased to present the 31st audited financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited as well as consolidated accounts with Auditors' Report to Members and the Directors' Report for the year ended December 31, 2012.

Pakistan's economy recovered modestly from severe floods a year earlier to grow by 3.7% in FY 12. Agricultural growth picked up to 3.1% easing inflation to 11% - better than 12.7% projected earlier. Inspite of these developments, the economy was unable to move away from a low-growth and high-inflation environment for the fifth year running. Crippling energy shortages, security issues, burgeoning fiscal deficit and persistently high inflation are the major factors contributing to this low growth. While sustained double-digit inflation reflects government's heavy borrowing from State Bank of Pakistan to finance large budgetary spending and excessive deficits. This has squeezed the availability of credit for the private sector and increased the pressure on liquidity. As a result private sector credit grew only by 3.3% in FY12.

To revive private sector borrowing and provide a boost to the economy, Central Bank reduced the policy rate by 250 bps during the year. Equity market responded favourably to this move with KSE-100 index registering an increase of 50.1% during 2012.

Within this challenging environment your company continued to maintain a cautious approach. Management's focus remained on recoveries, balance sheet re-profiling, organizational restructuring and processes improvements. This strategy proved to be extremely successful enabling the company to reduce its risk profile, improve liquidity and turnaround its operating results.

During the period under review, overall balance sheet footing increased by 11% to Rs 15.9 billion. Net interest margin increased by 13.2% to Rs 426 million despite 250bps reduction in discount rate. This impressive achievement was a result of balance sheet re-profiling and consequent 29.6% reduction in interest cost. Capitalizing on favorable market conditions and strategy to rationalize stock market investments enabled the company to book a gain of Rs 365 million as against Rs 40.7 million in 2011 in addition to liquidity generation of Rs 832 million.

Further, focused and concerted recovery efforts bore results with 88% increase in recoveries from non-performing loans compared to the same period last year. Forex SWAP's transactions were settled with a gain of Rs 25.6 million as against a loss of Rs 223 million in the corresponding period.

Overall taking into consideration the above and despite company's prudent additional provisioning of Rs 451.6 million against NPLs carried forward from the past, it reported a post tax profit of Rs 380.5 million as against a loss of Rs 1,468 million last year.

Going forward the company plans to continue with its strategy to strengthen Risk Management Framework, processes improvements and increase efficiencies to rebuild attractive shareholders value while capitalizing on available business opportunities. Efforts continue to resolve issues relating to strategic investment i.e. Saudi Pak Leasing Company Limited and Saudi Pak Real Estate Limited to reduce up-scaling risk for the parent company. The Board firmly supports the management to pursue its plans.

In the end, I would like to express on my behalf and on behalf of the Board our sincere gratitude to the joint venture partners, the Kingdom of Saudi Arabia and the Islamic Republic of Pakistan for their unstinted support and State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their professional guidance. I am also thankful to the Board Members for their valuable contributions. Further, I would like to communicate my appreciation to the entire team of Saudi Pak for their excellent performance during the current challenging environment.

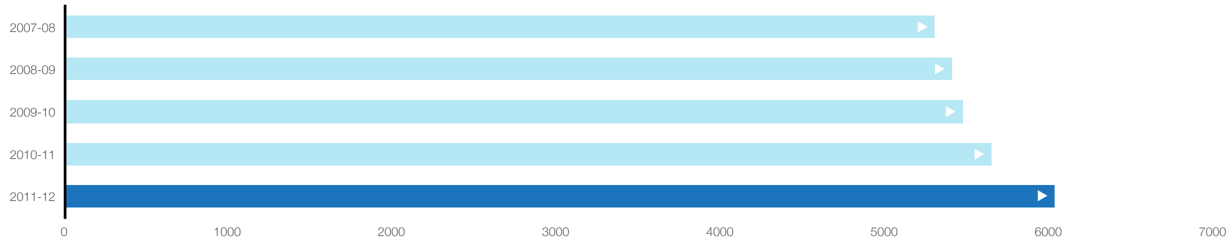
Director's Report

Economic Overview

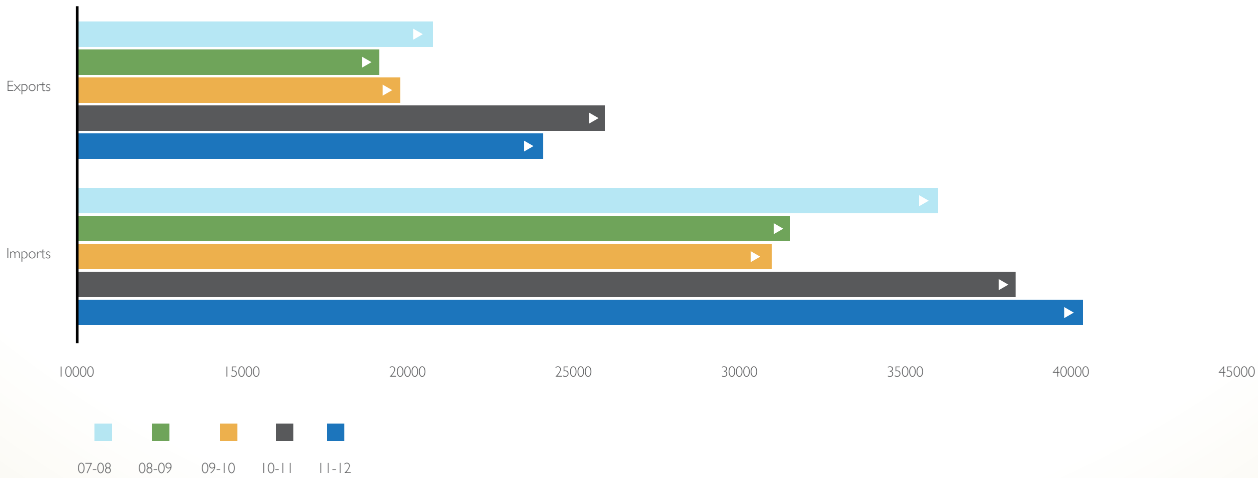
Pakistan's economy recovered modestly from severe floods a year earlier to grow by 3.7% in Fiscal Year 2012 (ended 30 June 2012). Agricultural growth picked up to 3.1%, markedly easing inflation. While the expansion of the service sector slowed slightly, its size meant it continued to account for most of GDP growth. Energy shortages intensified during the second half of the fiscal year, seriously crippling large-scale manufacturing, which expanded by only 1.2%. Unpredictable and severe load shedding is estimated to knock at least 2 percentage points off GDP growth annually. Investment declined for the fifth year in a row, dropping to 12.5% of GDP, compared with 22.5% in FY2007.

The country's sustained double-digit inflation reflects the government's heavy borrowing from the State Bank of Pakistan to finance large budgetary spending and excessive deficits. In FY2012 the deficit was estimated at 8.5% of GDP, including government financing of power sector arrears. As of June 2012 deficit financing by commercial banks (i.e. their holding of government securities) accounted for 34.4% (16.4% in 2008) of their aggregate balance sheet, while total private sector lending was 39.0% (52.4% in 2008) reflecting a major shift in their balance sheet. During FY 12 lending to private sector businesses was only Rs.18.3 billion against Rs. 692.3 billion commercial banks lent to finance budget deficit.

Gross Domestic Product
(Rs. in billion) at constant factor of 1999-2000



Import - Export
(US $ in Million)



On the positive note, food prices remained relatively stable during FY 12 which helped to bring down overall inflation to 11.1 %, better than 12% projected earlier. This, along with a modest improvement in economic activities, is amongst the key positives for the year. In spite of these developments, the economy was unable to move away from a low-growth, high-inflation environment.

Concerned with the shift in commercial bank's lending strategy and sluggish economy SBP cut its policy rate by 250 bps during 2012. Despite the reduction in interest rates, overall monetary expansion decelerated in FY12. This was largely due to the deterioration in the external account. The resulting depletion of FX reserves absorbed Rupee liquidity from the money market. This, along with increasing government borrowing from commercial banks, underlines the need for liquidity injections into the system to ensure that money market conditions remained calm.

Equity markets on the other hand responded favorably at the back of declining interest rate and resolution of capital gain tax issues with KSE 100-Index registering an increase of 50.1 % during 2012.

Macroeconomic imbalances and structural issues are expected to hold growth to 3.7% in FY2013, in line with the FY2012 outcome, as the energy shortage is expected to continue as a binding constraint throughout the year. Inflation is expected to remain at 10.0%, reflecting likely budget spillovers. Continued strong growth in remittances is expected to rein in the current account deficit to equal 1.3% of GDP.

Improving Pakistan's economic performance depends on taking difficult steps to address structural problems. Breaking out of recent doldrums crucially depends on the power sector becoming a reliable supplier of electricity so that there is incentive to substantially increase private investment. Most important for the breakout is to fundamentally improve the country's fiscal position by both eliminating subsidies and the drain on public finances imposed by loss-making state-owned enterprises, and to broaden the tax base to raise one of the lowest tax participation rates in the region, promote equity, and provide the revenues needed to fund necessary government functions. A key concern for the economy is the on-going decline in domestic investment.

Operational Review

Corporate Financing

During 2012, Corporate Finance Division continued with its strategy of financing, commercially sound business propositions, with the aim to enhance mark-up income while building high quality assets. The targeted projects were in the sector of Textile, Energy, Oil & Gas, and Agriculture etc.

Approvals and disbursements during 2012 have surpassed the 2011 figures by 99.6 % and 88.0% respectively. Approvals of Rs.2, 160 million have been made during 2012 as compared to approvals of Rs.1, 082 million during 2011. Total approvals during the year 2012 include long term financing of Rs.480 million to export oriented textile projects under Refinance Scheme of State Bank of Pakistan. Similarly, disbursements of Rs.1, 234 million have been made during 2012 as compared to disbursements of Rs.656 million during 2011.

The fee income earned during 2012 increased to Rs. 14.4 million reflecting an increase of 402%.

It is envisaged that during 2013, the energy shortage would continue to restrain the industrial growth and the industry dependent on gas resource would pose higher than normal risk because of the prevailing shortage of Gas. However, the decrease in interest rates would help credit off- take in private sector. The leading corporate groups in the performing sectors might initiate BMR and Expansion for their projects. Renewable and Alternate energy would be the potential sector for investment and financing in coming years.

The Corporate Finance Division would remain focused on building the Credit Portfolio by taking exposures in key potential sectors which are resilient to economic and business environment adversities.

Credit Administration

The Credit Administration Division (CAD) and its Regional Offices at Karachi and Lahore are responsible for credit disbursement and their monitoring till the maturity for all types of financing facilities extended by Saudi Pak.

Focused management efforts on problem accounts produced positive results and enabled the Company to recover Rs. 523 million against NPLs as compared to recovery of Rs. 278 million in 2011 i.e. an increase of Rs. 245 million or 88% besides arresting the NPL growth trend experienced in previous years.

Recovery against current maturities of regular accounts also improved to 81.4% during the year 2012 as compared to 80.7 % in the year 2011. The Company recovered Rs.2, 549 million against the budgeted amount of Rs.2, 678 million (95 percent) during the review period.

Capital Market Operations

In the back drop of 250 bps reduction in policy rate by SBP coupled with resolution of capital gains tax related issues, and good corporate earnings Karachi Stock Exchange's benchmark KSE-100 Index performed extremely well touching a record high of 17,031 points during trading hours on December 31, 2012 as compared to 11,347 points at beginning of the year.

The cement and textile sectors dominated the market providing an outstanding return of 152 per cent and 99 per cent respectively, while the large cap stocks such as those in the oil and gas exploration and banking sector also posted good growth. At close of the year 2012, foreign investors held $3.1 billion worth Pakistan equities, which represent 30 per cent of the stock market's free-float and accounts for 7 per cent of KSE's aggregate market capitalization of Rs. 4.2 trillion. During the outgoing year, foreign portfolio net inflow amounted to $125 million, with the market recovering almost the entire net outflow of $127 million in 2011.

Saudi Pak's Portfolio Management Division capitalized on improved market conditions to offload its non strategic portfolio realizing a gain of Rs.419 million including dividend income of Rs. 53 million. Further, efficient Portfolio Management resulted in Rs. 285 million appreciation in the value of investments held.

Treasury Operations

During the year 2012, the economy remained sluggish and liquidity remained tight. Treasury Division positioned itself pro-actively to pursue the objectives of smooth resource mobilization, managing liquidity and interest rate risks and effective portfolio management. In line with the Company's strategy to re-profile the balance sheet, Treasury Division built up a portfolio of fixed income investments comprising of government securities, which resulted in risk-free returns as well as lowering of balance sheet risks. Selective approach was adopted in year 2012 to avoid high cost deposits and the benefit of daily market fluctuations was materialized to bring down the cost of borrowing through focused money market operations. Consequently total cost of fund mobilization reduced by Rs. 530.9 million (45 percent) during 2012.

Fixed Income Investment portfolio managed by Treasury Division was diversified with addition of risk free government securities. An effective mix of liquid assets resulted in improving income spread and bringing down the market and liquidity risks. These strategies translated into reduction in markup cost of the Company.

During 2013 Treasury Division intends to diversify avenues of resource mobilization, particularly long term credit lines will be pursued to achieve optimum gap management. Deployment and spread transactions will continue to follow the policy gauged on the parameter of risk-reward tradeoff.

Risk Management Framework

Efforts are continuing to base Risk Management Framework in Saudi Pak on sound organizational structure, policies and procedures, risk assessment techniques, monitoring tools and reporting mechanism closely aligned with the company's strategy. Risk Management activities broadly take place simultaneously at different hierarchy levels i.e. strategic, macro and micro levels.

The overall responsibility of risk management rests with the Board of Directors and it has constituted Risk Management Committee comprising of Board members with clear terms of reference. Under the guidance of the Board, the scope of Risk Management Division (RMD) has been widened, focusing on capacity building, development of new policies, procedures, and increase in awareness about risk management concepts and practices. These improvements are in line with the regulatory requirements including Basel II, and best industry practices.

Information Technology

The Information Technology function focuses on strategic initiative to make advancement in technology for business growth. Saudi Pak's IT strategy provides direction to strengthen its existing IT facilities, re-engineering of the legacy systems, integrated management information systems, decision support systems and building capacity for growth.

To cope with the localized or global disasters, Business Continuity /Disaster Recovery Site has been set up with complete IT infrastructure for the availability of critical data which is being tested on regular basis for ensuring its authenticity. It also provides reliability, trust and strengthens the confidence of our valued clients.

The latest trends of technology pave the path to new innovations and betterment. Various initiatives have been taken to improve the IT infrastructure by adopting evolving technologies along with successful deployment of core business solutions for the company.

Human Resource Development

Human Capital is the real wealth of Saudi Pak. All out efforts are made for its growth and development. The basic objective of human resource development is to create high performance corporate culture and to retain capable employees. Employee friendly HR policies are designed and implemented to motivate employees for optimum level of performance through team building. HR function contributes to Company's performance by aligning people and practices in line with the Saudi Pak strategic goals.

The Company provides its employees a fair market based compensation package; merit based corporate culture and capacity building programs for their personal and professional growth. Training is considered

as continued investment to develop the requisite skills and competencies of employees. Based on individual as well as divisional need basis, 48 man days training was provided to employees on various topics during the year 2012.

Internal Audit

The Internal Audit Function of the company is currently under a restructuring and capacity building phase and new measures are being initiated to enhance the capacity and improve the performance of the Internal Audit Division.

A plan for operational restructuring & capacity building has been developed which is presently under review. Also new Internal Audit Manual is in the process of preparation. Training of new staff is also planned to enhance the capacity, efficiency and value addition for the Internal Audit Division as well as for the whole Company.

It is expected that implementation of these initiatives with the coordination of other Divisions, related risks shall be reduced which in turn shall enhance the audit controls & efficiency.

Entity Rating

Saudi Pak's long term and short term entity rating has been assessed by JCR-VIS Credit Rating Company Limited, an affiliate of Japan Credit Rating Company. Long Term entity rating has been downgraded to AA (Double A) and Short Term entity rating reaffirmed at A1+ (A one Plus) with stable outlook.

Credit Rating	By JCR-VIS
Long Term	AA
Short Term	A1+
Outlook	Stable

AA

High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A1+

Highest certainty of timely payments. Short Term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's Short Term obligations.


shutterstock

Corporate and Financial Reporting Framework

The Directors are pleased to certify that:

a: The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b: Proper books of accounts of the Company have been maintained.

c: Appropriate accounting policies have consistently been 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 adequately been disclosed.

e: The system of internal control is sound in design and has been effectively implemented and monitored. An audit committee, composed of three non-executive directors, has been formed for the purpose. The Committee meets periodically and independently throughout the year.

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.

h: Transactions undertaken with related parties during the year have been ratified by the Audit Committee and have been properly disclosed in the financial statements.

i: Key operating and financial data for the last five years, in summarized form, is included in this annual report.

j: There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2012, except as disclosed in the financial statements.

k: The value of investment of Provident Fund as at December 31, 2012 according to their audited financial statement is approximately Rs.66.98 million (2011: Rs.64.98 million).

Auditors

The Auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants have completed their assignment for the year ended December 31, 2012 and also indicated their willingness to continue in office as Auditors. The Board, on the proposal of the Audit Committee, recommends the appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants as Auditors for the year 2013.

Board of Directors Meetings

During the year, five meetings of the Board of Directors were held and attended by the directors as follows:

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Mohammed W. Al-Harby	05	05
Rana Assad Amin	01	01
Mr. Manzoor Ali Khan	04	04
Mr. Musaad A. Al-Fakhri	05	05
Mr. Abdul Ghaffar Soomro	05	05
Mr. Mohammed A. Al-Jarbou	05	05
Mr. Yawar Zia	01	01
Mr. Shafqut Ur-Rehman Ranjha	04	04

The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are included in this Report. The Government of Pakistan and the Kingdom of Saudi Arabia hold the shares of the company in equal proportion.

Future Outlook

Saudi Pak will continue to capitalize on available business opportunities. For this purpose the risk management framework will be further strengthened. A prudent way of financing and investment will be adopted in the context of prevailing economic condition of the country. Efforts will be continued to add value for our stakeholders through capital formation and investment related activities.

Strategic Investments

Saudi Pak's associates include Saudi Pak Real Estate Limited and Saudi Pak Leasing Company Ltd. Saudi Pak Insurance is no longer amongst Saudi Pak subsidiaries as major stake in the Company has been disposed off. The title 'Saudi Pak' will be removed from the Company name in year 2013.

Saudi Pak Real Estate Limited

The company was established in 2007 and is wholly owned subsidiary of Saudi Pak with initial paid-up capital of Rs. 500 million. As at year end, net equity of the company stood at Rs. 596 million and break-up value of its shares stands at Rs 11.92 per share.

The company has participated in a housing project at a prime location in Lahore and plans to expand its core business through undertaking new projects. It also plans to strengthen its capital base through induction of strategic partner.

Saudi Pak Leasing Company Limited

Saudi Pak Leasing Company was incorporated in January 1991 and is listed on all three stock exchanges in Pakistan. Saudi Pak Industrial and Agricultural Investment Company Limited is the parent company (by virtue of management rights) and as of June 30, 2012 hold 35.06 per cent of issued share capital. Investment of Saudi Pak's in Saudi Pak Leasing is Rs. 576.676 million by way of equity investment and sub-ordinate debt.

The leasing sector is facing serious challenges for last five years i.e. after the financial meltdown of 2008. Saudi Pak Leasing has also been hit hard by this financial meltdown. However, the Company is striving for its revival through settlements with creditors, reduction in expenses and hectic recovery drive of stuck up loans/leases. For the six month period ended Dec. 31 2012, Saudi Pak Leasing earned after tax profit of Rs. 35 million as against loss of Rs. 657.2 million incurred during same period last year. Financial condition of the company is expected to improve in coming years.

Saudi Pak Tower

Saudi Pak owns a twenty storey High Rise Building in Islamabad known as Saudi Pak Tower. The building, a land mark of Islamabad, was constructed in 1991. Initially ISO 9001 – 2000 certification was awarded, subsequently the systems have been upgraded and Saudi Pak Tower is now ISO 9001:2008 certified. After completion of successful re-certification surveillance audit, held during 2012, renewal of certification was approved for further 3 years i.e. up to 2014 and certificate was awarded by certification body i.e. Moody International.

A major portion of the building has been rented out. The rented offices of renowned national and multinational companies including financial institutions, telecommunication, media offices, hospital service oriented concerns etc are housed in the Tower. Despite stressed business environment, the average occupancy level of the building as of December 31, 2012 stood at 76.06 percent vis-a vis an average occupancy of 75 percent in 2011.

Financial Results – 2012

Total mark up / interest income decreased by 17.5 percent to Rs 1,095 million from Rs 1,327 million as compared to the previous year. Mark up expense declined by 29.6 percent to Rs 669 million from Rs 951 million. Resultantly, net spread increased to Rs 426 million in the current year from Rs 376 million in the previous year.

Total non-mark up / interest income in the current year increased to Rs 534 million as against the loss of Rs 109 million in the last year 2011. The provision against non-performing loans decreased by Rs 269 million and diminution in the value of investment increased by Rs 71 million over last year.

Net profit after taxation amounted to Rs 381 million as compared to loss of Rs 1,468 million in the corresponding period of the previous year.

The paid up capital was Rs 6,000 million at the end of year 2012. The shareholders equity increased to Rs 6,536 million as at December 31, 2012 from Rs 6,100 million as at December 31, 2011. Total assets of the company amounted to Rs 15,904 million as on December 31, 2012 against Rs 14,378 million as on December 31, 2011.

The return on average shareholders' equity figured at 6.0 percent and return on average assets 2.5 percent in the year 2012.

The summarized financial results and recommendation for appropriations are as under:

	2012 (Rupees)	2011 (Rupees)
Un-appropriated loss brought forward	(1,412,718,297)	(448,458,943)
Appropriation from reserve fund	1,412,718,297	448,458,943
Profit/(loss) after tax for the year	380,584,782	(1,468,109,784)
Incremental depreciation on revalued fixed assets	55,391,880	55,391,487
Profit available for appropriations	435,976,662	(1,412,718,297)
Appropriations:		
Transfer to reserve funds	76,116,956	–
Transfer to general reserve	359,859,706	–
Total appropriations	435,976,662	–

Acknowledgement

The Board wishes to place on record its appreciation of the hard work and dedication of the management, officers and staff of the company.

For and on behalf of the Board of Directors

Islamabad I Dated: April 08, 2013

Chairman

Statistical Information

	2012	2011	2010	2009	2008
			(Rs. in million)		
Net Financing Approved					
Funded:					
Long Term Finance/TFCs	980.0	389.9	1,724.1	1,211.5	2,027.9
Lease Finance	-	80.0	-	92.0	-
Short Term Finance	979.8	601.1	970.0	600.0	330.0
Direct Equity/Investement/Placement	-	-	-	265.0	393.8
Gross Funded (a)	**1,959.8**	**1,071.0**	**2,694.1**	**2,168.5**	**2,751.7**
Withdrawls (b)	-	497.9	350.1	100.0	75.0
Net Funded (c)	**1,959.8**	**573.1**	**2,344.0**	**2,068.5**	**2,676.7**
Non-Funded:					
Underwriting of Shares	-	-	-	35.0	84.6
Guarantees	200.0	35.1	10.8	-	400.0
Gross Non-Funded (d)	**200.0**	**35.1**	**10.8**	**35.0**	**484.6**
Withdrawls (e)	-	-	10.8	-	-
Net Non-Funded (f)	**200.0**	**35.1**	**-**	**35.0**	**484.6**
Gross (Funded & Non-Funded) (a+d)	**2,159.8**	**1,106.1**	**2,704.9**	**2,203.5**	**3,236.3**
Withdrawals (b+e)	-	497.9	360.9	100.0	75.0
Net (Funded & Non-Funded) (c+f)	**2,159.8**	**608.2**	**2,344.0**	**2,103.5**	**3,161.3**

Net-Financing and Investment Approved: Cumulative as on December 31, 2012

	(Rs. In million)	As %age of Funded	As %age of Funded & Non-Funded
Funded:			
Long Term Finance/TFCs	27,150.2	53.95	49.22
Lease Finance	1,855.8	3.69	3.36
Short Term Finance	15,466.6	30.73	28.04
Direct Equity/Investement/Placement	5,854.2	11.63	10.61
Gross Funded (a)	**50,326.8**	**100.00**	**91.23**
Withdrawls (b)	1,023.1		
Net Funded (c)	49,303.7		
		As %age of Non-Funded	
Non-Funded:			
Underwriting of Shares	2,816.0	58.18	5.10
Guarantees	2,024.4	41.82	3.67
Gross Non-Funded (d)	**4,840.4**	**100.00**	**8.77**
Withdrawls (e)	10.7		
Net Non-Funded (f)	**4,829.7**		
Gross Cumulative (Funded & Non-Funded) (a+d)	**55,167.2**		**100.00**
Cumulative Withdrawals (b+e)	1,033.8		
Net Cumulative (Funded & Non-Funded) (c+f)	**54,133.4**		

	2012	2011	2010	2009	2008	Since Inception to 31-12-2012
			(Rs. in million)			
Disbursement: By type of assistance						
Long Term Finance/FTCs	609.0	208.2	1,980.3	1,338.5	3,536.7	26,075.1
Lease Finance	-	-	92.0	-	46.1	1,743.3
Short Term Finance	624.9	448.0	605.5	544.4	707.3	14,079.7
Direct Equity/Investment/Placement	-	-	-	15.0	93.8	1,827.4
Investment in Associated Company	-	-	-	250.0	225.0	4,030.6
Share taken up against underwriting	-	-	19.3	-	18.4	363.4
Total	**1,233.9**	**656.2**	**2,697.1**	**2,147.9**	**4,627.3**	**48,119.5**

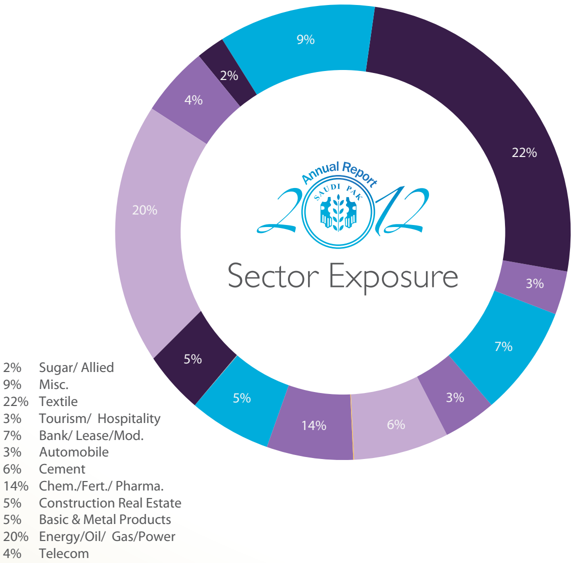
Net Financing and Investment Approved*: Sector Exposure

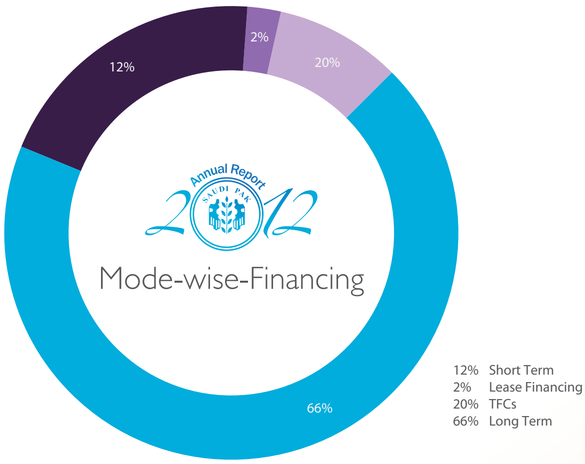
(Rs. in million)

	2012			Since inception to 31-12-2012		
Sector	No.	Amount	%	No.	Amount	%
Financial Services	2	400.0	20.41	160	8,996.5	18.25
Power/Oil & Gas	1	500.0	25.51	66	5,658.3	11.48
Agro Based	-	-	-	16	724.2	1.47
Manufacturing	3	509.8	26.01	534	29,260.6	59.34
Services	2	550.0	28.07	58	4,664.1	9.46
Total	**8**	**1,959.8**	**100.00**	**834**	**49,303.7**	**100.00**

*Excluding underwriting and guarantees

Position as of December 31, 2012





Statement of Compliance with Code of Corporate Governance

The statement is being presented to comply with the Code of Corporate Governance framed by the Securities and Exchange Commission of Pakistan, and made applicable to the Company through Regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

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

1. The Board of Directors of the Company is appointed by the Governments of Islamic Republic of Pakistan and Kingdom of Saudi Arabia. At December 31, 2012 the Board has six non-executive directors.

2. The directors have confirmed that none of them is serving as a director in 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No causal vacancy occurred on the Board during the year ended December 31, 2012. Government of Pakistan replaced two directors during the year 2012 and one director was replaced in March 2013.

5. The business of the Company is conducted in accordance with the “Code of Conduct” approved by the Board of Directors. The same has been circulated to all the Directors and employees. It has been placed on the intranet.

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 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 General Manager/Chief Executive, 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 are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The Company has also carried out orientation course for the Directors.

10. The meetings of the Audit Committee were held in every quarter prior to approval of interim and final results as required by the Code. The Terms of Reference of the Committee were fully complied with.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. During the year Board appointed Head of Internal Audit and approved his remuneration.

13. General Manager/Chief Executive and CFO duly endorsed the financial statements of the Company before approval of the Board.

14. The Directors, General Manager/Chief Executive and executives do not hold any interest in the shares of the Company except for 1,250 shares held by the Chairman.

15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

16. The Board has formed an Audit Committee comprising of three members all of whom are non-executive directors.

17. The Board has formed Human Resource and Remuneration Committee comprising of three directors and GM/CE.

18. The Board has set-up an effective internal audit function on full time basis.

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

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

21. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with requirements of Code of Corporate Governance.

22. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors

Chairman

Islamabad
Dated: April 08, 2013

Statement on Internal Controls

The guidelines on Internal Controls issued by State Bank of Pakistan vide their BSD Circular No. 7 of May 07, 2004 require that all Banks / DFIs shall include a Statement on Internal Controls in their Annual Report which would also include Board of Directors' endorsement. The statement on Internal Controls is presented as under:

"The Company's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures. The management is also responsible for evaluating the effectiveness of the Company's internal control system that encompasses material matters by identifying control objective and reviewing significant policies and procedures.

The control activities are being closely monitored across the Company through Audit Department, working independent of line management. In addition, Compliance Department is also in place to monitor control activities related to regulatory compliance. The Audit Committee of the Board regularly reviews audit reports both internal and external where significant violations to the local regulations, prescribed policies and procedures have occurred. Regular follow up reporting upon the audit reports is done by Compliance Department which ensures timely implementations of audit/inspection reports to mitigate identified risks to safeguard the interest of the Company.

The Company's internal control system has been designed to provide reasonable assurance to the Company's management and Board of Directors. All internal control systems, no matter how well designed, have inherent limitations that they may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are ongoing process that includes identification, evaluation and management of significant risks faced by the Company.

During the year 2012 the Company endeavored to follow the guidelines on Internal Controls.

The Board is periodically briefed on the Internal Controls working in the Company. The Board endorses the efficacy of the Company's Internal Controls."

For and on behalf of the Board of Directors

Chairman

Islamabad
Dated: April 08, 2013

Review Report to the Members

On Statement of Compliance With The Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Saudi Pak Industrial and Agricultural Investment Company Limited ("the Company") to comply with the Regulation G-I of the Prudential Regulations for Corporate/ Commercial Banking issued by the State Bank of Pakistan.

The responsibility for compliance with the Code of Corporate Governance is that 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 per of our audit of financial statement we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Code of Corporate Governance requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried 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 31 December 2012.

Islamabad

Date: April 08, 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

Financial Statements 2012

Auditors’ Report to the Members

We have audited the annexed unconsolidated statement of financial position of Saudi Pak Industrial and Agricultural Investment Company Limited (“the Company”) as at December 31, 2012 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after-referred to as the ‘unconsolidated financial statements’) for the year then ended, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belied, 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 out 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 unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with 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 unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 given a true and fair view of the state of the Company’s affairs as at December 31,2012 and of the profit, its and 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).

We draw attention to note 10.5 to the unconsolidated financial statements wherein it is stated that the Board of Directors decided to convert the interest free subordinated loan to a related party into preference shares. The approval of State Bank of Pakistan (SBP) for conversion of subordinated loan into equity expired on December 31, 2012. The Company vide its letter dated May 22, 2012 has applied to SBP for extension for conversion of subordinated loan into equity till December 31, 2012.

Our opinion is not qualified on this matter.

Islamabad
Date: April 08, 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
Cash and balances with treasury banks	6	**65,538,416**	55,410,802
Balances with other banks	7	**366,097,455**	96,389,187
Non-current asset classified as held for sale	8	**46,089,659**	70,788,801
Lendings to financial institutions	9	**250,000,000**	171,111,111
Investments	10	**6,496,892,685**	5,359,657,799
Advances	11	**4,961,664,693**	5,235,500,341
Operating fixed assets	12	**2,383,745,356**	2,082,589,824
Deferred tax assets	16	**-**	-
Other assets	13	**1,334,466,215**	1,306,269,665
		15,904,494,479	14,377,717,530
LIABILITIES			
Bills payable		**-**	-
Borrowings	14	**5,925,528,990**	5,382,643,167
Deposits and other accounts	15	**685,000,000**	759,500,000
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities	16	**895,678,173**	669,231,485
Other liabilities	17	**191,059,298**	162,110,474
		7,697,266,461	6,973,485,126
NET ASSETS		**8,207,228,018**	7,404,232,404
REPRESENTED BY			
Share capital	18	**6,000,000,000**	6,000,000,000
Reserves		**536,440,467**	1,513,182,102
Unappropriated loss		**-**	(1,412,718,297)
		6,536,440,467	6,100,463,805
Surplus on revaluation of AFS securities - net of tax	19	**222,186,833**	41,795,099
Surplus on revaluation of operating fixed assets - net of tax	20	**1,448,600,718**	1,261,973,500
		8,207,228,018	7,404,232,404
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 Rupees	2011 Rupees
Mark-up/Return/Interest Earned	22	**1,094,849,528**	1,326,972,372
Mark-up/Return/Interest Expensed	23	**668,550,535**	950,734,892
Net Mark-up/Interest Income		**426,298,993**	376,237,480
Provision against non-performing loans and advances		**77,587,903**	346,944,741
Provision for diminution in the value of investments	24	**134,094,048**	63,232,342
Bad debts written off directly		**-**	-
		211,681,951	410,177,083
Net mark-up/interest income/ expenses after provisions		**214,617,042**	(33,939,603)
NON MARK-UP/INTEREST INCOME			
Fee, Commission and Brokerage Income		**14,385,804**	2,853,824
Dividend Income		**61,185,035**	88,051,568
Profit / (loss) from dealing in foreign currencies		**25,667,710**	(223,031,398)
Gain on dealing in quoted securities		**365,297,661**	40,788,122
Gain on dealing in mutual funds		**2,562,463**	41,222,136
Impairment reversal / (loss) on asset classified as held for sale at its fair value		**15,300,858**	(104,211,199)
Other Income	25	**50,410,227**	45,085,734
Total non mark-up/interest income/ (expenses)		**534,809,758**	(109,241,213)
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	26	**246,732,880**	203,275,289
Impairment loss on quoted securities	27	**90,287,244**	922,414,187
Other provisions/write offs	28	**6,942,000**	141,956,270
Other charges	29	**-**	922,250
Total non-markup/interest expenses		**343,962,124**	1,268,567,996
Extra ordinary/unusual items		**-**	-
PROFIT / (LOSS) BEFORE TAXATION		**405,464,676**	(1,411,748,812)
Taxation – Current		**25,885,193**	26,698,535
– Prior years		**-**	99,296,373
– Deferred		**(1,005,299)**	(69,633,936)
	30	**24,879,894**	56,360,972
PROFIT/ (LOSS) AFTER TAXATION		**380,584,782**	(1,468,109,784)
Basic and diluted earning / (loss) per share	31	**0.634**	(2.447)

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE	DIRECTOR	DIRECTOR	CHAIRMAN

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 Rupees	2011 Rupees
Profit/ (Loss) after taxation	**380,584,782**	(1,468,109,784)
Other comprehensive income		
Reversal of capital reserves relating to rescheduling benefits	**-**	-
Comprehensive income transferred to equity	**380,584,782**	(1,468,109,784)
Components of comprehensive income not reflected in equity		
Surplus on revaluation of available-for-sale securities	**277,525,745**	434,097,119
Deferred tax	**(97,134,011)**	(151,933,992)
	180,391,734	282,163,127
Total comprehensive income/ (loss)	**560,976,516**	(1,185,946,657)

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/ (Loss) before taxation		**405,464,676**	(1,411,748,812)
Less: dividend income		**(61,185,035)**	(88,051,568)
		344,279,641	(1,499,800,380)
Adjustments:			
Depreciation / Amortization		**109,195,536**	112,763,022
Provision against non-performing loans and advances		**77,587,903**	346,944,741
Provision for diminution in the value of investments		**71,244,908**	63,232,342
Other provisions/write offs		**6,942,000**	141,956,270
Advances written off		**(115,161,874)**	-
Impairment loss on quoted securities		**90,287,244**	922,414,187
Reversal of impairment on AFS securities		**(941,489,815)**	(129,362,821)
Net gain on disposal of operating fixed assets - property and equipment		**(8,581,204)**	(4,152,110)
Provision for gratuity		**6,393,547**	5,629,355
Provision for compensated absences		**1,207,343**	2,771,365
Impairment (reversal) / loss on asset classified as held for sale at its fair value		**(15,300,858)**	104,211,199
		(717,675,270)	1,566,407,550
		(373,395,629)	66,607,170
Decrease / (increase) in operating assets			
Lendings to financial institutions		**(78,888,889)**	283,671,639
Advances		**311,409,619**	761,558,944
Other assets		**28,188,002**	(57,759,572)
		260,708,732	987,471,011
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		**542,885,823**	(1,755,290,927)
Deposits		**(74,500,000)**	(895,402,252)
Other liabilities		**(1,097,987)**	(58,421,362)
Deferred liabilities - advance rental income		**29,072,437**	(2,327,984)
		496,360,273	(2,711,442,525)
		383,673,376	(1,657,364,344)
Gratuity paid		**(5,431,250)**	(6,194,153)
Compensated absences paid		**(1,195,269)**	(1,132,659)
Income tax paid		**(88,906,742)**	(86,837,300)
		(95,533,261)	(94,164,112)
Net cash generated from/ (used in) operating activities		**288,140,115**	(1,751,528,456)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Available-For-Sale (AFS) securities		**(659,917,213)**	1,391,114,003
Investment in Held-To-Maturity (HTM) securities		**582,665,735**	129,530,327
Receipt against sale of shares in Saudi Pak Insurance Company Limited		**40,000,000**	50,000,000
Dividend received		**60,880,035**	88,051,568
Investment in operating fixed assets		**(40,758,556)**	(19,367,412)
Sale proceeds on disposal of operating fixed assets - property and equipment		**8,825,766**	4,821,111
Net cash (used in) / generated from investing activities		**(8,304,233)**	1,644,149,597
CASH FLOW FROM FINANCING ACTIVITIES		**-**	-
Increase/ (decrease) in cash and cash equivalents		**279,835,882**	(107,378,859)
Cash and cash equivalents at beginning of the year		**151,799,989**	259,178,848
Cash and cash equivalents at end of the year	32	**431,635,871**	151,799,989

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Share Capital Rupees	Reserve Fund Rupees	General Reserve Rupees	Unappropriated (Loss) / Profit Rupees	Total Rupees
Balance as at January 01, 2011	6,000,000,000	1,961,641,045	-	(448,458,943)	7,513,182,102
Loss for the year	-	-	-	(1,468,109,784)	(1,468,109,784)
Total comprehensive loss	-	-	-	(1,468,109,784)	(1,468,109,784)
Appropriation from reserve fund	-	(448,458,943)	-	448,458,943	-
Transferred from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	-	55,391,487	55,391,487
Balance as at December 31, 2011	6,000,000,000	1,513,182,102	-	(1,412,718,297)	6,100,463,805
Balance as at January 01, 2012	6,000,000,000	1,513,182,102	-	(1,412,718,297)	6,100,463,805
Profit for the year	-	-	-	380,584,782	380,584,782
Total comprehensive income	-	-	-	380,584,782	380,584,782
Appropriation from reserve fund	-	(1,412,718,297)	-	1,412,718,297	-
Transfer to reserve fund *		76,116,956		(76,116,956)	-
Transfer to general reserve			359,859,706	(359,859,706)	-
Transferred from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	-	55,391,880	55,391,880
Balance as at December 31, 2012	6,000,000,000	176,580,761	359,859,706	-	6,536,440,467

* Under Circular No 1 dated December 05, 1991 issued by the State Bank of Pakistan for Non-Banking Financial Institutions, an amount not less than 20% of the profit shall be transferred to create a reserve fund till such time the reserve fund equals the amount of paid up capital and thereafter 10% of the balance of profit of the company are to be transferred to this reserve.

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE | DIRECTOR | DIRECTOR | CHAIRMAN

1 LEGAL STATUS AND OPERATIONS

Saudi Pak Industrial and Agricultural Investment Company Limited (the "Company") was incorporated in Pakistan as a private limited company on December 23, 1981 and subsequently converted as a public limited company on April 30, 2008. The Company is jointly sponsored by the Governments of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan. The principal activity of the Company is to invest in the industrial and agro-based industrial projects in Pakistan on commercial basis and market their products in Pakistan and abroad. The Company has been setup for a period of fifty years which may be extended with approval of both of the Governments.

The registered office of the Company is situated at Saudi Pak Tower, Jinnah Avenue, Islamabad.

2 BASIS OF PRESENTATION

These unconsolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No.4 dated February 17, 2006.

These unconsolidated financial statements are separate financial statements of the Company in which the investments in subsidiaries and associate are stated at cost less impairment, if any and have not been accounted for on the basis of reported results and net assets of the investees which is done in consolidated financial statements.

2.1 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. The unconsolidated financial statements are presented in Pak. Rupees, which is the Company's functional currency.

3 STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.

3.2 The SBP through its BSD Circular Letter No. 11 dated September 11, 2002 has deferred the implementation of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Development Financial Institutions (DFIs) till further instructions. According to the notification of SECP dated April 28, 2008, the IFRS 7 "Financial Instruments' Disclosures" has not been made applicable for DFIs. In view of above, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. The investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

4 BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for:

- revaluation of certain items of operating fixed assets;
- revaluation of certain investments in accordance with directives of State Bank of Pakistan; and
- recognition of certain employee benefits at present value.

Use of critical accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The Company uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these unconsolidated financial statements are as follows:

(a) Classification of investments

– **Held-For-Trading (HFT)**
In classifying investments as 'held-for-trading', the Company has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

– **Held-To-Maturity (HTM)**
In classifying investments as 'held-to-maturity', the Company follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.

– **Available-For-Sale (AFS)**
The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

(b) Provision against non performing loans and advances
The Company reviews its loan portfolio to assess amount of non-performing advances and provisions required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered. The amount of general provision is determined in accordance with the management's judgment.

(c) Valuation and impairment of 'available-for-sale' equity investments
The Company determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational/financial cash flows.

(d) Taxation
In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

(e) Fair value of derivatives
The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates at the date of unconsolidated statement of financial position and the rates contracted.

(f) Depreciation, amortization and revaluation of operating fixed assets / intangible assets
In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Company estimates the revalued amount of land and buildings on a regular basis. The estimates are based

on valuations carried out by independent professional valuers under the market conditions.

(g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these unconsolidated financial statements (refer note 34) for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

(h) Impairment of investments in subsidiaries

The Company determines that a significant or prolonged decline in the fair value of its investments in subsidiaries below their cost is an objective evidence of impairment. The impairment loss is recognised when higher of fair value less cost to sell and value in use exceeds the carrying value.

(i) Provision against other assets and receivables

The Company reviews other assets and receivables to assess any amount of provision / bad debts required there against on regular basis.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

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

5.2 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the unconsolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognised as mark-up / return expensed and earned on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

5.3 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to unconsolidated profit and loss account in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

(b) Held-To-Maturity (HTM)

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost less impairment, if any, in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

(c) Available-For-Sale (AFS)

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit on revaluation net of deferred tax is kept in a separate account and is shown below the shareholders' equity in the unconsolidated statement of financial position. Where the decline in prices of available for sale securities is significant or prolonged, it is considered impaired and included in unconsolidated profit and loss account.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee companies as per their latest available financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

(d) Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment, if any.

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

5.4 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations issued by State Bank of Pakistan from time to time.

The provision against non-performing advances is charged to the unconsolidated profit and loss account. Advances are written off when there is no realistic prospect of recovery.

The SBP amended the Prudential Regulations in relation to provision for loans and advances thereby allowing further forced sale value (“FSV”) benefit. This change has been applied prospectively as required under International Accounting Standard IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. Related impact and disclosure is given in note 11.1.6.1.

5.5 Net investment in finance lease

These are stated at present value of minimum lease payments under the agreements. The allowance for potential lease losses is maintained at a level which in the opinion of management, is adequate to provide for potential lease losses on lease portfolio that can be reasonably anticipated. The allowance is increased by the provisions charged to income and decreased by write offs, net of recoveries. The Company maintains provision for potential lease losses in accordance with the Prudential Regulations applicable on the Company.

5.6 Operating fixed assets and depreciation/ amortization

(a) Tangibles assets

Tangible operating fixed assets are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land which is stated at cost and lease hold land, buildings and certain other items which are carried at revalued amount less depreciation.

Certain items of tangible operating fixed assets are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited/ (debited) to the surplus on revaluation of assets account and is shown below the shareholders’ equity in the unconsolidated statement of financial position.

Depreciation is provided on straight line method at rates specified in note 12.1 to the unconsolidated financial statements so as to write off the cost of the assets over their estimated useful lives. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Maintenance and normal repairs are charged to unconsolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the unconsolidated profit and loss account.

(b) Intangibles

Intangible assets are stated at cost less accumulated amortization. Impairment losses, if any, is charged to unconsolidated profit and loss account. Amortization is computed from the date of purchase to date of disposal / write off using the straight line method in accordance with the rates specified in note 12.2 to these unconsolidated financial statements to write off cost of the assets over their estimated useful lives.

(c) Capital work in progress

Capital work in progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of operating fixed assets when available for intended use.

5.7 Deposits

Deposits are recorded at the fair value of proceeds received. Markup accrued on deposits is recognised separately as part of other liabilities and is charged to profit and loss account on a time proportion basis.

5.8 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the unconsolidated profit and loss account, except to the extent that it relates to items recognised directly in equity or below equity / other comprehensive income, in which case it is recognised in equity or below equity / other comprehensive income.

(a) Current

Provision for current taxation is the expected tax payable on the taxable income for the year using tax rates applicable at the date of unconsolidated statement of financial position. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year for such years.

(b) Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the date of unconsolidated statement of financial position, expected to be applicable at the time of its reversal. A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

The Company recognizes deferred tax asset/liability on (deficit)/surplus on revaluation of securities and revaluation of operating fixed assets in accordance with the requirement of International Accounting Standard (IAS) 12 “Income Taxes” which is adjusted against the related surplus / (deficit).

5.9 Provisions

Provisions are recognised when there are present, legal or constructive obligations as a result of past events and it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to unconsolidated profit and loss account is stated net off expected recoveries.

5.10 Staff retirement benefits

(a) Defined benefit plan

The Company operates an unfunded gratuity scheme for all of its permanent employees who have put in three years of continuous service with the Company. The actuarial valuation is carried out periodically using “Projected Unit Credit Method” as allowed under the International Accounting Standard (IAS) 19 “Employee Benefits”. A portion of the actuarial gains or losses is recognized over the expected remaining working life of its employees if the net cumulative unrecognized actuarial gains or losses at the end of the previous year exceeds the “corridor limit” which is defined as the greater of:

– 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and

– 10% of the fair value of any plan assets at that date.

(b) Defined contribution plan

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

(c) Compensated absences

As per its service rules, the Company grants compensated absences to all of its permanent employees. The provision for compensated absences is made on the basis of last drawn basic salary.

5.11 Revenue recognition

- Mark-up/ interest on loans and advances and return on investments is recognized on accrual basis except on classified advances which is recognized on receipt basis in compliance with Prudential Regulations issued by the SBP.

- Markup/interest on rescheduled/ restructured loans and advances and return on investment is recognized in accordance with the directives of the SBP.

- Unrealized income is held in suspense account, where necessary, in accordance with the requirements of SBP guidelines and recognized as income on receipt basis.

- Fees, commission and brokerage income is recognised at the time of performance of service.

- Dividend income is recognized when the Company’s right to receive income is established.

- The Company follows the finance method to recognize income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of the leased assets) is deferred and taken to income over the term of lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains/ losses on termination of lease contracts are recognized as income/expense when these are realized.

- Gains and losses on sale of investments are included in income currently.

- Gains and losses on disposal of operating fixed assets are taken to the unconsolidated profit and loss account.

5.12 Foreign currency transactions

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the date of unconsolidated statement of financial position. Exchange gains and losses are included in unconsolidated profit and loss account currently.

5.13 Impairment

The carrying amount of the Company’s assets are reviewed at the date of unconsolidated statement of financial position to determine whether there is any indication of impairment. If such indications exist, the asset’s recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the unconsolidated profit and loss account. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

5.14 Financial instruments

Financial assets and financial liabilities

Financial instruments carried on the unconsolidated statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

5.15 Off-setting of financial instruments

Financial assets and financial liabilities are only set-off and net amount is reported in the unconsolidated financial statements when there is legally enforceable right to set-off the recognized amount and the Company either intends to settle on net basis or to settle the liabilities and realize the assets simultaneously.

5.16 Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing differentiated products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), subject to risks and rewards that are different from those of other segments. Segment information is presented as per the Company's functional structure and the guidance of State Bank of Pakistan. The Company's primary format of reporting is based on business segments. The Company comprises of the following main business segments:

(a) Business Segment

– **Corporate finance**
This includes investment activities such as underwriting, Initial Public Offers (IPOs) and corporate financing.

– **Trading and Sales**
Trading and sales includes the Company's treasury and money market activities classified as held for trading.

– **Building Rental Services**
This segment undertakes the rental services of Saudi Pak Tower and its allied activities.

(b) Geographical Segment
The Company conducts all its operations in Pakistan.

5.17 Non-current asset classified as held for sale
The Company classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition and its sale must be highly probable. For sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete plan must have been initiated.

5.18 Forthcoming changes in approved accounting standards which are not yet effective
The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2013:

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

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

– IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

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

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

– Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on the Company’s financial statements.

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

a) 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.

b) 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. The amendment is not likely to have any material impact on the financial statements.

c) IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for period 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.

d) 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. This improvement is not relevant to the Company's financial statements.

		Note	2012 Rupees	2011 Rupees
6	**CASH AND BALANCES WITH TREASURY BANKS**			
	In hand:			
	– Local currency		**133,970**	147,586
	– Foreign currency		**-**	-
			133,970	147,586
	With State Bank of Pakistan in:			
	– Local currency current accounts	6.1	**65,404,446**	55,134,738
	– Foreign currency current account		**-**	-
			65,404,446	55,134,738
	With National Bank of Pakistan in:			
	– Foreign currency deposit account		**-**	128,478
			65,538,416	55,410,802

6.1 Deposits are maintained with the State Bank of Pakistan to comply with its requirements issued from time to time.

		Note	2012 Rupees	2011 Rupees
7	**BALANCES WITH OTHER BANKS**			
	In Pakistan			
	On current accounts – local currency		**4,448,072**	16,483,175
	On deposit accounts –			
	– Local currency	7.1	**331,870,835**	51,399,790
	– Foreign currency	7.2	**29,778,548**	28,506,222
			366,097,455	96,389,187

7.1 These deposit accounts carry interest rate ranging from 5.00% to 9.5% per annum (2011: 5.00% per annum).

7.2 These deposit accounts carry interest rate of 0.25% per annum (2011: 0.25% per annum).

		Note	2012 Rupees	2011 Rupees
8	**NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE**			
	Balance as at January 01		**175,000,000**	-
	Cost of investment reclassified from investments		**-**	225,000,000
	Fair value adjustment during the year		**(60,000,000)**	-
	Less: Amounts received till December 31		**(40,000,000)**	(50,000,000)
	Balance as at December 31		**75,000,000**	175,000,000
	Less: Impairment on asset classified as held for sale at its fair value	8.1	**(28,910,341)**	(104,211,199)
			46,089,659	70,788,801

	Note	2012 Rupees	2011 Rupees
8.1 Particulars of impairment on assets classified as held for sale at its fair value			
Balance as at January 01		**104,211,199**	-
Impairment loss on asset classified as held for sale at its fair value		**-**	104,211,199
Reversal of Impairment on asset classified as held for sale at its fair value		**(75,300,858)**	-
Balance as at December 31		**28,910,341**	104,211,199
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.1	**200,000,000**	171,111,111
Repurchase agreements lendings (reverse repo)	9.2	**50,000,000**	-
		250,000,000	171,111,111

9.1 This includes clean placements and term deposit receipts. These carry markup rate 10.30% per annum (2011: 11.00% to 12.97% per annum) maturing on January 2013 (2011: January 2012 to April 2012).

9.2 These are secured against Pakistan Investment Bonds (PIBs). The difference between the contracted purchase price and the re-sale price is recognized as income over the period of the contract. These carry mark up rate of 10.00% per annum having maturity within 2 days.

	2012 Rupees	2011 Rupees
9.3 Particulars of lendings		
In local currency	**250,000,000**	171,111,111
In foreign currencies	**-**	-
	250,000,000	171,111,111

9.4 Securities held as collateral against lendings to financial institutions

	Note	2012			2011		
		Held by the Company Rupees	**Further given as collateral Rupees**	**Total Rupees**	Held by the Company Rupees	Further given as collateral Rupees	Total Rupees
Pakistan Investment Bonds	9.4.1	50,000,000	-	50,000,000	-	-	-
		50,000,000	-	50,000,000	-	-	-

9.4.1 These represent the securities obtained under reverse repo transactions that have been used to raise finance under repo transaction.

10 INVESTMENTS

10.1 Investment by types:

	Note	2012			2011		
		Held by the Company Rupees	**Given as collateral Rupees**	**Total Rupees**	Held by the Company Rupees	Given as collateral Rupees	Total Rupees
Held-For-Trading securities (HFT)							
Quoted shares		-	-	-	-	-	-
Available-For-Sale securities (AFS)							
Quoted shares		967,553,496	-	967,553,496	2,259,831,087	-	2,259,831,087
Un-quoted shares		479,833,048	-	479,833,048	579,833,048	-	579,833,048
Market Treasury Bills		576,777,088	2,257,107,700	2,833,884,788	278,653,500	645,925,200	924,578,700
Pakistan Investment Bonds (PIBs)		-	245,206,600	245,206,600	-	195,241,900	195,241,900
Term Finance Certificates (TFCs)		250,181,356	-	250,181,356	57,257,340	-	57,257,340
Mutual Funds		50,000,000	-	50,000,000	150,000,000	-	150,000,000
Other-Islamabad Stock Exchange ("ISE" Membership)	10.2	2,500,000	-	2,500,000	-	-	-
Sub-total for AFS securities		2,326,844,988	2,502,314,300	4,829,159,288	3,325,574,975	841,167,100	4,166,742,075
Held-To-Maturity securities (HTM)							
Pakistan Investment Bonds (PIBs)	10.3	202,922,009	-	202,922,009	517,393,918	-	517,393,918
Term Finance Certificates (TFCs)		1,599,088,365	-	1,599,088,365	1,867,282,191	-	1,867,282,191
Sub-total for HTM securities		1,802,010,374	-	1,802,010,374	2,384,676,109	-	2,384,676,109
Subsidiaries							
Saudi Pak Leasing Company Limited							
– Investment in shares	10.4	243,467,574	-	243,467,574	243,467,574	-	243,467,574
– Subordinated loan	10.5	333,208,501	-	333,208,501	333,208,501	-	333,208,501
Saudi Pak Insurance Company Limited		-	-	-	225,000,000	-	225,000,000
Saudi Pak Real Estate Company Limited	10.6	500,000,000	-	500,000,000	500,000,000	-	500,000,000
		1,076,676,075	-	1,076,676,075	1,301,676,075	-	1,301,676,075
Less: Transferred to non-current asset classified as held for sale		-	-	-	(225,000,000)	-	(225,000,000)
Sub-total for subsidiaries		1,076,676,075	-	1,076,676,075	1,076,676,075	-	1,076,676,075
Investment at cost		5,205,531,437	2,502,314,300	7,707,845,737	6,786,927,159	841,167,100	7,628,094,259
Provision for diminution in value of investments	10.8	(1,552,778,949)	-	(1,552,778,949)	(2,332,736,612)	-	(2,332,736,612)
Investments (net of provisions)		3,652,752,488	2,502,314,300	6,155,066,788	4,454,190,547	841,167,100	5,295,357,647
Surplus / (deficit) on revaluation of AFS securities	19	341,825,897	-	341,825,897	64,300,152	-	64,300,152
		3,994,578,385	2,502,314,300	6,496,892,685	4,518,490,699	841,167,100	5,359,657,799

10.2 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (the Act), during the year the Company has received equity shares and one Trading Right Entitlement certificate in ISE in lieu of its membership card in that exchange.

Based on the revalued assets and liabilities of ISE, a total of 3,034,603 ordinary shares of Rs. 10 each in the corporatized and demutualized ISE have been allotted to the Company in a dematerialized form. Out of the aforementioned, 1,213,841 ordinary shares in ISE (i.e. 40 percent) have been received in the Company's CDC participant account whereas 1,820,762 ordinary shares in ISE (i.e. 60 percent) have been held in the blocked sub accounts maintained under ISE participant ID with Central Depository Company of Pakistan Limited. The rights attached to 60% shares held in blocked account shall be dealt with in accordance with the provisions contained in the Act. The blocked account shall be operated by the Board of Directors of the stock exchanges in the manner prescribed by the Securities and Exchange Commission of Pakistan.

Since the par value of shares received by the Company is more than the carrying value of membership card, investment in ISE is recognised to the extent of the carrying value of membership card and trading right in ISE is recognised at Nil value.

10.3 This includes premium of Rs. 2.922 million (2011: Rs. 17.394 million) on purchase of PIB's. The premium is being amortized over the years having maturity on April 2014. Investment in PIB's carry coupon interest rates of 8% per annum (2011: 8% to 11% per annum).

10.4 This represents the cost of acquisition of 35.06% (2011: 35.06%) shares in the paid up capital of Saudi Pak Leasing Company Limited. The management considers this investment to be a strategic investment. Market value of shares at the year end amounted to Rs. 51.465 million (2011: Rs. 7.601 million).

10.5 To support Saudi Pak Leasing Company Limited (SPLC) in addressing its adverse financial position and minimum capital requirement; after approval of its Board of Directors, the Company has converted balance of clean placement amounting to Rs. 150 million and long term finance facilities amounting to Rs. 183.208 million to SPLC into an interest free subordinated loan with effect from 28 May 2009. However, due to conflicting regulations as applicable to NBFC's and DFI's relating to subordinated debt, the Board in its meeting held on January 12, 2011 decided to convert the same into preference shares. The SBP vide its letter no BPRD/BRD/SPIAICO/2012/7143 dated June 06, 2012 has granted extension for conversion of subordinated loan into equity till December 31, 2012.

10.6 This represents 50 million shares in Saudi Pak Real Estate Company Limited representing 100% of paid up capital of Saudi Pak Real Estate Company Limited having a break-up value of Rs. 11.82 (2011: Rs. 12.17) per share on the basis of last available unaudited financial statements.

	Note	2012 Rupees	2011 Rupees
10.7 Investment by segments			
Federal Government securities			
– Pakistan Investment Bonds (PIBs)	10.7.5	**448,128,609**	712,635,818
– Market Treasury Bills	10.7.5	**2,833,884,788**	924,578,700
		3,282,013,397	1,637,214,518
Fully paid up ordinary shares			
– Listed securities	10.7.1	**1,211,021,070**	2,503,298,661
– Unlisted securities	10.7.2	**979,833,048**	1,079,833,048
		2,190,854,118	3,583,131,709
Term Finance Certificates (TFCs)			
– Listed TFCs	10.7.3	**1,029,689,893**	1,058,603,877
– Unlisted TFCs	10.7.4	**819,579,828**	865,935,654
		1,849,269,721	1,924,539,531
Other investments			
Mutual Funds		**50,000,000**	150,000,000
Other - ISE Membership	10.7.6	**2,500,000**	-
Subordinated loan – Saudi Pak Leasing Company limited	10.2	**333,208,501**	333,208,501
		385,708,501	483,208,501
Total investment at cost		**7,707,845,737**	7,628,094,259
Less: Provision for diminution in value of investments		**(1,552,778,949)**	(2,332,736,612)
Investments (net of provisions)	10.8	**6,155,066,788**	5,295,357,647
Surplus / (deficit) on revaluation of Available-For-Sale securities (AFS)		**341,825,897**	64,300,152
		6,496,892,685	5,359,657,799

10.7.1 Investment in fully paid up ordinary shares-listed

2012 Number of ordinary shares	2011 Number of ordinary shares	Name of investee companies	2012 Rupees	2011 Rupees
4,070,051	1,017,317	Agritech Limited	**137,377,068**	20,249,363
-	1,210,550	Askari Bank Limited	-	19,993,839
-	1,017,500	Arif Habib Corporation Limited	-	60,968,470
-	6,000,000	Azgard Nine limited	-	108,725,040
-	6,247,948	Summit Bank Limited (Arif Habib Bank Limited)	-	45,348,645
-	384,913	Attock Cement Limited	-	25,283,071
-	825,000	Bank Islami Pakistan Limited	-	7,421,064
-	3,317,900	Bank Al-Falah Limited	-	52,729,924
-	1,066,648	Chenab Limited	-	9,397,766
1,229,275	2,127,695	Crescent Steel & Allied Products Limited	**39,388,341**	77,784,678
		Sub-Total carried forward	**176,765,409**	427,901,860

10.7.1 Investment in fully paid up ordinary shares-listed (continued)

2012	2011	Name of investee companies	2012	2011
Number of ordinary shares			Rupees	Rupees
		Sub-Total carried forward	**176,765,409**	427,901,860
-	5,700,524	Dewan Farooq Motors Limited	-	74,024,610
4,000,000	5,228,883	Dewan Salman Fiber Limited	**21,661,280**	28,316,074
-	3,199,957	Dewan Cement Limited	-	21,192,963
4,008,500	7,060,348	Fauji Cement Company Limited	**51,068,169**	89,948,621
500,000	470,000	Fauji Fertilizer Company Limited	**23,153,386**	32,646,276
1,500,000	1,700,000	Fauji Fertilizer Bin Qasim Limited	**43,130,940**	48,881,732
1,875,000	4,207,540	Fecto Cement Limited	**41,921,325**	94,072,347
11,572,199	11,572,199	Japan Power Generation Limited	**47,998,542**	49,999,503
-	1,361,990	Jahangir Siddiqui and Company Limited	-	41,508,061
450,000	500,000	Kott Addu Power Company Limited	**20,095,515**	22,328,350
1,500,000	10,000,487	Maple Leaf Cement Limited	**10,205,220**	68,038,113
-	200,000	Mari Gas Company Limited	-	21,356,550
1,000,000	1,250,000	National Bank of Pakistan Limited	**64,608,772**	88,837,060
1,000,000	1,000,000	Nishat Chunian Power Limited	**14,389,050**	14,389,050
1,265,000	1,500,000	Nishat Power Limited	**20,297,937**	24,068,697
2,000,000	9,861,622	NIB Bank Limited	**17,811,960**	87,827,408
60,000	100,000	Pakistan State Oil Company Limited	**15,207,798**	30,415,596
1,000,000	3,900,000	Pakistan Telecommunication Company Limited	**25,590,200**	99,801,780
343,750	275,000	Pakistan Petroleum Limited	**40,368,270**	40,368,270
2,000,000	4,591,000	Lafarge Pakistan Cement Limited	**8,362,500**	19,196,118
3,059,000	6,695,000	Pace Pakistan Limited	**39,341,309**	86,103,323
161,987	848,704	Packages Limited	**28,394,283**	148,767,134
420,000	1,288,126	Pak Reinsurance Limited	**15,764,775**	48,350,044
632,000	750,000	Pakistan Refinery Limited	**71,168,774**	84,456,615
993,623	993,623	Pak Elektron Limited	**20,000,000**	20,000,000
453,000	1,046,386	Pakistan National Shipping Corporation (PNSC)	**21,747,125**	50,233,748
15,835,403	15,835,403	Saudi Pak Leasing Company Limited	**243,467,573**	243,467,573
50,000	50,000	Security Papers Limited	**1,980,000**	1,980,000
190,300	647,398	Sitara Chemicals Industries Limited	**57,256,013**	194,784,174
-	1,596,000	Sui Northern Gas Company Limited	-	58,784,385
-	665,000	Samba Bank Limited	-	4,776,542
458,764	458,764	Samin Textiles Limited	**8,823,174**	8,823,174
95,000	76,000	Shell Pakistan Limited	**17,707,500**	17,707,500
-	5,135,000	Telecard Company Limited	-	39,377,644
6,185,000	10,213,350	World Call Telecom Limited	**42,734,271**	70,567,766
			1,211,021,070	2,503,298,661

10.7.2 Investment in fully paid up ordinary shares – unlisted

2012	2011	Name of investee companies	Note	2012	2011
Number of ordinary shares				Rupees	Rupees
571,000	571,000	Ali Paper Board Industries Limited		**5,710,000**	5,710,000
1,000,000	1,000,000	Saudi Pak Kalabagh Livestock Company Limited		**10,000,000**	10,000,000
650,000	650,000	Bela Chemical Industries Limited		**6,500,000**	6,500,000
400,000	400,000	Fruit Sap Limited		**4,000,000**	4,000,000
630,000	630,000	Equity International (Pvt) Limited	**10.7.2.1**	**6,000,000**	6,000,000
1,125,000	1,125,000	Taurus Securities Limited		**11,250,000**	11,250,000
500,000	500,000	Highnoon Textiles Limited		**5,000,000**	5,000,000
1,500,000	1,500,000	Wah Nobel Acetates Limited		**15,000,000**	15,000,000
5,000,000	5,000,000	Pakistan Textile City Limited		**50,000,000**	50,000,000
5,000,000	5,000,000	Alhamra Hills Private Limited		**50,000,000**	50,000,000
-	5,714,285	Vision Network Television		**-**	100,000,000
4,000,000	4,000,000	Pak Kuwait Takaful Company	**10.7.2.1**	**40,000,000**	40,000,000
5,000,000	5,000,000	Al Hamra Avenue Private Limited		**50,000,000**	50,000,000
16,875,000	16,875,000	Pace Barka Properties Limited		**168,750,000**	168,750,000
3,762,304	3,762,304	Innovative Investment Bank Limited		**37,623,048**	37,623,048
2,000,000	2,000,000	Trust Investment Bank Limited		**20,000,000**	20,000,000
50,000,000	50,000,000	Saudi Pak Real Estate Limited		**500,000,000**	500,000,000
				979,833,048	1,079,833,048

10.7.2.1 Details of investment in unlisted companies having 10% and more of paid-up capital of investee company are as follows:

Name of the Company	Name of the Chief Executive	As per Accounts	% age Held	breakup Value of Investment	Total Rupees
Pak Kuwait Takaful Company	Mr. Imtiaz Bhatti	30-Jun-12	10.00	13.04	40,000,000
Equity International (Pvt) Limited*	Mr. Robert Micheal	30-Jun-11	20.00	1.32	6,000,000

*This does not include value of bonus shares amounting to Rs. 300,000

10.7.3 Investment in term finance certificates – listed

2012	2011	Name of investee companies	Original face Value (Rs.)	2012	2011
Number of ordinary shares				Rupees	Rupees
59,839	89,839	Allied Bank Limited	5,000	**298,685,966**	448,835,644
44,419	30,000	Azgard Nine Limited	5,000	**136,614,140**	124,898,600
6,313	6,313	Askari Bank Limited	4,989	**31,470,305**	31,482,931
-	16,159	Bank Alfalah Limited	-	**-**	53,720,915
48,780	39,780	Engro Corporation Pakistan Limited	4,957	**241,785,560**	198,900,000
5,000	7,000	Jahangir Siddiqui and Company Limited	5,000	**24,937,525**	17,468,500
31,125	31,125	Maple Leaf Cement (Sukuk) Limited	5,000	**145,931,250**	149,745,000
2,000	2,000	Trust Investment Bank Limited	5,000	**3,748,500**	4,998,000
10,000	10,000	World Call Telecom Limited	5,000	**21,415,716**	28,554,287
15,000	-	World Call Telecom Limited	2,150	**22,486,485**	-
10,000	-	Pakistan Mobile Communications Limited	5,000	**49,330,000**	-
250	-	Pakistan Mobile Communications Limited	100,000	**23,823,125**	-
6,000	-	Summit Bank Limited	5,000	**29,461,321**	-
				1,029,689,893	1,058,603,877

10.7.3.1 These carry rate of return ranging from 11.38% to 13.58% per annum (2011: 13.11% to 15% per annum) and having maturity upto 8 years.

10.7.4 Investment in Term Finance Certificates – unlisted

2012 Number of certificates	2011 Number of certificates	Company's name	Name of Chief Executive	Value per certificate (Rupees)	2012 Rupees	2011 Rupees
40,000	40,000	Avari Hotels Limited	Mr. Byram D. Avari	5,000	**169,829,200**	169,829,200
18,000	18,000	Amtex Limited (Sukuk)	Mr. Khurram Iftikhar	5,000	**67,500,000**	67,500,000
10,000	10,000	B.R.R Guardian Modaraba	Mr. Ayaz Dawood	5,000	**47,343,750**	49,218,750
5,000	5,000	Gharibwal Cement Limited	Mr. Muhammad Tausif Paracha	5,000	**24,355,500**	24,355,500
10,000	10,000	JDW Sugar Mills Limited	Mr. Jahangir Tareen	5,000	**16,666,670**	27,777,780
10,000	10,000	Martin Dow Pharmaceuticals	Mr. Jawed Akhai	5,000	**26,680,000**	33,120,000
10,000	10,000	Faysal Bank Limited(RBS)	Mr. Naveed A. Khan	5,000	**12,470,000**	24,950,000
57,263	57,263	Agritech Limited	Mr. Ahmed Jaudet Bilal	5,000	**286,283,751**	286,286,697
7,045	11,273	Sitara Energy (Sukuk)	Mr. Javed Iqbal	5,000	**35,227,272**	42,272,727
30,000	30,000	Sitara Peroxide Limited	Mr. Imran Ghafoor	5,000	**133,223,685**	140,625,000
					819,579,828	865,935,654

10.7.4.1 These carry rate of return ranging from 8.98% to 13.74% (2011: 12.12% to 15.67%) per annum and having maturity of upto 7 years.

10.7.5 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Rate	Coupon payment
Pakistan Investment Bonds	April 2014 to August 2016	On maturity	8% to 11.50%	Semi-annually
Market Treasury Bills	January 2013 to November 2013	On maturity	9.09% to 11.89%	On maturity

10.7.6 Investments in mutual funds

Name of investee	2012 Number of ordinary shares	2011 Number of ordinary shares	Note	2012 Rupees	2011 Rupees
NAFA – Financial Sector Income Fund	-	9,939,784		-	100,000,000
Pak Oman Advantage Fund	**5,000,000**	5,000,000		**50,000,000**	50,000,000
				50,000,000	150,000,000

10.8 Provision for diminution in value of investments

	Note	2012 Rupees	2011 Rupees
Opening balance		**2,332,736,612**	1,476,452,904
Charge for the year		**274,915,839**	985,646,529
Reversals for the year		**(113,383,687)**	-
Reversals (related to quoted AFS securities)		**(941,489,815)**	(129,362,821)
Written off		-	-
Closing balance	10.8.1	**1,552,778,949**	2,332,736,612

		2012 Rupees	2011 Rupees
10.8.1	**Particulars of provision in respect of type and segments**		
	Available-For-Sale (AFS) securities		
	Impairment on quoted securities	**530,275,991**	1,381,478,562
	Un-quoted securities	**246,170,491**	340,360,444
	Term Finance Certificates (TFCs)	**34,250,291**	-
	Held-To-Maturity (HTM) securities		
	Term Finance Certificates (TFCs)	**165,406,101**	34,221,531
	Subsidiary		
	Saudipak Leasing Company Limited – Listed	**576,676,075**	576,676,075
		1,552,778,949	2,332,736,612

10.9 Quality of available for sale securities

(a) Quoted Securities

	2012		2011	
	Rating	Market value Rupees	Rating	Market value Rupees
Companies				
Askari Bank Limited	-	-	AA/A1+	10.03
Agritech Limited	**D**	**11.67**	D	15.36
Summit Bank Limited (Formerly Arif Habib Bank Limited)	-	-	A/A-2	1.72
Attock Cement Limited	-	-	unrated	51.00
Azgard Nine Limited	-	-	D	2.85
Arif Habib Corporation Limited	-	-	unrated	25.91
Bank Alfalah Limited	-	-	AA/A-1+	11.25
Bank Islami Pakistan Limited	-	-	A/A1	3.10
Chenab Limited	-	-	unrated	1.01
Crescent Steel and Allied Limited	**unrated**	**35.15**	unrated	18.15
Dewan Cement Limited	-	-	Withdrawn	1.25
Dewan Farooq Motors Limited	-	-	unrated	1.61
Dewan Salman Fiber Limited	**unrated**	**2.40**	unrated	1.21
Fauji Cement Company Limited	**unrated**	**6.54**	unrated	3.30
Fecto Cement Limited	**unrated**	**34.63**	unrated	3.90
Fauji Fertilizer Bin Qasim Limited	**unrated**	**38.59**	unrated	42.43
Fauji Fertilizer Company Limited	**unrated**	**117.14**	unrated	149.54
Jahangir Siddique and Company Limited	-	-	AA/A1+	4.03
Japan Power Generation Limited	**unrated**	**1.68**	unrated	0.65
Kot Addu Power Company Limited	**AA+/A-1+**	**49.39**	AA+/A-1+	41.32
Maple Leaf Cement Limited	**D**	**14.57**	D	1.85
Mari Gas Company Limited	-	-	unrated	81.00
National Bank of Pakistan Limited	**AAA/A1+**	**49.39**	AAA/A1+	41.05
Nishat Power Limited	**A+/A1**	**19.50**	AA-/A1+	12.95
Nishat Chunian Power Limited	**A/A-2**	**21.01**	AA-/A1+	12.75
NIB Bank Limited	**AA-/A1+**	**2.63**	AA-/A1+	1.73
Pakistan Telecommunication Company Limited	**unrated**	**17.35**	unrated	10.39
Pakistan Petroleum Limited	**unrated**	**176.79**	unrated	168.32
Pakistan State Oil Company Limited	**AA+/A1+**	**232.21**	AA+/A1+	227.21
Lafarge Pakistan Cement Limited	**unrated**	**5.07**	unrated	1.88
Pace Pakistan Limited	**Withdrawn**	**2.99**	D	1.30

(a) **Quoted Securities (continued)**

	2012		2011	
	Rating	Market value Rupees	Rating	Market value Rupees
Packages Limited	**AA/A1+**	**151.16**	AA/A1+	82.72
Pak Reinsurance Limited	**AA**	**24.45**	AA	15.50
Pak Refinery Limited	**unrated**	**69.30**	unrated	67.71
Pak Elektron limited	**Withdrawn**	**10.76**	A-/A2	3.49
PNSC	**AA-/A1+**	**34.82**	AA-/A1+	12.71
Sitara Chemicals Industries Limited	**A+/A1**	**179.00**	A+/A1	72.20
Sui Northern Gas Company Limited	**-**	**-**	AA/A1+	15.71
Security Papers Limited	**AAA/A1+**	**51.32**	AAA/A1+	35.40
Samba Bank Limited	**-**	**-**	A+/A1	1.45
Samin Textile Limited	**unrated**	**6.70**	unrated	4.05
Saudi Pak Leasing Company Limited	**unrated**	**3.25**	unrated	0.48
Shell Pakistan Limited	**unrated**	**136.19**	unrated	190.28
Telecard Company Limited	**-**	**-**	D	0.80
World Call Telecom Limited	**D**	**2.53**	BBB-/A3	1.00

(b) **Mutual Funds**

	2012		2011	
	Rating	Market value Rupees	Rating	Market value Rupees
Companies				
NAFA - Financial Sector Income Fund	**-**	**-**	AM 2-	10.21
Pak Oman Advantage Fund	**AM3**	**10.93**	3-Star	10.85

11 ADVANCES

	Note	2012 Rupees	2011 Rupees
– In Pakistan		**7,092,317,868**	7,358,988,556
– Outside Pakistan		**-**	-
		7,092,317,868	7,358,988,556
Net investment in finance lease			
– In Pakistan	11.2.1	**210,392,271**	255,131,202
– Outside Pakistan		**-**	-
		210,392,271	255,131,202
Bills discounted and purchased		**-**	-
Advances – gross	11.1	**7,302,710,139**	7,614,119,758
Provision for non-performing advances	11.1.6	**(2,195,374,997)**	(2,206,262,869)
Provision for non-performing lease finance	11.2.3	**(145,670,449)**	(172,356,548)
Advances – net of provision		**4,961,664,693**	5,235,500,341

11.1 Particulars of advances - gross

		Note	2012	2011
11.1.1	– In local currency		**7,265,482,351**	7,576,891,970
	– In foreign currencies		**37,227,788**	37,227,788
			7,302,710,139	7,614,119,758
11.1.2	Long term advances (for over one year)	11.1.3	**6,199,470,004**	6,752,004,926
	Short term advances (for upto one year)	11.1.4	**1,083,604,881**	849,103,139
	Staff advances		**19,635,254**	13,011,693
			7,302,710,139	7,614,119,758

11.1.3 These advances are secured by charges created over assets of the beneficiary companies and carry mark-up rates ranging from 7.00% to 17.88% per annum (2011: 7.00% to 17.88% per annum).

11.1.4 These are maturing within next twelve months and carry mark-up rates ranging from 11.36% to 17.88% per annum (2011: 14.00% to 18.18% per annum). These are secured by pledge of quoted shares, stocks and charge on receivable etc.

11.1.5 Advances include Rs. 2,714.438 million (2011: Rs. 2,898.737 million) which have been placed under non-performing status as detailed below:-

Category of classification	**2012** **Classified advances Rupees**	**Provision required Rupees**	**Provision held Rupees**
Substandard	**94,130,000**	**-**	**-**
Doubtful	**260,381,110**	**110,192,433**	**110,192,433**
Loss	**2,359,927,096**	**2,085,182,564**	**2,085,182,564**
	2,714,438,206	**2,195,374,997**	**2,195,374,997**

Category of classification	2011 Classified advances Rupees	Provision required Rupees	Provision held Rupees
Substandard	175,529,000	55,000,000	55,000,000
Doubtful	119,325,341	41,805,528	41,805,528
Loss	2,603,882,693	2,109,457,341	2,109,457,341
	2,898,737,034	2,206,262,869	2,206,262,869

11.1.6 Particulars of provisions against non-performing advances

	2012 Rupees Specific	2011 Rupees Specific
Opening balance	**2,206,262,869**	1,856,689,961
Charge for the year	**272,809,809**	564,308,280
Amounts written off	**(115,161,874)**	-
Reversals	**(168,535,807)**	(214,735,372)
Closing balance	**2,195,374,997**	2,206,262,869

11.1.6.1 Amendments in Prudential Regulations in respect of provisioning against non-performing advances

The State Bank of Pakistan amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing further benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against non–performing advances. The FSV benefit recognised in these unconsolidated financial statements is not available for payment of cash or stock dividend. As on December 31, 2012, total FSV benefit availed by the Company stands at Rs. 357.981 million (2011: Rs. 406.743 million).Had the FSV benefit not recognised, profit before and after tax for the year would have been lower by Rs. 357.981 million and Rs.232.687 million respectively. Reserves to this extent are not available for distribution by way of cash or stock dividend.

		2012 Rupees	2011 Rupees
11.1.7	**Particulars of write offs:**		
	Against provisions	**115,161,874**	-
	Directly charged to the unconsolidated profit and loss account	**-**	-
		115,161,874	-
11.1.8	**Particulars of amounts written off against provisions**		
	Write offs of Rs. 500,000 and above	**115,161,874**	-
	Write offs of below Rs. 500,000	**-**	-
		115,161,874	-

11.1.9 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2012 is given at Annexure - 1.

		Note	2012 Rupees	2011 Rupees
11.2	**Net investment in finance lease**			
	Minimum lease payments receivables		**296,575,498**	358,861,837
	Less: Unearned finance income		**(86,183,227)**	(103,730,635)
	Present value of minimum lease payments	**11.2.1**	**210,392,271**	255,131,202
	Less: Provision for potential lease losses	**11.2.2**	**(145,670,449)**	(172,356,548)
	Net investment in lease		**64,721,822**	82,774,654

11.2.1 Net investment in finance lease

	2012		
	Less than one year Rupees	**One year to five year Rupees**	**Total Rupees**
Lease rental receivable	**164,410,317**	**132,165,181**	**296,575,498**
Less: Unearned finance income	**78,715,361**	**7,467,866**	**86,183,227**
Present value of minimum lease payments	**85,694,956**	**124,697,315**	**210,392,271**

	2011		
	Less than one year Rupees	One year to five year Rupees	Total Rupees
Lease rental receivable	267,344,677	91,517,160	358,861,837
Less: Unearned finance income	83,964,959	19,765,676	103,730,635
Present value of minimum lease payments	183,379,718	71,751,484	255,131,202

11.2.2 Investment in lease finance includes Rs. 157.285 million (2011: Rs. 186.679 million) which has been placed under non-performing status as detailed below:-

	2012		
Category of classification	**Classified advance Rupees**	**Specific provision required Rupees**	**Specific provision held Rupees**
Substandard	-	-	-
Doubtful	**23,228,752**	**11,614,376**	**11,614,376**
Loss	**134,056,073**	**134,056,073**	**134,056,073**
	157,284,825	**145,670,449**	**145,670,449**

	2011		
	Classified advance Rupees	Specific provision required Rupees	Specific provision held Rupees
Substandard	28,645,418	14,322,709	14,322,709
Doubtful	-	-	-
Loss	158,033,839	158,033,839	158,033,839
	186,679,257	172,356,548	172,356,548

		Note	2012 Rupees Specific	2011 Rupees Specific
11.2.3	**Particulars of provisions against non-performing lease finance**			
	Opening balance		**172,356,548**	174,984,715
	Charge for the year		**-**	7,161,354
	Amounts written off		**-**	-
	Reversals		**(26,686,099)**	(9,789,521)
	Closing balance		**145,670,449**	172,356,548
11.2.4	**Particulars of amounts written off against provisions**			
				-
	Write offs of Rs. 500,000 and above		**-**	-
	Write offs of below Rs. 500,000		**-**	-
			-	
11.3	Particulars of loans and advances to directors and associated companies etc.			
	Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons		**19,635,254**	13,011,693
	Debts due by companies or firms in which the directors of the Company are interested as directors, partners		**-**	-
	Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		**-**	-
11.3.1	**Opening balance**		**13,011,693**	13,625,441
	Loans granted during the year		**19,656,435**	7,976,499
	Repayments during the year		**(13,032,874)**	(8,590,247)
	Closing balance		**19,635,254**	13,011,693
12	**OPERATING FIXED ASSETS**			
	Capital work-in-progress		**-**	-
	Property and equipment	**12.1**	**2,382,378,987**	2,078,316,564
	Intangible assets	**12.2**	**1,366,369**	4,273,260
			2,383,745,356	2,082,589,824

12.1 Property and equipment

	2012												
	COST/REVALUATION							DEPRECIATION					
	Opening balance Rupees	Additions Rupees	Revaluation surplus/ (deficit) Rupees	Adjustment for revaluation Rupees	Disposals Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Adjustment for revaluation Rupees	Disposals Rupees	Closing balance Rupees	Net Book value Rupees
Freehold land	8,088,120	-	-	-	-	8,088,120	-	-	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,018,225,001	-	309,028,450	78,759,701	-	1,248,493,750	1.19	66,642,824	12,116,877	78,759,701	-	-	1,248,493,750
Building - Islamabad	1,311,732,487	7,752,795	(266,145,530)	340,030,716	-	713,309,036	4	287,561,424	52,469,292	340,030,716	-	-	713,309,036
Building	22,019,252	-	3,680,738	5,724,990	-	19,975,000	4	4,844,222	880,768	5,724,990	-	-	19,975,000
Building - Islamabad- ISE towers	2,200,000	2,800,000	20,546,170	46,170		25,500,000	1.14	10,450	35,720	46,170		-	25,500,000
Heating and air-conditioning	89,347,179	-	121,678,303	85,363,391	-	125,662,091	15	72,201,647	13,402,042	85,363,391	-	240,298	125,421,793
Elevators	43,664,310	370,500	60,508,608	40,707,642	-	63,835,776	15	34,158,002	6,549,640	40,707,642	-	-	63,835,776
Electrical fittings	74,371,533	-	110,352,698	65,141,902	-	119,582,329	15	54,285,463	11,155,689	65,141,902	-	299,250	119,283,079
Fire fighting equipment	2,230,064	642,045	3,208,262	2,142,780	-	3,937,591	15	1,782,081	360,699	2,142,780	-	-	3,937,591
Leasehold improvement	6,302,839	-	-	-	-	6,302,839	15	2,239,702	945,422	-	-	3,185,124	3,117,715
Motor vehicles	37,034,884	22,713,286	-	-	10,278,543	49,469,627	20	25,537,185	5,092,297	-	10,038,321	20,591,161	28,878,466
Furniture, fixture and fittings	13,681,756	1,343,595	-	-	119,242	14,906,109	20	13,242,660	284,716	-	119,235	13,408,141	1,497,968
Office equipment	35,733,388	3,172,892	-	-	3,880,205	35,026,075	33.33	32,862,961	2,136,379	-	3,876,367	31,122,973	3,903,102
Telephone installation	2,400,438	44,000	1,380,396	2,006,118	-	1,818,716	15	1,945,168	328,072	2,006,118	-	267,122	1,551,594
Electrical appliances	2,052,702	1,174,283	-	-	9,900	3,217,085	15	1,113,634	277,171	-	9,405	1,381,400	1,835,685
Loose tools	1,170,325	-	-	-	-	1,170,325	15	454,060	143,250	-	-	597,310	573,015
Miscellaneous	843,569	-	-	-	-	843,569	15	786,442	17,895	-	-	804,337	39,232
Security systems	12,785,213	72,000	8,098,979	7,818,127	-	13,138,065	15	5,898,571	1,919,556	7,818,127	-	-	13,138,065
	2,683,883,060	40,085,396	372,337,074	627,741,537	14,287,890	2,454,276,103		605,566,496	108,115,485	627,741,537	14,043,328	71,897,116	2,382,378,987

12.2 Intangible assets

	2012												
	COST/REVALUATION							AMORTIZATION					
	Opening balance Rupees	Additions Rupees	Revaluation surplus/ (deficit) Rupees	Adjustment for revaluation Rupees	Disposals Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Adjustment for revaluation Rupees	Disposals Rupees	Closing balance Rupees	Net Book value Rupees
Software and others	12,788,014	673,160	-	-	2,500,000	10,961,174	33.33	8,514,754	1,080,051	-	-	9,594,805	1,366,369

12.1 Property and equipment (continued)

	2011									
	COST/REVALUATION					DEPRECIATION				
	Opening balance Rupees	Additions Rupees	Disposals Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Disposals Rupees	Closing balance Rupees	**Net Book value Rupees**
Freehold land	8,088,120	-	-	8,088,120	-	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,018,225,001	-	-	1,018,225,001	1.19	54,525,947	12,116,877	-	66,642,824	951,582,177
Building - Islamabad	1,311,700,357	32,130	-	1,311,732,487	4	235,092,454	52,468,970	-	287,561,424	1,024,171,063
Building	22,019,252	-	-	22,019,252	4	3,963,454	880,768	-	4,844,222	17,175,030
Building - Islamabad- ISE towers	-	2,200,000	-	2,200,000	1.14	-	10,450	-	10,450	2,189,550
Heating and air-conditioning	89,347,179	-	-	89,347,179	15	58,799,605	13,402,042	-	72,201,647	17,145,532
Elevators	41,000,000	2,664,310	-	43,664,310	15	27,674,970	6,483,032	-	34,158,002	9,506,308
Electrical fittings	74,371,533	-	-	74,371,533	15	43,129,774	11,155,689	-	54,285,463	20,086,070
Fire fighting equipment	2,310,536	-	80,472	2,230,064	15	1,501,924	344,529	64,372	1,782,081	447,983
Leasehold improvement	6,273,168	160,256	130,585	6,302,839	15	1,337,197	957,736	55,231	2,239,702	4,063,137
Motor vehicles	35,889,296	7,620,895	6,475,307	37,034,884	20	26,339,542	5,214,836	6,017,193	25,537,185	11,497,699
Furniture, fixture and fittings	13,835,686	173,500	327,430	13,681,756	20	13,135,138	434,865	327,343	13,242,660	439,096
Office equipment	35,865,353	1,591,267	1,723,232	35,733,388	33.33	29,642,520	4,808,230	1,587,789	32,862,961	2,870,427
Telephone installation	2,334,911	65,527	-	2,400,438	15	1,631,076	314,092	-	1,945,168	455,270
Electrical appliances	1,988,702	64,000	-	2,052,702	15	880,508	233,126	-	1,113,634	939,068
Loose tools	1,170,325	-	-	1,170,325	15	309,536	144,524	-	454,060	716,265
Miscellaneous	1,063,393	17,980	237,804	843,569	15	1,007,295	16,948	237,801	786,442	57,127
Security systems	10,984,666	1,800,547	-	12,785,213	15	4,126,763	1,771,808	-	5,898,571	6,886,642
	2,676,467,478	16,390,412	8,974,830	2,683,883,060		503,097,703	110,758,522	8,289,729	605,566,496	2,078,316,564

12.2 Intangible assets (continued)

	2011									
	COST/REVALUATION					DEPRECIATION				
	Opening balance Rupees	Additions Rupees	Disposals Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Disposals Rupees	Closing balance Rupees	Net Book value Rupees
Software and others	9,811,014	2,977,000	-	12,788,014	33.33	6,510,254	2,004,500	-	8,514,754	4,273,260

12.3 Details of disposal of operating fixed assets

Particulars of assets	Cost revaluation Rupees	Accumulated Depreciation Rupees	Book value Rupees	Surplus Rupees	Sale proceeds Rupees	Gain Rupees	Mode of disposal	Particulars of buyer
Toyota Corolla GLI 1300 (LB-620)	1,001,429	1,001,428	1	-	1	-	Company Policy	Muhammad Anwar
Dell Laptop E-6400	135,395	131,620	3,775	-	3,776	1	Company Policy	Muhammad Anwar
Intimus Shredder Machine	14,375	14,374	1	-	2,000	1,999	Auction	Mr. Anwar/Mr. Irfan
Finger Scan V-20 (2 No.) with convertor & software data	180,952	180,950	2	-	6,000	5,998	Auction	Mr. Anwar/Mr. Irfan
UPS APC 600 VA	15,569	15,568	1	-	1,500	1,499	Auction	Mr. Anwar/Mr. Irfan
Compaq Deskpro EN	68,118	68,117	1	-	4,000	3,999	Auction	Mr. Anwar/Mr. Irfan
Dell Optiplex GX- 240 SD (7 No.)	482,958	482,951	7	-	28,000	27,993	Auction	Mr. Anwar/Mr. Irfan
HP Laser Jet 400 N Printer	77,882	77,881	1	-	4,000	3,999	Auction	Mr. Anwar/Mr. Irfan
Stavol 1000 VA Stabilizer (2 No.)	18,156	18,154	2	-	2,000	1,998	Auction	Mr. Anwar/Mr. Irfan
Stavol 1500 VA Stabilizer (2 No)	15,000	14,998	2	-	2,000	1,998	Auction	Mr. Anwar/Mr. Irfan
Stavol 5000 VA Stabilizer	46,000	45,999	1	-	2,500	2,499	Auction	Mr. Anwar/Mr. Irfan
Teletext Decorder Set	29,750	29,749	1	-	3,000	2,999	Auction	Mr. Anwar/Mr. Irfan
Digital Receiver Neosat 9600	5,100	5,099	1	-	500	499	Auction	Mr. Anwar/Mr. Irfan
VPN Router	188,000	187,999	1	-	21,000	20,999	Auction	Mr. Anwar/Mr. Irfan
UPS APC 600 VA	15,569	15,568	1	-	3,000	2,999	Auction	Mr. Anwar/Mr. Irfan
Carpet (3 pieces)	7,881	7,878	3	-	3,849	3,846	Company Policy	Company's Employees
Oil Painting (1 No.)	17,638	17,637	1	-	550	549	Company Policy	Company's Employees
Oil Painting (3 No.)	53,076	53,075	1	-	1,710	1,709	Company Policy	Company's Employees
Oil Painting (1 No.)	8,847	8,846	1	-	500	499	Company Policy	Company's Employees
Hand Dryer Machine	9,900	9,405	495	-	2,700	2,205	Insurance Claim	Insurance Claim (Saudi Pak Insurance)
Toyota Corolla 2d KG-642	1,314,780	1,314,779	1	-	967,786	967,785	Auction	Mr. Aurangzeb Khan
Motor Cycle Honda CD-70 KBA-9663	58,500	58,499	1	-	23,200	23,199	Auction	Mr. Gul Dad
Toyota Corolla GLI APH-456	1,006,500	1,006,499	1	-	1,035,000	1,034,999	Auction	Mr. Khair Mohammad
Toyota Corolla 2D ALP-823	1,279,000	1,278,999	1	-	802,000	801,999	Auction	Mr. Wasim Mirza
Mitsubishi Lancer Car MG-643	1,091,846	1,091,845	1	-	944,444	944,443	Auction	Mr. Jawad Tariq
Toyota Camry NB-353	2,882,528	2,642,314	240,214	-	3,200,000	2,959,786	Auction	Mr. Naveed Hashim
Suzuki Cultus LEC-07 9470	605,000	604,999	1	-	665,000	664,999	Auction	Naveed Brothers
Toyota Corolla MS-179	1,038,960	1,038,959	1	-	1,020,000	1,019,999	Auction	Muhammad Arif
Disposal of Assets Head office (IT Equipment)	2,267,137	2,267,100	37	-	33,600	33,563	Auction	Mr. Khalik Munir
Disposal of Assets Karachi office (IT Equipment)	96,857	96,855	2	-	16,150	16,148	Auction	Mr. Muhammad Babar
Disposal of Assets Lahore office (IT Equipment)	223,387	223,385	2	-	25,000	24,998	Auction	Mr. Ayaz Ul Hassan
Disposal of Assets Lahore office (Server Rack)	31,800	31,799	1	-	1,000	999	Auction	Mr. Ayaz Ul Hassan
	14,287,890	14,043,328	244,562	-	8,825,766	8,581,204		

		Note	2012 Rupees	2011 Rupees
12.4	**Depreciation for the year has been allocated as follows:**			
	Rental income	25.1	**99,321,146**	99,103,413
	Administrative expenses	26	**9,874,390**	13,659,609
			109,195,536	112,763,022
12.5	**The cost / revalued amount of fully depreciated assets that are still in use:**			
	Furniture, fixture and fittings, electrical fittings, office equipment and computer equipment		**49,761,222**	45,784,526
	Vehicles		**10,461,160**	10,504,422
	Loose tools		**215,330**	215,330
			60,437,712	56,504,278
12.6	**Had the revaluation not been carried out, the net book value of the revalued assets would have been as follows:**			
	Land		**779,557**	1,059,613
	Building and other assets		**25,106,081**	104,226,907
			25,885,638	105,286,520

12.7 The Company's leasehold land, buildings and certain other items of property and equipments were revalued by independent professional valuer M/s National Project Managers (Pvt) Limited in the month of December 2012 on the basis of their professional assessment of present market value. The revaluation has resulted in increasing the surplus on revaluation of fixed assets by Rs. 372,337,074 which has been incorporated in the books of accounts.

		Note	2012 Rupees	2011 Rupees
13	**OTHER ASSETS**			
	Accrued income and receivables	13.1	**219,054,017**	275,005,414
	Advances, deposits, prepayments and other receivables	13.2	**1,115,412,198**	1,031,264,251
			1,334,466,215	1,306,269,665
13.1	**Accrued income and receivables**			
	Dividend Income		**305,000**	-
	Accrued income from advances	13.1.1	**92,027,742**	151,263,528
	Accrued income from investments	13.1.3	**125,123,417**	122,353,833
	Accrued income from lendings to financial institutions		**295,890**	204,478
	Others		**4,421,206**	4,302,813
	Less: provision for doubtful income receivables	13.1.5	**(3,119,238)**	(3,119,238)
			1,301,968	1,183,575
			219,054,017	275,005,414
13.1.1	**Accrued income from advances**			
	Long term advances		**767,987,788**	859,518,857
	Short term advances		**174,934,257**	182,223,912
	Lease financing		**69,110,430**	70,503,510
	Others		**5,153,490**	5,666,254
			1,017,185,965	1,117,912,533
	Less: provision for doubtful accrued income from advances	13.1.2	**(925,158,223)**	(966,649,005)
			92,027,742	151,263,528

		Note	2012 Rupees	2011 Rupees
13.1.2	**Provision for doubtful accrued income from advances**			
	Opening balance		**966,649,005**	877,271,300
	Charge for the year		**105,139,894**	137,756,144
	Amounts written off		**(68,014,069)**	-
	Reversals		**(78,616,607)**	(48,378,439)
	Closing balance		**925,158,223**	966,649,005
13.1.3	**Accrued income from investments**			
	Government Securities		**73,340,140**	66,871,806
	Term Finance Certificates (TFCs)		**210,140,166**	169,687,266
	Commercial Papers		**-**	-
			283,480,306	236,559,072
	Less: provision for doubtful accrued income from investments	13.1.4	**(158,356,889)**	(114,205,239)
			125,123,417	122,353,833
13.1.4	**Provision for doubtful accrued income from investments**			
	Opening balance		**114,205,239**	60,324,156
	Charge for the year		**92,213,400**	70,285,442
	Reversals		**(48,061,750)**	(16,404,359)
	Closing balance		**158,356,889**	114,205,239
13.1.5	**Provision for doubtful income receivables**			
	Opening balance		**3,119,238**	3,119,238
	Charge for the year		**-**	-
	Closing balance		**3,119,238**	3,119,238
13.2	**Advances, deposits, prepayments and other receivables**			
	Advances to suppliers		**17,500,146**	4,293,072
	Security deposits		**6,588,245**	6,508,611
	Prepayments		**5,968,102**	4,805,094
	Receivable from stock brokers		**4,435,867**	3,910,643
	Advance tax		**816,715,763**	753,694,214
	Non banking assets acquired in satisfaction of claims	13.2.1	**413,102,345**	400,008,887
	Advance for purchase of shares		**256,792**	256,792
			1,264,567,260	1,173,477,313
	Less: provision for receivable from stock brokers		**(3,818,270)**	(3,818,270)
	Less: provision for advance for purchase of shares		**(256,792)**	(256,792)
	Less: provision for non banking assets acquired in satisfaction of claims		**(145,080,000)**	(138,138,000)
		13.2.2	**(149,155,062)**	(142,213,062)
			1,115,412,198	1,031,264,251

13.2.1 These represent the amount of assets acquired against settlement of advances from various customers. Valuation of these properties was conducted by M/s Harvester Services (Pvt.) Limited. Market value assessed amounts to Rs. 268.133 million. Provision has been created against the shortfall.

	Note	2012 Rupees	2011 Rupees
13.2.2 Provision against doubtful receivable balances			
Opening balance		**142,213,062**	256,792
Charge for the year		**6,942,000**	141,956,270
Closing balance		**149,155,062**	142,213,062
14 BORROWINGS			
In Pakistan		**5,925,528,990**	5,382,643,167
Outside Pakistan		**-**	-
		5,925,528,990	5,382,643,167
14.1 Particulars of borrowings with respect to currencies			
In local currency		**5,925,528,990**	5,382,643,167
In foreign currency		**-**	-
		5,925,528,990	5,382,643,167
Long term borrowings	**14.2**	**2,546,233,060**	2,899,875,667
Short term borrowings	**14.3**	**3,379,295,930**	2,482,767,500
		5,925,528,990	5,382,643,167
14.2 Long term borrowings			
Against book debts/receivables	**14.2.1**	**1,800,000,000**	1,966,666,667
Against SBP refinance schemes	**14.2.2**	**746,233,060**	933,209,000
		2,546,233,060	2,899,875,667

14.2.1 These represent facilities obtained against charge on book debts/receivables valuing Rs. 3,733 million (2011: Rs. 4,256 million). The mark up is charged at varying rates ranging from 9.91% to 11.05% per annum (2011: 12.54% to 14.11% per annum). These facilities will mature during June 2013 to September 2014 (2011: April 2012 to September 2014).

14.2.2 These represent facilities obtained against State Bank Refinance schemes (LT - EOP / LT - FF). The mark up is charged at rate of 5.00% to 10.10% per annum (2011: 5.00% to 10.10% per annum). These facilities will mature during January 2013 to November 2018 (2011: January 2012 to December 2020).

	Note	2012 Rupees	2011 Rupees
14.3 Short term borrowings			
Against book debts/receivables	**14.3.1**	**-**	350,000,000
Repurchase agreements under PIBs - repo	**14.3.2**	**250,000,000**	193,031,600
Repurchase agreements under Market Treasury Bills - repo	**14.3.3**	**2,309,295,930**	684,735,900
Clean / letter based financing	**14.3.4**	**20,000,000**	605,000,000
Morahaba finance	**14.3.5**	**800,000,000**	650,000,000
		3,379,295,930	2,482,767,500

14.3.1 These represent facilities obtained against charge on book debts / receivables valuing Rs. 1,076.923 million. The mark-up is charged at the rate of 12.60% per annum. These facilities were matured in January 2012.

14.3.2 These are secured against Pakistan Investment Bonds. These carry markup rate of 9.5% (2011: 11.90%) per annum and will mature in January 2013 (2011: January 2012).

14.3.3 These are secured against Treasury bills. These carry mark up rates ranging from 7.75% to 9.25% (2011: 11.90%) per annum and are maturing in January 2013 (2011: January 2012).

14.3.4 These represent overnight borrowing in local currency from various financial institutions. These carry interest rate of 9.1% (2011: 10.25% to 12.60%) per annum. This facility will be maturing in January 2013 (2011: January 2012 to March 2012).

14.3.5 These represent morahaba finance arranged from an Islamic Bank. These carry markup rates ranging from 9.76% to 9.86% (2011: 12.23% to 12.47%) per annum. These will be maturing from February 2013 to June 2013 (2011: January 2012 to June 2012).

		Note	2012 Rupees	2011 Rupees
14.4	**Details of borrowings secured/unsecured**			
	Secured			
	Borrowings from State Bank of Pakistan :			
	– Against SBP refinance schemes		**746,233,060**	933,209,000
	Repurchase agreement borrowings		**2,559,295,930**	877,767,500
	Against book debts/receivables		**1,800,000,000**	2,316,666,667
	Morahaba finance		**800,000,000**	650,000,000
			5,905,528,990	4,777,643,167
	Unsecured			
	Call borrowings		**20,000,000**	605,000,000
			5,925,528,990	5,382,643,167
15	**DEPOSITS AND OTHER ACCOUNTS**			
	Certificate of Investments (COIs)	**15.1**	**685,000,000**	759,500,000

15.1 These represent certificate of investments issued to various institutions. The mark up is charged at varying rates ranging from 9.50% to 12.00% per annum (2011: 12.15% to 13.80% per annum). These are repayable in period ranging from January 2013 to June 2013 (2011: January 2012 to December 2012).

		Note	2012 Rupees	2011 Rupees
16	**DEFERRED TAX LIABILITIES**			
	Deferred tax credits arising due to following taxable temporary differences:			
	Accelerated tax depreciation		**18,029,299**	3,972,837
	Surplus on revaluation of operating fixed assets	**20**	**780,109,376**	679,617,796
	Surplus / (deficit) on revaluation of securities	**19**	**119,639,064**	22,505,053
			917,777,739	706,095,686
	Deferred tax debits arising due to following deductible temporary differences:			
	Provision against employee benefits		**(12,082,978)**	(11,741,947)
	Net investment in leases		**(10,016,588)**	(25,122,254)
	Accumulated tax losses		**(484,569,518)**	(574,204,238)
			(506,669,084)	(611,068,439)
			411,108,655	95,027,247
	Valuation reserve against accumulated tax losses	**16.1**	**484,569,518**	574,204,238
			895,678,173	669,231,485

16.1 In view of the uncertainty about timings of taxable profits in the foreseeable future against which the tax losses can be utilized, the Company has not recognized deferred tax asset on accumulated tax losses and therefore, has created an equivalent amount of valuation reserve against it amounting to Rs. 484,569,518 (2011: Rs. 574,204,238).

16.2 Movement in temporary differences during the year:

Taxable temporary differences	Opening balance 2012 Rupees	Surplus on revaluation of fixed assets 2012 Rupees	Recognised in profit or loss 2012 Rupees	Recognised in equity 2012 Rupees	Closing balance 2012 Rupees
Accelerated tax depreciation	3,972,837	-	14,056,462	-	18,029,299
Surplus on revaluation of operating fixed assets	679,617,796	130,317,976	(29,826,396)	-	780,109,376
Surplus / (deficit) on revaluation of securities	22,505,053	-	-	97,134,011	119,639,064
Deductible temporary differences					
Provision against employee benefits	(11,741,947)	-	(341,031)	-	(12,082,978)
Net investment in leases	(25,122,254)	-	15,105,666	-	(10,016,588)
	669,231,485	130,317,976	(1,005,299)	97,134,011	895,678,173

Taxable temporary differences	Opening balance 2011 Rupees	Surplus on revaluation of fixed assets 2011 Rupees	Recognised in profit or loss 2011 Rupees	Recognised in equity 2011 Rupees	Closing balance 2011 Rupees
Accelerated tax depreciation	61,956,993	-	(57,984,156)	-	3,972,837
Surplus on revaluation of operating fixed assets	709,443,981	-	(29,826,185)	-	679,617,796
Surplus / (deficit) on revaluation of securities	(129,428,939)	-	-	151,933,992	22,505,053
Deductible temporary differences					
Provision against employee benefits	(11,366,080)	-	(375,867)	-	(11,741,947)
Net investment in leases	(43,674,526)	-	18,552,272	-	(25,122,254)
	586,931,429	-	(69,633,936)	151,933,992	669,231,485

	Note	2012 Rupees	2011 Rupees
17 OTHER LIABILITIES			
Mark-up/return/interest accrued on borrowings	17.1	47,890,857	81,359,326
Creditors, accrued and other liabilities	17.2	56,780,104	24,409,622
Deferred liabilities	17.3	86,388,337	56,341,526
		191,059,298	162,110,474
17.1 Mark-up/return/interest accrued on borrowings			
Long term borrowings		38,927,238	51,238,160
Short term borrowings		7,322,001	29,548,814
Securities purchased under Repurchase agreements - repo		1,641,618	572,352
		47,890,857	81,359,326
17.2 Creditors, accrued and other liabilities			
Directors' remuneration		2,916,294	3,807,374
Other payables		12,638,102	11,660,626
Payable on employees account		35,520	34,860
Corporate income tax payable		-	-
Accrued liabilities		41,190,188	8,906,762
		56,780,104	24,409,622

		Note	2012 Rupees	2011 Rupees
17.3	**Deferred liabilities**			
	Provision for staff gratuity	**34.1**	**29,741,965**	28,779,665
	Provision for compensated absences		**4,780,830**	4,768,756
	Advance rental income	**17.3.1**	**51,865,542**	22,793,105
			86,388,337	56,341,526

17.3.1 This represents rent received in advance for premises let out in the Saudi Pak Tower, Jinnah Avenue, Islamabad.

18 SHARE CAPITAL

	2012 Rupees	2011 Rupees
Authorized capital:		
600,000,000 ordinary shares of Rs. 10 each (2011: 600,000,000 ordinary shares of Rs. 10 each)	**6,000,000,000**	6,000,000,000
Issued, subscribed and paid up capital:		
400,000,000 ordinary shares of Rs. 10 each issued for cash (2011: 400,000,000 ordinary shares of Rs. 10 each issued for cash)	**4,000,000,000**	4,000,000,000
200,000,000 bonus shares of Rs. 10 each (2011: 200,000,000 bonus shares of Rs. 10 each)	**2,000,000,000**	2,000,000,000
	6,000,000,000	6,000,000,000

		Number of shares	
18.1	**Reconciliation of number of ordinary shares of Rs. 10 each**	**2012**	2011
	Opening balance	**600,000,000**	600,000,000
	Issued during the year	**-**	-
	Closing balance	**600,000,000**	600,000,000

18.2 Minimum Capital Requirement

During the year the Company appropriated its accumulated losses of Rs. 1,412.718 million through Reserve Fund in order to meet the Minimum Capital Requirement (MCR) of Rs. 6,000 million, net of losses, in accordance with State Bank of Pakistan's letter No. BSD/BAID/660/4767/2012 dated April 18, 2012.

		Note	2012 Rupees	2011 Rupees
19	**SURPLUS / (DEFICIT) ON REVALUATION OF AFS SECURITIES - NET OF TAX**			
	Quoted securities		**319,127,629**	58,648,350
	Government securities		**18,829,733**	(123,152)
	Term Finance Certificates (TFCs)		**(781,465)**	-
	Mutual fund units		**4,650,000**	5,774,954
		10.1	**341,825,897**	64,300,152
	Less: related deferred tax asset	**16**	**(119,639,064)**	(22,505,053)
			222,186,833	41,795,099

		Note	2012 Rupees	2011 Rupees
20	**SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX**			
	Movement in surplus on revaluation of operating fixed assets:			
	Opening balance		**1,941,591,296**	2,026,825,068
	Surplus on revaluation of fixed assets		**372,337,074**	-
	Surplus realized on disposal		**-**	(16,100)
	Transferred to unappropriated profit in respect of			
	– Incremental depreciation charged during the year		**(55,391,880)**	(55,391,487)
	– Deferred tax		**(29,826,396)**	(29,826,185)
			(85,218,276)	(85,217,672)
	Surplus on revaluation of operating fixed assets		**2,228,710,094**	1,941,591,296
	Related deferred tax liability		**(679,617,796)**	(709,443,981)
	Deferred tax recognized on surplus on revaluation of fixed assets		**(130,317,976)**	-
	Transferred to unconsolidated profit and loss account in respect of incremental depreciation		**29,826,396**	29,826,185
		16	**(780,109,376)**	(679,617,796)
	Closing balance		**1,448,600,718**	1,261,973,500
21	**CONTINGENCIES AND COMMITMENTS**			
21.1	**Direct credit substitutes**			
	Letter of comfort / guarantee		**207,385,000**	18,134,000
21.2	**Non disbursed commitment for term and working capital finance**		**1,016,363,000**	824,499,000
21.3	**Commitments in respect of purchase of forward exchange contracts** [USD 27.40 million]		**-**	2,463,933,000
21.4	**Commitments for the acquisition of operating fixed assets (intangibles assets)**		**31,550,741**	5,664,339
			1,255,298,741	3,312,230,339

21.5 Tax contingencies

(a) Assessment Orders Under Income Tax Ordinance, 2001

Tax year 2004, 2005 and 2006

Provision for Non-Performing Loans (NPLs) for tax years 2004, 2005 and 2006 were disallowed by the tax authorities and restricted the credit for tax paid/suffered during the relevant tax years. As a consequence of foregoing, cumulative income tax demand of Rs. 63.8 million was raised by the Income Tax Authorities. Although the said demands have been paid, these are being contested by the Company and related appeals are presently pending for adjudication before Appellate Tribunal Inland Revenue (ATIR). It is likely that the appeals will be decided in favour of the Company.

(b) Tax year 2008 and 2009

The Company's income tax liability after relief by Commissioner Inland Revenue (Appeals) is now Rs 231 million and Rs. 612 million for the tax year 2008 and 2009 respectively out of which the Company paid Rs. 425 million. Certain issues including disallowance of provision against NPLs and apportionment of expenses are being contested in appeals before ATIR, which are likely to be decided in Company's favor.

(c) Tax year 2010

The Company's income tax liability after relief by Commissioner Inland Revenue (Appeals) is now Rs 147 million out of which the Company paid Rs. 30 million. Certain issues including disallowance of provision against NPLs and apportionment of expenses are being contested in appeals before ATIR, which are likely to be decided in Company's favor.

21.6 Other contingencies

(a) Ceco Tyre Ltd (COS No.141/2009 of Rs. 202.00 million)

Saudi Pak had sanctioned a long term finance facility of Rs.30.00 million on 20.10.2008 in favor of Ceco Tyre Ltd which was not disbursed due to negative e-CIB reported by the Bank of Punjab (BOP).

Subsequently in the year 2009, Ceco Tyre Ltd filed the subject damages suit against the Company for allegedly suffering business losses due to non-disbursement of approved finance. On completion of evidence of both the parties, the matter will be fixed for final arguments of legal counsels before the Court. Saudi Pak is vehemently defending the suit as the Plaintiff had no cause of action against Saudi Pak. It is likely to be dismissed by the honorable Court after hearing final arguments.

(b) Ali Akbar Spinning Mills Limited (COS No.113/2009/10 of Rs.827.102 million)

Ali Akbar Spinning Mills Limited is a willful defaulter against whom a recovery suit for Rs.91.886 million has been filed by the Company in the High Court. Ali Akbar Spinning Mills Limited feeling aggrieved by the Company's action and to forestall and delay the payments, filed the titled frivolous suit for damages.

The Plaintiff had mainly alleged to have suffered business losses of Rs.827.102 million due to over-payments to and not allowing additional financing by the Company. The Company had made no such commitment.

The Company is vehemently contesting this frivolous suit and is likely to be dismissed.

		Note	2012 Rupees	2011 Rupees
22	**MARK-UP/RETURN/INTEREST EARNED**			
	On advances	22.1	**579,871,443**	786,205,566
	On investments	22.2	**466,756,394**	506,963,244
	On lendings to financial institutions		**30,411,683**	14,857,059
	On lease financing		**14,052,541**	15,968,247
	On profit and loss saving accounts		**3,757,467**	2,978,256
			1,094,849,528	1,326,972,372
22.1	**On advances**			
	Long term advances		**537,782,799**	714,438,423
	Short term advances		**41,627,529**	71,370,920
	Staff advances		**461,115**	396,223
			579,871,443	786,205,566
22.2	**On investments**			
	Term Finance Certificates		**192,595,345**	246,155,889
	Government securities		**274,161,049**	260,807,355
			466,756,394	506,963,244
23	**MARK-UP/RETURN/INTEREST EXPENSED**			
	Mark-up/return/interest expensed	23.1	**652,373,058**	932,227,741
	PIB's premium amortization		**14,471,909**	16,927,990
	Brokerage fee		**1,705,568**	1,579,161
			668,550,535	950,734,892

		Note	2012 Rupees	2011 Rupees
23.1	**Mark-up/return/interest expensed**			
	Long term borrowings		**296,115,466**	365,358,133
	Short term borrowings		**200,941,990**	417,404,414
	Securities purchased under repurchase agreements - repo		**155,315,602**	149,465,194
			652,373,058	932,227,741
24	**PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS**			
	Breakup of provisions /(reversals) is as under:			
	Term Finance Certificates (TFCs)		**165,434,861**	(24,508,469)
	Unquoted investment		**(31,340,813)**	87,740,811
			134,094,048	63,232,342
25	**OTHER INCOME**			
	Net rental income	25.1	**40,700,843**	39,822,949
	Net gain on disposal of operating fixed assets - property and equipment		**8,581,204**	4,152,110
	Others	25.2	**1,128,180**	1,110,675
			50,410,227	45,085,734
25.1	**Net rental income**			
	Rental income		**187,082,074**	182,283,854
	Less: Operating expenses			
	Salaries, allowances and employee benefits	26.1	**13,195,078**	10,987,833
	Traveling and conveyance		**5,590**	760
	Medical		**185,132**	342,337
	Janitorial services		**3,921,008**	3,542,076
	Security services		**7,256,838**	6,690,694
	Insurance		**1,431,673**	1,975,965
	Postage, telegraph, telegram and telephone		**867,013**	18,629
	Printing and stationery		**24,544**	1,200
	Certification services		**30,400**	43,200
	Utilities		**11,564,932**	11,763,097
	Consultancy and professional charges		**450,000**	300,000
	Repairs and maintenance		**6,703,408**	6,256,324
	Rent, rates and taxes		**1,383,745**	1,368,283
	Depreciation	12.4	**99,321,146**	99,103,413
	Office general expenses		**40,724**	67,094
			146,381,231	142,460,905
			40,700,843	39,822,949

25.2 This includes income received from tender fee and sale of miscellaneous scrap items etc.

26 ADMINISTRATIVE EXPENSES

	Note	2012 Rupees	2011 Rupees
Salaries, allowances and employee benefits	26.1	153,057,517	109,429,570
Traveling and conveyance	26.2	22,545,597	32,072,933
Vehicle running expenses		3,293,637	3,122,033
Utilities		6,134,063	4,420,297
Advertisement and publicity		1,224,885	1,351,823
Postage, telegram, telephone and telex		5,850,633	5,601,086
Printing, stationery and periodical		3,433,695	2,930,685
Legal and professional charges		3,544,280	3,930,978
Consultancy, custodial and rating services		10,328,378	5,213,997
Auditor's remuneration	26.3	675,000	495,000
Repair and maintenance		4,918,269	4,867,082
Office and general expenses		18,412,322	14,114,559
Bank charges		423,484	372,092
Professional training		1,245,996	1,036,023
Insurance		1,720,734	657,522
Depreciation	12.4	9,874,390	13,659,609
Donations	26.4	50,000	-
		246,732,880	203,275,289

26.1 This includes the followings staff benefits:

- Rs. 4.051 million (2011: Rs. 3.528 million) on account of employee provident fund expense;
- Rs. 6.394 million (2011: Rs. 5.629 million) on account of gratuity expense; and
- Rs. 1.207 million (2011: Rs. 2.771 million) on account of compensated absences expense.

26.2 This includes payments made to Directors of the Company for attending Board / Board's committee meetings amounting to Rs. 13.747 million (2011: Rs. 18.917 million).

26.3 Auditors' remuneration

	Note	2012 Rupees	2011 Rupees
Audit fee		502,000	368,500
Half yearly review		75,000	55,000
Code of Corporate Governance review		23,000	16,500
Out of pocket expenses		75,000	55,000
		675,000	495,000

26.4 The donation was given to the Life Welfare Society for affectees of floods in Pakistan through Pakistan Rangers (Punjab).

27 IMPAIRMENT LOSS ON QUOTED SECURITIES

During the year, the Company has charged impairment loss on quoted securities in accordance with the accounting policy [refer note 5.3 (c)] based on criteria for significant and prolonged decline in value of securities as approved by the Board of Directors.

		Note	2012 Rupees	2011 Rupees
28	**OTHER PROVISIONS/WRITE OFFS**			
	Provision against non banking assets acquired in satisfaction of claims		**6,942,000**	138,138,000
	Provision against receivable from stock brokers		**-**	3,818,270
			6,942,000	141,956,270
29	**OTHER CHARGES**			
	Penalties imposed by the State Bank of Pakistan		**-**	922,250
30	**TAXATION**			
	– Current year		**25,885,193**	26,698,535
	– Prior years		**-**	99,296,373
	– Deferred		**(1,005,299)**	(69,633,936)
		30.1	**24,879,894**	56,360,972
30.1	**Relationship between tax expense and accounting profit / (loss)**			
	Accounting profit/ (loss) for the year		**405,464,676**	(1,411,748,812)
	Tax rate		**35%**	35%
	Tax on accounting profit / (loss)		**141,912,637**	(494,112,084)
	Tax effect on income subject to lower rate of taxation		**4,427,912**	(17,757,539)
	Tax effect of other income considered separately		**(15,296,259)**	402,431,309
	Tax effect of prior years		**-**	99,296,373
	Deferred tax asset not recognised		**(88,974,802)**	105,670,479
	Tax effect of permanent differences		**(17,189,594)**	(39,167,566)
			24,879,894	56,360,972

30.2 Tax status

For tax related contingencies - refer note 21.5.

		Note	2012 Rupees	2011 Rupees
31	**BASIC AND DILUTED LOSS PER SHARE**			
	Profit / (Loss) for the year - Rupees		**380,584,782**	(1,468,109,784)
	Weighted average number of ordinary shares - Number		**600,000,000**	600,000,000
	Basic and diluted earning / (loss) per share - Rupees		**0.634**	(2.447)
32	**CASH AND CASH EQUIVALENTS**			
	Cash and balance with treasury banks	6	**65,538,416**	55,410,802
	Balance with other banks	7	**366,097,455**	96,389,187
			431,635,871	151,799,989

		Note	2012 Rupees	2011 Rupees
33	**STAFF STRENGTH**			
	Permanent		**74**	85
	Temporary/on contractual basis		**-**	-
	Daily wagers		**-**	-
	Others		**-**	-
	Company's own staff strength at the end of the year		**74**	85
	Outsourced	**33.1**	**70**	78
	Total staff strength		**144**	163

33.1 Outsourced includes those employees hired by an outside contractor/agency and posted in the Company to per form various tasks/activities of the Company.

		Note	2012 Rupees	2011 Rupees
34	**EMPLOYEE BENEFITS – Staff gratuity**			
34.1	**The amounts recognized in the unconsolidated statement of financial position are determined as follows:**			
	Present value of defined benefit obligation	**34.3**	**20,261,418**	31,883,415
	Unrecognized actuarial (loss)/gain		**(1,841,178)**	(3,103,750)
	Benefits payable to outgoing members		**11,321,725**	-
		17.3	**29,741,965**	28,779,665
34.2	**The amounts recognized in the unconsolidated profit and loss account are as follows:**			
	Service cost		**2,330,831**	2,201,258
	Interest cost		**4,062,716**	3,428,097
			6,393,547	5,629,355
34.3	**Movement in the present value of defined benefit obligation in the unconsolidated statement of financial position are determined as follows:**			
	Opening balance		**31,883,415**	27,245,708
	Service cost		**2,330,831**	2,201,258
	Interest cost		**4,062,716**	3,428,097
	Actuarial (loss)/ gain		**(1,262,569)**	5,202,505
	Benefits payable to outgoing members		**(11,321,725)**	-
	Benefits paid		**(5,431,250)**	(6,194,153)
	Closing balance		**20,261,418**	31,883,415
34.4	**The principal actuarial assumptions used are as follows:**			
	Discount rate		**12.00%**	13.00%
	Expected rate of increase in salary		**9.50%**	10.50%
	Mortality rate		**LIC (1975-1979)**	LIC (1975-1979)

34.5 Historical information and comparison for five years:

	2012	2011	2010	2009	2008
	Rupees				
Present value of defined benefit obligation	20,261,418	31,883,415	27,245,708	26,581,180	23,281,066
Experience adjustment of obligations	(1,841,181)	(3,103,750)	2,098,755	482,582	(890,853)

34.6 Gratuity expense for the year ending December 31, 2013 expects to be Rs. 4.744 million.

35 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012	2011	2012	2011	2012	2011
	Chief Executive		Directors		Executives	
Fees	-	-	2,916,294	3,807,374	-	-
Managerial remuneration	7,180,645	1,135,320	-	-	19,908,000	16,395,234
Contribution to defined contribution plan	718,065	113,532	-	-	1,990,800	1,639,523
Rent and house maintenance	4,488,387	681,192	-	-	11,944,800	9,837,140
Utilities	718,065	113,532	-	-	1,990,800	1,639,523
Medical	87,053	188,717	-	-	3,318,000	2,717,868
Bonus and Others	1,789,933	689,659	-	-	11,285,181	9,990,911
	14,982,148	2,921,952	2,916,294	3,807,374	50,437,581	42,220,199
Number of persons	1	1	6	6	29	24

35.1 Chief Executive and majority of executives are also provided with Company maintained cars.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

36.1 On-balance sheet financial instruments

	2012		2011	
	Book value Rupees	Fair value Rupees	Book value Rupees	Fair value Rupees
Assets				
Cash balances with treasury banks	65,538,416	65,538,416	55,410,802	55,410,802
Balances with other banks	366,097,455	366,097,455	96,389,187	96,389,187
Non-current asset classified as held for sale	46,089,659	46,089,659	70,788,801	70,788,801
Lendings to financial institutions	250,000,000	250,000,000	171,111,111	171,111,111
Investments	6,496,892,685	6,496,892,685	5,359,657,799	5,359,657,799
Advances	4,961,664,693	4,961,664,693	5,235,500,341	5,235,500,341
Other assets	74,591,614	74,591,614	136,959,787	136,959,787
	12,260,874,522	12,260,874,522	11,125,817,828	11,125,817,828

The fair value of quoted investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities. Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts . Fair value of fixed term loans, staff loans, and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets / liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances is calculated in accordance with the Company's accounting policy as stated in note 5.9. The effective rates and maturity profile are stated in note 41.2.4 and 41.3.1 respectively.

36.1 On-balance sheet financial instruments (continued)	2012		2011	
	Book value Rupees	Fair value Rupees	Book value Rupees	Fair value Rupees
Liabilities				
Borrowings	5,925,528,990	5,925,528,990	5,382,643,167	5,382,643,167
Deposits and other accounts	685,000,000	685,000,000	759,500,000	759,500,000
Other liabilities	104,670,961	104,670,961	105,768,948	105,768,948
	6,715,199,951	6,715,199,951	6,247,912,115	6,247,912,115
36.2 Off-balance sheet financial instruments				
Commitments in respect of purchase of forward exchange contracts	-	-	2,463,933,000	2,463,933,000

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

The fair value of quoted investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities. Fair value of unquoted equity investments is determined on the basis of lower of cost and break-up value of these investments as per the latest available financial statements.

The fair value of fixed term advances of over one year and fixed term deposits of over one year can not be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities. Loans and advances are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying value since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced. The maturity profile and effective rates are stated in note 41.2.4

37 DERIVATIVE INSTRUMENTS

The Company does not deal in derivative instruments.

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance 2012 Rs. 000	**Trading and sales 2012 Rs. 000**	**Building rental services 2012 Rs. 000**	**Total 2012 Rs. 000**
Total income	**800,905**	**786,925**	**188,210**	**1,776,040**
Total expenses	**539,259**	**684,936**	**146,381**	**1,370,576**
Net income (loss)	**261,646**	**101,989**	**41,829**	**405,464**
Segment assets (gross)	**10,602,071**	**8,066,348**	**2,105,355**	**20,773,774**
Segment non performing loans	**3,680,883**	**-**	**-**	**3,680,883**
Segment provision required	**2,506,452**	**-**	**-**	**2,506,452**
Segment liabilities	**3,818,274**	**3,032,308**	**846,684**	**7,697,266**
Segment Return On net Assets (ROA) (%)	**2.47**	**1.26**	**1.99**	**1.95**
Segment cost of funds (%)	**5.09**	**8.49**	**6.95**	**6.60**

	Corporate Finance 2011 Rs. 000	Trading and sales 2011 Rs. 000	Building rental services 2011 Rs. 000	Total 2011 Rs. 000
Total income	1,051,183	125,614	183,395	1,360,192
Total expenses	1,378,597	1,250,883	142,461	2,771,941
Net income (loss)	(327,414)	(1,125,269)	40,934	(1,411,749)
Segment assets (gross)	11,552,792	6,828,543	2,483,706	20,865,041
Segment non performing loans	3,685,942	-	-	3,685,942
Segment provision required	2,412,841	-	-	2,412,841
Segment liabilities	3,908,093	2,347,322	718,070	6,973,485
Segment Return On net Assets (ROA) (%)	(2.83)	(16.48)	1.65	(6.77)
Segment cost of funds (%)	11.93	18.32	5.74	13.29

Assumptions used:

– Administrative expenses have been allocated to segments based on respective segment income.

– Unallocatable assets representing 6.52 % (2011: 5.47 %) of the total assets have been allocated to segments based on their respective incomes.

– Unallocatable liabilities representing 1.89 % (2011: 1.89 %) of the total liabilities have been allocated to segments based on their respective assets.

39 RELATED PARTY TRANSACTIONS

39.1 Both the Government of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan own 50% shares each of the Company. Therefore, all entities owned by and controlled by these Governments are related parties of the Company. Other related parties comprise of entities over which the Company has control (subsidiaries), entities over which the directors are able to exercise significant influence (associated undertakings), entities with common directors, major shareholders, directors, key management personnel and employees' funds. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan. The Company has not extended any financing facilities to entities owned by the Governments of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan.

Except for the matters reported in note 10.5 to the unconsolidated financial statements, transactions with the related parties are executed substantially on the same terms, including markup rates and collaterals, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. under the comparable Uncontrolled Price Method).

Other than those transactions which are made under the terms of employment, majority of the transactions with related parties comprise of loans and advances, deposits etc.

Advances for the house building, conveyance and personal use have also been provided to staff and executives in accordance with the employment and pay policy. Facility of group life insurance and hospitalization facility is also provided to staff and executives. In addition to this, majority of executives of the Company have been provided with company maintained car.

39.2 Following are the transactions and balances with related parties

Nature of balances / transactions	Name of the Entity	2012 Rupees	2011 Rupees
Outstanding balances at year end			
Subsidiary / Associated companies			
– Investments – cost	Saudi Pak Real Estate Company Limited	500,000,000	500,000,000
– Investments – cost	Saudi Pak Leasing Company Limited	243,467,574	243,467,574
– Subordinated loan (refer note 10.5)	Saudi Pak Leasing Company Limited	333,208,501	333,208,501
– Fair value of shares classified as held for sale	Saudi Pak Insurance Company Limited	46,089,659	70,788,801
– Borrowing	Saudi Pak Real Estate Company Limited	-	50,000,000
– Borrowing	Saudi Pak Leasing Company Limited	20,000,000	-
– Interest payable	Saudi Pak Real Estate Company Limited	-	183,082
– Interest payable	Saudi Pak Leasing Company Limited	94,740	-
– Prepaid insurance	Saudi Pak Insurance Company Limited	1,936,121	2,647,763
Employee funds			
– Deposits against COIs	Employee funds	10,000,000	14,500,000
– Interest payable	Employee funds	712,767	821,651

39 **RELATED PARTY TRANSACTIONS (continued)**

Nature of balances / transactions	Name of the Entity	2012 Rupees	2011 Rupees
Transactions during the year			
Subsidiary / Associated companies			
– Adjustment against COIs placement	Saudi Pak Leasing Company Ltd	-	103,525,000
– Borrowing availed	Saudi Pak Real Estate Company Ltd	-	50,000,000
– Deposits against COIs	Saudi Pak Real Estate Company Ltd	50,000,000	-
– Borrowing availed	Saudi Pak Leasing Company Limited	20,000,000	-
– Interest expensed	Saudi Pak Real Estate Company Limited	2,305,000	183,082
– Interest expensed	Saudi Pak Leasing Company Limited	94,740	-
– Rent received	Saudi Pak Leasing Company Limited	441,000	696,045
– Rent received	Saudi Pak Insurance Company Limited	1,887,000	987,900
– Rent received	Saudi Pak Real Estate Company Ltd	3,339,360	-
– Claims received	Saudi Pak Insurance Company Limited	668,262	240,381
– Premium paid	Saudi Pak Insurance Company Limited	2,206,791	3,710,597
– Maturity of borrowing	Saudi Pak Real Estate Company Limited	50,000,000	-
– Maturity of deposits against COIs	Saudi Pak Real Estate Company Limited	50,000,000	-
– Farm house related expenses paid	Saudi Pak Real Estate Company Limited	2,211,068	-
– Fair value of shares classified as held for sale	Saudi Pak Insurance Company Limited	15,300,858	(104,211,199)
– Installment received	Saudi Pak Insurance Company Limited	40,000,000	50,000,000
Key Management Personnel			
– Advances to executives		10,128,850	3,030,000
– Repayment of advances		5,918,694	4,096,838
Employee funds			
– Deposits against COIs		-	13,046,247
– Maturity of deposits against COIs		4,500,000	13,620,000
– Borrowings availed		-	15,029,589
– Borrowings paid		-	15,029,589
– Contribution to the employees provident fund		4,050,538	3,528,150
– Interest expense		1,788,668	1,455,231

40 CAPITAL ADEQUACY

40.1 Scope of applications

The Basel II framework has been applied in accordance with Circular No. BSD/BAI-2/201/1490/2008 dated December 30, 2008. Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risk while Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

The Company has three subsidiaries, namely Saudi Pak Real Estate Company Limited (SPREL), Saudi Pak Insurance Company Limited (SPICL) and Saudi Pak Leasing Company Limited (SPLCL). SPREL is the wholly-owned subsidiary while SPLCL is 35.06% owned by the Company and SPICL is 54.87% of the Company (this investment has been classified as non-current asset held for sale - also refer notes 8 and 10.5). The fact that the Company has neither any significant minority investments in banking, securities, or any other financial entities nor does it has any majority or significant minority equity holding in an insurance excludes it from a need for further consolidation. Furthermore, the Company does not indulge in any securitization activity that shields it from the risk inherent in securitization.

40.2 Capital management

The objective of managing capital is to safeguard the Company's 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 recognised 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.

Objectives and goals of managing capital

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

- To be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- Maintain strong ratings and to protect the Company against unexpected events;
- Availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Company to expand;
- Achieve low overall cost of capital with appropriate mix of capital elements.

40.2.1 Capital Adequacy Ratio

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy was as follows:

40.2.1.1 Regulatory capital base

	2012 Rs.000	2011 Rs.000
Tier I Capital		
Fully paid up capital	**6,000,000**	6,000,000
Share premium	**-**	-
Reserves	**536,440**	1,513,182
Unappropriated loss	**-**	(1,412,718)
Deductions		
Book value of Intangibles, investment in commercial entities (50%) etc.	**(278,877)**	(437,322)
Total Tier I Capital	**6,257,563**	5,663,142
Supplementary capital		
Tier II Capital		
Subordinated debt (upto 50% of total Tier I capital)	**-**	-
General Provisions subject to 1.25% of total risk weighted assets	**-**	-
Revaluation Reserve (upto 45%)	**1,170,163**	916,073
Deductions		
Investment in commercial entities (50%)	**(273,045)**	(285,812)
Total Tier II Capital	**897,118**	630,261
Eligible Tier III Capital	**-**	-
Total Regulatory Capital Base	**7,154,681**	6,293,403

Credit Risk	2012 Capital Requirements Rs. 000	2011 Capital Requirements Rs. 000	2012 Risk Weighted Assets Rs. 000	2011 Risk Weighted Assets Rs. 000
Claims on:				
Corporate	**631,521**	917,499	**4,510,867**	6,553,563
Banks	**16,200**	6,934	**115,714**	49,526
Sovereigns	**-**	-	**-**	-
Retail portfolio	**2,345**	1,621	**16,751**	11,575
Secured by residential property	**230**	243	**1,640**	1,737
Past Due Loans	**223,486**	-	**1,596,329**	-
Listed equity investments	**46,222**	58,125	**330,156**	415,177
Unlisted equity investments	**49,594**	50,114	**354,244**	357,957
Fixed Assets	**333,533**	290,964	**2,382,379**	2,078,317
Other Assets	**186,200**	182,398	**1,330,001**	1,302,846
Off Balance Sheet Exposure-Market Related	**-**	690	**-**	4,928

Market Risk	2012 Capital Requirements Rs. 000	2011 Capital Requirements Rs. 000	2012 Risk Weighted Assets Rs. 000	2011 Risk Weighted Assets Rs. 000
Portfolios subject to Standardized Approach				
Interest rate risk	**26,457**	11,944	**188,975**	85,313
Equity position risk	**227,095**	305,977	**1,622,110**	2,185,550
Foreign exchange risk	**4,169**	349,230	**29,779**	2,494,500
Operational Risk	**108,710**	130,505	**776,503**	932,176
	1,855,762	2,306,244	**13,255,448**	16,473,165

Capital Adequacy Ratio		2012	2011
Total eligible regulatory capital held - Rs. (000)	(a)	**7,154,681**	6,293,403
Total Risk Weighted Assets - Rs. (000)	(b)	**13,255,448**	16,473,165
Capital Adequacy Ratio - % age	(a) / (b)	**53.98%**	38.20%

40.3 Credit Risk-General Disclosures Basel II Specific

The Company used standardized approach for credit risk.

40.3.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

Types of Exposures and ECAI's used - 2012

Exposures	JCR-VIS	PACRA
Corporate	**x**	**x**
Banks	**x**	**x**

40.3.2 Credit Exposures subject to Standardized approach

		2012			2011		
Exposures	**Rating Category**	**Amount Outstanding Rs. 000**	**Deduction CRM Rs. 000**	**Net amount Rs. 000**	Amount Outstanding Rs. 000	Deduction CRM Rs. 000	Net amount Rs. 000
Corporate	**1**	**418,353**	**-**	**418,353**	883,135	-	883,135
	2	**2,294,767**	**-**	**2,294,767**	1,059,786	-	1,059,786
	3,4	**7,750**	**-**	**7,750**	126,804	-	126,804
	5,6	**13,417**	**-**	**13,417**	818,392	-	818,392
Banks	**1**	**576,763**	**-**	**576,763**	581,838	-	581,838
	2	**331,961**	**-**	**331,961**	80,884	-	80,884
	3	**-**	**-**	**-**	84	-	84
Unrated		**7,800,585**	**-**	**7,800,585**	7,891,187	-	7,891,187
		11,443,596	**-**	**11,443,596**	11,442,110	-	11,442,110

CRM= Credit Risk Mitigation

41 RISK MANAGEMENT

The Company realizes the importance of risk management. We have independent and dedicated risk management functions. A comprehensive risk management framework has been adopted. It is based on three lines of defense strategy to cater micro, macro and strategic level risk management. Risk Management Division has been set up primarily to carry out independent review functions in terms of credit risk, market risk, operational risk and liquidity risk. Stress testing is regularly conducted on the lines advised by the State Bank of Pakistan. Risk Management Committee of the Board has also been constituted and a structured Risk Reporting Framework is being developed and implemented as a part of monitoring and oversight function of the Board. Capital adequacy level is regularly assessed and reviewed with approved bench mark of 20 percent as against regulatory requirement of 14 percent.

The higher level of bench marking is aimed at strengthening capital base of the Company, besides providing an impeccable buffer/ cushion to absorb and withstand against unexpected macro economic shocks and unexpected losses. It is also used to asses overall risk appetite of the Company that in turn will be used to asses credit, market and operational risk appetite.

41.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation. The Company controls its credit risk by the following methods:

- Monitoring credit exposures;
- Evaluating transactions with specific counterparts; and
- Assessing credit worthiness of counterparts.

Two sets of guidelines are followed by the management for managing credit risk. Operating policy approved by the Board of Directors and Prudential Regulations issued by State Bank of Pakistan.

The operating policy defines the extent of exposure with reference to a particular sector or group. The management also classified a particular financing on the basis of SBP guidelines.

41.1.1 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

41.1.1.1 Segments by class of business

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	**166,500**	**2.28**	**-**	**-**	**337,000**	**26.91**
Paper and allied	**43,371**	**0.59**	**-**	**-**	**-**	**-**
Electrical goods	**10,000**	**0.14**	**-**	**-**	**50,000**	**3.98**
Dairy and poultry	**71,066**	**0.97**	**-**	**-**	**-**	**-**
Banaspati and allied	**-**	**-**	**-**	**-**	**-**	**-**
Sugar and allied products	**140,670**	**1.93**	**-**	**-**	**50,000**	**3.98**
Chemical and fertilizer	**612,287**	**8.38**	**-**	**-**	**69,781**	**5.56**
Energy, oil and gas	**1,757,021**	**24.06**	**-**	**-**	**207,385**	**16.52**
Construction	**481,216**	**6.59**	**-**	**-**	**-**	**-**
Hotels	**72,500**	**0.99**	**-**	**-**	**-**	**-**
Cement	**359,861**	**4.93**	**-**	**-**	**-**	**-**
Textile	**1,795,500**	**24.59**	**-**	**-**	**509,582**	**40.59**
Metal and allied products	**458,814**	**6.28**	**-**	**-**	**-**	**-**
Automobiles and allied	**294,371**	**4.03**	**-**	**-**	**-**	**-**
Transport/services and misc.	**27,480**	**0.38**	**-**	**-**	**-**	**-**
Telecommunication	**271,306**	**3.72**	**-**	**-**	**-**	**-**
Others	**740,747**	**10.14**	**685,000**	**100.00**	**31,550**	**2.51**
	7,302,710	**100.00**	**685,000**	**100.00**	**1,255,298**	**100.00**

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	114,000	1.50	500,000	65.83	2,463,933	74.39***
Paper and allied	79,510	1.04	-	-	-	-
Electrical goods	34,500	0.45	-	-	-	-
Dairy and poultry	45,122	0.59	-	-	-	-
Banaspati and allied	10,000	0.13	-	-	-	-
Sugar and allied products	243,311	3.20	-	-	267,917	8.09
Chemical and fertilizer	742,711	9.75	-	-	208,000	6.28
Energy, oil and gas	1,547,491	20.32	-	-	18,134	0.55
Construction	434,048	5.70	-	-	-	-
Hotels	83,750	1.10	-	-	-	-
Cement	409,510	5.38	-	-	-	-
Textile	2,297,070	30.17	-	-	79,582	2.40
Metal and allied products	486,684	6.39	-	-	100,000	3.02
Automobiles and allied	294,371	3.87	-	-	-	-
Transport/services and misc.	44,787	0.59	-	-	-	-
Telecommunication	242,667	3.19	-	-	69,000	2.08
Others	504,588	6.63	259,500	34.17	105,664	3.19
	7,614,120	100.00	759,500	100.00	3,312,230	100.00

*** Financial institutions segment includes commitments in respect of forward exchange purchase contracts.

41.1.1.2 Segment by sector

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	**500,000**	**6.85**	**-**	**-**	**-**	**-**
Private sector	**6,802,710**	**93.15**	**685,000**	**100.00**	**1,255,298**	**100.00**
	7,302,710	**100.00**	**685,000**	**100.00**	**1,255,298**	**100.00**

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	-	-	-	-	-	-
Private sector	7,614,120	100.00	759,500	100.00	3,312,230	100.00
	7,614,120	100.00	759,500	100.00	3,312,230	100.00

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

	2012		2011	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	Rs. 000	**Rs. 000**	Rs. 000	Rs. 000
Financial institutions	**103,500**	**103,500**	114,000	114,000
Paper and allied	**43,371**	**43,371**	79,509	79,509
Electrical goods	**-**	**-**	14,499	14,499
Dairy and poultry	**42,847**	**42,847**	45,122	45,122
Banaspati and allied	**-**	**-**	10,000	10,000
Sugar and allied products	**52,920**	**49,832**	61,310	53,229
Chemical and fertilizer	**48,848**	**14,973**	18,743	14,972
Energy, oil and gas	**252,026**	**240,219**	257,056	187,735
Construction	**387,466**	**177,890**	270,427	87,606
Hotels	**50,000**	**25,000**	50,000	25,000
Cement	**316,111**	**255,856**	328,260	233,429
Textile	**883,340**	**760,700**	1,052,062	825,744
Metal and metal products	**172,437**	**172,437**	172,437	172,437
Automobiles and allied	**294,371**	**229,936**	294,371	197,717
Transport/services	**27,480**	**27,480**	44,787	44,787
Miscellaneous	**197,006**	**197,004**	272,833	272,833
	2,871,723	**2,341,045**	3,085,416	2,378,619

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

	2012		2011	
	Classified advances Rs. 000	**Specific provisions held Rs. 000**	Classified advances Rs. 000	Specific provisions held Rs. 000
Public/Government sector	**-**	**-**	-	-
Private sector	**2,871,723**	**2,341,045**	3,085,416	2,378,619
	2,871,723	**2,341,045**	3,085,416	2,378,619

41.1.1.5 Geographical segment analysis

	2012			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies and commitments**
	Rs. 000	**Rs. 000**	**Rs. 000**	**Rs. 000**
Pakistan	**405,465**	**15,904,494**	**8,207,228**	**1,255,299**
Asia Pacific (including South Asia)	**-**	**-**	**-**	**-**
Europe	**-**	**-**	**-**	**-**
United States of America and Canada	**-**	**-**	**-**	**-**
Middle East	**-**	**-**	**-**	**-**
Others				
	405,465	**15,904,494**	**8,207,228**	**1,255,299**

Total assets employed include intra group items of Rs. 546.090 million.

	2011			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Pakistan	(1,411,749)	14,377,718	7,404,232	3,312,230
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	(1,411,749)	14,377,718	7,404,232	3,312,230

Total assets employed include intra group items of Rs. 570.789 million.

41.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Thus market risk can be further described into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

41.2.1 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company has formulated and developed interest rate risk policies, processes and procedural guidelines, proposing interest rate limits, credit spreads, gaps and duration limits between interest sensitive assets and interest sensitive liabilities, conducting gap analysis, determining the effects of mismatching positions across the range of maturities as well as identifying and maintaining the record of the transactions that would be treated as regarding trade book portfolio for the purpose of assigning market risk capital charge. Besides, the need and requirement of setting up an independent middle office is also being evaluated.

Risk management division is responsible for conducting independent review of interest rate sensitive assets, and liabilities, monitoring of interest rate and gap limits, reporting breaches and conducting stress testing on the lines advised by SBP.

41.2.2 Foreign exchange risk

Foreign exchange risk is that our net investment in foreign currency change in value through adverse effects of currency movements.

The risk is very nominal because of the nature of the existing operations of the Company and is primarily attributable to the foreign currency assets, held in the form of foreign currency deposits with other banks and deposit through SWAP and other hedging measures depending upon open market conditions. The Company manage its foreign exchange risk by keeping the data on foreign currency assets and liabilities, proposing limits, planning and determining yield as well as hedging the risk in the case of adverse movement in currency exchange rates and identifies the transactions which will be subject to market risk capital charge.

	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	2012	2012	2012	2012
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Pakistan Rupee	15,874,716	7,697,266	1,255,299	6,922,151
United States Dollar	29,779	-	-	29,779
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	15,904,495	7,697,266	1,255,299	6,951,930

41.2.2 Foreign Exchange risk

	Assets 2011 Rs. 000	Liabilities 2011 Rs. 000	Off-balance sheet items 2011 Rs. 000	Net currency exposure 2011 Rs. 000
Pakistan Rupee	14,349,083	6,973,485	848,297	6,527,301
United States Dollar	28,635	-	2,463,933	(2,435,298)
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	14,377,718	6,973,485	3,312,230	4,092,003

41.2.3 Equity position Risk

The Company has established a Portfolio Management Department which is responsible for origination, conducting , appraisal of equity investment proposals, proposing business appetite and tolerance levels, getting approval of various limits, determining target market and products, updating approval process within and beyond approved limits, proposing and implementing emergency measures dealing with market fluctuations, handling day to day matters of the equity portfolio and maintaining relevant record and information as well as handling day to day matters with brokers, client and scrips.

41.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield/ interest rate	Exposed to Yield/Interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years	
		2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012
	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	65,538,416	-	-	-	-	-	-	-	-	-	65,538,416
Balances with other banks	5.00	366,097,455	361,649,383	-	-	-	-	-	-	-	-	4,448,072
Non-current asset classified as held for sale	-	46,089,659	-	-	-	-	-	-	-	-	-	46,089,659
Lending to financial institutions	10.24	250,000,000	250,000,000	-	-	-	-	-	-	-	-	-
Investments	11.04	6,496,892,685	329,472,051	1,131,729,406	2,461,531,807	559,983,388	200,000,000	195,241,900	49,964,700	-	-	1,568,969,433
Advances	12.30	4,961,664,693	249,348,944	1,955,677,803	2,737,080,537	77,844	3,076,061	3,076,061	6,152,121	7,175,322	-	-
Other assets	-	74,591,614	-	-	-	-	-	-	-	-	-	74,591,614
		12,260,874,522	1,190,470,378	3,087,407,209	5,198,612,344	560,061,232	203,076,061	198,317,961	56,116,821	7,175,322	-	1,759,637,194
Liabilities												
Borrowings from financial institutions	9.28	5,925,528,990	2,622,528,317	2,323,824,389	345,008,192	107,942,968	174,537,600	158,199,268	168,429,916	25,058,340	-	-
Deposits and other accounts	9.75	685,000,000	100,000,000	575,000,000	10,000,000	-	-	-	-	-	-	-
Other liabilities	-	104,670,961	-	-	-	-	-	-	-	-	-	104,670,961
		6,715,199,951	2,722,528,317	2,898,824,389	355,008,192	107,942,968	174,537,600	158,199,268	168,429,916	25,058,340	-	104,670,961
On-balance sheet gap		5,545,674,571	(1,532,057,939)	188,582,820	4,843,604,152	452,118,264	28,538,461	40,118,693	(112,313,095)	(17,883,018)	-	1,654,966,233
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		5,545,674,571	(1,532,057,939)	188,582,820	4,843,604,152	452,118,264	28,538,461	40,118,693	(112,313,095)	(17,883,018)	-	1,654,966,233
Cumulative yield/interest risk sensitivity gap		-	(1,532,057,939)	(1,343,475,119)	3,500,129,033	3,952,247,297	3,980,785,758	4,020,904,451	3,908,591,356	3,890,708,338	3,890,708,338	5,545,674,571

41.2.4 Mismatch of interest rate sensitive assets and liabilities (continued)

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years	
		2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011
	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.01	55,410,802	128,478	-	-	-	-	-	-	-	-	55,282,324
Balances with other banks	5.00	96,389,187	79,906,012	-	-	-	-	-	-	-	-	16,483,175
Non-current asset classified as held for sale	-	70,788,801	-	-	-	-	-	-	-	-	-	70,788,801
Lending to financial institutions	12.81	171,111,111	170,000,000	-	1,111,111	-	-	-	-	-	-	-
Investments	13.25	5,359,657,799	398,838,355	1,590,499,218	568,842,401	559,209,734	-	200,000,000	192,625,729	-	-	1,849,642,362
Advances	14.51	5,235,500,341	319,765,659	1,705,128,868	3,199,441,560	3,948,360	7,215,894	-	-	-	-	-
Other assets	-	136,959,787	-	-	-	-	-	-	-	-	-	136,959,787
		11,125,817,828	968,638,504	3,295,628,086	3,769,395,072	563,158,094	7,215,894	200,000,000	192,625,729	-	-	2,129,156,449
Liabilities												
Borrowings from financial institutions	11.49	5,382,643,167	1,816,611,750	2,072,046,894	638,713,559	67,438,038	128,840,728	83,377,166	168,362,164	407,252,868	-	-
Deposits and other accounts	13.04	759,500,000	525,000,000	220,000,000	10,000,000	4,500,000	-	-	-	-	-	-
Other liabilities	-	105,768,948	-	-	-	-	-	-	-	-	-	105,768,948
		6,247,912,115	2,341,611,750	2,292,046,894	648,713,559	71,938,038	128,840,728	83,377,166	168,362,164	407,252,868	-	105,768,948
On-balance sheet gap		4,877,905,713	(1,372,973,246)	1,003,581,192	3,120,681,513	491,220,056	(121,624,834)	116,622,834	24,263,565	(407,252,868)	-	2,023,387,501
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		2,463,933,000	-	-	-	-	-	-	-	-	-	2,463,933,000
							-					
Off-balance sheet gap		2,463,933,000	-	-	-	-	-	-	-	-	-	2,463,933,000
Total yield/interest risk sensitivity gap		2,413,972,713	(1,372,973,246)	1,003,581,192	3,120,681,513	491,220,056	(121,624,834)	116,622,834	24,263,565	(407,252,868)	-	(440,545,499)
Cumulative yield/interest risk sensitivity gap		-	(1,372,973,246)	(369,392,054)	2,751,289,459	3,242,509,515	3,120,884,681	3,237,507,515	3,261,771,080	2,854,518,212	2,854,518,212	2,413,972,713

41.3 Liquidity risk

Liquidity risk is the risk the Company's earnings and capital due to Company's inability to meet its liabilities when they become due. The Company is taking care of this risk by:

- managing liquidity position through Assets & Liability Management Committee.
- maintaining adequate level of liquidity to meet its obligation at any point of time.

41.3.1 Maturities of assets and liabilities

	Total 2012 Rupees	MATURITIES Upto 1 month 2012 Rupees	Over 1 - 3 months 2012 Rupees	Over 3 - 6 months 2012 Rupees	Over 6 - 12 months 2012 Rupees	Over 1 - 2 years 2012 Rupees	Over 2 - 3 years 2012 Rupees	Over 3-5 years 2012 Rupees	Over 5-10 years 2012 Rupees	Above 10 years 2012 Rupees
Assets										
Cash and balances with treasury banks	65,538,416	65,538,416	-	-	-	-	-	-	-	-
Balances with other banks	366,097,455	366,097,455	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	46,089,659	-	9,104,303	5,892,253	11,145,746	19,947,357	-	-	-	-
Lending to financial institutions	250,000,000	250,000,000	-	-	-	-	-	-	-	-
Investments	6,496,892,685	329,815,804	831,006,888	1,473,551,231	1,445,085,790	381,497,482	351,945,478	292,827,407	891,162,605	500,000,000
Advances	4,961,664,693	249,348,944	274,948,627	371,948,168	1,194,298,917	1,109,869,967	658,211,933	719,032,998	384,005,139	-
Operating fixed assets	2,383,745,356	8,518,320	17,036,641	25,554,961	51,109,922	102,219,843	102,219,843	200,927,584	305,574,435	1,570,583,807
Other Assets	1,334,466,215	258,875,226	147,692,115	86,291,742	841,607,132	-	-	-	-	-
	15,904,494,479	1,528,194,165	1,279,788,574	1,963,238,355	3,543,247,507	1,613,534,649	1,112,377,254	1,212,787,989	1,580,742,179	2,070,583,807
Liabilities										
Borrowings	5,925,528,990	2,622,528,317	523,824,389	1,095,008,192	857,942,968	474,537,600	158,199,268	168,429,916	25,058,340	-
Deposits and other accounts	685,000,000	100,000,000	575,000,000	10,000,000	-	-	-	-	-	-
Deferred tax liabilities	895,678,173	12,588,015	25,176,029	37,764,044	75,528,087	35,487,377	35,487,377	70,974,754	177,436,885	425,235,605
Other Liabilities	191,059,298	76,651,545	33,329,662	29,534,613	34,642,237	-	-	4,828,926	12,072,315	-
	7,697,266,461	2,811,767,877	1,157,330,080	1,172,306,849	968,113,292	510,024,977	193,686,645	244,233,596	214,567,540	425,235,605
Net assets	8,207,228,018	(1,283,573,712)	122,458,494	790,931,506	2,575,134,215	1,103,509,672	918,690,609	968,554,393	1,366,174,639	1,645,348,202
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	536,440,467	-	-	-	-	-	-	-	-	-
Unappropriated profit	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,670,787,551	-	-	-	-	-	-	-	-	-
	8,207,228,018	-	-	-	-	-	-	-	-	-

41.3 Liquidity risk (continued)

41.3.1 Maturities of assets and liabilities (continued)

	MATURITIES									
	Total 2011 Rupees	Upto 1 month 2011 Rupees	Over 1 - 3 months 2011 Rupees	Over 3 - 6 months 2011 Rupees	Over 6 - 12 months 2011 Rupees	Over 1 - 2 years 2011 Rupees	Over 2 - 3 years 2011 Rupees	Over 3-5 years 2011 Rupees	Over 5-10 years 2011 Rupees	Above 10 years 2011 Rupees
Assets										
Cash and balances with treasury banks	55,410,802	55,410,802	-	-	-	-	-	-	-	-
Balances with other banks	96,389,187	96,389,187	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	70,788,801	-	8,942,207	8,695,652	16,296,238	7,280,080	29,574,624	-	-	-
Lending to financial institutions	171,111,111	170,000,000	-	1,111,111	-	-	-	-	-	-
Investments	5,359,657,799	367,643,743	213,093,869	462,718,061	1,586,613,027	294,095,947	391,381,902	458,403,073	1,085,708,177	500,000,000
Advances	5,235,500,341	310,998,274	430,389,984	329,497,456	729,488,934	899,495,785	781,680,999	1,029,508,392	724,440,517	-
Operating fixed assets	2,082,589,824	4,624,382	9,248,764	13,873,146	27,746,292	55,492,584	55,492,584	106,223,904	223,469,477	1,586,418,691
Other Assets	1,306,269,665	68,965,072	137,930,144	206,895,216	892,479,233	-	-	-	-	-
	14,377,717,530	1,074,031,460	799,604,968	1,022,790,642	3,252,623,724	1,256,364,396	1,258,130,109	1,594,135,369	2,033,618,171	2,086,418,691
Liabilities										
Borrowings	5,382,643,167	1,816,611,750	572,046,894	338,713,559	67,438,038	1,628,840,728	383,377,166	168,362,164	407,252,868	-
Deposits and other accounts	759,500,000	525,000,000	220,000,000	10,000,000	4,500,000	-	-	-	-	-
Deferred tax liabilities	669,231,485	1,338,200	2,676,400	4,014,600	8,029,200	29,826,185	29,826,185	59,652,370	149,130,925	384,737,420
Other Liabilities	162,110,474	35,209,520	70,349,319	20,357,279	8,214,691	-	-	8,633,900	19,345,765	-
	6,973,485,126	2,378,159,470	865,072,613	373,085,438	88,181,929	1,658,666,913	413,203,351	236,648,434	575,729,558	384,737,420
Net assets	7,404,232,404	(1,304,128,010)	(65,467,645)	649,705,204	3,164,441,795	(402,302,517)	844,926,758	1,357,486,935	1,457,888,613	1,701,681,271
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	1,513,182,102	-	-	-	-	-	-	-	-	-
Unappropriated loss	(1,412,718,297)	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,303,768,599	-	-	-	-	-	-	-	-	-
	7,404,232,404	-	-	-	-	-	-	-	-	-

41.4 OPERATIONAL RISK

Operational Risk is the risk of losses due to failure of internal control process, disasters and infrastructure failure, known errors, fraud, in adequate documentation, technology etc. The Company controls its operational risk by the following techniques:

- by using adequate internal control system;
- by ensuring adherence to prudential regulations, and own operating policies approved by the Board of Directors; and
- by putting in place business continuity plan and disaster recovery program.

Operational Risk Disclosures Basel II

The Company's approach in managing operational risk is to adopt practices that are for the purpose to suit the organizational maturity and particular environments in which our business operates. Operational risk management has been well established to increase the efficiency and effectiveness of the Company's resources, minimize losses and utilize opportunities.

42 CREDIT RATING

The Company's rating has been assessed by JCR-VIS Credit Rating Company Limited as follows:

Long Term	AA (Double A)
Short Term	A1+ (A one Plus)
Outlook	Stable

43 GENERAL

43.1 Figures in these unconsolidated financial statements have been rounded off to the nearest rupee, except as otherwise stated.

44 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on 08 April 2013 by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited.

CHIEF EXECUTIVE   DIRECTOR   DIRECTOR   CHAIRMAN

SAUDI PAK
STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE,
PROVIDED DURING THE YEAR JANUARY - DECEMBER 31, 2012

(Rupee in million)

S.NO	NAME OF INDIVIDUAL/ NAME AND ADDRESS	FATHERS' / HUSBAND PARTNERS / DIRECTORS	CNIC No.	FATHERS' / HUSBAND NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR PRINCIPAL	MARK UP	OTHER	TOTAL	PRINCIPAL WRITTEN OFF	MARK UP WRITTEN OFF	OTHER FINANCIAL WAIVED RELIEF PROVIDED	TOTAL
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Ammar Textiles (Pvt) Ltd	Khawaja Bilal Ahmed Mrs. Samina Bilal	35202-2969902-7 35202-1648248-4	S/o Khawaja Moyuddin W/o Khawaja Bilal Ahmed	69.333	21.098	0.281	90.712	56.589	21.098	0.281	77.968
2	Kohinoor Edible Oil Mills Ltd	Mr. M. Abid Saigol Mr. M. Asif Saigol Mr. M. Arif Saigol Mr. M. Shahzad Saigol Mr. M. Shafique Saigol Jr Mr. M. Shahid Saigol	Not Available Not Available 35202-9563094-9 Not Available Not Available Not Available	S/o Muhammad Rafique Saigol S/o Muhammad Rafique Saigol S/o Muhammad Rafique Saigol Not Available Not Available Not Available	10.000	7.242	1.948	19.190	10.000	7.242	1.948	19.190
3	Mohib Exports Limited	Mr. M. Arif Saigol Mr. M. Asif Saigol Mr. M. Abid Saigol Mr. M. Shahzad Saigol Mr. M. Shahid Saigol Mr. M. Nasrullah Mr. Abdul Waheed Khalid	35202-9563094-9 Not Available Not Available Not Available Not Available Not Available Not Available	S/o Muhammad Rafique Saigol S/o Muhammad Rafique Saigol S/o Muhammad Rafique Saigol Not Available Not Available Not Available Not Available	18.212	0.000	0.000	18.212	18.212	0.000	0.000	18.212
4	Sarah Textile Ltd	Khawja Belal Ahmad Mrs. Sameena Belal Mr. Ammar Bilal Ms. Sara Bilal Mr. Tayyab Abbas Syed Habib A. Bukhari Mrs. Tallat Khawaja	35202-2969902-7 35202-1448248-4 42301-1731481-7 35202-1482283-8 Not Available Not Available Not Available	S/o Kh. Ghulam Mohyuddin W/o Kh.Bilal Ahmed S/o Kh.Bilal Ahmed D/o Kh.Bilal Ahmed Mujaba Haider Syed Rashid A. Bukahri	28.086	4.127	0.000	32.213	28.086	4.127	0.000	32.213
5	Crescent Sugar Mills and Distillery Ltd	Mr. Mazhar Karim Mr. Muhammad Arshad Mr. Abid Mehmood Mr. Khalid Bashir Mr. Muhammad Anwar Mr. Muhammad Rafi	33100-7443925-5 33100-5364910-5 33100-1704580-9 35202-2631654-5 331002-725460-1 42201-0260840	S/o Mian Fazal Karim S/o Mian Gulzar Muhammad S/o Mian Gulzar Muhammad S/o Mian Bashir Haji Muhammad Shafi Haji Muhammad Shafi	4.994	6.956	5.161	17.111	0.000	3.617	5.160	8.777
6	Haq Dairies Ltd	Mr. Sajjad Ul Haq Khan Mr. Altaf Ul Haq Khan Mr. Burhan Ul Haq Khan Mrs. Saira Najamul Haq Mrs. Rubina Sajjad Mr. Wazir Muhammad Khan Dr. Muhammadi Wazir	Not Available Not Available 91506-01422620-1 Not Available Not Available Not Available Not Available	S/o Ithasham ul Haq Khan S/o Ithasham ul Haq Khan S/o Ithasham ul Haq Khan W/o Najam ul Haq Khan W/o Sajjad ul Haq S/o Taj Muhammad Khan S/o Wazir Muhammad Khan	2.275	2.901	0.020	5.196	2.275	2.901	0.024	5.200
7	MACPAC Films Ltd	Mr.Maqbool Elahi Mr.Muhammad Sadiq Mr.Naeem Ali Muhammad Mrs. Rukhsana Maqbool Mrs. Shahida Yahya Ms. Sana Nauman Mr Ali Muhammad Munshi Mr. Fazal Elahi	42000-8271918-1 42301-8236272-7 42301-0154375-7 42000-4099975-8 42201-4972490-0 42201-4213467-2 42000-0430346-5 42201-3322704-5	Fazal Elahil Ch. Munshi Khan Ch. Ali Muhammad Munshi Maqbool Elahi W/o.Mr. Muhammad Yahya Maqbool Elahi S/o Mr. Umar Daraz S/o Haji Mushtaq	71.412	47.951	43.930	163.293	0.000	28.729	43.930	72.659
					204.312	**90.275**	**51.340**	**345.927**	**115.162**	**67.714**	**51.343**	**234.219**

Consolidated Financial Statements 2012

Auditors' report to the members of
Saudi Pak Industrial and Agricultural Investment Company Limited

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Saudi Pak Industrial and Agricultural Investment Company Limited ("the Holding Company") and its subsidiary companies as at 31 December, 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited and its subsidiary companies namely Saudi Pak Real Estate Limited and Saudi Pak Leasing Company Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Saudi Pak Industrial and Agricultural Investment Company Limited and its subsidiary companies as at 31 December, 2012 and the results of their operations for the year then ended.

We draw attention to the following matters:

a) Note 10.4 to the consolidated financial statements wherein it is stated that the Board of Directors of the Holding Company decided to convert the interest free subordinated loan to Saudi Pak Leasing Company Limited (SPLCL), a subsidiary company into preference shares. The State Bank of Pakistan (SBP) has extended the time for conversion of subordinated loan into preference shares till 30 June, 2013;

b) Note 1.2 to the consolidated financial statements which states that SPLCL has incurred a net loss of Rs.129.498 million during the year ended 31 December, 2012, and as of that date, its current liabilities exceeded its current assets by Rs.673.258 million and have a negative equity of Rs.1,016.555 million as at 31 December, 2012. Furthermore, due to the liquidity crises, SPLCL has defaulted on financial obligations of Rs.617.507 million in principal and Rs.154.024 million in accrued mark-up. These conditions, along with the fact that the SPLCL's license to carry out leasing business has expired since 18 May, 2010, indicates the existence of a material uncertainty that may cast significant doubt about the SPLCL's ability to continue as a going concern and may affect the SPLCL's ability to borrow funds;

c) Note 1.3 to the consolidated financial statements which gives details of certain requirements of NBFC Regulations, 2008 not met by SPLCL;

d) Note 14.1 to the consolidated financial statements wherein it is stated that certain legal requirements relating to the property documentation of development properties of Saudi Pak Real Estate Limited are under process.

Our opinion is not qualified on the matters from (a) to (d) above.

Islamabad
April 29, 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Pesnani

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
Cash and balances with treasury banks	6	**65,690,405**	56,121,319
Balances with other banks	7	**389,068,830**	193,655,011
Non-current asset classified as held for sale	8	**96,618,462**	-
Lendings to financial institutions	9	**285,000,000**	171,111,111
Investments	10	**6,194,338,065**	5,101,879,296
Advances	11	**6,363,688,800**	7,393,276,079
Operating fixed assets	12	**2,612,687,710**	2,321,846,074
Deferred tax assets	18	**-**	-
Other assets	13	**1,516,807,275**	1,880,739,426
Development properties	14	**184,673,844**	206,091,245
		17,708,573,391	17,324,719,561
LIABILITIES			
Bills payable		**-**	-
Borrowings	15	**7,229,175,546**	7,064,577,411
Deposits and other accounts	16	**1,329,131,395**	1,618,221,671
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Underwriting provision	17	**-**	228,720,865
Deferred tax liabilities	18	**985,335,693**	751,003,079
Other liabilities	19	**503,354,689**	599,680,474
		10,046,997,324	10,262,203,500
NET ASSETS		**7,661,576,067**	7,062,516,061
REPRESENTED BY			
Share capital	20	**6,000,000,000**	6,000,000,000
Reserve fund		**536,440,467**	1,513,182,102
Unappropriated profit / (loss)		**84,133,858**	(1,279,915,381)
		6,620,574,325	6,233,266,721
Non-controlling interest		**(644,095,429)**	(480,915,677)
Surplus on revaluation of AFS securities - net of tax	21	**222,252,953**	43,109,063
Surplus on revaluation of operating fixed assets - net of tax	22	**1,462,844,218**	1,267,055,954
		7,661,576,067	7,062,516,061
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 Rupees	2011 Rupees
Mark-up/Return/Interest Earned	24	**1,246,894,674**	1,479,940,562
Mark-up/Return/Interest Expensed	25	**776,603,120**	1,173,520,079
Net Mark-up/Interest Income		**470,291,554**	306,420,483
Provision against non-performing loans and advances		**255,824,164**	642,869,184
Provision for diminution in the value of investments	26	**134,094,048**	63,232,342
Reversal of provision against lendings to financial institutions		**-**	-
Bad debts written off directly		**403,441**	13,069,507
		390,321,653	719,171,033
Net Mark-up/Interest income / (expense) after provisions		**79,969,901**	(412,750,550)
NON MARK-UP/INTEREST INCOME			
Fee, Commission and Brokerage Income		**15,014,467**	2,932,874
Dividend Income		**61,420,035**	94,876,526
Gain / (loss) from dealing in foreign currencies		**25,667,710**	(223,043,763)
Net gain on dealing in quoted securities		**365,647,824**	43,584,749
Gain on dealing in mutual funds		**9,707,632**	41,222,136
Impairment loss on asset classified as held for sale at its fair value		**(41,145,142)**	-
Unrealized gain on investments classified as held for trading	10.7	**2,257,167**	-
Underwriting income	27	**15,667,851**	20,986,350
Income from sale of development properties - net	28	**10,895,745**	47,139,204
Other Income	29	**180,646,033**	109,166,772
Total non mark-up/interest Income		**645,779,322**	136,864,848
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	30	**375,214,513**	337,030,616
Impairment loss on quoted securities	31	**83,227,084**	957,126,256
Other provisions and write offs	32	**6,942,000**	176,720,941
Other charges	33	**-**	922,250
Total non-markup/interest expenses		**465,383,597**	1,471,800,063
Share of profit of associate - net of dilution		**8,256,402**	-
Extra ordinary/unusual items		**-**	-
		8,256,402	-
PROFIT / (LOSS) BEFORE TAXATION		**268,622,029**	(1,747,685,765)
Taxation – Current		**31,877,664**	43,674,249
– Prior years		**-**	100,523,318
– Deferred		**(10,243,315)**	150,681,609
	34	**21,634,349**	294,879,176
PROFIT / (LOSS) AFTER TAXATION		**246,987,680**	(2,042,564,941)
Attributable to:			
Equity holders of the Company		**322,137,463**	(1,581,085,770)
Non-controlling interests		**(75,149,783)**	(461,479,171)
		246,987,680	(2,042,564,941)
Basic and diluted earning / (loss) per share	35	**0.537**	(2.635)

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 Rupees	2011 Rupees
Profit / (loss) after taxation	322,137,463	(1,581,085,770)
Other comprehensive income		
Reversal of capital reserves relating to rescheduling benefits	-	-
Comprehensive income transferred to equity	322,137,463	(1,581,085,770)
Components of comprehensive income not reflected in equity		
Surplus on revaluation of available-for-sale securities	276,277,901	417,035,377
Deferred tax	(96,697,265)	(145,962,382)
	179,580,636	271,072,995
Total comprehensive income	501,718,098	(1,310,012,775)

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		268,622,029	(1,747,685,765)
Less: dividend income		(61,420,035)	(94,876,526)
		207,201,994	(1,842,562,291)
Adjustments:			
Depreciation and amortization		154,758,305	139,948,547
Provision against non-performing loans and advances		255,824,164	642,869,184
Provision for diminution in the value of investments		134,094,048	63,232,342
Bad debts written off directly		403,441	13,069,507
Other provisions/write offs		6,942,000	176,720,941
Impairment loss on quoted securities		83,227,084	957,126,256
Reversal of impairment on AFS securities		(1,114,785,478)	(292,743,819)
Net gain on disposal of operating fixed assets - property and equipment		(15,116,725)	(8,091,310)
Impairment loss on asset classified as held for sale at its fair value		41,145,142	-
Share of profit of associate - net of dilution		(8,256,402)	-
Provision for gratuity		8,417,939	7,854,690
Provision for compensated absences		1,207,343	2,771,365
Unrealized gain on investment classified as held for trading		(2,257,167)	-
		(454,396,306)	1,702,757,703
		(247,194,312)	(139,804,588)
Decrease / (increase) in operating assets			
Lendings to financial institutions		(113,888,889)	260,146,639
Development properties		21,417,401	(95,006,745)
Advances		883,061,088	1,260,360,437
Other assets		204,243,933	(7,315,183)
		994,833,533	1,418,185,148
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		164,598,135	(2,013,434,272)
Deposits		(289,090,276)	(1,240,236,375)
Other liabilities		(102,162,149)	122,768,381
Underwriting provision		12,095,093	(86,383)
Deferred liabilities - advance rental income		27,387,897	(3,890,880)
		(187,171,300)	(3,134,879,529)
		560,467,921	(1,856,498,969)
Gratuity paid		(8,298,739)	(10,952,984)
Compensated absences paid		(1,195,269)	(1,132,659)
Income tax paid		(90,355,601)	(110,560,748)
		(99,849,609)	(122,646,391)
Net cash generated from / (used in) operating activities		460,618,312	(1,979,145,360)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Available-For-Sale (AFS) securities		(548,963,528)	1,701,077,535
Investment in Held-To-Maturity (HTM) securities		625,137,475	54,090,598
Investment in Held-for-trading (HFT) securities		(148,000,000)	7,447,474
Investment in Saudi Pak Insurance Company Limited - net		(156,501,057)	50,000,000
Dividend received		61,420,035	94,876,526
Investment in operating fixed assets - net		(107,332,497)	(19,972,460)
Sale proceeds on disposal of operating fixed assets - property and equipment		18,604,166	13,837,747
Net cash (used in) / generated from investing activities		(255,635,406)	1,901,357,420
CASH FLOW FROM FINANCING ACTIVITIES		-	-
Increase / (decrease) in cash and cash equivalents		204,982,906	(77,787,940)
Cash and cash equivalents at beginning of the year		249,776,330	327,564,270
Cash and cash equivalents at end of the year	36	454,759,235	249,776,330

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE | DIRECTOR | DIRECTOR | CHAIRMAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Share Capital Rupees	Reserve Fund Rupees	General Reserve Rupees	Unappropriated (Loss) / Profit Rupees	Sub - total Rupees	Non-controlling interest Rupees	Total Rupees
Balance as at January 01, 2011	6,000,000,000	1,961,641,045	-	(203,334,991)	7,758,306,054	(42,689,064)	7,715,616,990
Loss for the year	-	-	-	(1,581,085,770)	(1,581,085,770)	(461,479,171)	(2,042,564,941)
Capital reserves - rescheduling benefit	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(1,581,085,770)	(1,581,085,770)	(461,479,171)	(2,042,564,941)
Appropriation from reserve fund	-	(448,458,943)	-	448,458,943	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	-	56,046,437	56,046,437	-	56,046,437
Non controlling interests arising on disposal of Saudi Pak Insurance Company Limited	-	-	-	-	-	23,252,558	23,252,558
Balance as at December 31, 2011	6,000,000,000	1,513,182,102	-	(1,279,915,381)	6,233,266,721	(480,915,677)	5,752,351,044
Balance as at January 01, 2012	6,000,000,000	1,513,182,102	-	(1,279,915,381)	6,233,266,721	(480,915,677)	5,752,351,044
Profit for the year	-	-	-	322,137,463	322,137,463	(75,149,783)	246,987,680
Total comprehensive income	-	-	-	322,137,463	322,137,463	(75,149,783)	246,987,680
Appropriation from reserve fund	-	(1,412,718,297)	-	1,412,718,297	-	-	-
Transfer to reserve fund *	-	76,116,956	-	(76,116,956)	-	-	-
Transfer to general reserve	-	-	359,859,706	(359,859,706)	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	-	58,450,195	58,450,195	5,664,775	64,114,970
Non controlling interest removed due to loss of control in Saudi Pak Insurance Company Limited	-	-	-	-	-	(93,694,744)	(93,694,744)
Profit on dilution of holding in Saudi Pak Insurance Company Limited before loss of control	-	-	-	6,719,946	6,719,946	-	6,719,946
Balance as at December 31, 2012	6,000,000,000	176,580,761	359,859,706	84,133,858	6,620,574,325	(644,095,429)	5,976,478,896

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

* Under Circular No 1 dated December 05, 1991 issued by the State Bank of Pakistan for Non-Banking Financial Institutions, an amount not less than 20% of the profit shall be transferred to create a reserve fund till such time the reserve fund equals the amount of paid up capital and thereafter 10% of the balance of profit of the company are to be transferred to this reserve.

CHIEF EXECUTIVE | DIRECTOR | DIRECTOR | CHAIRMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1 LEGAL STATUS AND OPERATIONS

1.1 The Group consists of Saudi Pak Industrial and Agricultural Investment Company Limited, the Holding company, its two subsidiary companies namely Saudi Pak Leasing Company Limited (SPLCL), Saudi Pak Real Estate Limited (SPREL) and its associated company namely Saudi Pak Insurance Company Limited (SPICL).

Saudi Pak Industrial and Agricultural Investment Company Limited

Saudi Pak Industrial and Agricultural Investment Company Limited (the "Company") was incorporated in Pakistan as private limited company on December 23, 1981 and subsequently converted as a public limited company on April 30, 2008. The Company is jointly sponsored by the Governments of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan. The principal activity of the Company is to invest in the industrial and agro-based industrial projects in Pakistan on commercial basis and market their products in Pakistan and abroad. The Company has been setup for a period of fifty years which may be extended with approval of both of the Governments. The registered office of the Company is situated at Saudi Pak Tower, Jinnah Avenue, Islamabad.

Saudi Pak Leasing Company Limited (''SPLCL'')

Saudi Pak Leasing Company Limited (''SPLCL'') was incorporated in Pakistan on January 08, 1991 and is listed on all the three Stock Exchanges in Pakistan. The registered office of SPLCL is situated at 6th Floor, Lakson Square Building No.1, Sarwar Shaheed Road, Saddar, Karachi. The main business activity of SPLCL is the leasing of assets. SPLCL's license to carry out the business of leasing had expired on May 18, 2010 and renewal is pending with the Securities and Exchange Commission of Pakistan. The Company holds 35.06% (2011: 35.06%) ordinary shares of SPLCL. However, SPLCL is considered subsidiary company because of the management control of the Holding Company.

Saudi Pak Real Estate Limited, ("SPREL")

Saudi Pak Real Estate Limited, ("SPREL") is limited by shares, incorporated in Pakistan as an unlisted public limited company on November 14, 2006 under the Companies Ordinance, 1984. The principal businesses of SPREL are investments in properties (both for investment and development purposes), property management services, investments in joint ventures and other related services. SPREL is a wholly owned subsidiary of the Company. The registered / head office of SPREL is situated at Saudi Pak Towers, 61-A, Jinnah Avenue, Islamabad.

Saudi Pak Insurance Company Limited (''SPICL'')

Saudi Pak Insurance Company Limited (''SPICL'') is an unlisted public limited company incorporated in Pakistan on February 15, 2005 under the Companies Ordinance, 1984. SPICL is engaged in non-life insurance business mainly comprising of fire, marine, motor and miscellaneous. SPICL commenced its commercial operations on April 13, 2005. The registered office of SPICL is situated at Suit no 204-A, second floor, madina city mall, Abdullah Haroon road, Karachi and principal office of SPICL is situated at UIG house 6-B, 1st floor, upper mall, Lahore, Pakistan.

The Holding Company entered into an agreement dated 09 June 2011 to sell 22,500,000 ordinary shares of Rs. 10 each in SPICL. The buyer has agreed to buy shares at a price of Rs. 99.45 million which represents Rs. 6 per share. The buyer has paid an amount of Rs. 30 million upon signing of agreement whereas the balance of Rs. 69.45 million is to be paid in seven quarterly installments comprising six quarterly installments of Rs. 10 million and seventh installment of Rs. 9.45 million. The buyer has provided performance securities against purchase price which includes immovable properties of Rs. 40 million. The shares will be transferred to the buyer in piece meal as and when the payment is received by the holding Company and after retaining 30% margin till final payment. Further, in accordance with the terms of the agreement, the remaining fully paid up 5,925,000 ordinary shares of Rs. 10

each will be sold to the buyer at the rate of Rs. 7.5 per share or book value of the share plus one rupee premium, whichever is higher on the terms to be agreed separately. As on date of consolidated statement of financial position, the Company holds 43.21% (2011: 57.56%) ordinary shares of SPICL. Accordingly, as on date of consolidated statement of financial position, the Company now holds 43.21% (2011: 57.56%) ordinary shares of SPICL.

1.2 Material uncertainty regarding SPLCL

The country's weak economic fundamentals along with serious challenges being faced by the country for last several years on account of various factors such as energy crisis, disturbed security environment, higher inflation, political instability and lack of trust of foreign investors have provided foundation for severe liquidity crunch for the leasing sector and for SPLCL as well. SPLCL thus faced difficulties in the form of defaults wherein recovery from customers became a challenging task. The deteriorated financial position of SPLCL can be overcome from the recovery on account of balance lease / loan portfolio, which is currently a lifeline for SPLCL, and the management is trying to recover as much as possible from the available means. The above factors affected SPLCL in the following manner:

– During the year ended 31 December 2012, SPLCL has incurred a net loss of Rs. 129.498 million (2011: 725.73 million). Moreover, as at the year end, its accumulated losses stood at Rs. 1,616.483 million, whereas the equity stood at negative Rs. 1,016.555 million, as against the minimum equity requirement of Rs. 500 million. Furthermore its total liabilities exceeded total assets by Rs. 975.928 million and its current liabilities exceeded current assets by Rs. 673.258 million.

– As of 31 December 2012 impairment loss of Rs. 895.652 million on lease and loans portfolio has been recognised and is included in the above mentioned accumulated loss figure.

– SPLCL's rating was downgraded as at 30 June 2010, not permitting SPLCL to issue new certificates of investment. Subsequently, the management has not reviewed the rating agreement with the credit rating company.

– During the period, SPLCL defaulted in making payments of certain financial obligations due to liquidity problems. As of 31 December 2012, total outstanding principal on which defaults were made amounts to Rs. 617.507 million and defaulted mark-up repayments amounts to Rs. 154.024 million. The management is in the process of negotiating the restructuring terms of such borrowings.

Furthermore, SPLCL's license to carry out the leasing business had expired on 18 May 2010 and its renewal is pending with the Securities and Exchange Commission of Pakistan (SECP). However, SPLCL continues to carry out operating leases.

Although uncertainty exists due to the above factors which may cast doubt on SPLCL's ability to continue as a going concern, the management of SPLCL is confident that due to steps / measures as explained in the next paragraphs, which are in line with the Board's approved rehabilitation plan for capital management and the approved financial projections, the going concern assumption is appropriate and has as such prepared this condensed interim financial information on a going concern basis.

– The Board of Directors supports SPLCL in negotiating the terms of restructuring of various borrowings from SPLCL's lenders (including financial institutions, term finance certificate holders, holders of certificates of investment, etc.) which will help SPLCL to continue as a going concern.

– The Board of Directors of SPLCL in their meeting held on 11 June 2012 approved to convert the sub-ordinated debt amounting to Rs. 333.208 million and a debt of major lender amounting to Rs. 195 million into convertible preference shares at a face value of Rs. 10 per share. The shareholders in extra ordinary general meeting held on 31 July 2012 also approved the decision of the Board and also decided to increase the authorised share capital of SPLCL to Rs. 2,000 million. The management of SPLCL has initiated the process of such conversion and filed an application for approval to the SECP. Subsequently, the SECP vide its letter number SC/NBFC/23/SPLCL/2013/58 dated 13 February 2013 approved the issuance of non-voting, non-cumulative, convertible and unlisted non-redeemable preference shares to Saudi Pak

Industrial & Agricultural Investment Company Limited (SAPICO) and the Bank of Khyber (BOK) amounting in total to Rs. 528.208 million, in lieu of conversion of sub-ordinated debt to equity and settlement of liability respectively. This will result in an increase in equity of SPLCL by Rs. 528.208 million.

- The borrowings (including mark-up thereon) of SPLCL has been brought down to Rs. 1,777.328 million from Rs. 1,881.327 million (excluding sub-ordinated debt) during the six months period through cash payments and settlements effected by lease and term loans swapping or sale / swapping of collateral held against non-performing borrowers. The management has also finalised a few loan settlement agreements and is under negotiation with the remaining borrowers for the settlement of SPLCL's obligation through surrender of its assets / collateral held against its non-performing exposure.

- The settlement agreements finalised as of 31 December 2012 will result in reduction of borrowing by Rs. 126.513 million by way of waiver of principal and mark-up, which is subject to performance of certain terms.

- Moreover, after the balance sheet date the management further managed to finalise settlement agreements against their borrowing amounting to Rs. 56.316 million and will also receive a waiver in principal and mark-up of Rs. 30.702 million which is subject to performance of certain conditions. Further, the management is currently under negotiation with various borrowers amounting to Rs. 335.061 million and is expecting positive results based on the negotiations so far.

- Since October 2008, SPLCL has managed to generate liquidity from the existing business and has not opted for any further borrowing from the market. Furthermore, the management has also prepared a contingent plan and identified certain assets which might be considered for sale if SPLCL needs to generate additional liquidity to finance its business.

- The management has negotiated with Term Finance Certificate (TFC) holders for restructuring of term finance certificates and has successfully concluded the transaction by way of step up monthly payments to be made during the period starting from January 2012 and has also successfully negotiated to defer the mark-up payments.

- Management is hopeful that the reduction in the finance cost through restructuring / settlements with the borrowers and the issuance of preference shares (as mentioned above) will assist in reducing the losses and improving the equity. SPLCL intends to aggressively follow-up with its non-performing portfolio for the recovery of principal, mark-up and possession of collateral assets. In this respect the management has strengthened its recovery team and is expecting an approximate of Rs. 20 million each month through such recoveries. During the six months period, on an average basis, a monthly cash recovery of Rs. 18.250 million has been achieved.

- SPLCL has requested the Securities and Exchange Commission of Pakistan (SECP) for relaxation in the minimum Capital requirement under NBFC Regulations, 2008 and is hopeful that this request will be accepted based on the condition of the overall business environment and SPLCL's position in the leasing sector. Moreover, the SECP in view of the prevailing economic condition and the overall business environment is considering a proposal for revision in the minimum capital requirement (MCR) under the NBFC Rules and it is hoped that a substantial reduction in the MCR would be in place soon.

- On achieving the Board's approved capital management plan and the financial projections, SPLCL's equity position is expected to reflect the following position:

	2012 Rupees
Equity position as of 31 December 2012	
Issued, subscribed and paid-up share capital	451,605,000
Capital reserves	148,257,389
Accumulated loss	(1,616,483,001)
Surplus on revaluation of available-for-sale investments	66,120
Equity	(1,016,554,492)
Expected impact on the equity based on financial projections (over the next three years)	
Equity as of 31 December 2012:	(1,016,554,492)
Conversion of liabilities into preference shares	668,208,000
Reversal / waivers of mark-up on settlement of liabilities	300,997,723
Reversal / waivers of principal on settlement of liabilities	224,427,000
Reversal of provisions by claiming forced sales value benefits	55,570,156
Reversal of provisions through recoveries	453,155,095
Effects of taxation and others - net	(41,003,979)
	1,661,353,995
Expected equity (by June 2015)	726,809,050

1.3 Certain non-compliances of NBFC Regulations 2008 by SPLCL

Due to the fact that at 31 December 2012, SPLCL's equity is negative by Rs. 1,016.555 million, SPLCL could not meet the regulatory requirements of NBFC Regulations, 2008 (apart from those mentioned in notes 1.2 above and 20.2.2), including the following:

- Regulation 5 (1) - aggregate liabilities, excluding contingent liabilities and security deposits, of an NBFC, shall not exceed ten times of the company's equity (in case of operations beyond the first 2 years).

- Regulation 5 (2) - contingent liabilities of an NBFC shall not exceed seven times of its equity for the first two years of its operation and ten times of its equity in the subsequent years.

- Regulation 17 (1) - total outstanding exposure (fund and non-fund based) of an NBFC to a person should not at any time exceed 30% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 20% of the NBFC's equity.

- Regulation 17 (2) - total outstanding exposure (fund based and non-fund based) of an NBFC to any group shall not exceed 50% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 35% of the equity.

- Regulation 18 - an NBFC shall make clean money market placement only with financial institutions and its aggregate exposure shall not exceed its equity.

- Regulation 28 (a) - a leasing company undertaking the business of lease only, shall invest at least 70% of its assets in the business of leasing. As at 31 December 2012, SPLCL's investment in lease assets was 67.52% (30 June 2012: 71.4%) of the total assets (less allowable deductions).

- Regulation 28 (d) - total investments of the leasing company in shares, equities or scrips shall not exceed 50% of the equity of the leasing company.

– Regulation 28 (e) - a leasing company shall not own shares, equities or scrip of any one company in excess of 10% of its own equity or the issued capital of that company, whichever is lower.

2 BASIS OF PRESENTATION

These consolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No.4 dated February 17, 2006.

2.1 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pak. Rupees, which is the Group companies functional currency.

3 STATEMENT OF COMPLIANCE

3.1 These consolidated 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 Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP). In case the requirements of provisions and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP differ with the requirements of IFRS, the provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.

3.2 The SBP through its BSD Circular Letter No. 11 dated September 11, 2002 has deferred the implementation of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Development Financial Institutions (DFIs) till further instructions. According to the notification of SECP dated April 28, 2008, the IFRS 7 "Financial Instruments' Disclosures" has not been made applicable for DFIs. In view of above, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. The investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

4 BASIS OF MEASUREMENT

4.1 These consolidated financial statements have been prepared under the historical cost convention except for:

- revaluation of certain items of operating fixed assets;
- revaluation of certain investments in accordance with directives of State Bank of Pakistan; and
- recognition of certain employee benefits at present value.

4.2 Use of critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. The Group uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are as follows:

(a) Provision against non performing loans and advances

The Group reviews its loan portfolio to assess amount of non-performing advances and provisions required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered. The amount of general provision is determined in accordance with the management's judgment.

(b) Classification of investments

– Held-For-Trading (HFT)

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

– Held-To-Maturity (HTM)

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

– Available-For-Sale (AFS)

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

(c) Valuation and impairment of 'available-for-sale' equity investments

The Group determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational/financial cash flows.

(d) Taxation

In making the estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

(e) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates at the date of consolidated statement of financial position and the rates contracted.

(f) Depreciation, amortization and revaluation of operating fixed assets / intangible assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Group estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

(g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these consolidated financial statements (refer note 37) for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

(h) Provision against other assets and receivables

The Group reviews other assets and receivables to assess any amount of provision / bad debts required there against on regular basis.

(i) Development properties

The management reviews the net realizable value of development properties to assess any diminution in the respective carrying values. These estimates are based on historical experience and are continuously reviewed. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

(j) Transfer of equitable interest in development properties

The Group has entered into a number of contracts with buyers for the sale of bungalows, shops and offices. Management has determined that equitable interest in such assets and therefore risks and rewards of the ownership are transferred to the buyer once he is committed to complete the payment for the purchase. This commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progress payments. Based on this, Group recognizes revenues and profits as the acts to complete the property are performed.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, its two subsidiary companies and one associated company as stated in note 1.1 above.

- Subsidiaries are those enterprises in which the holding company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has the power to elect and appoint more than 50% of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investment held by the holding company is eliminated against holding company's share in paid up capital of the subsidiaries.

- Material intra-group balances and transactions have been eliminated. Non-controlling interests are that part of net results of the operations and of net assets of the subsidiary attributable to interests which are not owned by the holding company. Non-controlling interests are presented as separate item in the consolidated financial statements. Losses applicable to Non-controlling interests in a subsidiary are allocated to the Non-controlling interests even if doing so causes the Non-controlling interests to have a deficit balance.

- The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

- Associate is the entity in which the group has significant influence, but not control over the financial and operating policies. Significant influence exists when the Group hold between 20 to 50 percent of the voting power of another entity. The consolidated financial statements include the Groups share of result of the associate. Investment in associate is accounted for using the equity method of accounting and was initially recognized at cost.

- During the year, the Holding Company lost its control over SPICL and accordingly SPICL has been accounted for as subsidiary till the date of loss of control and as associate thereafter in these consolidated financial statements. Also refer note 1.1

5.2 Cash and cash equivalents

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

5.3 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the consolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognised as mark-up / return expensed and earned on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

5.4 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / (deficit) arising on revaluation of 'held for trading' investments is taken to consolidated profit and loss account in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

(b) Held-To-Maturity (HTM)

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost less impairment, if any, in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

(c) Available-For-Sale (AFS)

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit on revaluation net of deferred tax is kept in a separate account and is shown below the shareholders' equity in the consolidated statement of financial position. Where the decline in prices of available for sale securities is significant or prolonged, it is considered impaired and included in consolidated profit and loss account.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee companies as per their latest available financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

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

5.5 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations issued by State Bank of Pakistan from time to time.

The provision against non-performing advances is charged to the consolidated profit and loss account. Advances are written off when there is no realistic prospect of recovery.

The SBP amended the Prudential Regulations in relation to provision for loans and advances of the Holding Company and Securities and Exchange Commission of Pakistan has amended the time based criteria for calculating the provision for SPLCL against non performing leases. Related impacts and disclosures are given in notes 11.1.6.1, 11.1.6.2, 11.2.2.3 and 11.2.3.1.

5.6 Net investment in finance lease

These are stated at present value of minimum lease payments under the agreements. The allowance for potential lease losses is maintained at a level which in the opinion of management, is adequate to provide for potential lease losses on lease portfolio that can be reasonably anticipated. The allowance is increased by the provisions charged to income and decreased by write offs, net of recoveries. The Group maintains provision for potential lease losses in accordance with the Prudential Regulations applicable on the Group.

5.7 Operating fixed assets and depreciation/ amortization

(a) Tangible assets

Tangible operating fixed assets are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land which is stated at cost and lease hold land, buildings and certain other items which are carried at revalued amount less depreciation.

Certain items of tangible operating fixed assets are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited/ (debited) to the surplus on revaluation of assets account and is shown below the shareholders' equity in the consolidated statement of financial position.

Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value.

Depreciation is provided on straight line method at rates specified in note 12.1 to the consolidated financial statements so as to write off the cost of the assets over their estimated useful lives. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Maintenance and normal repairs are charged to consolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the consolidated profit and loss account.

(b) Intangibles

Intangible assets are stated at cost less accumulated amortization. Impairment losses, if any, is charged to consolidated profit and loss account. Amortization is computed from the date of purchase to date of disposal / write off using the straight line method in accordance with the rates specified in note 12.2 to these consolidated financial statements to write off cost of the assets over their estimated useful lives.

(c) Capital work in progress

Capital work in progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of operating fixed assets when available for intended use.

5.8 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated profit and loss account, except to the extent that it relates to items recognized directly in equity or below equity / other comprehensive income, in which case it is recognized in equity or below equity / other comprehensive income.

(a) Current

Provision for current taxation is the expected tax payable on the taxable income for the year using tax rates applicable at the date of consolidated statement of financial position. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year for such years.

(b) Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the date of consolidated statement of financial position, expected to be applicable at the time of its reversal. A deferred tax asset is recognized only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realized.

The Group recognizes deferred tax asset/liability on (deficit)/surplus on revaluation of securities and revaluation of operating fixed assets in accordance with the requirement of International Accounting Standard (IAS) 12 “Income Taxes” which is adjusted against the related surplus / (deficit).

5.9 Provisions

Provisions are recognized when there are present, legal or constructive obligations as a result of past events and it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to consolidated profit and loss account is stated net off expected recoveries.

5.10 Staff retirement benefits

(a) Defined benefit plan

The Group operates an unfunded gratuity scheme for all of its permanent employees who have put in three years of continuous service with the Group. The actuarial valuation is carried out periodically using “Projected Unit Credit Method” as allowed under the International Accounting Standard (IAS) 19 “Employee Benefits”. A portion of the actuarial gains or losses is recognized over the expected remaining working life of its employees if the net cumulative unrecognized actuarial gains or losses at the end of the previous year exceeds the “corridor limit” which is defined as the greater of:

- 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- 10% of the fair value of any plan assets at that date.

(b) Defined contribution plan

The Group (except SPLCL) also operates a recognized funded provident fund scheme for all of its permanent employees. Equal monthly contributions at the rate of 10% of basic salary are made both by the Group and the employees, which are transferred to the provident fund.

(c) Compensated absences

As per its service rules, the Group grants compensated absences to all of its permanent employees. The provision for compensated absences is made on the basis of last drawn basic salary.

5.11 Revenue recognition

(a) Mark-up/ interest on loans and advances and return on investments is recognized on accrual basis except on classified advances which is recognized on receipt basis in compliance with Prudential Regulations issued by the SBP.

(b) Markup/interest on rescheduled/ restructured loans and advances and return on investment is recognized in accordance with the directives of the SBP.

(c) Unrealized income is held in suspense account, where necessary, in accordance with the requirements of SBP guidelines and recognized as income on receipt basis.

(d) Fees, commission and brokerage income is recognized at the time of performance of service.

(e) Dividend income is recognized when the Group's right to receive income is established.

(f) The Group follows the finance method to recognize income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of the leased assets) is deferred and taken to income over the term of lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains/ losses on termination of lease contracts are recognized as income/expense when these are realized.

(g) Gains and losses on sale of investments are included in income currently.

(h) Gains and losses on disposal of operating fixed assets are taken to the consolidated profit and loss account.

(i) Premium income under a policy is recognized over the period of insurance from the date of issuance of policy to which it relates to its expiry as follows:

- For direct business, evenly over the period of the policy; and
- For proportional reinsurance business, evenly over the period of underlying insurance policies.

Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of incidence of risk. Premium for policies receivable in installments are recorded as receivable at the inception of the policy and are recognized as income over the period of the policy, in accordance with the provisions of the SEC (Insurance) Rules, 2002.

(j) Sale of properties

Revenue on sale of plots, buildings, bungalows and villas is recognized on accrual basis if all of the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- the amount of revenue, cost incurred or to be incurred in respect of the transaction can be measured reliably; and
- it is probable that the economic benefit associated with the transaction will flow to the Group;

Revenue on sale of buildings, bungalows and villas is recognized on the percentage completion if all of the following conditions are met:
The Group transfers to the buyer the significant risks and reward of ownership of the work in progress in its current

state as the work progresses. The significant risks and rewards of ownership are transferred to the buyer when the buyer is committed and the commitment is evidenced by a signed contract and is unable to require a refund except for non delivery of the unit. Management believes that the likelihood of the Group being unable to fulfill its contractual obligations for this reason is remote.

(k) Rendering of services

Revenue from rendering of services is recognized when the outcome of the transaction can be estimated reliably by reference to the stage of completion of the transaction at the date of consolidated statement of financial position.

(l) Finance leases income

The Group follows the 'financing method' in accounting for recognition of finance lease. At the commencement of a lease, the total unearned finance income i.e. the excess of aggregate installment contract receivables plus residual value over the cost of the leased asset is amortized over the term of the lease, applying the annuity method, so as to produce a constant periodic rate of return on the net investment in finance leases. Initial direct costs are deferred and amortized over the lease term as a yield adjustment. Processing, front end and commitment fees and commission are recognized as income when such services are provided.

(m) Operating lease

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

5.12 Foreign currency transactions

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the date of consolidated statement of financial position. Exchange gains and losses are included in consolidated profit and loss account currently.

5.13 Impairment

The carrying amount of the Group's assets are reviewed at the date of consolidated statement of financial position to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the consolidated profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

- **Financial assets**
  A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

- **Non - financial assets**
  The carrying amount of the assets other than deferred tax assets are reviewed at each date of consolidated statement of financial position to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized immediately in the consolidated profit and loss account.

  A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized as income.

5.14 Financial instruments

Financial assets and financial liabilities

Financial instruments carried on the consolidated statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

5.15 Off-setting of financial instruments

Financial assets and financial liabilities are only set-off and net amount is reported in the consolidated financial statements when there is legally enforceable right to set-off the recognized amount and the Group either intends to settle on net basis or to settle the liabilities and realize the assets simultaneously.

5.16 Insurance contracts

Insurance contracts are those contracts where the SPICL (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Once a contract has been classified as an insurance contract it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired. Insurance contracts are classified into following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- Fire and property damages
- Marine, aviation and transport
- Motor
- Miscellaneous

Fire and property insurance contracts mainly compensate the SPICL's customers for damage suffered to their properties or for the value of property lost. Marine Insurance covers the loss or damage of vessels, cargo, terminals and any transport of property by which cargo is transferred, acquired or held between the points of origin and final destination. Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident. Other various types of insurance are classified in miscellaneous category which includes mainly engineering, crop and livestock, personal accident, worker compensation, travel, products of financial institutions and crop insurance etc.

The SPICL has not issue any insurance contracts with discretionary participation features (DPF) or any investment contracts.

5.17 Reinsurance ceded

The Group enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract. Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

The Group assesses its reinsurance assets for impairment on the date of consolidated statement of financial position, if there is an objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the consolidated profit and loss account.

5.18 Claim expense

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years. The Group recognizes liability in respect of all claims incurred upto the date of consolidated statement of financial position which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the date of consolidated statement of financial position.

5.19 Reinsurance recoveries against outstanding claims

Claims recoveries from the reinsurer are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received. Claims expenses are reported net of reinsurance in the consolidated profit and loss account.

5.20 Commission expense and other acquisition costs

Commission expense and other acquisition costs are charged to the consolidated profit and loss account at the time the policies are accepted. Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Group. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Group may be entitled to under the terms of reinsurance is recognized on accrual basis.

5.21 Premium deficiency reserves

The consolidated is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance from claims and other supplementary expenses expected to be incurred after the date of consolidated statement of financial position in respect of the unexpired policies in that class of business at the date of consolidated statement of financial position. The movement in the premium deficiency reserve is recorded as an expense/ income in consolidated profit and loss account for the year.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. The loss ratios estimated on these basis for the unexpired portion are as follows:

Fire and property damage 117%;
Marine, aviation and transport 53%;
Motor 64%; and
Miscellaneous 48%.

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the date of consolidated statement of financial position in respect of policies in those classes of business in force at the date of consolidated statement of financial position.

5.22 Amount due to other insurers/reinsurers

Liabilities for other insurers/ reinsurers are carried at cost which is the fair value of consideration to be paid in the future for services

5.23 Repossessed assets

These assets are acquired in settlement of certain loans / lease receivables. These are measured at lower of carrying amount of the related receivables and fair value less cost to sell of repossessed assets.

5.24 Finance Leases (as lessor)

Amounts due from lessees under finance lease are recorded as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases

5.25 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage. The Group has opted for the 1/24 method to calculate provision for unearned premium as per the option given under SEC Insurance Rules, 2002.

5.26 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

5.27 Development properties

Development properties include land acquired for development of bungalows, shops and offices for sale. These are carried in the consolidated statement of financial position at lower of cost and net realizable value. Cost includes all direct costs attributable to the design and construction of the properties. The properties are considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. Net realizable value represents the selling price in the ordinary course of business less cost of completion and estimated cost necessarily to be incurred for sale.

5.28 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing differentiated products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), subject to risks and rewards that are different from those of other segments. Segment information is presented as per the Group's functional structure and the guidance of State Bank of Pakistan. The Group's primary format of reporting is based on business segments. The Group comprises of the following main business segments:

(a) Business Segment

– **Corporate finance**

This includes investment activities such as underwriting, Initial Public Offers (IPOs) and corporate financing which includes leases of assets.

- **Trading and Sales**

  Trading and sales includes the Group's treasury and money market activities classified as held for trading.

- **Real Estate Services**

  This segment undertakes the investments in properties (both for investment and development purposes), property management services, investments in joint ventures and other related services.

- **Insurance Services**

  This segment includes non-life insurance business mainly comprising of fire, marine, motor and miscellaneous.

(b) Geographical Segment

The Group conducts all its operations in Pakistan.

5.29 Forthcoming changes in approved accounting standards which are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2013:

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

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

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

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

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

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on the Group's financial statements.

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

a) 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.

b) 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. The amendment is not likely to have any material impact on the financial statements.

c) IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for period 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.

d) 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. This improvement is not relevant to the Company's financial statements.

		Note	2012 Rupees	2011 Rupees
6	**CASH AND BALANCES WITH TREASURY BANKS**			
	In hand:			
	– Local currency		**262,249**	625,089
	– Foreign currency		**-**	-
			262,249	625,089
	With State Bank of Pakistan in:			
	– Local currency current accounts	6.1	**65,428,156**	55,367,752
	– Foreign currency current account		**-**	-
			65,428,156	55,367,752
	With National Bank of Pakistan in:			
	– Foreign currency deposit account		**-**	128,478
			65,690,405	56,121,319

6.1 Deposits are maintained with the State Bank of Pakistan to comply with its requirements issued from time to time.

		Note	2012 Rupees	2011 Rupees
7	**BALANCES WITH OTHER BANKS**			
	In Pakistan			
	On current accounts – local currency		**4,453,572**	30,850,306
	On deposit accounts –			
	– Local currency	7.1	**354,836,710**	134,293,082
	– Foreign currency	7.2	**29,778,548**	28,511,623
		7.3	**389,068,830**	193,655,011

7.1 These deposit accounts carry interest rate of 5.00% to 9.50% per annum (2011: 5.00% to 13.50% per annum).

7.2 These deposit accounts carry interest rate of 0.25% per annum (2011: 0.25% per annum).

7.3 This includes bank balances of Rs. 330,961,893 (2011: Rs. 953,597) with Silk Bank Limited that carries profit rate ranging between 5% to 9.5% (2011: 5% to 11%) per annum.

		Note	2012 Rupees	2011 Rupees
8	**NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**			
	Investment in Associated Company	8.1	**51,231,186**	-
	Offices of Saudi Pak Real Estate Limited		**45,387,276**	-
			96,618,462	-

8.1 Investment in associate represents 43.21% (2011: 57.56%) investment in the equity of Saudi Pak Insurance Company Limited (SPICL).

	Note	2012 Rupees	2011 Rupees
Carrying value at loss of control		**61,178,357**	-
Share of profit - net of tax and dilution		**8,256,402**	-
		69,434,759	-
Less: fair value adjustment		**(18,203,573)**	-
		51,231,186	-

The Holding Company entered into an agreement dated 09 June 2011 to sell 22,500,000 ordinary shares of Rs. 10 each in Saudi Pak Insurance Company Limited (SPICL). During the year, the Holding Company lost its control over SPICL and as of date of consolidated statement of financial position, the Holding Company holds 43.21% (2011: 57.56%) ordinary shares of SPICL. Accordingly SPICL has been accounted for as subsidiary till the date of loss of control and as associate after loss of control in these consolidated financial statements. Further, Holding Company's investment in associate has been classified as non-current asset held for sale in accordance with International Financial Reporting Standards 5 "Non-current Assets Held for Sales and Discontinued Operations" and measured at fair value in accordance with requirements of IFRS 5. Also refer note 1.1.

		Note	2012 Rupees	2011 Rupees
8.2	**Offices of Subsidiary Company**			
	Offices- Company occupied	8.2.1	**18,011,276**	-
	Offices- Leased out	8.2.2	**27,376,000**	-
			45,387,276	-

8.2.1 This represents Office Building Block No. B-901 and B-902, 9th Floor Lakson Square Building No. 3, Sarwar Shaheed Road, Karachi. The management has decided to sell these office building blocks and accordinglly these has been classified as non-current assets held for sale in accordance with the requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Previously these office were classified as Property and Equipment.

8.2.2 This represents Office Building Block No. B-903 and B-904, 9th Floor Lakson Square Building No. 3, Sarwar Shaheed Road, Karachi. The management decided to sell these office building blocks and and accordinglly these has been classified as non-current assets held for sale in accordance with the requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Previously these blocks were classified as Investment Property with change in fair value of Investment recognised in Profit and Loss account using Fair value method.

		Note	2012 Rupees	2011 Rupees
9	**LENDINGS TO FINANCIAL INSTITUTIONS**			
	Call money lendings	9.1	**235,000,000**	171,111,111
	Repurchase agreements lendings (reverse repo)	9.2	**50,000,000**	-
			285,000,000	171,111,111

9.1 This includes clean placements and term deposit receipts. These carry markup rate ranging from 10.30% to 12% per annum (2011: 11.00% to 12.97% per annum) maturing between January 2013 to April 2013 (2011: between January 2012 to April 2012).

9.2 These are secured against Pakistan Investment Bonds (PIBs). The difference between the contracted purchase price and the re-sale price is recognized as income over the period of the contract. These carry mark up rate of 10.00% per annum having maturity within 2 days.

		2012 Rupees	2011 Rupees
9.3	**Particulars of lendings**		
	In local currency	**285,000,000**	171,111,111
	In foreign currencies	**-**	-
		285,000,000	171,111,111

9.4 Securities held as collateral against lendings to financial institutions	Note	2012			2011		
		Held by the Group Rupees	**Further given as collateral Rupees**	**Total Rupees**	Held by the Group Rupees	Further given as collateral Rupees	Total Rupees
Pakistan Investment Bonds / Market Treasury Bills	9.4.1	**50,000,000**	**-**	**50,000,000**	-	-	-
		50,000,000	**-**	**50,000,000**	-	-	-

9.4.1 These represent the securities obtained under reverse repo transactions that have been used to raise finance under repo transaction.

10 INVESTMENTS

10.1 Investment by types:	Note	2012			2011		
		Held by the Group Rupees	**Further given as collateral Rupees**	**Total Rupees**	Held by the Group Rupees	Further given as collateral Rupees	Total Rupees
Held-For-Trading securities (HFT)							
Mutual funds		**148,000,000**	**-**	**148,000,000**	-	-	-
Available-For-Sale securities (AFS)							
Quoted shares		**980,989,921**	**-**	**980,989,921**	2,309,797,158	-	2,309,797,158
Un-quoted shares		**497,416,378**	**-**	**497,416,378**	694,416,378	-	694,416,378
Market Treasury Bills		**576,777,088**	**2,257,107,700**	**2,833,884,788**	278,653,500	645,925,200	924,578,700
Pakistan Investment Bonds (PIBs)		**-**	**245,206,600**	**245,206,600**	-	195,241,900	195,241,900
Ijara Sukuk		**-**	**-**	**-**	-	-	-
Term Finance Certificates (TFCs)		**250,181,356**	**-**	**250,181,356**	57,257,340	-	57,257,340
Commercial Paper		**-**	**-**	**-**	-	-	-
Mutual Funds		**50,000,000**	**-**	**50,000,000**	175,382,100	-	175,382,100
Other-Islamabad Stock Exchange ("ISE" Membership)	10.2	**2,500,000**	**-**	**2,500,000**	-	-	-
Sub-total for AFS securities		**2,357,864,743**	**2,502,314,300**	**4,860,179,043**	3,515,506,476	841,167,100	4,356,673,576
Held-To-Maturity securities (HTM)							
Pakistan Investment Bonds (PIBs)		**202,922,009**	**-**	**202,922,009**	554,277,902	-	554,277,902
Market Treasury Bills		**26,026,250**	**-**	**26,026,250**	30,730,928	-	30,730,928
Term Finance Certificates (TFCs)	10.3	**1,599,088,365**	**-**	**1,599,088,365**	1,907,282,191	-	1,907,282,191
Sub-total for HTM securities		**1,828,036,624**	**-**	**1,828,036,624**	2,492,291,021	-	2,492,291,021
Investment at cost		**4,333,901,367**	**2,502,314,300**	**6,836,215,667**	6,007,797,497	841,167,100	6,848,964,597
Provision for diminution in value of investments	10.6	**(986,026,786)**	**-**	**(986,026,786)**	(1,812,699,417)	-	(1,812,699,417)
Investments (net of provisions)		**3,347,874,581**	**2,502,314,300**	**5,850,188,881**	4,195,098,080	841,167,100	5,036,265,180
Surplus / (deficit) on revaluation of AFS securities	10.5	**341,892,017**	**-**	**341,892,017**	65,614,116	-	65,614,116
Surplus on revaluation of HFT securities	10.5	**2,257,167**	**-**	**2,257,167**	-	-	-
		3,692,023,765	**2,502,314,300**	**6,194,338,065**	4,260,712,196	841,167,100	5,101,879,296

10.2 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (the Act), during the year the Holding Company has received equity shares and one Trading Right Entitlement certificate in ISE in lieu of its membership card in that exchange.

Based on the revalued assets and liabilities of ISE, a total of 3,034,603 ordinary shares of Rs. 10 each in the corporatized and demutualized ISE have been allotted to the Holding Company in a dematerialized form. Out of the aforementioned, 1,213,841 ordinary shares in ISE (i.e. 40 percent) have been received in the Company's CDC participant account whereas 1,820,762 ordinary shares in ISE (i.e. 60 percent) have been held in the blocked sub accounts maintained under ISE participant ID with Central Depository Company of Pakistan Limited. The rights attached to 60% shares held in blocked account shall be dealt with in accordance with the provisions contained in the Act. The blocked account shall be operated by the Board of Directors of the stock exchanges in the manner prescribed by the Securities and Exchange Commission of Pakistan.

Since the par value of shares received by the Company is more than the carrying value of membership card, investment in ISE is recognised to the extent of the carrying value of membership card and trading right in ISE is recognised at Nil value.

10.3 This includes premium of Rs. 2.922 million (2011: Rs. 17.394 million) on purchase of PIB's. The premium is being amortized over the years having maturity on April 2014. Investment in PIB's carry coupon interest rates of 8% per annum (2011: 8% to 11% per annum).

10.4 To support Saudi Pak Leasing Company Limited (SPLC) in addressing its adverse financial position and minimum capital requirement; after approval of its Board of Directors, the Company has converted balance of clean placement amounting to Rs. 150 million and long term finance facilities amounting to Rs. 183.208 million to SPLC into an interest free subordinated loan with effect from 28 May 2009. However, due to conflicting regulations as applicable to NBFC's and DFI's relating to subordinated debt, the Board in its meeting held on January 12, 2011 decided to convert the same into preference shares. The SBP vide its letter no BPRD/BRD/SPIAICO/2013/3549 dated March 22, 2013 has granted extension for conversion of subordinated loan into equity till June 30, 2013. Subsequent to year end, the SECP vide its letter number SC/NBFC/23/SPLCL/2013/58 dated 13 February 2013, approved the application for the conversion of this sub-ordinated debt into non-voting, non-cumulative, convertible and unlisted non-redeemable preference shares.

	Note	2012 Rupees	2011 Rupees
10.5 Investment by segments			
Federal Government securities			
– Pakistan Investment Bonds (PIBs)	10.5.5	**448,128,609**	749,519,802
– Market Treasury Bills	10.5.5	**2,859,911,038**	955,309,628
		3,308,039,647	1,704,829,430
Fully paid up ordinary shares			
– Listed securities	10.5.1	**980,989,921**	2,309,797,158
– Unlisted securities	10.5.2	**497,416,378**	694,416,378
		1,478,406,299	3,004,213,536
Term Finance Certificates (TFCs)			
– Listed TFCs	10.5.3	**1,029,689,893**	1,058,603,877
– Unlisted TFCs	10.5.4	**819,579,828**	905,935,654
		1,849,269,721	1,964,539,531
Other investments			
Mutual Funds	10.5.6	**198,000,000**	175,382,100
Other - ISE Membership	10.2	**2,500,000**	-
		200,500,000	175,382,100
Total investment at cost		**6,836,215,667**	6,848,964,597
Less: Provision for diminution in value of investments	10.6	**(986,026,786)**	(1,812,699,417)
Investments (net of provisions)		**5,850,188,881**	5,036,265,180
Surplus / (deficit) on revaluation of Available-For-Sale securities (AFS)	21	**341,892,017**	65,614,116
Surplus on revaluation of Held- For- Trading securities (HFT)	10.7	**2,257,167**	-
		6,194,338,065	5,101,879,296

10.5.1 Investment in fully paid up ordinary shares – listed

2012 Number of ordinary shares	2011 Number of ordinary shares	Name of investee companies	2012 Rupees	2011 Rupees
4,070,051	1,017,317	Agritech Limited	**137,377,068**	20,249,363
-	1,210,550	Askari Bank Limited	-	19,993,839
-	1,017,500	Arif Habib Corporation Limited	-	60,968,470
-	6,000,000	Azgard Nine limited	-	108,725,040
-	6,247,948	Summit Bank Limited (Arif Habib Bank Limited)	-	45,348,645
-	384,913	Attock Cement Limited	-	25,283,071
-	825,000	Bank Islami Pakistan Limited	-	7,421,064
-	3,317,900	Bank Al-Falah Limited	-	52,729,924
		Sub-Total carried forward	**137,377,068**	340,719,416

10.5.1 Investment in fully paid up ordinary shares – listed (continued)

2012 Number of ordinary shares	2011 Number of ordinary shares	Name of investee companies	2012 Rupees	2011 Rupees
		Sub-Total carried forward	**137,377,068**	340,719,416
-	1,066,648	Chenab Limited	-	9,397,766
1,229,275	2,127,695	Crescent Steel & Allied Products Limited	**39,388,341**	77,784,678
-	5,700,524	Dewan Farooq Motors Limited	-	74,024,610
4,000,000	5,228,883	Dewan Salman Fiber Limited	**21,661,280**	28,316,074
-	3,199,957	Dewan Cement Limited	-	21,192,963
40,000	90,000	Engro Corporation Pakistan Limited	**8,276,067**	24,207,495
-	900	Fatima Fertilizer Limited	-	8,667
4,008,500	7,060,348	Fauji Cement Company Limited	**51,068,169**	89,948,621
500,000	470,000	Fauji Fertilizer Company Limited	**23,153,386**	32,646,276
1,500,000	1,700,000	Fauji Fertilizer Bin Qasim Limited	**43,130,940**	48,881,732
1,875,000	4,207,540	Fecto Cement Limited	**41,921,325**	94,072,347
11,572,199	11,572,199	Japan Power Generation Limited	**47,998,542**	49,999,503
-	1,361,990	Jahangir Siddiqui and Company Limited	-	41,508,061
450,000	500,000	Kott Addu Power Company Limited	**20,095,515**	22,328,350
1,500,000	10,000,487	Maple Leaf Cement Limited	**10,205,220**	68,038,113
-	200,000	Mari Gas Company Limited	-	21,356,550
1,000,000	1,250,000	National Bank of Pakistan Limited	**64,608,772**	88,837,060
1,000,000	1,000,000	Nishat Chunian Power Limited	**14,389,050**	14,389,050
1,265,000	1,500,000	Nishat Power Limited	**20,297,937**	24,068,697
2,000,000	10,161,622	NIB Bank Limited	**17,811,960**	92,732,833
72,000	110,000	Pakistan State Oil Company Limited	**20,368,155**	35,575,955
1,000,000	3,900,000	Pakistan Telecommunication Company Limited	**25,590,200**	99,801,780
343,750	278,300	Pakistan Petroleum Limited	**40,368,270**	40,817,664
2,000,000	4,591,000	Lafarge Pakistan Cement Limited	**8,362,500**	19,196,118
3,059,000	6,695,000	Pace Pakistan Limited	**39,341,309**	86,103,323
161,987	848,704	Packages Limited	**28,394,283**	148,767,134
420,000	1,288,126	Pak Reinsurance Limited	**15,764,775**	48,350,044
632,000	750,000	Pakistan Refinery Limited	**71,168,774**	84,456,615
993,623	993,623	Pak Elektron Limited	**20,000,000**	20,000,000
453,000	1,046,386	Pakistan National Shipping Corporation (PNSC)	**21,747,125**	50,233,748
-	616,503	Silk Bank Limited	-	4,065,642
50,000	50,000	Security Papers Limited	**1,980,000**	1,980,000
190,300	662,248	Sitara Chemicals Industries Limited	**57,256,013**	199,070,581
-	1,596,000	Sui Northern Gas Company Limited	-	59,011,010
-	665,000	Samba Bank Limited	-	4,776,542
		Sub-Total carried forward	**911,724,976**	2,166,665,018

10.5.1 Investment in fully paid up ordinary shares – listed (continued)

2012	2011	Name of investee companies	Note	2012 Rupees	2011 Rupees
Number of ordinary shares					
		Sub-Total brought forward		**911,724,976**	2,166,665,018
458,764	458,764	Samin Textiles Limited		**8,823,174**	8,823,174
95,000	76,000	Shell Pakistan Limited		**17,707,500**	17,707,500
-	604,575	SME Leasing Limited		**-**	6,650,325
-	5,135,000	Telecard Company Limited		**-**	39,377,644
6,185,000	10,213,350	World Call Telecom Limited		**42,734,271**	70,573,497
				980,989,921	2,309,797,158

10.5.2 Investment in fully paid up ordinary shares – unlisted

2012	2011	Name of investee companies	Note	2012 Rupees	2011 Rupees
Number of ordinary shares					
571,000	571,000	Ali Paper Board Industries Limited		**5,710,000**	5,710,000
1,000,000	1,000,000	Saudi Pak Kalabagh Livestock Company Limited		**10,000,000**	10,000,000
650,000	650,000	Bela Chemical Industries Limited		**6,500,000**	6,500,000
1,333,333	1,333,333	Burj Bank		**13,333,330**	13,333,330
400,000	400,000	Fruit Sap Limited		**4,000,000**	4,000,000
630,000	630,000	Equity International (Pvt) Limited	**10.5.2.1**	**6,000,000**	6,000,000
1,125,000	1,125,000	Taurus Securities Limited		**11,250,000**	11,250,000
500,000	500,000	Highnoon Textiles Limited		**5,000,000**	5,000,000
1,500,000	1,500,000	Wah Nobel Acetates Limited		**15,000,000**	15,000,000
5,000,000	5,000,000	Pakistan Textile City Limited		**50,000,000**	50,000,000
5,000,000	5,000,000	Alhamra Hills Private Limited		**50,000,000**	50,000,000
-	5,714,285	Vision Network Television		**-**	100,000,000
4,000,000	4,000,000	Pak Kuwait Takaful Company	**10.5.2.1**	**40,000,000**	40,000,000
5,000,000	5,000,000	Al Hamra Avenue Private Limited		**50,000,000**	50,000,000
17,300,000	17,300,000	Pace Barka Properties Limited		**173,000,000**	270,000,000
3,762,304	3,762,304	Innovative Investment Bank Limited		**37,623,048**	37,623,048
2,000,000	2,000,000	Trust Investment Bank Limited		**20,000,000**	20,000,000
				497,416,378	694,416,378

10.5.2.1 Details of investment in unlisted companies having 10% and more of paid-up capital of investee company are as follows:

Name of the Company	Name of the ChiefExecutive	As per Accounts	% age Held	breakup Value of Investment	Total Rupees
Pak Kuwait Takaful Company	Mr. Imtiaz Bhatti	30-Jun-12	10.00	13.04	40,000,000
Equity International (Pvt) Limited*	Mr. Robert Micheal	30-Jun-11	20.00	1.32	6,000,000

*This does not include value of bonus shares amounting to Rs. 300,000

10.5.3 Investment in Term Finance Certificates – listed

2012 Number of ordinary shares	2011 Number of ordinary shares	Name of investee companies	Original face Value (Rs.)	2012 Rupees	2011 Rupees
59,839	89,839	Allied Bank Limited	5,000	**298,685,966**	448,835,644
44,419	30,000	Azgard Nine Limited	5,000	**136,614,140**	124,898,600
6,313	6,313	Askari Bank Limited	4,989	**31,470,305**	31,482,931
-	16,159	Bank Alfalah Limited	-	**-**	53,720,915
48,780	39,780	Engro Corporation Pakistan Limited	4,957	**241,785,560**	198,900,000
5,000	7,000	Jahangir Siddiqui and Company Limited	5,000	**24,937,525**	17,468,500
31,125	31,125	Maple Leaf Cement (Sukuk) Limited	5,000	**145,931,250**	149,745,000
2,000	2,000	Trust Investment Bank Limited	5,000	**3,748,500**	4,998,000
10,000	10,000	World Call Telecom Limited	5,000	**21,415,716**	28,554,287
15,000	-	World Call Telecom Limited	2,150	**22,486,485**	-
10,000	-	Pakistan Mobile Communications Limited	5,000	**49,330,000**	-
250	-	Pakistan Mobile Communications Limited	100,000	**23,823,125**	-
6,000	-	Summit Bank Limited	5,000	**29,461,321**	-
				1,029,689,893	1,058,603,877

10.5.3.1 These carry rate of return ranging from 11.38% to 13.58% per annum (2011: 13.11% to 15% per annum) and having maturity upto 8 years.

10.5.4 Investment in Term Finance Certificates – unlisted

2012 Number of ordinary shares	2011 Number of ordinary shares	Company's name	Name of Chief Executive	Value per certificate (Rupees)	2012 Rupees	2011 Rupees
40,000	40,000	Avari Hotels Limited	Mr. Byram D. Avari	5,000	**169,829,200**	169,829,200
18,000	18,000	Amtex Limited (Sukuk)	Mr. Khurram Iftikhar	5,000	**67,500,000**	67,500,000
10,000	10,000	B.R.R Guardian Modaraba	Mr. Ayaz Dawood	5,000	**47,343,750**	49,218,750
5,000	5,000	Gharibwal Cement Limited	Mr. Muhammad Tausif Paracha	5,000	**24,355,500**	24,355,500
10,000	10,000	JDW Sugar Mills Limited	Mr. Jahangir Tareen	5,000	**16,666,670**	27,777,780
10,000	10,000	Martin Dow Pharmaceuticals	Mr. Jawed Akhai	5,000	**26,680,000**	33,120,000
10,000	10,000	Faysal Bank Limited(RBS)	Mr. Naveed A. Khan	5,000	**12,470,000**	24,950,000
57,263	57,263	Agritech Limited	Mr. Ahmed Jaudet Bilal	5,000	**286,283,751**	286,286,697
7,045	11,273	Sitara Energy (Sukuk)	Mr. Javed Iqbal	5,000	**35,227,272**	42,272,727
-	8,000	Flying Board & Paper Products	Mr. Kamran Khan	-	**-**	40,000,000
30,000	30,000	Sitara Peroxide Limited	Mr. Imran Ghafoor	5,000	**133,223,685**	140,625,000
					819,579,828	905,935,654

10.5.4.1 These carry rate of return ranging from 8.98% to 13.74% (2011: 12.12% to 15.67%) per annum and having maturity of upto 7 years.

10.5.5 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Rate	Coupon payment
Pakistan Investment Bonds	May 2013 to August 2016	On maturity	8% to 11.50%	Semi-annually
Market Treasury Bills	January 2013 to November 2013	On maturity	9.09% to 11.89%	On maturity

10.5.6 Investments in mutual funds

Name of investee	2012 Number of ordinary shares	2011 Number of ordinary shares	Note	2012 Rupees	2011 Rupees
Atlas Money Market Fund	**96,050**	52,881		**48,000,000**	25,382,100
NAFA – Financial Sector Income Fund	**-**	9,939,784		**-**	100,000,000
Pak Oman Advantage Fund	**5,000,000**	5,000,000		**50,000,000**	50,000,000
UBL Fund Managers Limited	**509,439**	-		**50,000,000**	-
Arif Habib Investments Limited	**505,383**	-		**25,000,000**	-
PICIC Asset Management Company Limited	**252,162**	-		**25,000,000**	-
				198,000,000	175,382,100

10.6 Provision for diminution in value of investments

	Note	2012 Rupees	2011 Rupees
Opening balance		**1,812,699,417**	1,085,084,638
Charge for the year		**288,112,847**	1,020,358,598
Reversals for the year		**(142,080,063)**	-
Reversals (related to quoted AFS securities)		**(972,705,415)**	(292,743,819)
Written off		**-**	-
Closing balance	10.6.1	**986,026,786**	1,812,699,417

10.6.1 Particulars of provision in respect of type and segments

	2012 Rupees	2011 Rupees
Available-For-Sale (AFS) securities		
Impairment on quoted securities	**537,310,417**	1,415,775,694
Un-quoted securities	**249,059,977**	342,702,192
Term Finance Certificates (TFCs)	**34,250,291**	
Held-To-Maturity (HTM) securities		
Term Finance Certificates (TFCs)	**165,406,101**	54,221,531
	986,026,786	1,812,699,417

	Note	2012 Rupees	2011 Rupees
10.7 Unrealized gain on revaluation of investments classified as held for trading	10.5	**2,257,167**	-

10.8 Quality of available for sale securities

(a) Quoted Securities

	2012 Rating	2012 Market value Rupees	2011 Rating	2011 Market value Rupees
Companies				
Askari Bank Limited	**-**	**-**	AA/A1+	10.03
Agritech Limited	**D**	**11.67**	D	15.36
Summit Bank Limited (Formerly Arif Habib Bank Limited)	**-**	**-**	A/A-2	1.72
Attock Cement Limited	**-**	**-**	unrated	51.00
Azgard Nine Limited	**-**	**-**	D	2.85
Arif Habib Corporation Limited	**-**	**-**	unrated	25.91
Bank Alfalah Limited	**-**	**-**	AA/A-1+	11.25
Bank Islami Pakistan Limited	**-**	**-**	A/A1	3.10
Chenab Limited	**-**	**-**	unrated	1.01
Crescent Steel and Allied Limited	**unrated**	**35.15**	unrated	18.15
Dewan Cement Limited	**-**	**-**	Withdrawn	1.25
Engro Corporation Pakistan Limited	**A/A1**	**92.04**	-	-
Dewan Farooq Motors Limited	**-**	**-**	unrated	1.61
Dewan Salman Fiber Limited	**unrated**	**2.40**	unrated	1.21
Fauji Cement Company Limited	**unrated**	**6.54**	unrated	3.30

(a) Quoted Securities (continued)

	2012		2011	
	Rating	Market value Rupees	Rating	Market value Rupees
Fecto Cement Limited	**unrated**	**34.63**	unrated	3.90
Fauji Fertilizer Bin Qasim Limited	**unrated**	**38.59**	unrated	42.43
Fauji Fertilizer Company Limited	**unrated**	**117.14**	unrated	149.54
Jahangir Siddique and Company Limited	**-**	**-**	AA/A1+	4.03
Japan Power Generation Limited	**unrated**	**1.68**	unrated	0.65
Kot Addu Power Company Limited	**AA+/A-1+**	**49.39**	AA+/A-1+	41.32
Maple Leaf Cement Limited	**D**	**14.57**	D	1.85
Mari Gas Company Limited	**-**	**-**	unrated	81.00
National Bank of Pakistan Limited	**AAA/A1+**	**49.39**	AAA/A1+	41.05
Nishat Power Limited	**A+/A1**	**19.50**	AA-/A1+	12.95
Nishat Chunian Power Limited	**A/A-2**	**21.01**	AA-/A1+	12.75
NIB Bank Limited	**AA-/A1+**	**2.63**	AA-/A1+	1.73
Pakistan Telecommunication Company Limited	**unrated**	**17.35**	unrated	10.39
Pakistan Petroleum Limited	**unrated**	**176.79**	unrated	168.32
Pakistan State Oil Company Limited	**AA+/A1+**	**232.21**	AA+/A1+	227.21
Lafarge Pakistan Cement Limited	**unrated**	**5.07**	unrated	1.88
Pace Pakistan Limited	**Withdrawn**	**2.99**	D	1.30
Packages Limited	**AA/A1+**	**151.16**	AA/A1+	82.72
Pak Reinsurance Limited	**AA**	**24.45**	AA	15.50
Pak Refinery Limited	**unrated**	**69.30**	unrated	67.71
Pak Elektron limited	**Withdrawn**	**10.76**	A-/A2	3.49
PNSC	**AA-/A1+**	**34.82**	AA-/A1+	12.71
Sitara Chemicals Industries Limited	**A+/A1**	**179.00**	A+/A1	72.20
Sui Northern Gas Company Limited	**-**	**-**	AA/A1+	15.71
Security Papers Limited	**AAA/A1+**	**51.32**	AAA/A1+	35.40
Samba Bank Limited	**-**	**-**	A+/A1	1.45
Samin Textile Limited	**unrated**	**6.70**	unrated	4.05
Saudi Pak Leasing Company Limited	**unrated**	**3.25**	unrated	0.48
Shell Pakistan Limited	**unrated**	**136.19**	unrated	190.28
Telecard Company Limited	**-**	**-**	D	0.80
World Call Telecom Limited	**D**	**2.53**	BBB-/A3	1.00
(b) Mutual Funds				
Companies				
Atlas Money Market Fund	**AA(f)**	**505.05**	-	-
NAFA – Financial Sector Income Fund	**-**	**-**	AM 2-	10.21
Pak Oman Advantage Fund	**AM3**	**10.93**	3-Star	10.85
UBL Fund Managers Limited	**AM2**	**100.28**	-	-
Arif Habib Investments Limited	**A+/A1**	**50.14**	-	-
PICIC Asset Management Company Limited	**AM2-**	**100.43**	-	-

11 ADVANCES

	Note	2012 Rupees	2011 Rupees
– In Pakistan		7,530,018,981	8,026,639,408
– Outside Pakistan		-	-
		7,530,018,981	8,026,639,408
Net investment in finance lease			
– In Pakistan	11.2	2,456,965,145	2,843,998,212
– Outside Pakistan		-	-
		2,456,965,145	2,843,998,212
Bills discounted and purchased		-	-
Advances – gross	11.1	9,986,984,126	10,870,637,620
Provision for non-performing advances	11.1.6	(2,324,089,748)	(2,315,164,814)
Provision for non-performing lease finance	11.2.3	(1,299,205,578)	(1,162,196,727)
Advances – net of provision		6,363,688,800	7,393,276,079

11.1 Particulars of advances - gross

		Note	2012 Rupees	2011 Rupees
11.1.1	– In local currency		9,949,756,338	10,833,409,832
	– In foreign currencies		37,227,788	37,227,788
			9,986,984,126	10,870,637,620
11.1.2	Long term advances (for over one year)	11.1.3	7,566,297,426	7,753,747,012
	Short term advances (for upto one year)	11.1.4	2,396,849,317	3,097,350,525
	Staff advances		23,837,383	19,540,083
			9,986,984,126	10,870,637,620

11.1.3 These includes advances which are secured by charges created over assets of the beneficiary companies and carry mark-up rates ranging from 7.00% to 22.66% per annum (2011: 7.00% to 17.88% per annum). These also include term loans due from customers secured against property and equipments etc. as also mentioned in note 11.2.2.1 below.

11.1.4 These are maturing within next twelve months and carry mark-up rates ranging from 11.36% to 25% per annum (2011: 14.00% to 18.18% per annum). These are secured by pledge of quoted shares, stocks and charge on receivable etc.

11.1.5 Advances include Rs. 3,137.100 million (2011: Rs. 3,006.984 million) which have been placed under non-performing status as detailed below:-

	2012		
Category of classification	**Classified advances Rupees**	**Provision required Rupees**	**Provision held Rupees**
Substandard	94,130,000	-	-
Doubtful	260,381,110	110,192,433	110,192,433
Loss	2,782,589,274	2,213,897,315	2,213,897,315
	3,137,100,384	2,324,089,748	2,324,089,748

	2011		
Category of classification	Classified advances Rupees	Provision required Rupees	Provision held Rupees
Substandard	175,529,000	55,000,000	55,000,000
Doubtful	119,325,341	41,805,528	41,805,528
Loss	2,712,130,638	2,218,359,286	2,218,359,286
	3,006,984,979	2,315,164,814	2,315,164,814

11.1.6 Particulars of provisions against non-performing advances

	2012 Rupees Specific	2011 Rupees Specific
Opening balance	**2,315,164,814**	1,896,800,692
Charge for the year	**346,373,485**	633,099,494
Amounts written off	**(115,161,874)**	
Reversals	**(222,286,677)**	(214,735,372)
Closing balance	**2,324,089,748**	2,315,164,814

11.1.6.1 Amendments in Prudential Regulations in respect of provisioning against non-performing advances

The State Bank of Pakistan amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing further benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against non–performing advances. The FSV benefit recognised in these unconsolidated financial statements is not available for payment of cash or stock dividend. As on December 31, 2012, total FSV benefit availed by the Group stands at Rs. 357.981 million (2011: Rs. 406.743 million).Had the FSV benefit not recognised, profit before and after tax for the year would have been lower by Rs. 357.981 million and Rs.232.687 million respectively. Reserves to this extent are not available for distribution by way of cash or stock dividend.

11.1.6.2 The above provision for non-performing loans is net of forced sales values (FSVs) of collaterals of Rs. 256.88 million (31 December 2011: Rs. 684.365 million) considered by the Group for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Group, the specific provision against non-performing loans would have been higher by Rs. 256.88 million (31 December 2011: Rs. 539.72 million) and the Group's profit for the period (before taxation) would also have been lower by the same amount.

	Note	2012 Rupees	2011 Rupees
11.1.7 Particulars of write offs:			
Against provisions		**115,161,874**	-
Directly charged to the unconsolidated profit and loss account		**403,441**	13,069,507
		115,565,315	13,069,507
11.1.8 Particulars of amounts written off against provisions			
Write offs of Rs. 500,000 and above		**115,161,874**	-
Write offs of below Rs. 500,000		**-**	-
		115,161,874	-
11.2 Net investment in finance lease			
Minimum lease payments receivables		**2,067,834,510**	2,327,585,921
Add: Residual value of leased assets		**502,181,821**	713,390,221
		2,570,016,331	3,040,976,142
Less: Unearned finance income		**(113,051,186)**	(196,977,930)
Present value of minimum lease payments	**11.2.1**	**2,456,965,145**	2,843,998,212
Less: Provision for potential lease losses	**11.2.2**	**(1,299,205,578)**	(1,162,196,727)
Net investment in lease		**1,157,759,567**	1,681,801,485

11.2.1 Present value of minimum lease payments

	2012		
	Less than one year Rupees	**One year to five year Rupees**	**Total Rupees**
Lease rental receivable	**1,997,188,587**	**572,827,744**	**2,570,016,331**
Less: Unearned finance income	**(85,638,654)**	**(27,412,532)**	**(113,051,186)**
Present value of minimum lease payments	**1,911,549,933**	**545,415,212**	**2,456,965,145**

	2011		
	Less than one year Rupees	One year to five year Rupees	Total Rupees
Lease rental receivable	2,834,479,711	159,872,784	2,994,352,495
Less: Unearned finance income	(130,588,607)	(19,765,676)	(150,354,282)
Present value of minimum lease payments	2,703,891,105	140,107,109	2,843,998,213

11.2.2 Investment in lease finance includes Rs. 1,310.819 million (2011: Rs. 1,176.519 million) which has been placed under non-performing status as detailed below:-

	2012		
Category of classification	**Classified advance Rupees**	**Specific provision required Rupees**	**Specific provision held Rupees**
Substandard	**-**	**-**	**-**
Doubtful	**23,228,752**	**11,614,376**	**11,614,376**
Loss	**1,287,591,202**	**1,287,591,202**	**1,287,591,202**
	1,310,819,954	**1,299,205,578**	**1,299,205,578**

	2011		
	Classified advance Rupees	Specific provision required Rupees	Specific provision held Rupees
Substandard	28,645,418	14,322,709	14,322,709
Doubtful	-	-	-
Loss	1,147,874,018	1,147,874,018	1,147,874,018
	1,176,519,436	1,162,196,727	1,162,196,727

11.2.2.1 These above term loans include balances due from customers which are secured against property and equipments etc. The internal rate of return on lease contract receivable ranges from 12.5% to 20.01% (2011: 6.01% to 25.96%) per annum.

11.2.2.2 As per NBFC Regulation 28 (a), a leasing company undertaking the business of lease only, shall invest at least 70% of its assets in the business of leasing. As at 31 December 2012, the Group's investment in lease assets was 67.52% (31 December 2011: 65%) of the total assets (less allowable deductions).

11.2.2.3 For SPLCL, the Securities and Exchange Commission of Pakistan has amended the time based criteria for calculating the provision against non-performing leases via SRO (1)/2012, dated 26 April 2012. The new criteria became applicable from 01 July 2012. Under the revised criteria, classification and provisioning / suspension requirement would start from the 180th day of default and would need to be fully provided after 2 years of default (earlier starting from 365 days up to 3 years). SPLCL has applied the new criteria for calculating the provision against non-performing leases. Due to the change in time based criteria, the specific provision against non-performing lease portfolio has increased by Rs. 41.235 million.

11.2.3 Particulars of provisions against non-performing lease finance

	2012 Rupees Specific	2011 Rupees Specific
Opening balance	**1,162,196,727**	877,148,350
Charge for the year	**251,824,887**	294,837,898
Amounts written off	**-**	-
Reversals	**(114,816,036)**	(9,789,521)
Closing balance	**1,299,205,578**	1,162,196,727

11.2.3.1 The above provision for non-performing lease losses is net of the forced sales values (FSVs) of leased assets / collaterals of Rs. 571.097 million (31 December 2011: Rs. 181.366 million) considered by the Group for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Group, the specific provision against non-performing lease portfolio would have been higher by Rs. 571.097 million (31 December 2011: Rs. 145.145 million) and the Group's profit (before taxation) would also have been lower by the same amount.

	Note	2012 Rupees Specific	2011 Rupees Specific
11.2.4 Particulars of amounts written off against provisions			
Write offs of Rs. 500,000 and above		**-**	-
Write offs of below Rs. 500,000		**-**	-
		-	-
11.3 Particulars of loans and advances to directors and associated companies etc.			
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons		**23,837,383**	19,540,083
Debts due by companies or firms in which the directors of the Group are interested as directors, partners		**-**	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		**-**	-
12 OPERATING FIXED ASSETS			
Capital work-in-progress		**-**	-
Property and equipment	**12.1**	**2,611,229,390**	2,316,609,971
Intangible assets	**12.2**	**1,458,320**	5,236,103
		2,612,687,710	2,321,846,074

12.1 Property and equipment

	2012														
	COST/REVALUATION								DEPRECIATION						
	Opening balance Rupees	Additions Rupees	Revaluation surplus/ (deficit) Rupees	Adjustment for revaluation Rupees	Disposals Rupees	Adjustment for loss of control in subsidiary	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Adjustment for revaluation Rupees	Disposals Rupees	Adjustment for loss of control in subsidiary	Closing balance Rupees	Net Book value Rupees
Freehold land	8,088,120	-	-	-	-	-	8,088,120	-	-	-	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,018,225,001	-	309,028,450	78,759,701	-	-	1,248,493,750	1.19	66,642,824	12,116,877	78,759,701	-	-	-	1,248,493,750
Building - Islamabad	1,311,732,487	7,752,795	(266,145,530)	340,030,716	-	-	713,309,036	4	287,561,424	52,469,292	340,030,716	-	-	-	713,309,036
Building	219,756,656	59,268,650	45,166,954	5,724,990	55,529,271	14,686,783	248,251,216	4	44,544,725	18,961,853	5,724,990	5,131,995	6,809,664	45,839,929	202,411,287
Building - Islamabad- ISE towers	2,200,000	2,800,000	20,546,170	46,170	-	-	25,500,000	1.14	10,450	35,720	46,170	-	-	-	25,500,000
Heating and air-conditioning	92,929,728	-	121,678,303	85,363,391	-	-	129,244,640	15	75,193,441	13,858,471	85,363,391	-	-	3,688,521	125,556,119
Elevators	43,664,310	370,500	60,508,608	40,707,642	-	-	63,835,776	15	34,158,002	6,549,640	40,707,642	-	-	-	63,835,776
Electrical fittings	74,371,533	-	110,352,698	65,141,902	-	-	119,582,329	15	54,285,463	11,155,689	65,141,902	-	-	299,250	119,283,079
Fire fighting equipment	2,230,064	642,045	3,208,262	2,142,780	-	-	3,937,591	15	1,782,081	360,699	2,142,780	-	-	-	3,937,591
Leasehold improvement	6,302,839	-	-	-	-	-	6,302,839	15	2,239,702	945,422	-	-	-	3,185,124	3,117,715
Motor vehicles	89,879,553	26,641,286	-	-	21,726,337	27,886,309	66,908,193	20	58,910,073	6,707,500	-	19,257,407	14,597,098	31,763,068	35,145,125
Furniture, fixture and fittings	25,058,137	2,534,155	-	-	832,492	3,247,224	23,512,576	20	21,464,267	663,321	-	832,485	1,364,127	19,930,976	3,581,600
Office equipment	70,705,443	3,346,192	-	-	4,815,205	12,331,189	56,905,241		61,916,425	3,032,892	-	4,811,363	7,092,021	53,045,933	3,859,308
Telephone installation	2,400,438	44,000	1,380,396	2,006,118	-	-	1,818,716	33.33	1,945,168	328,072	2,006,118	-	-	267,122	1,551,594
Electrical appliances	2,052,702	1,174,283	-	-	9,900	-	3,217,085	15	1,113,634	277,171	-	9,405	-	1,381,400	1,835,685
Loose tools	1,170,325	-	-	-	-	-	1,170,325	15	454,060	143,250	-	-	-	597,310	573,015
Miscellaneous	843,569	-	-	-	-	-	843,569	15	786,442	17,895	-	-	-	804,337	39,232
Security systems	12,785,213	72,000	8,098,979	7,818,127	-	-	13,138,065	15	5,898,571	1,919,556	7,818,127	-	-	-	13,138,065
Leasehold Plant and Machinery	111,062,135	2,301,480	10,006,600	-	8,408,135	-	114,962,080	15	59,941,530	23,551,217	-	6,503,960	-	76,988,787	37,973,293
	3,095,458,253	106,947,386	423,829,890	627,741,537	91,321,340	58,151,505	2,849,021,147		778,848,282	153,094,537	627,741,537	36,546,615	29,862,910	237,791,757	2,611,229,390

12.2 Intangible assets

	2012														
	COST/REVALUATION								DEPRECIATION						
	Opening balance Rupees	Additions Rupees	Revaluation surplus/ (deficit) Rupees	Adjustment for revaluation Rupees	Disposals Rupees	Adjustment for loss of control in subsidiary	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Adjustment for revaluation Rupees	Disposals Rupees	Adjustment for loss of control in subsidiary	Closing balance Rupees	Net Book value Rupees
Software and others	19,125,618	673,160	-	-	2,500,000	4,682,196	12,616,582	33.33	13,889,515	1,663,768	-	-	4,395,021	11,158,262	1,458,320

12.1 Property and equipment (continued)

	2011									
	COST/REVALUATION					DEPRECIATION				
	Opening balance Rupees	Additions Rupees	Disposals Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Disposals Rupees	Closing balance Rupees	Net Book value Rupees
Freehold land	8,088,120	-	-	8,088,120	-	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,018,225,001	-	-	1,018,225,001	1.19	54,525,947	12,116,877	-	66,642,824	951,582,177
Building - Islamabad	1,311,700,357	32,130	-	1,311,732,487	4	235,092,454	52,468,970	-	287,561,424	1,024,171,063
Building	235,762,975	73,425,864	89,432,183	219,756,656	4	36,041,131	8,857,639	354,045	44,544,725	175,211,931
Building - Islamabad- ISE towers	-	2,200,000	-	2,200,000	1.14	-	10,450	-	10,450	2,189,550
Heating and air-conditioning	92,929,728	-	-	92,929,728	15	61,351,399	13,842,042	-	75,193,441	17,736,287
Elevators	41,000,000	2,664,310	-	43,664,310	15	27,674,970	6,483,032	-	34,158,002	9,506,308
Electrical fittings	74,371,533	-	-	74,371,533	15	43,129,774	11,155,689	-	54,285,463	20,086,070
Fire fighting equipment	2,310,536	-	80,472	2,230,064	15	1,501,924	344,529	64,372	1,782,081	447,983
Leasehold improvement	6,273,168	160,256	130,585	6,302,839	15	1,337,197	957,736	55,231	2,239,702	4,063,137
Motor vehicles	92,473,661	15,763,315	18,357,423	89,879,553	20	59,887,658	12,763,176	13,740,761	58,910,073	30,969,480
Furniture, fixture and fittings	23,912,053	1,610,777	464,693	25,058,137	20	20,969,941	883,997	389,671	21,464,267	3,593,870
Office equipment	67,964,746	5,080,402	2,339,705	70,705,443		57,664,256	6,222,847	1,970,678	61,916,425	8,789,018
Telephone installation	2,334,911	65,527	-	2,400,438	33.33	1,631,076	314,092	-	1,945,168	455,270
Electrical appliances	1,988,702	64,000	-	2,052,702	15	880,508	233,126	-	1,113,634	939,068
Loose tools	1,170,325	-	-	1,170,325	15	309,536	144,524	-	454,060	716,265
Miscellaneous	1,063,393	17,980	237,804	843,569	15	1,007,295	16,948	237,801	786,442	57,127
Security systems	10,984,666	1,800,547	-	12,785,213	15	4,126,763	1,771,808	-	5,898,571	6,886,642
Leasehold Plant and Machinery	121,597,135	4,000,000	14,535,000	111,062,135	15	63,628,670	8,724,985	12,412,125	59,941,530	51,120,605
	3,114,151,010	106,885,108	125,577,865	3,095,458,253		670,760,499	137,312,467	29,224,684	778,848,282	2,316,609,971

12.2 Intangible assets (continued)

	2011									
	COST/REVALUATION					DEPRECIATION				
	Opening balance Rupees	Additions Rupees	Disposals Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Disposals Rupees	Closing balance Rupees	Net Book value Rupees
Software	16,148,618	2,977,000	-	19,125,618	33.33	11,253,435	2,636,080	-	13,889,515	5,236,103

12.3 Details of disposal of operating fixed assets

Particulars of assets	Cost / revaluation	Accumulated Depreciation	Book value	Surplus	Sale proceeds	Gain/(loss)	Mode of disposal	Particulars of buyer
Toyota Corolla GLI 1300 (LB-620)	1,001,429	1,001,428	1	-	1	-	Group Policy	Muhammad Anwar
Dell Laptop E-6400	135,395	131,620	3,775	-	3,776	1	Group Policy	Muhammad Anwar
Intimus Shredder Machine	14,375	14,374	1	-	2,000	1,999	Auction	Mr. Anwar/Mr. Irfan
Finger Scan V-20 (2 No.) with convertor & software data	180,952	180,950	2	-	6,000	5,998	Auction	Mr. Anwar/Mr. Irfan
UPS APC 600 VA	15,569	15,568	1	-	1,500	1,499	Auction	Mr. Anwar/Mr. Irfan
Compaq Deskpro EN	68,118	68,117	1	-	4,000	3,999	Auction	Mr. Anwar/Mr. Irfan
Dell Optiplex GX- 240 SD (7 No.)	482,958	482,951	7	-	28,000	27,993	Auction	Mr. Anwar/Mr. Irfan
HP Laser Jet 400 N Printer	77,882	77,881	1	-	4,000	3,999	Auction	Mr. Anwar/Mr. Irfan
Stavol 1000 VA Stabilizer (2 No.)	18,156	18,154	2	-	2,000	1,998	Auction	Mr. Anwar/Mr. Irfan
Stavol 1500 VA Stabilizer (2 No)	15,000	14,998	2	-	2,000	1,998	Auction	Mr. Anwar/Mr. Irfan
Stavol 5000 VA Stabilizer	46,000	45,999	1	-	2,500	2,499	Auction	Mr. Anwar/Mr. Irfan
Teletext Decorder Set	29,750	29,749	1	-	3,000	2,999	Auction	Mr. Anwar/Mr. Irfan
Digital Receiver Neosat 9600	5,100	5,099	1	-	500	499	Auction	Mr. Anwar/Mr. Irfan
VPN Router	188,000	187,999	1	-	21,000	20,999	Auction	Mr. Anwar/Mr. Irfan
UPS APC 600 VA	15,569	15,568	1	-	3,000	2,999	Auction	Mr. Anwar/Mr. Irfan
Carpet (3 pieces)	7,881	7,878	3	-	3,849	3,846	Group Policy	Group's Employees
Oil Painting (1 No.)	17,638	17,637	1	-	550	549	Group Policy	Group's Employees
Oil Painting (3 No.)	53,076	53,075	1	-	1,710	1,709	Group Policy	Group's Employees
Oil Painting (1 No.)	8,847	8,846	1	-	500	499	Group Policy	Group's Employees
Hand Dryer Machine	9,900	9,405	495		2,700	2,205	Insurance Claim	Insurance Claim (Saudi Pak Insurance)
Toyota Corolla 2d KG-642	1,314,780	1,314,779	1	-	967,786	967,785	Auction	Mr. Aurangzeb Khan
Motor Cycle Honda CD-70 KBA-9663	58,500	58,499	1	-	23,200	23,199	Auction	Mr. Gul Dad
Toyota Corolla GLI APH-456	1,006,500	1,006,499	1	-	1,035,000	1,034,999	Auction	Mr. Khair Mohammad
Toyota Corolla 2D ALP-823	1,279,000	1,278,999	1	-	802,000	801,999	Auction	Mr. Wasim Mirza
Mitsubishi Lancer Car MG-643	1,091,846	1,091,845	1	-	944,444	944,443	Auction	Mr. Jawad Tariq
Toyota Camry NB-353	2,882,528	2,642,314	240,214	-	3,200,000	2,959,786	Auction	Mr. Naveed Hashim
Suzuki Cultus LEC-07 9470	605,000	604,999	1	-	665,000	664,999	Auction	Naveed Brothers
Toyota Corolla MS-179	1,038,960	1,038,959	1	-	1,020,000	1,019,999	Auction	Muhammad Arif
Disposal of Assets Head office (IT Equipment)	2,267,137	2,267,100	37	-	33,600	33,563	Auction	Mr. Khalik Munir
Disposal of Assets Karachi office (IT Equipment)	96,857	96,855	2	-	16,150	16,148	Auction	Mr. Muhammad Babar
Disposal of Assets Lahore office (IT Equipment)	223,387	223,385	2	-	25,000	24,998	Auction	Mr. Ayaz Ul Hassan
Disposal of Assets Lahore office (Server Rack)	31,800	31,799	1	-	1,000	999	Auction	Mr. Ayaz Ul Hassan
Suzuki-ARH-751	473,000	297,990	175,010	-	465,000	289,990	Negotiation	Waseem Mirza
KIA Sportage BC-5085	1,587,000	1,428,302	158,698	-	652,000	493,302	Negotiation	Muhammad Irfan
Suzuki Mehran ARH - 763	473,000	326,370	146,630	-	232,500	85,870	Group Policy	Najam us Sehar
Suzuki Cultus SF-410	650,869	507,677	143,192	-	375,000	231,808	Group Policy	Khaliq Nawaz
Suzuki Cultus AML-559	620,000	558,001	61,999	-	275,000	213,001	Group Policy	Imran Masood
Toyota Corolla STA-609	969,000	872,101	96,899	-	96,900	1	Group Policy	Amjad Aziz (Employee)
Santro AFJ-672	559,000	503,102	55,898	-	350,000	294,102	Group Policy	Mrs.Rukshana Mazhar
BMW ANC - 786	3,500,000	3,150,000	350,000	-	2,555,000	2,205,000	Board approval	
Motor Cycle	42,000	37,800	4,200	-	17,000	12,800		
Generators 250 KVA	2,210,000	1,989,000	221,000	-	800,000	579,000	Negotiation	A&Y Filling Station
Generators 32 KVA	520,000	101,400	418,600	-	585,000	166,400	Negotiation	Master Agro industries
Generators 320 KVA	2,760,000	2,235,600	524,400	-	1,400,000	875,600	Negotiation	AZ Power
Generators 88 KVA	1,700,000	1,147,500	552,500	-	500,000	(52,500)	Negotiation	AZ Power
Generators 250 KVA	760,000	-	760,000	-	775,000	15,000	Negotiation	AZ Power
Generators 100 KVA	1,218,135	1,030,460	187,675	-	700,000	512,325	Insurance Claim	N/A
Office equipment	935,000	935,000	-	-	-	-		
Motor vehicle	2,573,925	1,537,747	1,036,178	-	1,650,000	613,822		
	35,838,819	28,228,631	4,101,263	-	18,604,166	14,502,903		

		Note	2012 Rupees	2011 Rupees
12.4	**The cost / revalued amount of fully depreciated assets that are still in use:**			
	Furniture, fixtures and fittings, electrical fittings, office equipment and computer equipments		**78,624,161**	45,784,526
	Building improvement		**3,526,371**	45,784,526
	Vehicles		**10,461,160**	10,504,422
	Loose tools		**215,330**	215,330
			92,827,022	102,288,804

12.5 The Holding Company's leasehold land, buildings and certain other items of property and equipments were revalued by independent professional valuer M/s National Project Managers (Pvt) Limited in the month of December 2012 on the basis of their professional assessment of present market value. The revaluation has resulted in increasing the surplus on revaluation of fixed assets by Rs. 372,337,074 which has been incorporated in the books of accounts.

The properties of SPLCL were revalued as of 28 September 2008 and 30 June 2012. The revaluation was carried out by independent valuers, on the basis of professional assessment of present market values and the revaluation of 30 June 2012 resulted in surplus of Rs. 41.486 million and Rs. 17.501 million and deficit of Rs. 7.495 million for properties, generators and plant respectively over the written down values.

		2012 Rupees	2011 Rupees
12.6	**Had the revaluation not been carried out, the net book value of the revalued assets would have been as follows:**		
	Land	**779,557**	1,059,613
	Office premises	**12,025,096**	13,452,499
	Building and other assets	**25,106,081**	104,226,907
	Properties of SPLCL	**34,574,575**	13,452,499
		72,485,309	132,191,518

12.7 The Holding Company holds the title of a portion in office premises of SPLCL. The net book value of this portions as of 31 December 2012 is Rs.15.741 million.

		Note	2012 Rupees	2011 Rupees
13	**OTHER ASSETS**			
	Accrued income and receivables	**13.1**	**395,384,541**	550,795,709
	Advances, deposits, prepayments and other receivables	**13.2**	**1,121,422,734**	1,329,943,717
			1,516,807,275	1,880,739,426
13.1	**Accrued income and receivables**			
	Dividend income		**305,000**	(1,037,029,984)
	Accrued income from advances	**13.1.1**	**106,948,777**	205,626,007
	Accrued income from investments	**13.1.2**	**125,123,417**	125,713,273
	Accrued income from lendings to financial institutions		**642,738**	400,919
	Other receivables	**13.1.3**	**162,364,609**	219,055,510
			395,384,541	550,795,709
13.1.1	**Accrued income from advances**			
	Long term advances		**768,583,692**	856,688,012
	Short term advances		**175,868,668**	182,223,912
	Lease financing		**159,056,929**	198,077,813
	Others		**5,153,490**	5,666,254
			1,108,662,779	1,242,655,991
	Less: provision for doubtful accrued income from advances		**(1,001,714,002)**	(1,037,029,984)
			106,948,777	205,626,007

	Note	2012 Rupees	2011 Rupees
13.1.2 Accrued income from investments			
Government Securities		**73,340,140**	68,112,949
Term Finance Certificates (TFCs)		**210,140,166**	169,687,266
Commercial Papers		**-**	2,118,297
		283,480,306	239,918,512
Less: provision for doubtful accrued income from investments		**(158,356,889)**	(114,205,239)
		125,123,417	125,713,273

13.1.3 This includes amount of Rs. 161.06 million (2011: Rs. 217.87 million) on account of receivable from Divine Developers (Private) Limited in respect of sale of development properties which is secured against various properties.

13.2 Advances, deposits, prepayments and other receivables

	Note	2012 Rupees	2011 Rupees
Advances to suppliers		**17,502,419**	4,293,072
Advance against purchase of property		**-**	45,193,200
Security deposits		**7,285,204**	9,988,695
Prepayments and other receivables		**7,179,341**	50,535,148
Receivable from stock brokers		**4,435,867**	3,910,643
Advance tax - net		**820,815,828**	761,497,883
Premium due but unpaid		**-**	61,160,304
Amount due from other insurers		**-**	41,811,499
Reinsurance recoveries against outstanding claims		**-**	80,478,357
Deferred commission expense		**-**	13,022,299
Non banking assets acquired in satisfaction of claims	**13.2.1**	**413,102,345**	400,008,887
Advance for purchase of shares		**256,792**	256,792
		1,270,577,796	1,472,156,779
Less: provision for receivable from stock brokers		**(3,818,270)**	(3,818,270)
Less: provision for advance for purchase of shares		**(256,792)**	(256,792)
Less: provision for non banking assets acquired in satisfaction of claims		**(145,080,000)**	(138,138,000)
	13.2.2	**(149,155,062)**	(142,213,062)
		1,121,422,734	1,329,943,717

13.2.1 These represent the amount of assets acquired against settlement of advances from various customers. Valuation of these properties was conducted by M/s Harvester Services (Pvt.) Limited. Market value assessed amounts to Rs. 268.133 million. Provision has been created against the shortfall.

13.2.2 Provision against doubtful receivable balances

	Note	2012 Rupees	2011 Rupees
Opening balance		**142,213,062**	256,792
Charge for the year		**6,942,000**	141,956,270
Closing balance		**149,155,062**	142,213,062

14 DEVELOPMENT PROPERTIES

	Note	2012 Rupees	2011 Rupees
Balance at beginning of the year		**206,091,245**	111,084,500
Cost of plots		**-**	-
Construction cost		**-**	161,061,976
Development properties sold during the year		**(21,417,401)**	(66,055,231)
Balance at end of the year	**14.1**	**184,673,844**	206,091,245

14.1 SPREL has entered into agreements for purchase and construction of properties from Divine Developers (Private) Limited ('DDPL'). These properties relate to two projects of DDPL namely "Commercial Area - Divine Garden" and "Residential - Divine Gardens". In this respect, significant risks and rewards incidental to the ownership of land held under development have been transferred as also confirmed by the legal advisor's opinion of the SPREL Other relevant property documentation are in process.

		Note	2012 Rupees	2011 Rupees
15	**BORROWINGS**			
	In Pakistan		**7,229,175,546**	7,064,577,411
	Outside Pakistan		**-**	-
		15.1	**7,229,175,546**	7,064,577,411
15.1	**Particulars of borrowings with respect to currencies**			
	In local currency		**7,229,175,546**	7,064,577,411
	In foreign currency		**-**	-
			7,229,175,546	7,064,577,411
	Long term borrowings	**15.2**	**3,051,415,599**	2,899,980,249
	Short term borrowings	**15.3**	**4,177,759,947**	4,164,597,162
			7,229,175,546	7,064,577,411
15.2	**Long term borrowings**			
	Against book debts/receivables	**15.2.1**	**1,866,384,616**	1,966,771,249
	Term finance certificates - secured	**15.2.2**	**430,853,483**	512,307,979
	Clean / letter based financing		**7,944,440**	-
	Against SBP refinance schemes	**15.2.3**	**746,233,060**	933,209,000
			3,051,415,599	3,412,288,228

15.2.1 These represent facilities obtained by Holding Company against charge on book debts/receivables valuing Rs. 3,733 million (2011: Rs. 4,256 million). The mark up is charged at varying rates ranging from 9.91% to 12% per annum (2011: 12.54% to 14.11% per annum). These facilities will mature during June 2013 to September 2014 (2011: April 2011 to September 2014).

15.2.2 This represents third issue of registered and listed Term Finance Certificates (TFCs) issued by SPLCL to banking companies and financial institutions, trusts and general public. These are secured by way of a first exclusive charge on specific leases including lease rentals and receivables against lease with 25% margin available at all times to the TFCs holders on total outstanding amount of the issue. The total issue comprises of 150,000 number of certificates of Rs. 5,000 each.

The issue was first restructured by way of “”Supplemental Declaration of Trust”” dated 13 September 2010 and was further restructured by way of “” Second Supplemental Declaration of Trust”” dated 13 January 2012. To make the second proposed restructuring terms of Supplemental Declaration of Trust effective, an extra ordinary resolution has been passed by 75% of the aggregate amount outstanding to TFC holders. As of 31 December 2012, the trustee has obtained necessary approval of TFC holders. The management considers the restructuring terms of Second Supplemental Declaration of Trust as effective and is making necessary payments as per the revised terms.

The revised terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in 63 un-equal monthly instalments starting from 13 January 2012 as follows:

- Rs. 3 million per month starting from January 2012 to December 2012
- Rs. 4 million per month starting from January 2013 to December 2013
- Rs. 6 million per month starting from January 2014 to December 2014
- Rs. 13 million per month starting from January 2015 to February 2017
- Rs. 20.854 million in March 2017

Mark-up on TFCs

The issue carries return at 6% per annum for first 36 months (from 13 January 2012 to 13 December 2014) and;

- One month KIBOR per annum for remaining 27 months (from 13 January 2015 to 13 March 2017).

- Mark-up shall be paid on monthly basis starting from 25th month till the maturity of the TFC Mark-up payments on TFCs for first 24 months is deferred till 13 December 2013. Deferred mark-up is the sum of deferred mark-up payments for the first 24 months and the outstanding deferred mark-up (relating to first restructuring as of 13 September 2011) and amounts to Rs. 25.368 million

- Mark-up on TFCs is deferred till 13 December 2013 and is payable in 3 equal instalments in December 2014, 2015 and 2016.

15.2.3 These represent facilities obtained by Holding Company against State Bank Refinance schemes (LT - EOP / LT - FF). The mark up is charged at rate of 5.00% to 10.10% per annum (2011: 5.00% to 10.10% per annum). These facilities will mature during January 2013 to November 2018 (2011: January 2012 to December 2020).

	Note	**2012 Rupees**	2011 Rupees
15.3 Short term borrowings			
Against book debts/receivables	**15.3.1**	**668,019,569**	1,419,521,683
Repurchase agreements under PIBs - repo	**15.3.2**	**250,000,000**	193,031,600
Repurchase agreements under Market Treasury Bills - repo	**15.3.3**	**2,309,295,930**	684,735,900
Term finance certificates - secured	**15.2.2**	**48,000,000**	-
Clean / letter based financing		**102,444,448**	705,000,000
Morahaba finance	**15.3.4**	**800,000,000**	650,000,000
		4,177,759,947	3,652,289,183

15.3.1 SPLCL has availed borrowing from various parties as per following details:

a) Finance of Rs. 77.50 million obtained from National Bank of Pakistan on 1 April 2010 through a letter of placement carrying mark-up at a rate of 11.2% for a period of 140 days. SPLCL has not paid any amount in respect of this finance. As of 31 December 2012, SPLCL has accrued a mark-up of Rs. 23.923 million. The management is currently under negotiation to settle / restructure this borrowing.

b) Finance of Rs. 63 million obtained from Innovative Investment Bank Limited on 3 December 2010 through a letter of placement carrying mark-up at a rate of 8% for a period of 90 days. The facility was rolled over for a further period of 184 days on 14 March 2011. Since the disbursement of facility, SPLCL has paid an amount of Rs. 3 million on account of principal repayment. As of 31 December 2012, SPLCL has accrued a mark-up of Rs. 13.641 million. The management is currently under negotiation to settle / restructure this borrowing.

c) Finance of Rs. 150 million obtained from Meezan Bank Limited (MBL) on 20 September 2008 under Murabaha arrangement at the rate of 12% per annum. SPLCL paid Rs. 81 million on various dates from September 2008 to June 2011.

The remaining amount of Rs. 69 million was restructured by way of settlement agreement on 22 April 2011 whereby SPLCL transferred a lease portfolio of Rs. 32 million. During the period, on 16 September 2012, a revised settlement agreement was signed and as per the revised settlementagreement, loan is to be settled by way of transferring of its assets / collateral held against one of its non-performing borrower and cash payment of Rs. 9.870 million as down payment. SPLCL has made the down payment on 06 September 2012 and the collateral is to be transferred after the execution of a tripartite agreement between SPLCL, MBL and the said borrower.

d) Finance of Rs. 26 million obtained from AKD Aggressive Income Fund on 23 June 2011 through letter of placement for a period of 30 days at a rate of 10% per annum. SPLCL has repaid an amount of Rs. 7.237 million on various dates till 31 December 2012. As of 31 December 2012, SPLCL has accrued a mark-up of Rs. 3.261 million.

e) Finance of Rs. 57.5 million obtained from IGI Investment Bank Limited on 23 August 2010 for a period of 31 days at a rate of 9% per annum. The finance was restructured by way of settlement agreement on 24 November 2010. As per the restructuring agreement, loan is to be settled by way of transfer of lease receivables of SPLCL and by further making a payment of Rs. 15.272 million. As per rescheduling agreement dated 24 November 2010, the revised facility carries mark-up at 10.03% per annum, payable monthly. As of 31 December 2012, SPLCL has accrued a mark-up of Rs. 5.607 million. The management is currently under negotiation to settle this borrowing.

f) Finance of Rs. 117 million obtained from KASB Funds (KASB Income Opportunity Fund and KASB Asset Allocation Fund) on 13 July 2009. The finance was restructured by way of settlement agreement dated 28 December 2011. As per the agreement, loan is to be settled by way of transferring of assets / collateral held by SPLCL against its non-performing borrowers, lease receivables of SPLCL and cash payment of Rs. 23.085 million in twenty four equal monthly instalments. During the period, SPLCL has paid an amount of Rs. 4.50 million on account of principal repayment. As per rescheduling agreement the finance carries no mark-up.

Finance of Rs. 100 million obtained from National Bank of Pakistan on 21 March 2005 mainly for lease financing activities. As per the agreement, loan was payable in semi annual instalments of Rs. 12.5 million each from 21 September 2005 to 21 March 2009. The agreement was further amended with the maturity date to March 2010. As of 31 December 2012, all instalments were paid except for the last instalment which was due on 21 March 2009 and is still outstanding. As per agreement the finance carries mark-up at 6 month KIBOR + 1.5%, payable semi-annually. As of 31 December 2012, SPLCL has accrued mark up of Rs. 5.806 million.The management is currently under negotiation to settle / restructure this borrowing.

g) Finance of Rs. 127 million obtained from First Women Bank Limited on 31 December 2008 mainly for lease financing activities. The finance was restructured by way of settlement agreement dated 01 March 2010. As per the rescheduling terms, the entire principal was payable in unequal monthly instalments upto 31 December 2012. SPLCL paid the instalments up to 31 December 2010 and afterwards no amount has been paid. As per rescheduling agreement the finance carries mark-up at 12% per annum, payable monthly. As of 31 December 2012, SPLCL has accrued mark-up of Rs. 19.705 million. The management is currently under negotiation to settle / restructure this borrowing.

h) Finance of Rs. 50 million obtained from Askari Income Fund mainly for lease financing activities. The finance was restructured by way of settlement agreement on 01 March 2010 and 31 January 2011. As per the rescheduling terms, the entire principal was payable in monthly instalments of Rs. 1 million starting from 6 February 2011 and outstanding mark-up was waived. Th SPLCL paid the instalments upto 15 July 2011 and afterwards no amount has been paid.

i) Finance of Rs. 468 million obtained from Bank of Khyber which was restructured by way of settlement agreements on 22 March 2009, 24 August 2011 and 21 June 2012. As per the latest agreement dated 21 June 2012, SPLCL was required to settle the loan through following terms:

- Transfer of a property (held as collateral of Rs. 150 million against the borrower).
- Issue of preference shares of Rs. 195 million (for conversion of liability of Rs. 195 million).
- Cash payment of Rs. 55 million including down payment of Rs. 10 million and Rs. 45 million in monthly instalments of Rs. 1 million each.

The transfer of property amounting to Rs. 150 million was completed on 19 July 2012, whereas the issue of preference shares amounting to Rs. 195 million has been approved by the SECP subsequent to the year end. Further, monthly instalments of Rs. 1 million each are being paid regularly by SPLCL. This finance carries no mark-up.

j) “Finance of Rs. 100 million obtained from HSBC Bank Middle East Limited on 16 March 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreement dated 12 September 2011 and 21 June 2012. As per the latest restructuring agreement dated 21 June 2012, loan is payable as Rs. 1.8 million down payment and Rs. 37 million in monthly instalments of Rs. 1.4 million each. On fully complying with the terms of the settlement agreement SPLCL shall be entitled with a waiver of Rs. 28 million in principal and Rs. 3.8 million in mark-up. As per rescheduling agreement the finance carries no mark-up. As of 31 December 2012 SPLCL is complying with revised terms of the restructuring agreement.

k) Finance of Rs. 117 million obtained from CDC Trustee United Growth & Income Fund on 14 January 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreements dated 12 May 2010 and 12 July 2012. As per the revised restructuring agreement loan is to be settled by way of transfer of three properties of SPLCL’s debtors on 31 December 2012 and 30 June 2013. As per revised restructuring agreement the finance carries no mark-up. SPLCL is in the process of renegotiating certain properties with the lender.

I) Finance of Rs. 15.7 million obtained from Silk Bank Limited on 27 April 2009 against issuance of irrevocable letter of comfort to Silk Bank on account of Uni-Link International for opening of letter of credit. SPLCL has paid Rs. 4.04 million upto 31 March 2011. The finance has been restructured by way of a settlement agreement dated 12 September 2012. As per the agreement loan is to be settled by making down payment of Rs. 0.707 million and balance of Rs. 11 million is to be paid in 54 equal monthly instalments of Rs. 0.204 per month. As of 31 December 2012, SPLCL has accrued a mark up of Rs. 1.807 million.

15.3.2 These represents finances obtained by Holding Company and these finances are secured against Pakistan Investment Bonds. These carry markup rate of 9.50% (2011: 11.90%) per annum and will mature in January 2013 (2011: January 2012).

15.3.3 These represents finances obtained by Holding Company and these are secured against Treasury bills and carry mark up rates of 7.75% to 9.25% (2011: 11.90%) per annum and are maturing in January 2013 (2011: January 2012).

15.3.4 These represent morahaba finance arranged from an Islamic Bank. These carry markup rates ranging from 9.76% to 9.86% (2011: 12.23% to 12.47%) per annum. These will be maturing from February 2013 to June 2013 (2011: January 2012 to June 2012).

15.4 Details of borrowings secured/unsecured

	Note	2012 Rupees	2011 Rupees
Secured			
Borrowings from State Bank of Pakistan :			
– Against SBP refinance schemes		**746,233,060**	933,209,000
Repurchase agreement borrowings		**2,559,295,930**	1,390,075,479
Against book debts/receivables		**2,534,404,185**	3,386,292,932
Term finance certificates		**478,853,483**	-
Morahaba finance		**800,000,000**	650,000,000
		7,118,786,658	6,359,577,411
Unsecured			
Call borrowings		**110,388,888**	705,000,000
		7,229,175,546	7,064,577,411

16 DEPOSITS AND OTHER ACCOUNTS

	Note	2012 Rupees	2011 Rupees
Certificate of Investments (COIs)	**16.1**	**848,664,301**	926,442,000
Security deposits against finance leases	**16.2**	**480,467,095**	691,779,671
		1,329,131,395	1,618,221,671

16.1 These represent certificate of investments issued to various institutions. The mark up is charged at varying rates ranging from 9.50% to 12.00% per annum (2011: 12.15% to 13.80% per annum). These are repayable in period ranging from January 2013 to June 2013 (2011: January 2012 to December 2012).

16.2 These represent security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases.

17 UNDERWRITING PROVISION

	Note	2012 Rupees	2011 Rupees
Provision for outstanding claims		-	112,663,524
Provision for unearned premium		-	105,136,280
Additional provision for unexpired risks		-	2,000,656
Commission income earned		-	8,920,405
		-	228,720,865

18 DEFERRED TAX LIABILITIES

	Note	2012 Rupees	2011 Rupees
Deferred tax credits arising due to following taxable temporary differences:			
Accelerated tax depreciation		**53,411,322**	20,947,379
Surplus on revaluation of operating fixed assets	22	**784,316,976**	679,153,497
Investments - held for trading		**790,008**	-
Surplus on revaluation of securities	21	**119,639,064**	22,505,053
		958,157,370	722,605,929
Deferred tax debits arising due to following deductible temporary differences:			
Provision against employee benefits		**(12,082,978)**	(11,741,947)
Investment property		**(4,250,470)**	-
Net investment in leases		**45,005,067**	40,139,097
Accumulated tax losses		**(490,311,389)**	(574,204,238)
		(461,639,770)	(545,807,088)
		496,517,600	176,798,841
Valuation reserve		**488,818,093**	574,204,238
		985,335,693	751,003,079

19 OTHER LIABILITIES

	Note	2012 Rupees	2011 Rupees
Mark-up/return/interest accrued on borrowings	19.1	**337,813,754**	402,499,229
Creditors, accrued and other liabilities	19.2	**80,683,038**	139,808,168
Deferred liabilities	19.3	**84,857,897**	57,373,077
		503,354,689	599,680,474

19.1 Mark-up/return/interest accrued on borrowings

	2012 Rupees	2011 Rupees
Long term borrowings	**230,027,498**	372,378,063
Short term borrowings	**106,144,638**	29,548,814
Securities purchased under Repurchase agreements - repo	**1,641,618**	572,352
	337,813,754	402,499,229

19.2 Creditors, accrued and other liabilities

	2012 Rupees	2011 Rupees
Directors' remuneration	**2,916,294**	3,807,374
Other payables	**13,152,782**	12,122,626
Payable on employees account	**35,520**	3,830,385
Corporate income tax payable - net	**3,942,490**	3,102,482
Amount due to other insurers/reinsurers	**-**	3,555,785
Premium received in advance	**-**	-
Accrued liabilities	**60,635,952**	113,389,516
	80,683,038	139,808,168

19.3 Deferred liabilities

	Note	2012 Rupees	2011 Rupees
Provision for staff gratuity	37.1	**29,742,065**	29,657,216
Provision for compensated absences		**4,780,830**	4,768,756
Advance rental income	19.3.1	**50,335,002**	22,947,105
		84,857,897	57,373,077

19.3.1 This includes rent received in advance for premises let out in the Saudi Pak Tower, Jinnah Avenue, Islamabad.

20	SHARE CAPITAL	Note	2012 Rupees	2011 Rupees
	Authorized capital:			
	600,000,000 ordinary shares of Rs. 10 each (2011: 600,000,000 ordinary shares of Rs. 10 each)		**6,000,000,000**	6,000,000,000
	Issued, subscribed and paid up capital:			
	400,000,000 ordinary shares of Rs. 10 each issued for cash (2011: 400,000,000 ordinary shares of Rs. 10 each issued for cash)		**4,000,000,000**	4,000,000,000
	200,000,000 bonus shares of Rs. 10 each (2011: 200,000,000 bonus shares of Rs. 10 each)		**2,000,000,000**	2,000,000,000
			6,000,000,000	6,000,000,000

20.1	Reconciliation of number of ordinary shares of Rs. 10 each	Number of shares	
		2012	2011
	Opening balance	**600,000,000**	600,000,000
	Issued during the year	**-**	-
	Closing balance	**600,000,000**	600,000,000

20.2 Minimum Capital Requirement

20.2.1 Minimum capital requirement of the Company

During the year the Company appropriated its accumulated losses of Rs. 1,412.718 million through Reserve Fund in order to meet the Minimum Capital Requirement (MCR) of Rs. 6,000 million, net of losses, in accordance with State Bank of Pakistan's letter No. BSD/BAID/660/4767/2012 dated April 18, 2012.

20.2.2 Minimum equity requirement of SPLCL

Capital requirements applicable to SPLCL are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. SECP extended the minimum equity requirement as per NBFC Regulations, 2008 vide SRO 764(I)/2009 dated 2 September 2009 wherein the Company is required to meet the minimum equity requirements of Rs. 350 million, Rs. 500 million and Rs. 700 million by 30 June 2011, 30 June 2012 and 30 June 2013 respectively.

SPLCL has requested the SECP for relaxation in the requirements and is hopeful that this request will be accepted based on the condition of the business environment and SPLCL's position in the overall leasing sector as well as its past performance and the reasons given in note 1.3.

The Board of Directors of SPLCL in their meeting held on 11 June 2012 decided to convert the sub-ordinated debt into preference shares at Rs. 10 per share. Further, the shareholders in their extra ordinary general meeting held on 31 July 2012, approved the decision of the Board and also decided to increase the authorised share capital of SPLCL to Rs. 2,000 million.

		Note	2012 Rupees	2011 Rupees
21	**SURPLUS / (DEFICIT) ON REVALUATION OF AFS SECURITIES - NET OF TAX**			
	Quoted securities		**319,193,749**	58,671,491
	Government securities		**18,829,733**	(123,152)
	Term Finance Certificates (TFCs)		**(781,465)**	-
	Mutual fund units		**4,650,000**	7,065,777
		10.5	**341,892,017**	65,614,116
	Less: related deferred tax liability	18	**(119,639,064)**	(22,505,053)
			222,252,953	43,109,063
22	**SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX**			
	Movement in surplus on revaluation of operating fixed assets:			
	Opening balance		**1,946,209,451**	2,033,333,470
	Surplus on revaluation of fixed assets		**390,390,456**	-
	Surplus realized on disposal		**-**	(38,256)
	Transferred to unappropriated profit in respect of			
	– Incremental depreciation charged during the year		**(57,965,532)**	(56,605,746)
	– Deferred tax		**(31,473,181)**	(30,480,017)
			(89,438,713)	(87,085,763)
	Surplus on revaluation of operating fixed assets		**2,247,161,194**	1,946,209,451
	Related deferred tax liability		**(679,153,497)**	(709,633,514)
	Deferred tax recognized on surplus on revaluation of fixed assets		**(136,636,660)**	-
	Transferred to consolidated profit and loss account in respect of incremental depreciation		**31,473,181**	30,480,017
		18	**(784,316,976)**	(679,153,497)
	Closing balance		**1,462,844,218**	1,267,055,954
23	**CONTINGENCIES AND COMMITMENTS**			
23.1	**Direct credit substitutes**			
	Letter of comfort / guarantee		**207,385,000**	18,134,000
23.2	**Non disbursed commitment for term and working capital finance**		**1,016,363,000**	824,499,000
23.3	**Claims against the Group not acknowledged as debts**		**168,034,208**	32,000,000
23.4	**Commitments in respect of purchase of forward exchange contracts** [2011: USD 27.40 million]		**-**	2,463,933,000
23.5	**Commitments for the acquisition of operating fixed assets (intangibles assets)**		**31,550,741**	5,664,339
			1,423,332,949	3,344,230,339

23.6 Tax contingencies

(a) Assessment Orders Under Income Tax Ordinance, 2001

Tax year 2004, 2005 and 2006
Provision for Non-Performing Loans (NPLs) for tax years 2004, 2005 and 2006 were disallowed by the tax authorities and restricted the credit for tax paid/suffered during the relevant tax years. As a consequence of foregoing, cumulative income tax demand of Rs. 63.8 million was raised by the Income Tax Authorities. Although the said demands have been paid, these are being contested by the Holding Company and related appeals are presently pending for adjudication before Appellate Tribunal Inland Revenue (ATIR). It is likely that the appeals will be decided in favour of the Holding Company.

(b) **Tax year 2008 and 2009**
The Holding Company's income tax liability after relief by Commissioner Inland Revenue (Appeals) is now Rs 231 million and Rs. 612 million for the tax year 2008 and 2009 respectively out of which the Company paid Rs. 425 million. Certain issues including disallowance of provision against NPLs and apportionment of expenses are being contested in appeals before ATIR, which are likely to be decided in Holding Company's favor.

(c) **Tax year 2010**
The Holding Company's income tax liability after relief by Commissioner Inland Revenue (Appeals) is now Rs 147 million out of which the Company paid Rs. 30 million. Certain issues including disallowance of provision against NPLs and apportionment of expenses are being contested in appeals before ATIR, which are likely to be decided in Holding Company's favor

(d) **SPLCL Tax contingency**
SPLCL has been issued with a notice under section 14 of the Federal Excise Act, 2005. In the notice it has been alleged that SPLCL has not paid Federal Excise Duty (FED) in terms of section 3 read with Entry 8 of Table-II of the first schedule to the Federal Excise Act 2005 for the periods 2007-08, 2008-09 & 2009-10. Accordingly, Rs. 126,204,794 has been alleged to be recoverable. The above amount of FED has been imposed on all the income of SPLCL for the three years including mark up income earned on finance lease contracts.

According to SPLCL's tax advisor, FED is applicable in respect of document fee, front end fee and syndicate lease income. These represent services rendered by leasing companies in respect of finance lease which are funded services. These services for the periods 2007-08 and 2008-09 are not chargeable to FED because of the reason that for those years FED was chargeable on services which were non-funded. However, for the periods 2009-10 due to amendment in Entry 8 the said services are chargeable to FED as provisions of the Federal Excise Act, 2005. Accordingly the amount of liability comes out of Rs. 198,530.

SPLCL has filed an appeal before the Commissioner Inland Revenue (Appeals) against the said order. The CIR (A) vide through appellate order number 97 of 2012 dated 30 April 2012 constituted that the duty so charged is legally and constitutionally valid under the FED Act 2005. However, it also mentioned that the notice issued is barred by time for the period from July 2007 to September 2008 and accordingly deleted the levy of FED for the said tax period.

SPLCL has further decided to prefer appeal before the Appellate Tribunal Inland Revenue against the above CIR (A) order. Moreover, the SPLCL's tax advisor is of the view that SPLCL has a strong arguable case that it is likely to succeed in getting the relief claimed against the said demand.

23.7 Other contingencies

(a) **Ceco Tyre Ltd (COS No.141/2009 of Rs. 202.00 million)**
"Saudi Pak had sanctioned a long term finance facility of Rs.30.00 million on 20.10.2008 in favor of Ceco Tyre Ltd which was not disbursed due to negative e-CIB reported by the BOP.

Subsequently in the year 2009, Ceco Tyre Ltd filed the subject damages suit against the Company for allegedly suffering business losses due to non-disbursement of approved finance. On completion of evidence of both the parties, the matter will be fixed for final arguments of legal counsels before the Court. Saudi Pak is vehemently defending the suit as the Plaintiff had no cause of action against Saudi Pak. It is likely to be dismissed by the honorable Court after hearing final arguments.

(b) **Ali Akbar Spinning Mills Limited (COS No.113/2009/10 of Rs.827.102 million)**
"Ali Akbar Spinning Mills Limited is a willful defaulter against whom a recovery suit for Rs.91.886 million has been filed by the Company in the High Court. Ali Akbar Spinning Mills Limited feeling aggrieved by the Company's action and to forestall and delay the payments, filed the titled frivolous suit for damages.

The Plaintiff had mainly alleged to have suffered business losses of Rs.827.102 million due to over-payments to and not allowing additional financing by the Company. The Company had made no such commitment.

The Company is vehemently contesting this frivolous suit and is likely to be dismissed.

		Note	2012 Rupees	2011 Rupees
24	**MARK-UP/RETURN/INTEREST EARNED**			
	On advances	24.1	651,964,368	821,909,794
	On investments	24.2	471,422,053	514,416,153
	On lendings to financial institutions		40,178,357	19,249,101
	On lease financing - net		77,543,474	116,269,807
	On profit and loss saving accounts		5,786,422	8,095,707
			1,246,894,674	1,479,940,562
24.1	**On advances**			
	Long term advances		552,143,348	714,438,423
	Short term advances		99,359,905	107,075,148
	Staff advances		461,115	396,223
			651,964,368	821,909,794
24.2	**On investments**			
	Term Finance Certificates		192,595,345	246,155,889
	Government securities		278,826,708	268,260,264
			471,422,053	514,416,153
25	**MARK-UP/RETURN/INTEREST EXPENSED**			
	Mark-up/return/interest expensed	25.1	744,626,894	1,134,305,586
	Deposits		15,565,568	20,707,342
	PIB's premium amortization		14,471,909	16,927,990
	Brokerage fee		1,938,749	1,579,161
			776,603,120	1,173,520,079
25.1	**Mark-up/return/interest expensed**			
	Long term borrowings		371,522,089	566,992,516
	Short term borrowings		217,789,203	417,847,876
	Securities purchased under repurchase agreements - repo		155,315,602	149,465,194
			744,626,894	1,134,305,586
26	**PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS**			
	Breakup of provisions /(reversals) is as under:			
	Term Finance Certificates (TFCs)		165,434,861	(24,508,469)
	Unquoted investment		(31,340,813)	87,740,811
			134,094,048	63,232,342
27	**UNDER WRITING INCOME**			
	Net premium revenue		82,646,947	89,757,340
	Net claims		(23,291,723)	(16,186,545)
	Premium deficiency reserve		2,000,656	-
	Expenses		(40,236,323)	(50,723,790)
	Net commission		(5,451,706)	(1,860,655)
			15,667,851	20,986,350
28	**INCOME FROM SALE OF DEVELOPMENT PROPERTIES - NET**			
	Revenue from sale of development properties	28.1	30,892,706	112,291,435
	Revenue from lease rentals of properties		1,420,440	903,000
	Less: cost incurred on development properties	28.2	(21,417,401)	(66,055,231)
			10,895,745	47,139,204
28.1	**Revenue from sale of development properties**			
	Residential Project	28.2.1	22,987,500	94,762,500
	Commercial Project	28.2.2	7,905,206	17,528,935
			30,892,706	112,291,435
28.2	**Cost incurred on development properties**			
	Residential Project	28.2.1	15,697,900	53,372,860
	Commercial Project	28.2.2	5,719,501	12,682,371
			21,417,401	66,055,231

28.2.1 Residential Project

Profit recognized on stage of completion method

	31 December 2012				
	Total	**Stage of completion as at December 31, 2012**	**On the basis of stage of completion**	**Revenue recognized in prior years**	**Revenue to be recognized in current year**
	2012 Rupees	**(%)**	**2012 Rupees**	**2012 Rupees**	**2012 Rupees**
Revenue	459,750,000	67	308,032,500	285,045,000	22,987,500
Cost	(313,958,000)	67	(210,351,860)	(194,653,960)	(15,697,900)
Profit	145,792,000	67	97,680,640	90,391,040	7,289,600

	31 December 2011				
	Total	Stage of completion as at December 31, 2011	On the basis of stage of completion	Revenue recognized in prior years	Revenue to be recognized in current year
	2011 Rupees	(%)	2011 Rupees	2011 Rupees	2011 Rupees
Revenue	459,750,000	62	285,045,000	190,282,500	94,762,500
Cost	(313,958,000)	62	(194,653,960)	(141,281,100)	(53,372,860)
Profit	145,792,000	62	90,391,040	49,001,400	41,389,640

28.2.1.1 On 31 December 2012, inspection of the project, Residential Area - Divine Gardens has been carried out by an independent valuer, M/s Ali & Ali Engineers and Valuers, certifying that 67 % of the project is completed till that date. The basis for inspection / valuation is real estate inquires, market trends and investors' opinion.

28.2.2 Commercial Project

	31 December 2012				
	Total	**Stage of completion as at December 31, 2012**	**On the basis of stage of completion**	**Revenue recognized in prior years**	**Revenue to be recognized in current year**
	2012 Rupees	**(%)**	**2012 Rupees**	**2012 Rupees**	**2012 Rupees**
Revenue	137,481,847	18.5	25,434,142	17,528,935	7,905,206
Cost	(99,469,576)	18.5	(18,401,872)	(12,682,371)	(5,719,501)
Profit	38,012,271	18.5	7,032,270	4,846,564	2,185,706

	31 December 2011				
	Total	Stage of completion as at December 31, 2011	On the basis of stage of completion	Revenue recognized in prior years	Revenue to be recognized in current year
	2011 Rupees	(%)	2011 Rupees	2011 Rupees	2011 Rupees
Revenue	137,481,847	12.75	17,528,935	-	17,528,935
Cost	(99,469,576)	12.75	(12,682,371)	-	(12,682,371)
Profit	38,012,271	12.75	4,846,564	-	4,846,564

28.2.2.1 On 31 December 2012, inspection of the project, Commercial Area - Divine Gardens has been carried out by an independent valuer, M/s Ali & Ali Engineers and Valuers, certifying that 18.50 % of the project is completed till that date. The basis for inspection / valuation is real estate inquires, market trends and investors' opinion.

28.2.2.2 Subsequent to the year end, SPREL has sold the entire commercial property.

		Note	2012 Rupees	2011 Rupees
29	**OTHER INCOME**			
	Net rental income	**29.1**	**37,384,923**	39,822,949
	Net gain on disposal of operating fixed assets - property and equipment		**15,116,725**	8,091,310
	Waiver on settlement of long term finances		**93,232,072**	-
	Others	**29.2**	**34,912,313**	61,252,513
			180,646,033	109,166,772
29.1	**Net rental income**			
	Rental income		**183,766,154**	182,283,854
	Less: Operating expenses			
	Salaries, allowances and employee benefits		**13,195,078**	10,987,833
	Traveling and conveyance		**5,590**	760
	Medical		**185,132**	342,337
	Janitorial services		**3,921,008**	3,542,076
	Security services		**7,256,838**	6,690,694
	Insurance		**1,431,673**	1,975,965
	Postage, telegraph, telegram and telephone		**867,013**	18,629
	Printing and stationery		**24,544**	1,200
	Certification services		**30,400**	43,200
	Utilities		**11,564,932**	11,763,097
	Consultancy and professional charges		**450,000**	300,000
	Repairs and maintenance		**6,703,408**	6,256,324
	Rent, rates and taxes		**1,383,745**	1,368,283
	Depreciation		**99,321,146**	99,103,413
	Office general expenses		**40,724**	67,094
			146,381,231	142,460,905
			37,384,923	39,822,949

29.2 This includes income received from tender fee and sale of miscellaneous scrap items etc.

		Note	2012 Rupees	2011 Rupees
30	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and employee benefits	**30.1**	**203,865,894**	174,009,805
	Traveling and conveyance	**30.2**	**28,192,236**	35,051,384
	Vehicle running expenses		**10,034,288**	12,455,543
	Utilities		**8,732,807**	7,263,790
	Advertisement and publicity		**2,270,475**	1,863,559
	Postage, telegram, telephone and telex		**7,302,941**	7,542,495
	Printing, stationery and periodical		**4,603,360**	3,684,564
	Legal and professional charges		**12,639,296**	12,611,958
	Consultancy, custodial and rating services		**16,560,767**	7,697,356
	Auditor's remuneration	**30.3**	**1,826,900**	1,729,900
	Repair and maintenance		**7,663,138**	6,913,469
	Office and general expenses		**25,750,813**	23,528,969
	Bank charges		**684,217**	789,507
	Professional training		**1,245,996**	1,043,183
	Depreciation		**43,791,385**	40,845,134
	Donations	**30.4**	**50,000**	-
			375,214,513	337,030,616

30.1 This includes the followings staff benefits for the Group:

30.1.1 Rs. 4.051 million (2011: Rs. 6.296 million) on account of employee provident fund expense;

30.1.2 Rs. 8.417 million (2011: Rs. 7.854 million) on account of gratuity expense (also refer note 36.4 below); and

30.1.3 Rs. 1.207 million (2011: Rs. 2.771 million) on account of compensated absences expense.

30.2 This includes payments made to Directors of the Group for attending Board / Board's committee meetings amounting to Rs. 13.747 million (2011: Rs. 19.089 million).

30.3 Auditors' remuneration	**2012 Rupees**	2011 Rupees
Audit fee - Parent	**502,000**	368,500
- Subsidiaries / Associates	**1,057,000**	900,000
Half yearly review	**75,000**	155,000
Code of Corporate Governance review	**23,000**	16,500
Fee for regulatory return	**-**	60,000
Out of pocket expenses	**169,900**	229,900
	1,826,900	1,729,900

30.4 The donation was given to the Life Welfare Society for affectees of floods in Pakistan through Pakistan Rangers (Punjab).

31 IMPAIRMENT LOSS ON QUOTED SECURITIES

During the year, the Group has charged impairment loss on quoted securities in accordance with the accounting policy [refer note 5.4 (c)] based on criteria for significant and prolonged decline in value of securities as approved by the Board of Directors.

	2012 Rupees	2011 Rupees
32 OTHER PROVISIONS AND WRITE OFFS		
Provision against non banking assets acquired in satisfaction of claims	**6,942,000**	138,138,000
Provision against receivable from stock brokers	**-**	3,818,270
Provision for other doubtful receivables	**-**	34,764,671
	6,942,000	176,720,941
33 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	**-**	922,250
34 TAXATION		
– Current year	**31,877,664**	43,674,249
– Prior years	**-**	100,523,318
– Deferred	**(10,243,315)**	150,681,609
	21,634,349	294,879,176
34.1 Relationship between tax expense and accounting loss		
Accounting profit / (loss) for the year	**268,622,029**	(1,747,685,765)
Tax rate	**35%**	35%
Tax on accounting profit / (loss)	**94,017,710**	(611,690,018)
Tax effect on income subject to lower rate of taxation	**4,427,912**	(19,772,084)
Tax effect of other income considered separately	**(15,296,259)**	402,431,309
Tax effect of prior years	**-**	100,523,318
Deferred tax asset not recognized	**(88,974,802)**	52,440,478
Tax effect of permanent differences	**27,459,788**	370,946,173
	21,634,349	294,879,176

		Note	2012 Rupees	2011 Rupees
34.2	**Tax status**			
	For tax related contingencies - refer note 23.6.			
35	**BASIC AND DILUTED EARNING / (LOSS) PER SHARE**			
	Profit / (loss) for the year attributable to equity holders of the Group - Rupees		**322,137,463**	(1,581,085,770)
	Weighted average number of ordinary shares - Number		**600,000,000**	600,000,000
	Basic and diluted earning / (loss) per share - Rupees		**0.537**	(2.635)
36	**CASH AND CASH EQUIVALENTS**			
	Cash and balance with treasury banks	6	**65,690,405**	56,121,319
	Balance with other banks	7	**389,068,830**	193,655,011
			454,759,235	249,776,330
37	**EMPLOYEE BENEFITS – Staff gratuity**			
37.1	**The amounts recognized in the statements of consolidated statement of financial position are determined as follows:**			
	Present value of defined benefit obligation	37.2	**24,406,687**	37,436,330
	Fair value of plan assets	37.3	**(1,752,313)**	(4,073,675)
	Unrecognized actuarial loss		**(4,234,034)**	(3,705,439)
	Benefits payable to outgoing members		**11,321,725**	-
		19.3	**29,742,065**	29,657,216
37.2	**Movement in the Present value of defined benefit obligation in the consolidated statement of financial position are determined as follows:**			
	Opening balance		**37,436,330**	34,740,241
	Service cost		**4,363,056**	4,192,491
	Interest cost		**6,108,183**	4,539,452
	Actuarial (loss) / gain		**(3,880,417)**	4,917,130
	Benefits payable to outgoing members		**(11,321,725)**	-
	Benefits paid		**(8,298,740)**	(10,952,984)
	Closing balance		**24,406,687**	37,436,330
37.3	**Movement in fair value of plan assets**			
	Opening balance		**4,073,675**	5,761,817
	Expected return on plan assets		**2,053,300**	884,327
	Contribution to the fund		**2,024,392**	2,425,341
	Benefit paid during the year		**(5,734,981)**	(4,758,831)
	Actuarial (loss) / gain		**(664,073)**	(238,979)
	Closing balance		**1,752,313**	4,073,675
37.4	**The amounts recognized in the consolidated profit and loss account are as follows:**			
	Service cost		**4,363,056**	4,192,491
	Interest cost		**6,108,183**	4,539,452
	Expected return on plan assets	30.1.2	**(2,053,300)**	(884,327)
	Recognition of actuarial loss / (gain)		**-**	7,074
			8,417,939	7,854,690
37.5	**The principal actuarial assumptions used are as follows:**			
	Discount rate		**13.00%**	13.00%
	Expected rate of increase in salary		**12.00%**	10.50% - 12.00%
	Expected interest on plan assets		**14.00%**	12.00% - 13.00%
	Mortality rate		**LIC (1975-1979)**	LIC (1975-1979)

38 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012	2011	2012	2011	2012	2011
	Chief Executive		Directors		Executives	
Fees	-	-	4,138,794	3,979,874	-	-
Managerial remuneration	12,295,461	11,534,798	-	-	27,500,770	29,598,120
Post employment benefits	1,111,446	473,532	-	-	2,352,776	1,915,523
Rent and house maintenance	6,942,710	4,108,170	-	-	15,552,294	13,658,660
Utilities	718,065	1,485,893	-	-	1,990,800	3,297,500
Medical	87,053	478,842	-	-	3,318,000	3,262,706
Bonus and others	3,594,933	3,497,139	-	-	12,188,181	10,194,911
	24,749,668	21,578,374	4,138,794	3,979,874	62,902,821	61,927,420
Number of persons	3	5	20	20	38	42

38.1 Chief Executive and majority of executives are also provided with Group maintained cars.

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

39.1 On-balance sheet financial instruments

	2012		2011	
	Book value Rupees	Fair value Rupees	Book value Rupees	Fair value Rupees
Assets				
Cash balances with treasury banks	65,690,405	65,690,405	56,121,319	56,121,319
Balances with other banks	389,068,830	389,068,830	193,655,011	193,655,011
Lendings to financial institutions	285,000,000	285,000,000	171,111,111	171,111,111
Investments	6,194,338,065	6,194,338,065	5,101,879,296	5,101,879,296
Advances	6,363,688,800	6,363,688,800	7,393,276,079	7,393,276,079
Other assets	396,002,138	396,002,138	734,338,242	734,338,242
	13,693,788,238	13,693,788,238	13,650,381,058	13,650,381,058

39.1 On-balance sheet financial instruments

	2012		2011	
	Book value Rupees	Fair value Rupees	Book value Rupees	Fair value Rupees
Liabilities				
Borrowings	7,229,175,546	7,229,175,546	7,064,577,411	7,064,577,411
Deposits and other accounts	1,329,131,395	1,329,131,395	1,618,221,671	1,618,221,671
Other liabilities	414,554,302	414,554,302	539,204,915	539,204,915
	8,972,861,243	8,972,861,243	9,222,003,997	9,222,003,997

39.2 Off-balance sheet financial instruments

	2012 Book value	2012 Fair value	2011 Book value	2011 Fair value
Commitments in respect of purchase of forward exchange contracts	-	-	2,463,933,000	2,463,933,000

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

The fair value of quoted investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities. Fair value of unquoted equity investments is determined on the basis of lower of cost and break-up value of these investments as per the latest available financial statements.

The fair value of fixed term advances of over one year and fixed term deposits of over one year can not be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities. Loans and advances are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations.
In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying value since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced. The maturity profile and effective rates are stated in note 43.2.5 below.

40 DERIVATIVE INSTRUMENTS

The Group does not deal in derivative instruments.

41 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance 2012 Rs. 000	Trading and sales 2012 Rs. 000	Real Estate services 2012 Rs. 000	Insurance services 2012 Rs.000	Total 2012 Rs. 000
Total income	**1,035,015**	**801,966**	**194,662**	**84,648**	**2,116,291**
Total expenses	**877,297**	**705,490**	**180,894**	**83,988**	**1,847,669**
Net income (loss)	**157,718**	**96,477**	**13,767**	**660**	**268,622**
Segment assets (gross)	**13,953,695**	**7,082,391**	**2,419,240**	**76,596**	**23,531,922**
Segment non performing loans	**5,257,080**	**-**	**-**	**-**	**5,257,080**
Segment provision required	**3,822,952**	**-**	**-**	**-**	**3,822,952**
Segment liabilities	**5,366,986**	**3,793,454**	**884,965**	**1,593**	**10,046,998**
Segment Return On net Assets (ROA) (%)	**1.13**	**1.36**	**0.57**	**0.86**	**1.14**
Segment cost of funds (%)	**6.29**	**9.96**	**7.48**	**109.65**	**7.85**

	Corporate Finance 2011 Rs. 000	Trading and sales 2011 Rs. 000	Real Estate services 2011 Rs. 000	Insurance services 2011 Rs. 000	Total 2011 Rs. 000
Total income	1,194,721	314,136	229,423	89,757	1,828,037
Total expenses	1,806,136	1,499,508	184,759	85,319	3,575,724
Net income (loss)	(611,415)	(1,185,373)	44,664	4,437	(1,747,687)
Segment assets (gross)	15,288,795	6,249,320	2,810,911	286,326	24,635,352
Segment non performing loans	4,824,030	-	-	-	4,824,030
Segment provision required	3,531,583	-	-	-	3,531,583
Segment liabilities	7,420,681	1,833,926	768,551	239,045	10,262,204
Segment Return On net Assets (ROA) (%)	(4.00)	(18.97)	1.59	1.55	(7.09)
Segment cost of funds (%)	11.81	23.99	6.57	29.80	14.51

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.

- Unallocatable assets representing 8.14 % (2011: 7.43 %) of the total assets have been allocated to segments based on their respective incomes. -

- Unallocatable liabilities representing 4.87 % (2011: 5.68 %) of the total liabilities have been allocated to segments based on their respective assets.

42 **RELATED PARTY TRANSACTIONS**

42.1 Both the Government of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan own 50% shares each of the Group. Therefore, all entities owned by and controlled by these Governments are related parties of the Group. Other related parties comprise of entities over which the Group has control (subsidiaries), entities over which the directors are able to exercise significant influence (associated undertakings), entities with common directors, major shareholders, directors, key management personnel and employees' funds. The Group in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan. The Group has not extended any financing facilities to entities owned by the Governments of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan

Except for the matters reported in note 10.4 to the consolidated financial statements, transactions with the related parties are executed substantially on the same terms, including markup rates and collaterals, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. under the comparable Uncontrolled Price Method).

Other than those transactions which are made under the terms of employment, majority of the transactions with related parties comprise of loans and advances, deposits etc.

Advances for the house building, conveyance and personal use have also been provided to staff and executives in accordance with the employment and pay policy. Facility of group life insurance and hospitalization facility is also provided to staff and executives. In addition to this, majority of executives of the Group have been provided with Group maintained car.

42.2 **Following are the transactions and balances with related parties**

Nature of balances / transactions	**2012 Rupees**	2011 Rupees
Outstanding balances at year end with associated undertakings		
– Certificate of Investments	-	55,000,000
– Term Deposit Receipt	-	41,931,000
– Bank Balances	-	5,990,242
– Accrued Income	-	2,118,297
– Insurance premium receivable	-	32,421,665
– Insurance claims payable	-	4,298,277
Employee funds		
– Deposits against COIs	**10,000,000**	14,500,000
– Interest and other payables	**712,767**	821,651
– Payable to defined benefit plan	**944,644**	944,644
Transactions during the year with associated undertakings		
– Premium received	-	61,503,392
– Claims paid	-	1,448,177
– Bank charges	-	126,011
– Tracker charges	-	427,950
– Rent expensed	-	96,000
– Interest income	-	2,906,384
– Advisory Fee	-	-
Key Management Personnel		
– Advances to executives	**10,128,850**	3,030,000
– Repayment of advances	**5,918,694**	4,096,838
Employee funds		
– Deposits against COIs	-	13,046,247
– Maturity of deposits against COIs	**4,500,000**	13,620,000
– Borrowings availed	-	15,029,589
– Borrowings paid	-	15,029,589
– Contribution to the employees provident fund	**4,557,869**	4,901,466
– Contribution to defined benefit plan	-	1,545,081
– Interest expense	**1,788,668**	1,455,231

43 CAPITAL ADEQUACY

43.1 Scope of applications

The Basel II framework has been applied in accordance with Circular No. BSD/BAI-2/201/1490/2008 dated December 30, 2008. Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risk while Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

As stated in note 1.1, the Group has two subsidiaries, namely Saudi Pak Real Estate Company Limited (SPREL) and Saudi Pak Leasing Company Limited (SPLCL) and one associated company namely Saudi Pak Insurance Company Limited (SPICL). SPREL is the wholly-owned subsidiary while SPLCL is 35.06% owned by the holding Company and SPICL is 43.21% owned by the holding Company. SPLCL is included, while calculating Capital Adequacy for the Group, using full consolidation method. The holding Company has significant minority investments in Equity International (Private) Limited (a financial entity). The holding Company has not consolidated SPREL and SPICL for consolidated Capital Adequacy Ratio (CAR) purposes. Investments in SPREL and SPICL have been deducted from core capital. The Group does not indulge in any securitization activity that shields it from the risk inherent in securitization.

43.2 Capital management

The objective of managing capital is to safeguard the Group's 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 Group 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 Group recognizes 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.

Objectives and goals of managing capital

The objectives and goals of managing capital of the Group are as follows:

- To be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- Maintain strong ratings and to protect the Group against unexpected events;
- Availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Group to expand;
- Achieve low overall cost of capital with appropriate mix of capital elements.

43.2.1 Capital Adequacy Ratio

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy was as follows:

43.2.1.1 Regulatory capital base

	2012 Rupees	2011 Rupees
Tier I Capital		
Fully paid up capital	6,000,000	6,000,000
Share premium	-	-
Reserves	588,419	1,565,161
Unappropriated loss	(566,739)	(1,937,113)
Minority in the equity of the subsidiary	(644,095)	(571,407)
Deductions		
Book value of Intangibles, investment in commercial entities (50%) etc.	(278,969)	(437,967)
Total Tier I Capital	5,098,616	4,618,674
Supplementary capital		
Tier II Capital		
Subordinated debt (upto 50% of total Tier I capital)	-	-
General Provisions subject to 1.25% of total risk weighted assets	-	-
Revaluation Reserve (upto 45%)	1,180,039	918,588
Deductions		
Investment in commercial entities, insurance subsidiary etc (50%)	(273,045)	(285,812)
Total Tier II Capital	906,994	632,776
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	6,005,610	5,251,450

43.2.2 Risk weighted exposures

Credit Risk	2012 Book value Rupees	2011 Fair value Rupees	2012 Book value Rupees	2011 Fair value Rupees
Claims on :				
Corporate	845,691	1,028,390	6,040,649	7,345,641
Banks	16,682	7,465	119,159	53,318
Public sector entities	-	-	-	-
Retail portfolio	2,011	1,494	14,364	10,672
Secured by residential property	21,564	27,265	154,032	194,748
Listed equity investments	54,156	58,125	386,827	415,177
Unlisted equity investments	55,759	71,008	398,282	507,201
Fixed Assets	357,775	303,754	2,555,537	2,169,674
Other Assets	188,517	200,309	1,346,552	1,430,776
Off Balance Sheet Exposure-Non Market Related	162,883	113,749	1,163,452	812,492
Off Balance Sheet Exposure-Market Related	-	690	-	4,928
Market Risk				
Portfolios subject to Standardized Approach				
Interest rate risk	26,639	11,944	190,275	85,313
Equity position risk	228,906	310,254	1,635,046	2,216,100
Foreign exchange risk	4,169	349,231	29,779	2,494,507
Operational Risk	101,422	147,654	724,446	1,054,672
	2,066,174	2,631,332	14,758,400	18,795,219

Capital Adequacy Ratio	2012	2011
Total eligible regulatory capital held - Rs. (000)	6,005,610	5,251,450
Total Risk Weighted Assets - Rs. (000)	14,758,400	18,795,219
Capital Adequacy Ratio - % age	40.69%	27.94%

43.3 Credit Risk-General Disclosures Basel II Specific

The Group used standardized approach for credit risk.

43.3.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

Types of Exposures and ECAI's used - 2012

Exposures	JCR-VIS	PACRA
Corporate	x	x
Banks	x	x

40.3.2 Credit Exposures subject to Standardized approach

Exposures	Rating Category	2012 Amount Outstanding Rs. 000	2012 Deduction CRM Rs. 000	2012 Net amount Rs. 000	2011 Amount Outstanding Rs. 000	2011 Deduction CRM Rs. 000	2011 Net amount Rs. 000
Corporate	1	418,353	-	418,353	883,135	-	883,135
	2	2,599,551	-	2,599,551	1,059,786	-	1,059,786
	3,4	7,750	-	7,750	126,804	-	126,804
	5,6	13,417	-	13,417	818,392	-	818,392
Banks	1	593,990	-	593,990	185,622	-	185,622
	2	331,961	-	331,961	80,884	-	80,884
	3	-	-	-	84	-	84
Unrated		9,172,046	-	9,172,046	10,812,677	-	10,812,677
		13,137,068	-	13,137,068	13,967,384	-	13,967,384

CRM= Credit Risk Mitigation

44 RISK MANAGEMENT

The Group realizes the importance of risk management. We, as a Group, have independent and dedicated risk management functions. A comprehensive risk management framework has been adopted. It is based on three lines of defense strategy to cater micro, macro and strategic level risk management. Risk Management Division has been set up primarily to carry out independent review functions in terms of credit risk, market risk, operational risk and liquidity risk. Stress testing is regularly conducted on the lines advised by the State Bank of Pakistan. Risk Management Committee of the Board has also been constituted and a structured Risk Reporting Framework is being developed and implemented as a part of monitoring and oversight function of the Board. Capital adequacy level is regularly assessed and reviewed with approved bench mark of 20 percent as against regulatory requirement of 14 percent.

The higher level of bench marking is aimed at strengthening capital base of the Group, besides providing an impeccable buffer/ cushion to absorb and withstand against unexpected macro economic shocks and unexpected losses. It is also used to asses overall risk appetite of the Group that in turn will be used to asses credit, market and operational risk appetite.

44.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation. The Group controls its credit risk by the following methods:

- Monitoring credit exposures;
- Evaluating transactions with specific counterparts; and
- Assessing credit worthiness of counterparts.

Two sets of guidelines are followed by the management for managing credit risk. Operating policy approved by the Board of Directors and Prudential Regulations issued by State Bank of Pakistan.

The operating policy defines the extent of exposure with reference to a particular sector or group. The management also classi fied a particular financing on the basis of SBP guidelines.

44.1.1 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

41.1.1.1 Segments by class of business

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	166,500	1.67	644,131	48.46	337,000	23.68
Paper and allied	156,886	1.57	-	-	-	-
Electrical goods	80,017	0.80	-	-	50,000	3.51
Dairy and poultry	98,572	0.99	-	-	-	-
Banaspati and allied	-	-	-	-	-	-
Sugar and allied products	266,274	2.67	-	-	50,000	3.51
Chemical and fertilizer	652,098	6.53	-	-	69,781	4.90
Energy, oil and gas	1,828,706	18.31	-	-	207,385	14.57
Construction	721,893	7.23	-	-	-	-
Hotels	72,500	0.73	-	-	-	-
Cement	410,445	4.11	-	-	-	-
Textile	2,219,846	22.23	-	-	509,582	35.80
Metal and allied products	458,814	4.59	-	-	-	-
Automobiles and allied	385,078	3.86	-	-	-	-
Transport/services and misc.	590,495	5.91	-	-	-	-
Telecommunication	385,785	3.86	-	-	-	-
Others	1,493,075	14.94	685,000	51.54	199,584	14.02
	9,986,984	100.00	1,329,131	100.00	1,423,332	100.00

44.1.1.1 Segments by class of business (continued):

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	114,000	1.05	1,358,722	83.96	2,463,933	73.68***
Paper and allied	79,510	0.73	-	-	-	-
Electrical goods	34,500	0.32	-	-	-	-
Dairy and poultry	45,122	0.42	-	-	-	-
Banaspati and allied	10,000	0.09	-	-	-	-
Sugar and allied products	243,311	2.24	-	-	267,917	8.01
Chemical and fertilizer	742,711	6.83	-	-	208,000	6.22
Energy, oil and gas	1,547,491	14.24	-	-	18,134	0.54
Construction	434,048	3.99	-	-	-	-
Hotels	83,750	0.77	-	-	-	-
Cement	409,510	3.77	-	-	-	-
Textile	2,297,070	21.13	-	-	79,582	2.38
Metal and allied products	486,684	4.48	-	-	100,000	2.99
Automobiles and allied	294,371	2.71	-	-	-	-
Transport/services and misc.	44,787	0.41	-	-	-	-
Telecommunication	242,667	2.23	-	-	69,000	2.06
Others	3,761,106	34.60	259,500	16.04	137,664	4.12
	10,870,638	100.00	1,618,222	100.00	3,344,230	100.00

*** Financial institutions segment includes commitments in respect of forward exchange purchase contracts.

41.1.1.2 Segment by sector

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	500,000	5.01	-	-	-	-
Private sector	9,486,984	94.99	1,329,131	100.00	1,423,332	100.00
	9,986,984	100.00	1,329,131	100.00	1,423,332	100.00

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	-	-	-	-	-	-
Private sector	10,870,638	100.00	1,618,222	100.00	3,344,230	100.00
	10,870,638	100.00	1,618,222	100.00	3,344,230	100.00

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

	2012		2011	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	Rs. 000	**Rs. 000**	Rs. 000	Rs. 000
Financial institutions	103,500	103,500	114,000	114,000
Paper and allied	103,287	74,818	79,509	79,509
Electrical goods	6,804	4,577	14,499	14,499
Dairy and poultry	59,554	47,309	45,122	45,122
Banaspati and allied	82,103	55,695	10,000	10,000
Sugar and allied products	52,920	49,832	61,310	53,229
Chemical and fertilizer	71,473	29,595	18,743	14,972
Energy, oil and gas	295,782	247,656	257,056	187,735
Construction	524,748	246,775	270,427	87,606
Hotels	50,000	25,000	50,000	25,000
Cement	335,610	255,856	328,260	233,429
Textile	1,155,209	945,489	1,052,062	825,744
Metal and metal products	211,485	194,376	172,437	172,437
Automobiles and allied	349,631	271,894	294,371	197,717
Transport/services	445,040	261,457	44,787	44,787
Others	600,774	809,466	1,370,921	1,371,576
	4,447,920	3,623,295	4,183,504	3,477,362

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

	2012		2011	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	Rs. 000	**Rs. 000**	Rs. 000	Rs. 000
Public/Government sector	-	-	-	-
Private sector	4,447,920	3,623,295	4,183,504	3,477,362
	4,447,920	3,623,295	4,183,504	3,477,362

41.1.1.5 Geographical segment analysis

	2012			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies and commitments**
	Rs. 000	**Rs. 000**	**Rs. 000**	**Rs. 000**
Pakistan	268,622	17,708,573	7,661,576	1,423,333
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	268,622	17,708,573	7,661,576	1,423,333

44.1.1.5 Geographical segment analysis (continued)

	2011			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Pakistan	(1,747,686)	17,324,720	7,062,516	3,344,230
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	(1,747,686)	17,324,720	7,062,516	3,344,230

44.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Thus, the market risk can be further described into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk. Further, in respect of insurance business of the Group i.e., SPICL; insurance risk is also relevant as stated in note 44.2.4 below.

44.2.1 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Group has formulated and developed interest rate risk policies, processes and procedural guidelines, proposing interest rate limits, credit spreads, gaps and duration limits between interest sensitive assets and interest sensitive liabilities, conducting gap analysis, determining the effects of mismatching positions across the range of maturities as well as identifying and maintaining the record of the transactions that would be treated as regarding trade book portfolio for the purpose of assigning market risk capital charge. Besides, the need and requirement of setting up an independent middle office is also being evaluated.

Risk management division is responsible for conducting independent review of interest rate sensitive assets, and liabilities, monitoring of interest rate and gap limits, reporting breaches and conducting stress testing on the lines advised by SBP.

44.2.2 Foreign exchange risk

Foreign exchange risk is that our net investment in foreign currency change in value through adverse effects of currency movements.

The risk is very nominal because of the nature of the existing operations of the Group and is primarily attributable to the foreign currency assets, held in the form of foreign currency deposits with other banks and deposit through SWAP and other hedging measures depending upon open market conditions. The Group manages its foreign exchange risk by keeping the data on foreign currency assets and liabilities, proposing limits, planning and determining yield as well as hedging the risk in the case of adverse movement in currency exchange rates and identifies the transactions which will be subject to market risk capital charge.

44.2.2 Foreign Exchange risk (continued)

	Assets 2012 Rs. 000	Liabilities 2012 Rs. 000	Off-balance sheet items 2012 Rs. 000	Net currency exposure 2012 Rs. 000
Pakistan Rupee	17,678,795	10,046,997	1,423,333	6,208,465
United States Dollar	29,779	-	-	29,779
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	17,708,574	10,046,997	1,423,333	6,238,244

41.2.2 Foreign Exchange risk

	Assets 2011 Rs. 000	Liabilities 2011 Rs. 000	Off-balance sheet items 2011 Rs. 000	Net currency exposure 2011 Rs. 000
Pakistan Rupee	17,296,080	10,262,204	880,297	6,153,580
United States Dollar	28,640	-	2,463,933	(2,435,293)
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	17,324,721	10,262,204	3,344,230	3,718,287

44.2.3 Equity position Risk

The Group has established a Portfolio Management Department which is responsible for origination, conducting , appraisal of equity investment proposals, proposing business appetite and tolerance levels, getting approval of various limits, determining target market and products, updating approval process within and beyond approved limits, proposing and implementing emergency measures dealing with market fluctuations, handling day to day matters of the equity portfolio and maintaining relevant record and information as well as handling day to day matters with brokers, clients and scrips.

44.2.4 Insurance risk

- The SPICL accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The SPICL is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

- The SPICL manages its risk through its underwriting and reinsurance strategy within an overall risk management. Reinsurance is purchased to mitigate the effect of potential loss to the SPICL from individual, large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Insurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

- A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of a policyholder, within a geographical location or types of commercial business. The SPICL minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions and minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

Geographical concentration of insurance risk

- To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risk with reference to the geographical location, the most important of which is risk survey.

- Risk surveys are carried out on a regular basis for the evaluation of physical hazard associated with the commercial/industrial/residential occupation of the insured. Details regarding the fire separation/segregation with respect to the manufacturing processes, storage, utilities etc are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters/reinsurance personnel for their evaluation. Reference is made to the standard construction specification as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors and Physical Separation between the building within an insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

- Keeping in view the maximum exposure in respect of key zone aggregates, number of proportional and non proportional reinsurance arrangement are in place to protect the net account in case of a major catastrophic event. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the SPICL.

- In compliance of the regulatory requirement, the reinsurance agreements are duly submitted with SECP on an annual basis.

41.2.5 Mismatch of interest rate sensitive assets and liabilities

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total 2012	Upto 1 month 2012	Over 1-3 months 2012	Over 3-6 months 2012	Over 6-12 months 2012	Over 1-2 years 2012	Over 2-3 years 2012	Over 3-5 years 2012	Over 5-10 years 2012	Above 10 years 2012	2012
	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	65,690,405	-	-	-	-	-	-	-	-	-	65,690,405
Balances with other banks	5.00	389,068,830	384,615,258	-	-	-	-	-	-	-	-	4,453,572
Lending to financial institutions	10.24	285,000,000	285,000,000	-	-	-	-	-	-	-	-	-
Investments	11.04	6,194,338,065	329,472,051	1,131,729,406	2,461,531,807	559,983,388	200,000,000	195,241,900	49,964,700	-	-	1,266,414,813
Advances	12.30	6,363,688,800	366,184,286	2,306,183,829	3,438,092,589	233,748,531	3,076,061	3,076,061	6,152,121	7,175,322	-	-
Other assets	-	396,002,138	-	-	-	-	-	-	-	-	-	396,002,138
		13,693,788,238	1,365,271,595	3,437,913,235	5,899,624,396	793,731,919	203,076,061	198,317,961	56,116,821	7,175,322	-	1,732,560,928
Liabilities												
Borrowings from financial institutions	9.28	7,229,175,546	2,731,165,530	2,541,098,815	996,831,470	433,854,607	174,537,600	158,199,268	168,429,916	25,058,340	-	-
Deposits and other accounts	9.75	1,329,131,395	153,677,616	736,032,848	332,065,696	107,355,235	-	-	-	-	-	-
Other liabilities	-	414,554,302	-	-	-	-	-	-	-	-	-	414,554,302
		8,972,861,243	2,884,843,146	3,277,131,663	1,328,897,166	541,209,842	174,537,600	158,199,268	168,429,916	25,058,340	-	414,554,302
On-balance sheet gap		4,720,926,995	(1,519,571,551)	160,781,572	4,570,727,230	252,522,077	28,538,461	40,118,693	(112,313,095)	(17,883,018)	-	1,318,006,626
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		4,720,926,995	(1,519,571,551)	160,781,572	4,570,727,230	252,522,077	28,538,461	40,118,693	(112,313,095)	(17,883,018)	-	1,318,006,626
Cumulative yield/interest risk sensitivity gap		-	(1,519,571,551)	(1,358,789,979)	3,211,937,251	3,464,459,328	3,492,997,789	3,533,116,482	3,420,803,387	3,402,920,369	3,402,920,369	4,720,926,995

44.2.5 Mismatch of interest rate sensitive assets and liabilities (continued)

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
	%	Total 2011 Rupees	Upto 1 month 2011 Rupees	Over 1-3 months 2011 Rupees	Over 3-6 months 2011 Rupees	Over 6-12 months 2011 Rupees	Over 1-2 years 2011 Rupees	Over 2-3 years 2011 Rupees	Over 3-5 years 2011 Rupees	Over 5-10 years 2011 Rupees	Above 10 years 2011 Rupees	2011 Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.01	56,121,319	128,478	-	-	-	-	-	-	-	-	55,992,841
Balances with other banks	5.00	193,655,011	162,804,705	-	-	-	-	-	-	-	-	30,850,306
Lending to financial institutions	12.81	171,111,111	170,000,000	-	1,111,111	-	-	-	-	-	-	-
Investments	13.25	5,101,879,296	401,663,324	1,596,149,156	577,317,308	576,159,548	33,899,628	233,899,628	260,424,985	-	-	1,422,365,719
Advances	14.51	7,393,276,079	499,580,304	2,064,758,158	3,738,885,495	1,082,836,230	7,215,892	-	-	-	-	-
Other assets	-	734,338,242	-	-	-	-	-	-	-	-	-	734,338,242
		13,650,381,058	1,234,176,811	3,660,907,314	4,317,313,914	1,658,995,778	41,115,520	233,899,628	260,424,985	-	-	2,243,547,108
Liabilities												
Borrowings from financial institutions	11.49	7,064,577,411	1,956,772,937	2,352,369,268	1,059,197,120	908,405,160	128,840,728	83,377,166	168,362,164	407,252,868	-	-
Deposits and other accounts	13.04	1,618,221,671	596,560,139	363,120,278	224,680,417	433,860,837	-	-	-	-	-	-
Other liabilities	-	539,204,915	-	-	-	-	-	-	-	-	-	539,204,915
		9,222,003,997	2,553,333,076	2,715,489,546	1,283,877,537	1,342,265,997	128,840,728	83,377,166	168,362,164	407,252,868	-	539,204,915
On-balance sheet gap		4,428,377,061	(1,319,156,265)	945,417,768	3,033,436,377	316,729,781	(87,725,208)	150,522,462	92,062,821	(407,252,868)	-	1,704,342,193
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		2,463,933,000	-	-	-	-	-	-	-	-	-	2,463,933,000
Off-balance sheet gap		2,463,933,000	-	-	-	-	-	-	-	-	-	2,463,933,000
Total yield/interest risk sensitivity gap		1,964,444,061	(1,319,156,265)	945,417,768	3,033,436,377	316,729,781	(87,725,208)	150,522,462	92,062,821	(407,252,868)	-	(759,590,807)
Cumulative yield/interest risk sensitivity gap		-	(1,319,156,265)	(373,738,497)	2,659,697,880	2,976,427,661	2,888,702,453	3,039,224,915	3,131,287,736	2,724,034,868	2,724,034,868	1,964,444,061

44.3 Liquidity risk

Liquidity risk is the risk the Group's earnings and capital due to Group's inability to meet its liabilities when they become due. The Group is taking care of this risk by:

- managing liquidity position through Assets & Liability Management Committee.
- maintaining adequate level of liquidity to meet its obligation at any point of time.

44.3.1 Maturities of assets and liabilities

		MATURITIES								
	Total 2012 Rupees	Upto 1 month 2012 Rupees	Over 1 - 3 months 2012 Rupees	Over 3 - 6 months 2012 Rupees	Over 6 - 12 months 2012 Rupees	Over 1 - 2 years 2012 Rupees	Over 2 - 3 years 2012 Rupees	Over 3-5 years 2012 Rupees	Over 5-10 years 2012 Rupees	Above 10 years 2012 Rupees
Assets										
Cash and balances with treasury banks	65,690,405	65,690,405	-	-	-	-	-	-	-	-
Balances with other banks	389,068,830	389,068,830	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	96,618,462	4,025,769	8,051,539	12,077,308	24,154,616	48,309,230	-	-	-	-
Lending to financial institutions	285,000,000	250,000,000	-	35,000,000	-	-	-	-	-	-
Investments	6,194,338,065	329,815,804	831,006,888	1,473,551,231	1,494,447,135	430,858,827	401,306,823	342,188,752	891,162,605	-
Advances	6,363,688,800	272,716,012	975,958,831	512,150,576	1,474,779,733	1,366,833,578	658,211,933	719,032,998	384,005,139	-
Operating fixed assets	2,612,687,710	27,596,850	55,193,701	82,790,551	165,581,102	102,219,843	102,219,837	200,927,584	305,574,435	1,570,583,807
Development properties	184,673,844	15,389,487	30,778,974	46,168,461	92,336,922	-	-	-	-	-
Other Assets	1,516,807,275	274,070,314	178,082,291	132,147,006	932,507,664	-	-	-	-	-
	17,708,573,391	1,628,373,471	2,079,072,224	2,293,885,133	4,183,807,172	1,948,221,478	1,161,738,593	1,262,149,334	1,580,742,179	1,570,583,807
Liabilities										
Borrowings	7,229,175,546	2,622,528,317	523,824,389	1,095,008,192	988,307,620	735,266,904	549,293,224	689,888,560	25,058,340	-
Deposits and other accounts	1,329,131,395	153,677,617	736,032,851	332,065,702	107,355,225	-	-	-	-	-
Underwriting provision	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	985,335,693	20,059,475	40,118,949	82,592,804	97,942,467	35,487,377	35,487,377	70,974,754	177,436,885	425,235,605
Other Liabilities	503,354,689	102,676,153	85,378,878	185,682,261	112,716,056	-	-	4,828,926	12,072,315	-
	10,046,997,323	2,898,941,562	1,385,355,067	1,695,348,959	1,306,321,368	770,754,281	584,780,601	765,692,240	214,567,540	425,235,605
Net assets	7,661,576,068	(1,270,568,091)	693,717,157	598,536,174	2,877,485,804	1,177,467,197	576,957,992	496,457,094	1,366,174,639	1,145,348,202
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	536,440,467	-	-	-	-	-	-	-	-	-
Unappropriated loss	84,133,858	-	-	-	-	-	-	-	-	-
Non-controlling interest	(644,095,429)	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,685,097,171	-	-	-	-	-	-	-	-	-
	7,661,576,067	-	-	-	-	-	-	-	-	-

44.3 Liquidity risk (continued)

44.3.1 Maturities of assets and liabilities (continued)

	MATURITIES									
	Total 2011 Rupees	Upto 1 month 2011 Rupees	Over 1 - 3 months 2011 Rupees	Over 3 - 6 months 2011 Rupees	Over 6 - 12 months 2011 Rupees	Over 1 - 2 years 2011 Rupees	Over 2 - 3 years 2011 Rupees	Over 3-5 years 2011 Rupees	Over 5-10 years 2011 Rupees	Above 10 years 2011 Rupees
Assets										
Cash and balances with treasury banks	56,121,319	56,121,319	-	-	-	-	-	-	-	-
Balances with other banks	193,655,011	193,655,011	-	-	-	-	-	-	-	-
Lending to financial institutions	171,111,111	170,000,000	-	1,111,111	-	-	-	-	-	-
Investments	5,101,879,296	365,561,907	208,930,197	456,472,553	1,574,122,011	269,113,915	366,399,870	408,439,009	952,839,834	500,000,000
Advances	7,393,276,079	328,979,738	466,352,912	383,441,848	837,377,718	1,115,273,353	997,458,567	1,461,063,528	1,803,328,415	-
Operating fixed assets	2,321,846,074	5,853,290	11,706,580	17,559,870	35,119,740	70,239,480	70,239,480	135,717,696	388,991,254	1,586,418,684
Development properties	206,091,245	17,174,270	34,348,541	51,522,811	103,045,623	-	-	-	-	-
Other Assets	1,880,739,426	122,578,160	245,156,320	367,734,480	1,145,270,466	-	-	-	-	-
	17,324,719,561	1,259,923,695	966,494,550	1,277,842,673	3,694,935,558	1,454,626,748	1,434,097,917	2,005,220,233	3,145,159,503	2,086,418,684
Liabilities										
Borrowings	7,064,577,411	1,830,627,869	600,079,132	380,761,916	151,534,752	1,797,034,156	551,570,594	504,749,020	1,248,219,972	-
Deposits and other accounts	1,618,221,671	596,560,139	363,120,278	224,680,417	433,860,837	-	-	-	-	-
Underwriting provision	228,720,865	-	-	-	-	228,720,865	-	-	-	-
Deferred tax liabilities	751,003,079	1,338,200	2,676,400	4,014,600	8,029,200	29,826,185	29,826,185	59,652,370	149,130,925	466,509,014
Other Liabilities	599,680,474	71,607,020	143,144,319	129,549,779	226,599,691	-	-	8,633,900	20,145,765	-
	10,262,203,500	2,500,133,228	1,109,020,129	739,006,712	820,024,480	2,055,581,206	581,396,779	573,035,290	1,417,496,662	466,509,014
Net assets	7,062,516,061	(1,240,209,533)	(142,525,579)	538,835,961	2,874,911,078	(600,954,458)	852,701,138	1,432,184,943	1,727,662,841	1,619,909,670
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	1,513,182,102	-	-	-	-	-	-	-	-	-
Unappropriated loss	(1,279,915,381)	-	-	-	-	-	-	-	-	-
Non-controlling interest	(480,915,677)									
Surplus on revaluation of assets	1,310,165,017	-	-	-	-	-	-	-	-	-
	7,062,516,061	-	-	-	-	-	-	-	-	-

44.4 OPERATIONAL RISK

Operational Risk is the risk of losses due to failure of internal control process, disasters and infrastructure failure, known errors, fraud, in adequate documentation, technology etc. The Group controls its operational risk by the following techniques:

- by using adequate internal control system;
- by ensuring adherence to prudential regulations, and own operating policies approved by the Board of Directors; and
- by putting in place business continuity plan and disaster recovery program.

Operational Risk Disclosures Basel II

The Group's approach in managing operational risk is to adopt practices that are for the purpose to suit the organizational maturity and particular environments in which our business operates. Operational risk management has been well established to increase the efficiency and effectiveness of the Group's resources, minimize losses and utilize opportunities.

45 CREDIT RATING

The Company's rating has been assessed by JCR-VIS Credit Rating Company Limited as follows:

Long Term	AA (Double A)
Short Term	A1+ (A one Plus)
Outlook	Stable

46 GENERAL

46.1 Figures in these consolidated financial statements have been rounded off to the nearest rupee, except as otherwise stated.

47 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 29 April 2013 by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

Notes