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
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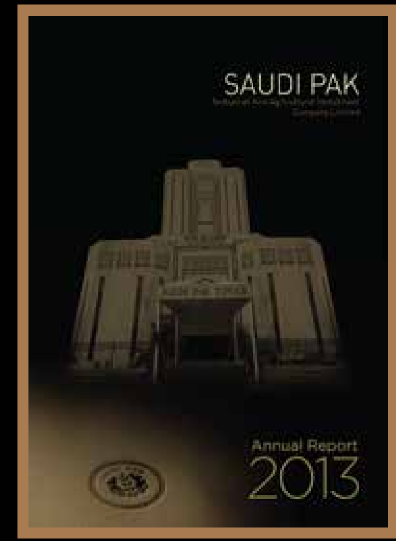
TOPNOTCH Communications (Pvt.) Ltd.

Annual Report 2013

SAUDI PAK

Industrial And Agricultural Investment Company Limited

Annual Report 2013



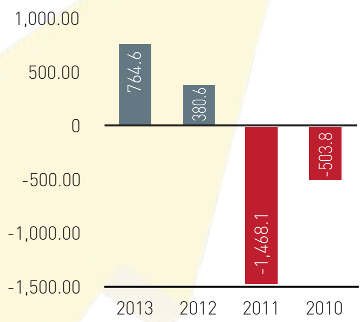
Saudi Pak Industrial and Agricultural Investment Company Limited aims at strengthening economic cooperation between the brotherly people of Saudi Arabia and Pakistan. To achieve this objective, we are committed to add value for our stakeholders through capital formation and investment related activities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

بسم الله الرحمن الرحيم

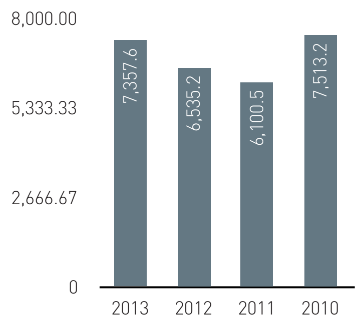
Key Financial Indicators

Profit after Tax 100.89 %	Shareholders' Equity 12.58 %
Return on Average Equity 83.33 %	Return on Average Assets 100.00 %
Net Interest Margin 20.87 %	NPL Coverage Ratio 12.52 %
Recovery Ratio 31.82%	Current Dues Collection Ratio 13.51 %

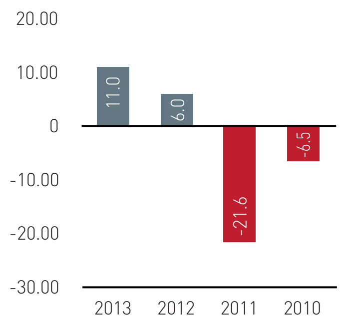
Profit After Tax
(Rupees in million)



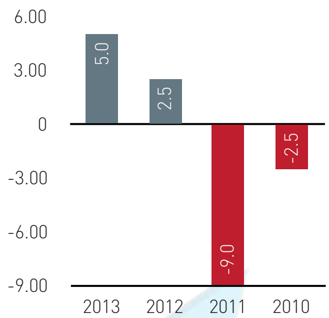
Shareholders' Equity
(Rupees in million)



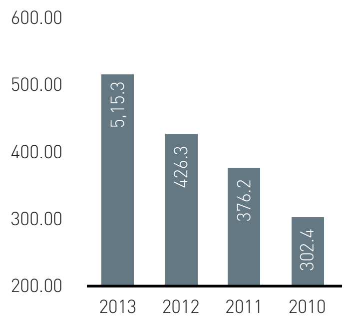
Return on Average Equity
(Percentage)



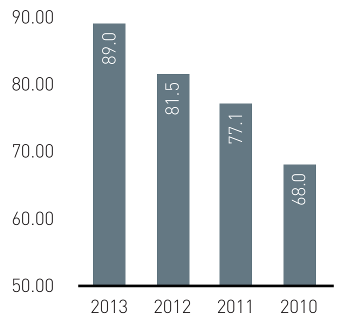
Return on Average Assets
(Percentage)



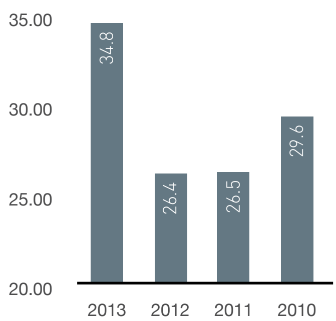
Net Interest Margin
(Rupees in million)



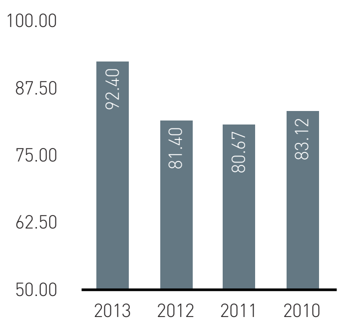
NPLs Coverage Ratio

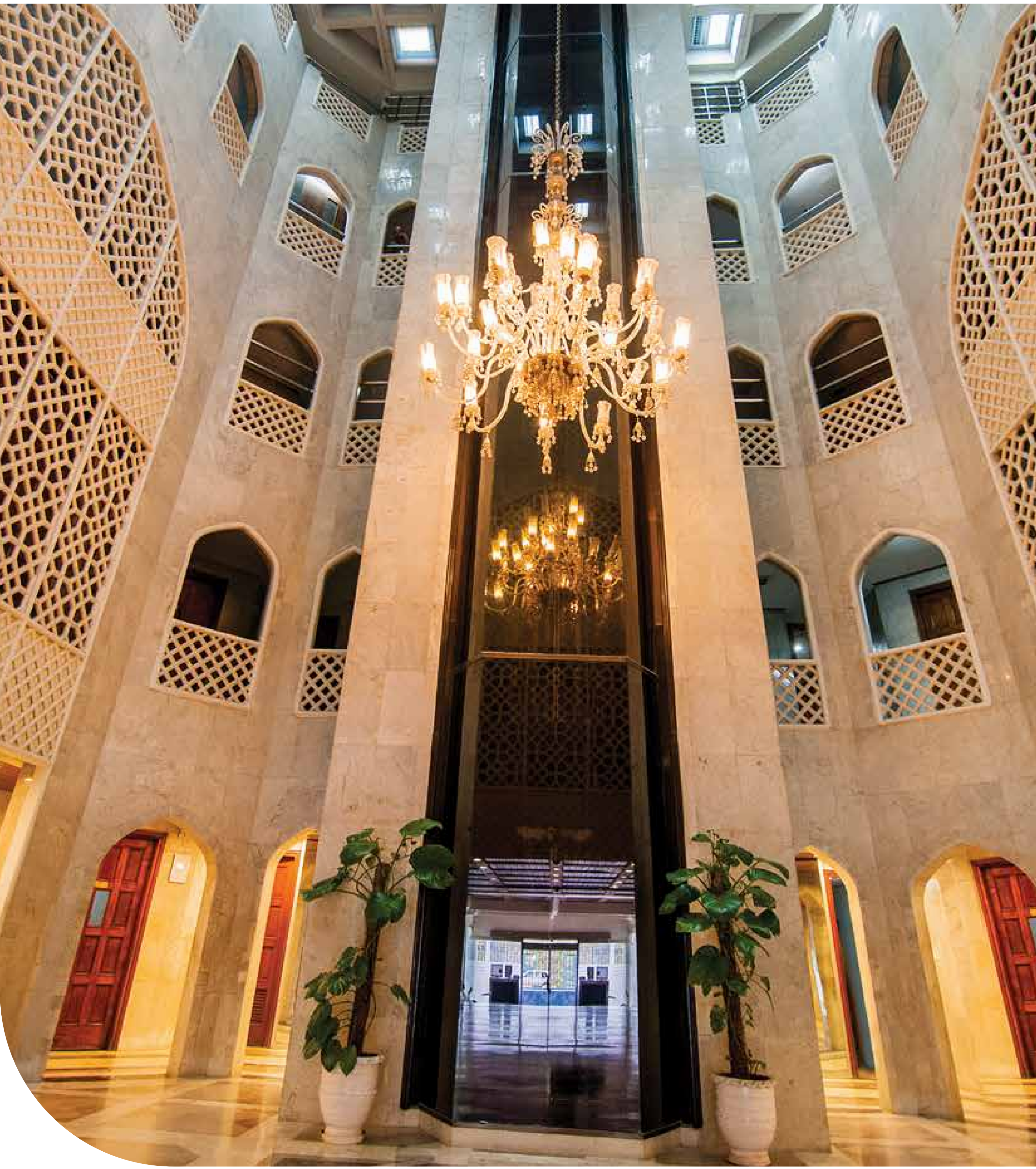


Recovery Ratio



Current Dues Collection Ratio





Contents

Corporate Information

Chief Executive
- Mr. Kamal Uddin Khan

Board of Directors
- Mr. Mohammed W. Al-Harby
  Chairman
- Mr. Manzoor Ali Khan
  Deputy Chairman
- Mr. Musaad A. Al-Fakhri
  Director
- Mr. Mohammed A. Al-Jarbou
  Director
- Mr. Shafqut Ur-Rehman Ranjha
  Director

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

Risk Management Committee
- Mr. Mohammed W. Al-Harby
  Chairman
- Mr. Musaad A. Al-Fakhri
  Member
- Mr. Mohammad Nayeem Akhtar
  Secretary

Company Secretary
Mr. Mohammad Nayeem Akhtar

Chief Financial Officer
Mr. Rohail Ajmal

Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors
Hassan Kaunain Nafees

Kingdom Centre
Riyadh

Board of Directors

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

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

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

Mr. Shafqut Ur Rehman Ranjha (Director)
Joint Secretary (Import/Export)
Ministry of Commerce
Government of Pakistan

Mission, Vision, Corporate Objectives & Core Values

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

Mr. Kamal Uddin Khan
Chief Executive

Management

Mr. Muhammad Tariq Masud
Executive Vice President

Ms. Parveen A. Malik
Executive Vice President

Mr. Rohail Ajmal
Executive Vice President

Mr. Mohammad Nayeem Akhtar
Executive Vice President

Mr. Arshed Ahmed Khan
Executive Vice President

Mr. Saeed Aziz Khan
Head Treasury/ROK

Mr. Nasir A. Malik
Senior Vice President

Mr. Ali Imran
Senior Vice President

Mr. Muhammad Tanweer
Senior Vice President

Sheikh Aftab Ahmad
Senior Vice President

Mr. Atif Islam
Senior Vice President

Mr. Azhar Ahmad Khan
Vice President/Head

Mr. Arif Majeed Butt
Asstt. Vice President/Head

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, 2013 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)

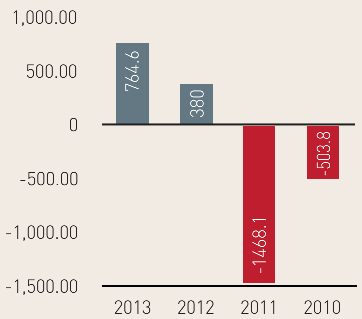
- Short term loans to meet the working capital requirements
- Direct equity investments
- Underwriting of public issue of shares and Term Finance Certificates
- Non-funded commitments in the form of Letter of Comfort etc.
- Syndication, Trusteeship, Acting as Financial Arranger/ Advisor and Consultancy services

Operational Highlights

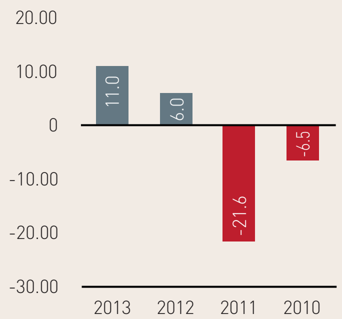
(Rupees in million)

	2013	2012	2011	2010	2009
Approval of Financing and Investment					
Long Term Finance/TFCs	1,200.0	980.0	389.9	1,724.1	1,211.5
Lease Finance	-	-	80.0	-	92.0
Equity Investment	250.0	-	-	-	15.0
Strategic Investments	-	-	-	-	250.0
Short Term Finance	382.7	979.8	601.1	970.0	600.0
Guarantees and Underwriting	-	200.0	35.1	10.8	35.0
Gross Approvals	**1,832.7**	**2,159.8**	**1,106.1**	**2,704.9**	**2,203.5**
Withdrawals	-	480.0	576.6	361.8	100.0
Net Approvals	**1,832.7**	**1,679.8**	**529.5**	**2,343.1**	**2,103.5**
Gross Cumulative Approvals	56,999.9	55,167.2	53,007.4	51,901.3	49,196.4
Cumulative Withdrawals	1,593.4	1,593.4	1,113.4	536.8	175.0
Net Cumulative Approvals	**55,406.5**	**53,573.8**	**51,894.0**	**51,364.5**	**49,021.4**
Disbursement of Funds					
Long Term Finance/TFCs	791.0	609.0	208.2	1,980.3	1,338.5
Lease Finance	-	-	-	92.0	-
Short Term Finance	267.6	624.9	448.0	605.5	544.4
Direct Equity & Underwriting Take-ups	250.0	-	-	19.3	15.0
Strategic Investment	-	-	-	-	250.0
Total Disbursements	**1,308.6**	**1,233.9**	**656.2**	**2,697.1**	**2,147.9**
Cumulative Disbursements	**49,428.1**	**48,119.5**	**46,885.6**	**46,229.4**	**43,532.3**
Recoveries					
Total Amount	2,902.4	2,432.4	2,625.2	2,992.9	3,185.8
Current Dues Collection Ratio (%)	92.40	81.40	80.67	83.12	78.99

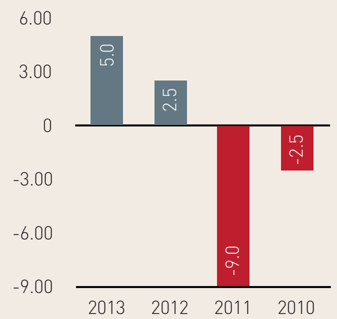
Profit After Tax



Return on Average Equity



Return on Average Assets

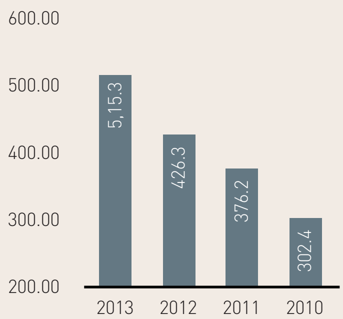


Financial Highlights

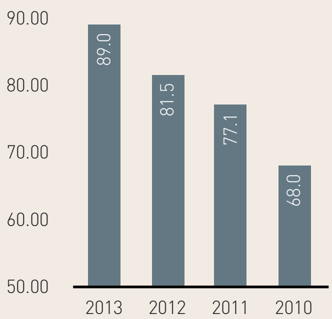
(Rupees in million)

	2013	2012	2011	2010	2009
Income Statement					
Total Income	1,277.1	1,629.7	1,217.7	1,356.6	2,601.2
Net Income	838.2	961.1	267.0	242.3	1,173.1
Profit/(loss) before Tax	434.7	405.5	(1,411.7)	(363.7)	405.2
Profit/(loss) after Tax	764.6	380.6	(1,468.1)	(503.8)	418.9
Payouts:					
Cash Dividend	-	-	-	-	-
Stock Dividend/Right Issue®	-	-	-	-	1,000.0®
Balance Sheet at year end					
Total Shareholders' Equity	7,357.6	6,535.2	6,100.5	7,513.2	7,992.3
Total Assets	14,774.3	15,904.5	14,377.7	18,273.1	21,211.1
Selected Ratios					
Return on Average Equity(%)	**11.0**	**6.0**	**(21.6)**	**(6.5)**	**5.8**
Return on Average Assets(%)	**5.0**	**2.5**	**(9.0)**	**(2.5)**	**2.0**
Assets/Equity(times)	**2.0**	**2.4**	**2.4**	**2.4**	**2.6**

Net Interest Margin



NPLs Coverage Ratio

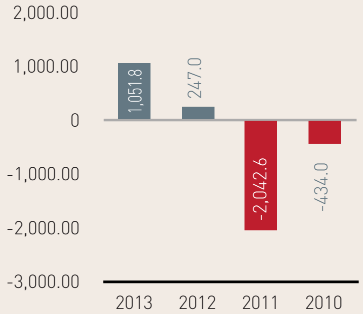


Summary of Consolidated Accounts

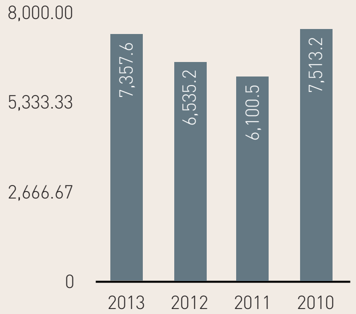
(Rupees in million)

	2013	2012	2011	2010	2009
Income Statement					
Total Income	1,665.4	1,892.7	1,616.7	1,707.8	3,117.7
Interest/Markup Income	1,007.7	1,246.9	1,479.9	1,728.2	2,315.6
Profit/(Loss) before Tax	726.6	268.6	(1,747.7)	(274.1)	33.1
Profit/(Loss) after Tax	1,051.8	247.0	(2,042.6)	(434.0)	237.9
Balance Sheet at year end					
Total Shareholders' Equity	8,924.7	7,660.4	7,062.5	8,804.4	10,202.1
Total Assets	16,387.9	17,708.6	17,324.7	21,982.9	26,292.6

Profit/(Loss) after Tax



Shareholders' Equity



Chairman's Message

On behalf of the Board of Directors, I would like to present the 32nd audited financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited as well as consolidated accounts together with Auditors' Report to Members and the Directors' Report for the year ended December 31, 2013.

*Real growth in gross domestic product (GDP) in Pakistan slowed to 3.6 percent in Fiscal Year 2013 from 4.4 percent a year earlier. The fall off was almost entirely in the large service sector, which saw growth slow to 3.7 percent from 5.3 percent. Performance in other sectors was broadly consistent with FY2012. Agriculture expanded by 3.3 percent, slightly less than 3.5 percent gain posted a year earlier. Despite severe power load shedding, large-scale manufacturing edged upward by 2.8 percent, following several years of near stagnation. Unpredictable and severe power load shedding played a role in GDP growth being stuck at a level which is half of the long-term trend potential of about 6.5 percent per annum.**

To boost the economic activity SBP adopted an expansionary policy stance for the past two years. This had a positive effect on Capital Market with KSE 100 Index rising to record levels. However Private Sector credit demand remained subdued due to crimping power shortage, challenging geo-political and economic environment.

** Source ADB*

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 process improvements. Project financing was restricted to transactions that met "Risk and Reward" relationships standards set. While investments in stock market were off loaded at an accelerated pace to capitalize on opportunities and book maximum capital gain. This strategy proved to be extremely successful, enabling the Company to improve its risk profile, liquidity and profitability.

During the period under review Net Interest Margin increased by 20.9 percent despite average 100bps reduction in discount rate, in sharp contrast to the Industry's declining margins. This impressive achievement was a result of efficient management of resources and lower borrowings with consequent 34.4 percent reduction in interest costs. Strategy to rationalize investments in Capital Markets and an effective trading strategy allowed the Company to book a capital gain of Rs. 184.3 million.

Further focused and concerted recovery efforts bore results. Overall collection ratio improved to 92.4 percent compared to 81.4 percent in the preceding year. As a result, even though Company made prudent additional provisioning of Rs. 382.4 million against NPLs carried forward from the past, overall impact to P&L was limited to Rs. 153.6 million which translates into 27.4 percent lower net provisions compared to last year. NPLs in absolute terms reduced by 5.9 percent while coverage against the same improved to 76.0 percent compared to 67.6 percent as of December 31, 2012, reflecting improved balance sheet health. Marginal increase in expenses within a high inflation environment reflects efficient cost management. Sustained profitability over the past two years and improved financial outlook qualified the Company to recognize a deferred tax asset of Rs. 331 million against prior year tax losses.

Overall as a result of the above Company's post-tax profit increased by 101 percent to Rs. 764.6 million which is an extremely commendable achievement.

Turnaround in Company's operating results and substantial improvement in financial condition has been recognized by the Credit Rating Agency JCR-VIS which has assigned a "Positive" outlook to the Company.

Going forward Company plans to increase focus on business and balance sheet growth while continuing concerted efforts on recoveries, strengthening Risk Management Framework and process improvements. Efforts continue to resolve issues relating to strategic investments i.e. Saudi Pak Leasing Company Limited and Saudi Pak Real Estate Limited. The board firmly supports 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 unwavering support and State Bank of Pakistan as well as Securities 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.

Mohammed W. Al-Harby
Chairman

Directors' Report

Economic Overview

Real growth in gross domestic product (GDP) in Pakistan slowed to 3.6 percent in Fiscal Year 2013 (ended 30 June 2013) from 4.4 percent a year earlier. The falloff was almost entirely in the large services sector, which saw growth slow to 3.7 percent from 5.3 percent. Performance in other sectors was broadly consistent with FY2012. Agriculture expanded by 3.3 percent, slightly less than the 3.5 percent gain posted a year earlier. Despite severe power load shedding, large-scale manufacturing edged upward by 2.8 percent, following several years of near stagnation. Unpredictable and severe power load shedding continued, knocking an estimated 2 percentage points from GDP. Fixed investment deteriorated again, declining to 12.6 percent of GDP, as private investment slipped further to only 8.7 percent of GDP, a drop of 4.1 percentage points in the past 5 years. Challenging geo-political and economic conditions also played a role in GDP growth being stuck at a level which is half of the long-term trend potential of about 6.5 percent per annum.

Per capita income is regarded as one of the key indicators of economic well-being over a period of time. Per Capita Income in dollar terms grew at a nominal rate of 3.4 percent i.e. increased to $ 1,368 in 2012-13.

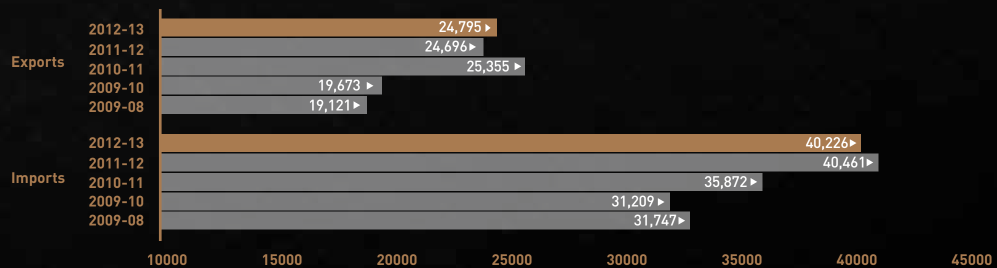
To boost the economic activity SBP adopted an expansionary policy stance for the past two years with policy rate reduction of 400 basis points from 13.5 percent in August 2011 to 9 percent in June 2013. This had a positive effect on the Capital Market with KSE 100 Index rising to record levels. However Private Sector credit demand remained subdued due to crimping power shortage, challenging geo-political and economic environment. In response to increasing inflationary trend SBP increased the discount rate to 9.5 percent during September 2013 which was further enhanced to 10 percent during November 2013.

The new government that took office in June 2013 quickly signaled restoring economic sustainability and rapid growth as high priorities for its 5-year term. It emphasized dealing with the energy crisis, boosting investment and trade, upgrading infra-structure, and ceding most economic functions to the private sector. To address low foreign exchange reserves, fiscal and external imbalances, and low growth, the government agreed on a wide ranging economic reform program with the International Monetary Fund, supported by a 3-year loan worth $6.7 billion.

The program aims to eliminate power subsidies and fiscal consolidation that includes strengthening the country's weak revenue base and ending the drain from loss-making public sector enterprises. Other structural reforms hope to strengthen the financial system and improve the business climate. Fiscal consolidation is expected to limit GDP growth in FY2014 to 3.0 percent. The current account deficit forecast remains at 0.8 percent of GDP, as the foreign reserve position strengthens. Keeping in view the prevailing economic conditions inflation outlook for FY2014 is expected to remain in the range of 10.5 - 11.5 percent.

Gross Domestic Product
(Rs. in billion) at constant factor of 2005-06

Import - Export
(US $ in million)



Operational Review

Corporate Financing

During 2013, Corporate Finance Division continued with its strategy of financing, commercially sound business propositions, with the aim to enhance interest income while building high quality assets. The targeted projects were in the sector of Textile, Sugar, and Cement etc.

Net Approvals of Rs.1,575 million were made during 2013 as compared to net approvals of Rs. 1,680 million during 2012. Disbursements of Rs.1,053 million have been made during 2013 as compared to disbursements of Rs. 1,234 million during 2012. The fee income of approximately Rs.5.7 million has been earned during 2013.

During the period under review the credit demand remained subdued due to protracted energy crises, weak fiscal fundamentals and challenging geo-political environment. Sluggish demand for credit resulted in stiff competition amongst banks/DFIs for quality corporate customers with consequent pressure on pricing. Owing to availability of lower price credit, Saudi Pak's existing clients demanded reduction in pricing up to rates offered to them in market. Given Saudi Pak's relatively high cost of funds compared to commercial banks, the Company was not able to make inroads in a price sensitive market. Consequently some approved facilities were not utilized.

Within this environment, management maintained a prudent approach and refrained from booking new assets that did not offer an acceptable "Risk and Reward" relationship. Participation in syndicated loan facilities led by other banks was also restricted given our poor experience in Syndicated financing.

Going forward company plans to strengthen its Corporate Finance Team and increase efforts for business growth through a diversified portfolio of short and long term loans, leasing, structured finance and other fee based business. Focus will be on transactions providing acceptable Risk and Reward and maximization of yield on portfolio.

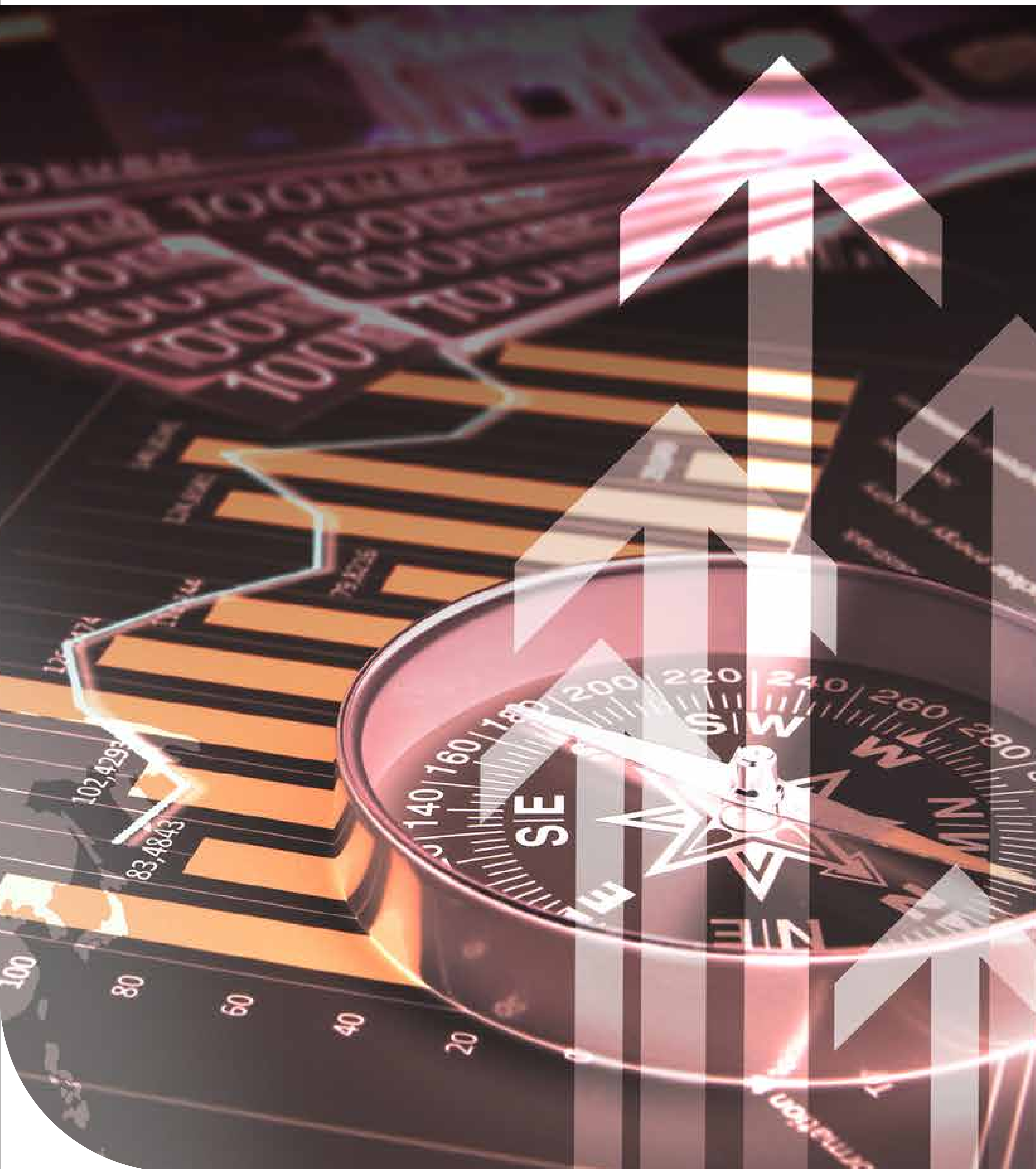
Credit Administration

The Credit Administration Division (CAD) and its counter parts at Regional Offices, Karachi and Lahore have been entrusted with credit disbursements and their monitoring till the maturity for all types of financing facilities i.e. loans, lease financing, TFCs etc. extended by Saudi Pak.

Focused management efforts on recovery produced excellent results despite stressed market conditions prevalent during 2013. Recovery percentage improved to 92.4 percent as compared to 81.4 percent in the year 2012. While overall collection ratio inclusive of NPLs improved to 82.6 percent as compared to 74.3 percent in 2012. As a result Net Income Suspended turned positive for the first time in last many years.

NPLs reduced by Rs. 232 million or 6 percent to Rs. 3,507 million as of December 2013. Prudent provisioning also led to further improvement in NPL coverage ratio in respect of advances & TFCs to 76 percent as compared to 68 percent during 2012. The Net NPLs (NPLs less provisions held) declined to Rs. 825 million during 2013 as compared to Rs. 1,202 million in 2012 i.e. a reduction of Rs.377 million or 31.3 percent.

CAD plans to gear itself during 2014 for further improvement in its operational efficiency through capacity building of its staff.



Capital Market Operations

Pakistan's bourses have been one of the best performing markets in the world for the second consecutive year. During the year 2013, KSE-100 index posted gain of 49 percent (US$-based 37 percent), and was duly named in Bloomberg's list of top 10 markets in the world. A return of 49 percent compares favorably with the last 10 and 20 year average annual return of 28 percent and 22 percent, respectively. During the year, daily average volume of KSE-100 Index also improved to 236 million shares against 173 million shares in 2012 and 96 million in 2011. Sectors primarily responsible for improved daily average volume of shares include construction and materials (cement), oil and gas, telecommunication and personal goods (textile) sectors.

Healthy foreign inflows in the backdrop of the first democratic regime change in Pakistan's history created positive sentiments in the market. The capitalization of the Karachi Stock Exchange as on December 31, 2013 stood at Rs.5.1 trillion compared with Rs.4.2 trillion for the same period last year. All these factors combined make the Pakistani stock market a lucrative option for investors.

Strategy to rationalize investments in Capital Market at an accelerated pace coupled with an effective short term trading plan enabled the company to book a gain of Rs. 184.3 million as against a budgeted target of Rs. 110 million beating the market and registering a return on investment of 54 percent.

Treasury Operations

The year 2013 started with policy initiative aimed at revival of the country's economy, which hitherto had remained sluggish. During the earlier part of the year, the SBP Policy signaled gradual easing of the monetary regime. As a result, private sector credit off-take also recorded growth. However, in the later half, dwindling forex reserves and upsurge in inflation led to policy reversal and the SBP Discount Rate was increased successively to stabilize economic indicators.

Treasury Division of the Company aligned its strategy to proactively address the prevailing opportunities and challenges. The objectives of smooth resource mobilization, mitigation of liquidity and interest rate risks and effective balance sheet management were met by enhancing outreach within the financial/banking sector. Floating rate borrowings were mobilized side by side with money market operations to meet the medium to long term funding requirements of the Company. On deployment side, Treasury Division built up a portfolio of fixed income investments that targeted optimization of return versus overall balance sheet risk. This portfolio comprised of government securities and corporate debt instruments.

Going forward, following initiatives are being envisaged:

- To diversify avenues of resource mobilization, money market lines will be pursued from banking/NBFC sectors.
- To enhance the deposit mobilization, we plan on increasing our COI base.
- Efforts will continue to increase outreach of Treasury activities within financial and corporate sectors. Market deals and Fixed Income investment opportunities will also be pursued to enhance income generating modes.

Information Technology

Information technology is a key contributor to the development of the company by managing its infrastructure and strategic initiatives for accelerating business growth. To facilitate IT development, the company is strengthening the existing facilities and integrating management information system of the company to decision support systems, re-engineering of the legacy system and building capacity for growth.

The latest trends of technology pave the path to new innovations and betterment. The plan is also underway to improve the IT infrastructure with the up gradation of technology/equipment along with the successful development and implementation of core business software for the company.

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

Internal Audit

Capacity building exercise and restructuring for the Internal Audit Function continued in the year 2013. Fresh resources were hired who are in the process of training for their respective roles. Internal Audit continued the capacity building exercise and consolidated on measures to enhance its capacity and efficiency.

A detailed Internal Audit Manual has been formulated for the Internal Audit Function. Audit reviews of different divisions were conducted and quality reports on internal controls were submitted to the Audit Committee. Audit Committee provided guidance to improve the performance of the Division.

The plan for operational restructuring of the division was implemented followed by the segregation of functions of pre and post audit work. Training of new staff members is also planned to enhance the capacity, efficiency and value addition for the Division and for the Company.

Risk Management Framework

Prudent and effective risk management is the corner stone of Saudi Pak's philosophy which is aimed at adding value through optimizing risk and return. Saudi Pak assumes risks as an integral part of the business activities that its business model entails.

Saudi Pak has successfully created a culture that encourages teams, both at risk management and business to work their way to evolve a business environment that collectively ensures prudent and compliant business practices, higher operational efficiency thus leading towards enhanced value for shareholders. Saudi Pak's risk management is based on guidelines, policies and instructions set forth by the Board of Directors. Company has developed policies and procedures on risk management for the individual business units. Saudi Pak regularly monitors and assesses its current risk profile in the most important business areas and for the most important risk types. The risk management framework has been kept compliant with the local regulations and the best international practices.

The internal credit risk rating and facility rating models are in place to strengthen the credit decision process and to identify the high risk portfolio. Comprehensive reports and analytics are prepared for the oversight of the Risk Management Committee of the Board to efficiently manage the key risk areas. Stress testing is regularly carried out on different risk factors to ascertain that adequate capital cushion is available to absorb shocks. Operational risk management is in place to understand and improve mitigating controls to minimize operational risk that are inherent.

The Company is fully compliant with Capital Adequacy Requirements of the State Bank of Pakistan under the Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The Company continues to invest in systems and people as part of its process of continuously strengthening the risk management function.

Human Resource Development

Saudi Pak recognizes its human resources as a key driver of organizational excellence and growth. Development of human resources has been one of our core focus areas.

We are committed towards attracting, retaining and motivating outstanding people by providing an environment in which every employee can effectively realize his or her potential. During 2013, highly qualified, capable and competent staff was recruited purely on merit basis in order to meet the requirements of restructuring and achieve strategic goals. The company introduced and encouraged 'reward for performance' where high potential officers were identified and rewarded accordingly.

Saudi Pak is strongly committed to training and capacity building programs for its employees at all levels. Based on individual as well as divisional need basis, sixty four man days training was provided to employees during the year on various topics. Each employee is encouraged to improve and develop himself and thereby be prepared for positions of higher responsibility. A new Organization Chart was developed to realign the same with new business activity. Saudi Pak encourages and practice an inclusive corporate culture where every employee has the opportunity to learn, grow and contribute meaningfully to the Company's overall strategy enabling us to attract and retain best people.

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 reaffirmed at AA (Double A) and Short Term entity rating reaffirmed at A1+ (A One Plus). Outlook has been revised from "Stable" to "Positive".

AA

LONG TERM

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

A1+

SHORT TERM

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.

POSITIVE

OUTLOOK

Credit Rating By JCR-VIS

Faisal Mosque
Islamabad

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, 2013, except as disclosed in the financial statements.

k) The value of investment of Provident Fund as at December 31, 2013 according to their audited financial statement is approximately Rs.54.75 million (2012: Rs.66.98 million).

Auditors

The Auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants have completed their assignment for the year ended December 31, 2013 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 2014.

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
Mr. Manzoor Ali Khan	05	05
Mr. Musaad A. Al-Fakhri	05	05
Mr. Mohammed A. Al-Jarbou	05	05
Mr. Shafqut Ur-Rehman Ranjha	05	05
Mr. Abdul Ghaffar Soomro	01	01

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

The general outlook of the Saudi Pak largely depends on stable economic conditions and favorable investment environment. Financing and investment decisions will be made in a prudent manner keeping in view the prevailing economic condition and risk reward relationship. For this purpose Risk Management Framework will be further strengthened. All financing and investment decisions will be aimed at adding value for our stakeholders through capital formation and investment related activities.


BUY
SELL
GO
YES
GO

Strategic Investments

Saudi Pak's strategic investments are Saudi Pak Real Estate Limited and Saudi Pak Leasing Company Limited.

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 per management accounts for the year ended December 31 2013 , net equity of the company stood at Rs. 626 million and break-up value of its shares stands at Rs 12.52 per share. For the year ended December 31, 2013 the company posted an after tax profit of Rs.30.6 million as against a loss of Rs. 9.3 million in the year 2012.

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. Financial position of the company is expected to further improve during coming years.

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, 2013 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 since last six years i.e. after the financial meltdown of 2008. Saudi Pak Leasing has also been hit hard by this financial meltdown. Under a new CEO, the Company is working for its revival through settlements with creditors, reduction in expenses and hectic recovery drive is under way in respect of stuck up loans/leases. For the year ended June 30, 2013, Saudi Pak Leasing earned after tax profit of Rs. 141.1 million as against loss of Rs. 821.8 million incurred during same period last year.

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, 2013 stood at 80.9 percent vis-a vis an average occupancy of 76.1 percent in 2012.

Financial Results - 2013

During the period under review Net Interest Margin increased by 20.9 percent despite average 100bps reduction in discount rate, in sharp contrast to the Industry's declining margins. This impressive achievement was a result of efficient management of resources and lower borrowings with consequent 34.4 percent reduction in interest costs. Strategy to rationalize investments in Capital Markets and an effective trading strategy allowed the Company to book a capital gain of Rs. 184.3 million. Further focused and concerted recovery efforts bore results. Overall collection ratio improved to 92.4 percent compared to 81.4 percent in the preceding year. As a result, even though Company made prudent additional provisioning of Rs. 382.4 million against NPLs carried forward from the past, overall impact to P&L was limited to Rs. 153.6 million which translates into 27.4 percent lower net provisions compared to last year. NPLs in absolute terms reduced by 5.9 percent while coverage against the same improved to 76.0 percent compared to 67.6 percent as of December 31, 2012, reflecting improved balance sheet health. Marginal increase in expenses within a high inflation environment reflects efficient cost management. Sustained profitability over the past two years and improved financial outlook qualified the Company to recognize a deferred tax asset of Rs. 331 million against prior year tax losses.

Overall as a result of the above Company's post-tax profit increased by 101 percent to Rs. 764.6 million which is an extremely commendable achievement.

The paid up capital was Rs 6,000 million at the end of year 2013. The shareholders equity increased to Rs 7,357 million as at December 31, 2013 from Rs 6,535 million as at December 31, 2012. Total assets of the company amounted to Rs 14,774 million as on December 31, 2013 against Rs 15,904 million as on December 31, 2012.

The return on average shareholders' equity figured at 11.0 percent and return on average assets 5.0 percent in the year 2013.

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

	2013 (Rupees)	2012 (Rupees)
Un-appropriated loss brought forward	-	(1,414,735,733)
Appropriation from reserve fund	-	1,412,718,297
Profit after tax for the year	**764,581,616**	380,584,782
Incremental depreciation on revalued fixed assets	**57,296,701**	55,391,880
Recognition of actuarial gain	**484,464**	820,670
Profit available for appropriations	**822,362,781**	434,779,896
Appropriations:		
Transfer to reserve funds	**152,916,323**	76,116,956
Transfer to general reserve	-	358,662,940
Total appropriations	**152,916,323**	434,779,896
Un appropriated profit	**669,446,458**	-

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

Dubai
Dated: February 22, 2014

Chairman

Statistical Information

	2013	2012	2011	2010	2009
Net Financing Approved			(Rs. in million)		
Funded:					
Long Term Finance/TFCs	**1,200.0**	980.0	389.9	1,724.1	1,211.5
Lease Finance	**-**	-	80.0	-	92.0
Short Term Finance	**382.7**	979.8	601.1	970.0	600.0
Direct Equity/Investment/Placement	**250.0**	-	-	-	265.0
Gross Funded (a)	**1,832.7**	**1,959.8**	**1,071.0**	**2,694.1**	**2,168.5**
Withdrawals (b)	**-**	480.0	576.6	351.0	100.0
Net Funded (c)	**1,832.7**	**1,479.8**	**494.4**	**2,343.1**	**2,068.5**
Non-Funded:					
Underwriting of Shares	**-**	-	-	-	35.0
Guarantees	**-**	200.0	35.1	10.8	-
Gross Non-Funded (d)	**-**	**200.0**	**35.1**	**10.8**	**35.0**
Withdrawals (e)	**-**	-	-	10.8	-
Net Non-Funded (f)	**-**	**200.0**	**35.1**	**-**	**35.0**
Gross (Funded & Non-Funded) (a+d)	**1,832.7**	**2,159.8**	**1,106.1**	**2,704.9**	**2,203.5**
Withdrawals (b+e)	**-**	480.0	576.6	361.8	100.0
Net (Funded & Non-Funded) (c+f)	**1,832.7**	**1,679.8**	**529.5**	**2,343.1**	**2,103.5**

Net-Financing and Investment Approved: Cumulative as on December 31, 2013

	(Rs. in million)	As %age of Funded	As %age of Funded & Non-Funded
Funded:			
Long Term Finance/TFCs	28,350.2	54.35	49.74
Lease Finance	1,855.8	3.56	3.26
Short Term Finance	15,849.3	30.39	27.80
Direct Equity/Investment/Placement	6,104.2	11.70	10.71
Gross Funded (a)	**52,159.5**	**100.00**	**91.51**
Withdrawals (b)	1,582.7		
Net Funded (c)	**50,576.8**		
		As %age of	
Non-Funded:		Non-Funded	
Underwriting of Shares	2,816.0	58.18	4.94
Guarantees	2,024.4	41.82	3.55
Gross Non-Funded (d)	**4,840.4**	**100.00**	**8.49**
Withdrawals (e)	10.7		
Net Non-Funded (f)	**4,829.7**		
Gross Cumulative (Funded & Non-Funded) (a+d)	**56,999.9**		**100.00**
Cumulative Withdrawals (b+e)	1,593.4		
Net Cumulative (Funded & Non-Funded) (c+f)	**55,406.5**		

Disbursement: By type of assistance	2013	2012	2011	2010	2009	Since Inception to 31-12-2013
			(Rs. in million)			
Long Term Finance/TFCs	791.0	609.0	208.2	1,980.3	1,338.5	26,866.1
Lease Finance	-	-	-	92.0	-	1,743.3
Short Term Finance	267.6	624.9	448.0	605.5	544.4	14,347.3
Direct Equity/Investment/Placement	250.0	-	-	-	15.0	2,077.4
Investment in Associated Company	-	-	-	-	250.0	4,030.6
Share taken up against underwriting	-	-	-	19.3	-	363.4
Total	**1,308.6**	**1,233.9**	**656.2**	**2,697.1**	**2,147.9**	**49,428.1**

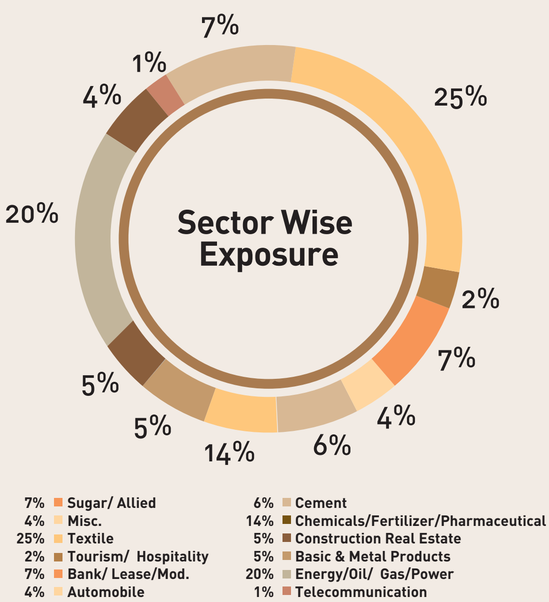
Net Financing and Investment Approved*: Sector Exposure

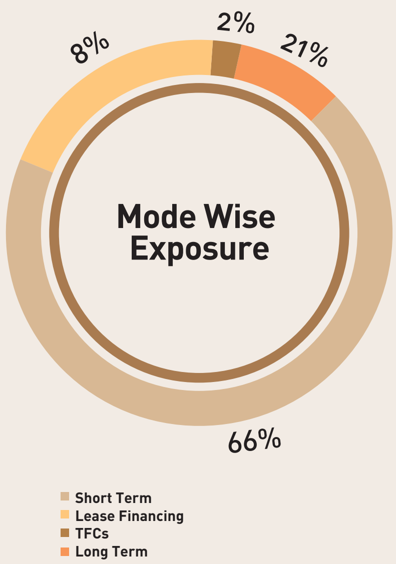
(Rs. in million)

	2013			Since inception to 31-12-2013		
Sector	No.	Amount	%	No.	Amount	%
Financial Services	3	425.0	23.19	162	9,121.5	18.03
Power/Oil & Gas	-	-	-	66	5,658.3	11.19
Agro Based	-	-	-	16	724.2	1.43
Manufacturing	10	1,407.7	76.81	540	30,408.7	60.13
Services	-	-	-	58	4,664.1	9.22
Total	**13**	**1,832.7**	**100.00**	**842**	**50,576.8**	**100.00**

*Excluding underwriting and guarantees

Position as on December 31, 2013





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, 2013 the Board has five 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. One causal vacancy occurred on the Board during the year ended December 31, 2013 as Government of Pakistan replaced one director in March 2013, whose Fit and Proper Test is still to be approved by the State Bank of Pakistan.

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.

10. During the year the company could not arrange the orientation course for the directors to acquaint themselves with the Code, applicable laws and their duties. The same will be arranged in 2014.

11. 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 complied with.

12. 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.

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

Dubai
Dated: February 22, 2014

Statement on Internal Controls

The guidelines on Internal Controls issued by State Bank of Pakistan vide their BSD Circular No. 7 of May 7, 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 internal controls system comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring. The management is also responsible for evaluating the effectiveness of the Company's internal control that encompasses material matters by identifying control objectives and reviewing significant policies and procedures. All policies and procedures are reviewed and compared with existing practices and necessary amendments made where required on timely basis.

The control activities are being closely monitored across the Company through Audit Division, working independently of the line management. In addition, Compliance Division 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 violations to the local regulations, prescribed policies and procedures have occurred. Regular follow-up upon the audit reports is done by the Compliance Division which ensures timely implementation of queries raised and recommendations made in the audit/inspection reports to mitigate identified risks to safeguard the interests of the Company.

The Company has made efforts during the year 2013 to ensure that an effective and efficient internal control system is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the Company. 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 degree of compliance with policies and procedures may deteriorate.

The management of the Company has adopted an international accepted internal control COSO Framework in accordance with ICFR guidelines from State Bank of Pakistan. The Company has completed seven stages of ICFR program as per these guidelines. Furthermore, the external auditors have submitted the 'Long Form Report' for the completed stages which was submitted to the SBP. The Report is circulated to the Audit Committee for their review.

The Board is periodically briefed on the internal control systems in the Company and it endorses the efficacy of internal controls."

For and on behalf of the Board of Directors

Chairman

Dubai
Dated: February 22, 2014

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

Further, 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 price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transaction by the board of directors and placement of such transaction 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.

As disclosed in point 10 of the Statement, the Company could not arrange orientation course for their directors during the year.

Based on our review, with the exception of the matter described in the preceding paragraph, 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, 2013.

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

Islamabad
Date: February 22, 2014

SAUDI PAK INDUSTRIAL AND AGRICULTURAL
INVESTMENT COMPANY LIMITED

Financial Statements - 2013

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, 2013 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 belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform that 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 the books of account and are further in accordance with accounting policies consistently applied except for the change as indicated in note 5.10 with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated 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 give a true and fair view of the state of the Company's affairs as at December 31, 2013 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).

Islamabad
Date: February 22, 2014

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

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	Note	2013 Rupees	2012 Restated Rupees
ASSETS			
Cash and balances with treasury banks	6	39,928,016	65,538,416
Balances with other banks	7	100,835,783	366,097,455
Non-current asset classified as held for sale	8	21,578,657	46,089,659
Lendings to financial institutions	9	409,466,390	250,000,000
Investments	10	6,494,512,553	6,496,892,685
Advances	11	3,953,822,929	4,961,664,693
Operating fixed assets	12	2,327,502,014	2,383,745,356
Deferred tax assets	16	-	-
Other assets	13	1,426,684,000	1,334,466,215
		14,774,330,342	15,904,494,479
LIABILITIES			
Bills payable		-	-
Borrowings	14	4,326,237,792	5,925,528,990
Deposits and other accounts	15	762,000,000	685,000,000
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	16	522,721,470	895,033,761
Other liabilities	17	171,013,487	192,900,476
		5,781,972,749	7,698,463,227
NET ASSETS		8,992,357,593	8,206,031,252
REPRESENTED BY			
Share capital	18	6,000,000,000	6,000,000,000
Reserve fund		329,497,084	176,580,761
General reserve		358,662,940	358,662,940
Unappropriated profit		669,446,458	-
		7,357,606,482	6,535,243,701
Surplus on revaluation of AFS securities - net of tax	19	221,546,289	222,186,833
Surplus on revaluation of operating fixed assets - net of tax	20	1,413,204,822	1,448,600,718
		8,992,357,593	8,206,031,252
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, 2013

	Note	2013 Rupees	2012 Rupees
Mark-up/Return/Interest Earned	22	954,151,659	1,094,849,528
Mark-up/Return/Interest Expensed	23	438,880,747	668,550,535
Net Mark-up/Interest Income		515,270,912	426,298,993
Provision against non-performing loans and advances		38,663,154	77,587,903
Provision for diminution in the value of investments	24	114,942,192	134,094,048
Bad debts written off directly		-	-
		153,605,346	211,681,951
Net mark-up/interest income after provisions		361,665,566	214,617,042
NON MARK-UP/INTEREST INCOME			
Fee, Commission and Brokerage Income		5,657,366	14,385,804
Dividend Income		58,774,049	61,185,035
Profit from dealing in foreign currencies		2,229,685	25,667,710
Gain on dealing in quoted securities		184,309,874	365,297,661
Unrealized gain on revaluation of held for trading investments - net		1,472,212	-
Gain on dealing in mutual funds		-	2,562,463
Impairment reversal on asset classified as held for sale at its fair value		14,938,998	15,300,858
Other Income	25	55,587,389	50,410,227
Total non mark-up/interest income		322,969,573	534,809,758
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	26	249,167,608	246,732,880
Impairment loss on quoted securities	27	-	90,287,244
Other provisions/write offs	28	-	6,942,000
Other charges	29	759,000	-
Total non-markup/interest expenses		249,926,608	343,962,124
Extra ordinary/unusual items		-	-
PROFIT BEFORE TAXATION		434,708,531	405,464,676
Taxation – Current		15,278,816	25,885,193
– Prior years		-	-
– Deferred		(345,151,901)	(1,005,299)
	30	(329,873,085)	24,879,894
PROFIT AFTER TAXATION		764,581,616	380,584,782
Basic and diluted earning per share	31	1.274	0.634

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, 2013

	2013 Rupees	2012 Restated Rupees
Profit after taxation	764,581,616	380,584,782
Other comprehensive income		
Effect of recognition of acturial gain	484,464	820,670
Comprehensive income transferred to equity	765,066,080	381,405,452
Components of comprehensive income not reflected in equity		
(Defecit) / Surplus on revaluation of available-for-sale securities	(6,149,701)	277,525,745
Deferred tax	2,090,898	(97,134,011)
	(4,058,803)	180,391,734
Total comprehensive income	761,007,277	561,797,186

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, 2013

	Note	2013 Rupees	2012 Restated Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		434,708,531	405,464,676
Less: dividend income		(58,774,049)	(61,185,035)
		375,934,482	344,279,641
Adjustments:			
Depreciation / Amortization		108,036,560	109,195,536
Provision against non-performing loans and advances		38,663,154	77,587,903
Provision for diminution in the value of investments		114,942,192	71,244,908
Other provisions/write offs		-	6,942,000
Advances written off		-	(115,161,874)
Impairment loss on quoted securities		-	90,287,244
Reversal of impairment on AFS securities		(199,088,883)	(941,489,815)
Net gain on disposal of operating fixed assets - property and equipment		(2,140,709)	(8,581,204)
Provision for gratuity		4,743,816	6,393,547
Provision for compensated absences		1,425,860	1,207,343
Unrealized gain on revaluation investment classified as held for sale		(1,472,212)	-
Impairment reversal on asset classified as held for sale at its fair value		(14,938,998)	(15,300,858)
		50,170,780	(717,675,270)
		426,105,262	(373,395,629)
Decrease / (increase) in operating assets			
Lendings to financial institutions		(159,466,390)	(78,888,889)
Advances		969,178,610	311,409,619
Other assets		(5,589,877)	28,188,002
		804,122,343	260,708,732
(Decrease) / Increase in operating liabilities			
Borrowings from financial institutions		(1,599,291,198)	542,885,823
Deposits		77,000,000	(74,500,000)
Other liabilities		11,397,454	(1,097,987)
Deferred liabilities - advance rental income		(23,601,714)	29,072,437
		(1,534,495,458)	496,360,273
		(304,267,853)	383,673,376
Gratuity paid		(13,231,725)	(5,431,250)
Compensated absences paid		(1,886,644)	(1,195,269)
Income tax paid		(99,656,724)	(88,906,742)
		(114,775,093)	(95,533,261)
Net cash (used in) / generated from operating activities		(419,042,946)	288,140,115
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Available-For-Sale (AFS) securities - net		(133,394,889)	(659,917,213)
Investment in Held-For-Trading (HFT) securities		(8,378,027)	-
Investment in Held-To-Maturity (HTM) securities		223,622,250	582,665,735
Receipt against sale of shares in Saudi Pak Insurance Company Limited		39,450,000	40,000,000
Dividend received		56,524,049	60,880,035
Investment in operating fixed assets		(51,793,221)	(40,758,556)
Sale proceeds on disposal of operating fixed assets - property and equipment		2,140,712	8,825,766
Net cash generated from / (used in) investing activities		128,170,874	(8,304,233)
CASH FLOW FROM FINANCING ACTIVITIES		-	-
(Decrease) / increase in cash and cash equivalents		(290,872,072)	279,835,882
Cash and cash equivalents at beginning of the year		431,635,871	151,799,989
Cash and cash equivalents at end of the year	32	140,763,799	431,635,871

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, 2013

	Share Capital Rupees	Reserve Fund Rupees	General Reserve Rupees	Unappropriated (Loss) / Profit Rupees	Total Rupees
Balance as at December 31, 2011 - Audited (as previously reported)	6,000,000,000	1,513,182,102	-	(1,412,718,297)	6,100,463,805
Effect of retrospective change in accounting policy with respect to accounting for acturial losses - Note 34.6	-	-	-	(2,017,436)	(2,017,436)
Balance as at January 01, 2012 - restated	6,000,000,000	1,513,182,102	-	(1,414,735,733)	6,098,446,369
Profit for the year	-	-	-	380,584,782	380,584,782
Effect of recognition of acturial gain				820,670	820,670
Total comprehensive income	-	-	-	381,405,452	381,405,452
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			358,662,940	(358,662,940)	-
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 - restated	6,000,000,000	176,580,761	358,662,940	-	6,535,243,701
Balance as at January 01, 2013	6,000,000,000	176,580,761	358,662,940	-	6,535,243,701
Profit for the year	-	-	-	764,581,616	764,581,616
Effect of recognition of acturial gain				484,464	484,464
Total comprehensive income	-	-	-	765,066,080	765,066,080
				-	-
Appropriation from reserve fund	-	-	-	-	-
Transfer to reserve fund *		152,916,323	-	(152,916,323)	-
Transfer to general reserve		-	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	-	57,296,701	57,296,701
Balance as at December 31, 2013	6,000,000,000	329,497,084	358,662,940	669,446,458	7,357,606,482

* 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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

IAS 19 (as revised in June 2011) Employees Benefits became effective during the period. The amendments to IAS 19 change accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Adoption of the amended IAS 19 amounts to change in accounting policy as per IAS 8 " Accounting Policies, Changes in Accounting Estimates and Errors" and effects of retrospective application of this change in accounting policy has been disclosed in note 34.6.

(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 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- 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.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

a) IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

b) IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

c) IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

d) Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

e) IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

f) IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2013 Rupees	2012 Rupees
In hand :			
– Local currency		**158,395**	133,970
– Foreign currency		**-**	-
		158,395	133,970
With State Bank of Pakistan in :			
– Local currency current accounts	6.1	**39,769,621**	65,404,446
– Foreign currency current account		**-**	-
		39,769,621	65,404,446
With National Bank of Pakistan in :			
– Foreign currency deposit account		**-**	-
		39,928,016	65,538,416

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

7 BALANCES WITH OTHER BANKS

	Note	2013 Rupees	2012 Rupees
In Pakistan			
On current accounts – local currency		**3,410,322**	4,448,072
On deposit accounts –			
– Local currency	7.1	**70,490,888**	331,870,835
– Foreign currency	7.2	**26,934,573**	29,778,548
		100,835,783	366,097,455

7.1 These deposit accounts carry interest rate ranging from 5.00% to 7.25% per annum (2012: 5.00% to 9.50% per annum).

7.2 These deposit accounts carry interest rate of 0.25% per annum (2012: 0.25% per annum).

8 NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Note	2013 Rupees	2012 Rupees
Balance as at January 01		**75,000,000**	175,000,000
Fair value adjustment during the year		**(9,920,979)**	(60,000,000)
Less: Amounts received till December 31		**(39,450,000)**	(40,000,000)
Balance as at December 31		**25,629,021**	75,000,000
Less: Impairment on asset classified as held for sale at its fair value	8.1	**(4,050,364)**	(28,910,341)
		21,578,657	46,089,659

8.1 Particulars of impairment on assets classified as held for sale at its fair value

	2013 Rupees	2012 Rupees
Balance as at January 01	**28,910,341**	104,211,199
Reversal of Impairment on asset classified as held for sale at its fair value	**(24,859,977)**	(75,300,858)
Balance as at December 31	**4,050,364**	28,910,341

9 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2013 Rupees	2012 Rupees
Call money lendings	9.1	200,000,000	200,000,000
Repurchase agreements lendings (reverse repo)	9.2	209,466,390	50,000,000
		409,466,390	250,000,000

9.1 This includes clean placements and term deposit receipts. These carry markup rate 11.00% per annum (2012: 10.30% per annum) maturing on January 2014 (2012: January 2013).

9.2 These are secured against Treasury Bills (T-Bills) and 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 10.40% (2012: 10.00%) per annum having maturity within 2 days.

9.3 Particulars of lendings

	2013 Rupees	2012 Rupees
In local currency	409,466,390	250,000,000
In foreign currencies	-	-
	409,466,390	250,000,000

9.4 Securities held as collateral against lendings to financial institutions

	Note	2013			2012		
		Held by the Company Rupees	Further given as collateral Rupees	Total Rupees	Held by the Company Rupees	Further given as collateral Rupees	Total Rupees
Treasury Bills	9.4.1	210,000,000	-	210,000,000	-	-	-
Pakistan Investment Bonds	9.4.1	-	-	-	50,000,000	-	50,000,000
		210,000,000	-	210,000,000	50,000,000	-	50,000,000

9.4.1 These represent the securities obtained under reverse repo transactions.

10 Investments

10.1 Investment by types:

	Note	2013			2012		
		Held by Company Rupees	Given as collateral Rupees	Total Rupees	Held by Company Rupees	Given as collateral Rupees	Total Rupees
Held-For-Trading securities (HFT)							
Quoted shares		8,378,027	-	8,378,027	-	-	-
Available-For-Sale securities (AFS)							
Quoted shares		881,025,772	-	881,025,772	967,553,496	-	967,553,496
Un-quoted shares		714,333,048	-	714,333,048	479,833,048	-	479,833,048
Market Treasury Bills		2,873,639,200	-	2,873,639,200	576,777,088	2,257,107,700	2,833,884,788
Pakistan Investment Bonds (PIBs)		-	195,241,900	195,241,900	-	245,206,600	245,206,600
Term Finance Certificates (TFCs)		245,814,257	-	245,814,257	250,181,356	-	250,181,356
Mutual Funds		50,000,000	-	50,000,000	50,000,000	-	50,000,000
Other-Islamabad Stock Exchange ("ISE" Membership)	10.2	2,500,000	-	2,500,000	2,500,000	-	2,500,000
Sub-total for AFS securities		4,767,312,277	195,241,900	4,962,554,177	2,326,844,988	2,502,314,300	4,829,159,288
Held-To-Maturity securities (HTM)							
Pakistan Investment Bonds (PIBs)	10.3	200,730,504	-	200,730,504	202,922,009	-	202,922,009
Term Finance Certificates (TFCs)		1,377,657,620	-	1,377,657,620	1,599,088,365	-	1,599,088,365
Sub-total for HTM securities		1,578,388,124	-	1,578,388,124	1,802,010,374	-	1,802,010,374
Subsidiaries							
Saudi Pak Leasing Company Limited							
– Investment in shares	10.4	243,467,574	-	243,467,574	243,467,574	-	243,467,574
– Investment in preference shares	10.5	333,208,501	-	333,208,501	-	-	-
– Subordinated loan	10.5	-	-	-	333,208,501	-	333,208,501
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	1,076,676,075	-	1,076,676,075
Less: Transferred to non-current asset classified as held for sale		-	-	-	-	-	-
Sub-total for subsidiaries		1,076,676,075	-	1,076,676,075	1,076,676,075	-	1,076,676,075
Investment at cost		7,430,754,503	195,241,900	7,625,996,403	5,205,531,437	2,502,314,300	7,707,845,737
Provision for diminution in value of investments	10.8	(1,468,632,258)	-	(1,468,632,258)	(1,552,778,949)	-	(1,552,778,949)
Investments (net of provisions)		5,962,122,245	195,241,900	6,157,364,145	3,652,752,488	2,502,314,300	6,155,066,788
Surplus / (deficit) on revaluation of AFS securities	19	335,676,196	-	335,676,196	341,825,897	-	341,825,897
Surplus / (deficit) on revaluation of HFT securities	10.10	1,472,212	-	1,472,212	-	-	-
		6,299,270,653	195,241,900	6,494,512,553	3,994,578,385	2,502,314,300	6,496,892,685

10.2 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (the Act), the Company has received equity shares and one Trading Right Entitlement certificate in 2012 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. 0.731 million (2012: Rs. 2.922 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 (2012: 8% per annum).

10.4 This represents the cost of acquisition of 35.06% (2012: 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. 44.655 million (2012: Rs. 51.465 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. During the year the Company has converted sub-ordinated loan of Rs. 333.208 million of Saudi Pak Leasing Company Limited into 33.321 million preference shares. The Company has also received a dividend of Rs 0.114 million on these preference shares till December 31, 2013.

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. 12.52 (2012: Rs. 11.82) per share on the basis of last available unaudited financial statements.

		Note	2013 Rupees	2012 Rupees
10.7	**Investment by segments**			
	Federal Government securities			
	– Pakistan Investment Bonds (PIBs)	10.7.5	395,972,404	448,128,609
	– Market Treasury Bills	10.7.5	2,873,639,200	2,833,884,788
			3,269,611,604	3,282,013,397
	Fully paid up ordinary shares			
	– Listed securities	10.7.1	1,132,871,373	1,211,021,070
	– Unlisted securities	10.7.2	1,214,333,048	979,833,048
			2,347,204,421	2,190,854,118
	Term Finance Certificates (TFCs)			
	– Listed TFCs	10.7.3	974,982,811	1,029,689,893
	– Unlisted TFCs	10.7.4	648,489,066	819,579,828
			1,623,471,877	1,849,269,721
	Other investments			
	Mutual Funds	10.7.6	50,000,000	50,000,000
	Other - ISE Membership	10.2	2,500,000	2,500,000
	Subordinated loan – Saudi Pak Leasing Company limited	10.5	-	333,208,501
	Investment in preference shares	10.5	333,208,501	-
			385,708,501	385,708,501
	Total investment at cost		7,625,996,403	7,707,845,737
	Less: Provision for diminution in value of investments	10.8	(1,468,632,258)	(1,552,778,949)
	Investments (net of provisions)		6,157,364,145	6,155,066,788
	Surplus / (deficit) on revaluation of Available-For-Sale securities (AFS)		335,676,196	341,825,897
	Surplus / (deficit) on revaluation of Held-For-Trading securities (HFT)		1,472,212	-
			6,494,512,553	6,496,892,685

10.7.1 Investment in fully paid up ordinary shares – listed

2013	2012	Name of investee companies	2013 Rupees	2012 Rupees
Number of ordinary shares				
4,304,051	4,070,051	Agritech Limited	140,021,486	137,377,068
254,638	-	Adamjee Insurance	9,166,355	-
750,000	-	Bank Al-Falah Limited	13,038,836	-
415,000	1,229,275	Crescent Steel & Allied Products Limited	9,265,800	39,388,341
		Sub-Total carried forward	171,492,477	176,765,409

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

2013 Number of ordinary shares	2012 Number of ordinary shares	Name of investee companies	2013 Rupees	2012 Rupees
		Sub-Total carried forward	171,492,477	176,765,409
300,000	-	Bank of Punjab	3,245,237	-
99,000	-	Cherat Cement limited	4,911,781	-
4,000,000	4,000,000	Dewan Salman Fiber Limited	21,661,280	21,661,280
500,000	-	Descom Oxychem Limited	2,707,720	-
1,000,000	-	Engro Polymer	13,288,666	-
1,000,000	-	Fatima Fertilizer Company Limited	24,214,364	-
1,500,000	4,008,500	Fauji Cement Company Limited	19,109,955	51,068,169
500,000	500,000	Fauji Fertilizer Company Limited	23,153,386	23,153,386
1,475,000	1,500,000	Fauji Fertilizer Bin Qasim Limited	42,412,091	43,130,940
1,125,000	-	Faysal Bank	12,360,730	-
1,100,000	1,875,000	Fecto Cement Limited	24,593,844	41,921,325
50,000	-	Hub Power Company Limited	3,004,770	-
11,572,199	11,572,199	Japan Power Generation Limited	48,003,442	47,998,542
7,000	-	Kohinoor Energy Ltd	221,009	-
450,000	450,000	Kott Addu Power Company Limited	20,095,515	20,095,515
-	1,500,000	Maple Leaf Cement Limited	-	10,205,220
1,000,000	1,000,000	National Bank of Pakistan Limited	56,181,539	64,608,772
1,000,000	1,000,000	Nishat Chunian Power Limited	14,389,050	14,389,050
750,000	1,265,000	Nishat Power Limited	12,034,350	20,297,937
-	2,000,000	NIB Bank Limited	-	17,811,960
250,000	60,000	Pakistan State Oil Company Limited	68,695,717	15,207,798
550,000	1,000,000	Pakistan Telecommunication Company Limited	14,074,610	25,590,200
480,900	343,750	Pakistan Petroleum Limited	51,216,152	40,368,270
-	2,000,000	Lafarge Pakistan Cement Limited	-	8,362,500
2,000,000	3,059,000	Pace Pakistan Limited	25,721,680	39,341,309
1,000,000	-	Pakgen Power Limited	26,105,863	-
-	161,987	Packages Limited	-	28,394,283
351,000	420,000	Pak Reinsurance Limited	13,174,848	15,764,775
448,500	632,000	Pakistan Refinery Limited	50,505,055	71,168,774
500,270	993,623	Pak Elektron Limited	7,779,913	20,000,000
-	453,000	Pakistan National Shipping Corporation (PNSC)	-	21,747,125
15,835,403	15,835,403	Saudi Pak Leasing Company Limited	243,467,573	243,467,573
60,000	50,000	Security Papers Limited	1,980,000	1,980,000
10,000,000	-	Silk Bank Limited	22,743,871	-
100,000	190,300	Sitara Chemicals Industries Limited	30,087,238	57,256,013
854,000	-	Standard Chartered Bank	14,092,447	-
-	458,764	Samin Textiles Limited	-	8,823,174
100,000	95,000	Shell Pakistan Limited	18,507,760	17,707,500
4,000,000	6,185,000	World Call Telecom Limited	27,637,440	42,734,271
			1,132,871,373	1,211,021,070

10.7.2 Investment in fully paid up ordinary shares – unlisted

2013	2012	Name of investee companies	Note	2013	2012
Number of ordinary shares				Rupees	Rupees
		Sub-Total brought forward			
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
450,000	500,000	Highnoon Textiles Limited		4,500,000	5,000,000
-	1,500,000	Wah Nobel Acetates Limited		-	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
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
100,000,000	-	Silk Bank Limited		250,000,000	-
50,000,000	50,000,000	Saudi Pak Real Estate Limited		500,000,000	500,000,000
				1,214,333,048	979,833,048

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	31-Dec-12	10.00	15.38	40,000,000
Equity International (Pvt) Limited*	Mr. Syed Farhan Abbas	30-Jun-13	19.05	3.50	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

2013	2012	Name of company	Original face Value (Rs.)	2013	2012
Number of ordinary shares				Rupees	Rupees
59,839	59,839	Allied Bank Limited	5,000	298,566,288	298,685,966
44,419	44,419	Azgard Nine Limited	5,000	136,614,140	136,614,140
-	6,313	Askari Bank Limited	4,989	-	31,470,305
48,780	48,780	Engro Corporation Pakistan Limited	4,957	241,777,560	241,785,560
-	5,000	Jahangir Siddiqui and Company Limited	5,000	-	24,937,525
32,300	31,125	Maple Leaf Cement (Sukuk) Limited	5,000	135,512,851	145,931,250
2,000	2,000	Trust Investment Bank Limited	5,000	3,748,500	3,748,500
10,000	10,000	World Call Telecom Limited	5,000	21,415,716	21,415,716
15,000	15,000	World Call Telecom Limited	2,150	22,486,485	22,486,485
-	10,000	Pakistan Mobile Communications Limited	5,000	-	49,330,000
250	250	Pakistan Mobile Communications Limited	100,000	20,073,125	23,823,125
6,000	6,000	Summit Bank Limited	5,000	29,447,521	29,461,321
51,500	-	Pak Arab Fertilizer Ltd	1,875	65,340,625	-
				974,982,811	1,029,689,893

10.7.3.1 These carry rate of return ranging from 10.45% to 13.86% per annum (2012: 11.38% to 13.58% per annum) and having maturity upto 7 years.

10.7.4 Investment in Term Finance Certificates – unlisted

2013	2012	Company's name	Name of Chief Executive	Value per certificate (Rupees)	2013 Rupees	2012 Rupees
Number of certificates						
40,000	40,000	Avari Hotels Limited	Mr. Byram D. Avari	5,000	**74,460,000**	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	**40,468,750**	47,343,750
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	**5,555,560**	16,666,670
10,000	10,000	Martin Dow Pharmaceuticals	Mr. Jawed Akhai	5,000	**4,600,000**	26,680,000
-	10,000	Faysal Bank Limited(RBS)	Mr. Naveed A. Khan	5,000	**-**	12,470,000
57,263	57,263	Agritech Limited	Mr. Ahmed Jaudet Bilal	5,000	**286,283,751**	286,283,751
4,227	7,045	Sitara Energy (Sukuk)	Mr. Javed Iqbal	5,000	**21,136,362**	35,227,272
30,000	30,000	Sitara Peroxide Limited	Mr. Imran Ghafoor	5,000	**124,129,143**	133,223,685
					648,489,066	819,579,828

10.7.4.1 These carry rate of return ranging from 10.18% to 13.90% (2012: 8.98% to 13.74%) per annum and having maturity of upto 6 years.

10.7.5 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Rate	Coupon payment	Coupon payment
Pakistan Investment Bonds	April 2014 to July 2015	On maturity	8% to 11.50%	Semi-annually	Semi-annually
Market Treasury Bills	January 2014 to June 2014	On maturity	8.95% to 9.91%	On maturity	On maturity

10.7.6 Investments in mutual funds

Name of investee	2013	2012	Note	2013 Rupees	2012 Rupees
	Number of units				
Pak Oman Advantage Fund	**5,000,000**	5,000,000		**50,000,000**	50,000,000
				50,000,000	50,000,000

10.8 Provision for diminution in value of investments

	Note	2013 Rupees	2012 Rupees
Opening balance		**1,552,778,949**	2,332,736,612
Charge for the year		**163,353,982**	274,915,839
Reverse for the year		**(48,411,790)**	(113,383,687)
Reversals (related to quoted AFS securities)		**(199,088,883)**	(941,489,815)
Written off		**-**	-
Closing balance	10.8.1	**1,468,632,258**	1,552,778,949

10.8.1 Particulars of provision in respect of type and segments

	2013 Rupees	2012 Rupees
Available-For-Sale (AFS) securities		
Impairment on quoted securities	**331,187,108**	530,275,991
Un-quoted securities	**251,466,950**	246,170,491
Term Finance Certificates (TFCs)	**36,333,191**	34,250,291
Held-To-Maturity (HTM) securities		
Term Finance Certificates (TFCs)	**272,968,934**	165,406,101
Subsidiary		
Saudipak Leasing Company Limited – Listed	**576,676,075**	576,676,075
	1,468,632,258	1,552,778,949

10.8.2 Investment in term finance certificates (TFCs) includes Rs. 862.515 million (2012: Rs. 888.903 million) which has been placed under non-performing status as detailed below:-

Category of classification of TFCs

	2013		
	Classified advance Rupees	Specific provision required Rupees	Specific provision held Rupees
Substandard	179,415,052	43,938,926	43,938,926
Doubtful	-	-	-
Loss	683,099,784	265,363,199	265,363,199
	862,514,836	309,302,125	309,302,125

	2012		
	Classified advance Rupees	Specific provision required Rupees	Specific provision held Rupees
Substandard	189,833,451	17,721,050	17,721,050
Doubtful	133,223,685	24,456,820	24,456,820
Loss	565,845,641	157,478,522	157,478,522
	888,902,777	199,656,392	199,656,392

10.9 Quality of available for sale securities

(a) Quoted Securities

	2013		2012	
	Rating	Market value Rupees	Rating	Market value Rupees
Companies				
Adamjee Insurance	AA	37.37	-	-
Agritech Limited	D	12.67	D	11.67
Bank Alfalah Limited	AA/A-1+	27.04	-	-
Crescent Steel and Allied Limited	unrated	47.16	unrated	35.15
Dewan Salman Fiber Limited	unrated	2.62	unrated	2.40
Descom Oxychem Limited	unrated	5.40	-	-
Engro Polymer	unrated	13.41	-	-
Fauji Cement Company Limited	unrated	15.95	unrated	6.54
Fatima Fertilizer Company Limited	A+/A1	28.56	-	-
Faysal Bank	AA/A1+	11.39	-	-
Fecto Cement Limited	unrated	44.63	unrated	34.63
Fauji Fertilizer Bin Qasim Limited	unrated	43.81	unrated	38.59
Fauji Fertilizer Company Limited	unrated	111.96	unrated	117.14
Hub Power Company Limited	AA+/A1+	60.72	-	-
Japan Power Generation Limited	-	-	unrated	1.68
Kot Addu Power Company Limited	AA+/A-1+	61.75	AA+/A-1+	49.39
Maple Leaf Cement Limited	BB/B	-	D	14.57
National Bank of Pakistan Limited	AAA/A1+	58.06	AAA/A1+	49.39
Nishat Power Limited	A+/A1	30.06	A+/A1	19.50
Nishat Chunian Power Limited	A+/A-2	34.78	A/A-2	21.01
NIB Bank Limited	-	-	AA-/A1+	2.63
Pakistan Telecommunication Company Limited	unrated	28.44	unrated	17.35
Pakistan Petroleum Limited	unrated	213.96	unrated	176.79
Pakistan State Oil Company Limited	AA+/A1+	332.22	AA+/A1+	232.21

		2013		2012	
		Rating	Market value Rupees	Rating	Market value Rupees
(a)	**Quoted Securities (continued)**				
	Pakgen Power Limited	AA/A1+	21.71	-	-
	Lafarge Pakistan Cement Limited	-	-	unrated	5.07
	Pace Pakistan Limited	Withdrawn	3.79	Withdrawn	2.99
	Packages Limited	-	-	AA/A1+	151.16
	Pak Reinsurance Limited	unrated	28.45	AA	24.45
	Pak Refinery Limited	A-/A2	76.14	unrated	69.30
	Pak Elektron limited	unrated	19.99	Withdrawn	10.76
	PNSC	-	-	AA-/A1+	34.82
	Silk Bank Limited	A-/A2	2.10	-	-
	Sitara Chemicals Industries Limited	A+/A1	245.01	A+/A1	179.00
	Standard Chartered Bank	AAA/A1+	24.90	-	-
	Security Papers Limited	AAA/A1+	70.30	AAA/A1+	51.32
	Samin Textile Limited	-	-	unrated	6.70
	Saudi Pak Leasing Company Limited	-	-	unrated	3.25
	Shell Pakistan Limited	-	190.43	unrated	136.19
	World Call Telecom Limited	D	2.48	D	2.53
(b)	**Mutual Funds**				
	Companies				
	Pak Oman Advantage Fund	A+(f)	10.83	AM3	10.93

		Note	2013 Rupees	2012 Rupess
10.10	**Unrealized gain on revaluaiton of investments classified as held for trading**			
	Fully paid up ordinary shares		1,472,212	-
11	**ADVANCES**			
	– In Pakistan		6,153,863,300	7,092,317,868
	– Outside Pakistan		-	-
			6,153,863,300	7,092,317,868
	Net investment in finance lease			
	– In Pakistan	11.2.1	179,668,229	210,392,271
	– Outside Pakistan		-	-
			179,668,229	210,392,271
	Bills discounted and purchased		-	-
	Advances – gross	11.1	6,333,531,529	7,302,710,139
	Provision for non-performing advances	11.1.6	(2,235,603,252)	(2,195,374,997)
	Provision for non-performing lease finance	11.2.3	(144,105,348)	(145,670,449)
	Advances – net of provision		3,953,822,929	4,961,664,693
11.1	**Particulars of advances - gross**			
11.1.1	– In local currency		6,296,303,741	7,265,482,351
	– In foreign currencies		37,227,788	37,227,788
			6,333,531,529	7,302,710,139
11.1.2	Long term advances	11.1.3	5,657,924,700	6,199,470,004
	Short term advances	11.1.4	644,148,479	1,083,604,881
	Staff advances		31,458,350	19,635,254
			6,333,531,529	7,302,710,139

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 (2012: 7.00% to 17.88% per annum).

11.1.4 These are maturing within next twelve months and carry mark-up rates ranging from 10.18% to 13.09% per annum (2012: 11.36% to 17.88% per annum). These are secured by pledge of quoted shares, stocks and charge on receivable etc.

11.1.5 Advances include Rs. 2,530.797 million (2012: Rs. 2,714.438 million) which have been placed under non-performing status as detailed below:-

Category of classification	2013 Classified advances Rupees	2013 Provision required Rupees	2013 Provision held Rupees
Substandard	**52,380,000**	**-**	**-**
Doubtful	**-**	**-**	**-**
Loss	**2,478,416,553**	**2,235,603,252**	**2,235,603,252**
	2,530,796,553	**2,235,603,252**	**2,235,603,252**

Category of classification	2012 Classified advances Rupees	2012 Provision required Rupees	2012 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

11.1.6 **Particulars of provisions against non-performing advances**

	2013 Rupees Specific	2012 Rupees Specific
Opening balance	**2,195,374,997**	2,206,262,869
Charge for the year	**207,400,729**	272,809,809
Amounts written off	**-**	(115,161,874)
Reversals	**(167,172,474)**	(168,535,807)
Closing balance	**2,235,603,252**	2,195,374,997

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, 2013, total FSV benefit availed by the Company stands at Rs. 255.908 million (2012: Rs. 357.981 million).Had the FSV benefit not recognised, profit before and after tax for the year would have been lower by Rs. 255.908 million and Rs.168.900 million respectively. Reserves to this extent are not available for distribution by way of cash or stock dividend.

		2013 Rupees	2012 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, 2013 is given at Annexure - 1.

		Note	2013 Rupees	2012 Rupees
11.2	**Net investment in finance lease**			
	Minimum lease payments receivables		255,245,312	296,575,498
	Less: Unearned finance income		(75,576,401)	(86,183,227)
	Present value of minimum lease payments	11.2.1	179,668,911	210,392,271
	Less: Provision for potential lease losses	11.2.2	(144,105,348)	(145,670,449)
	Net investment in lease		35,563,563	64,721,822

11.2.1 **Net investment in finance lease**

	2013		
	Less than one year Rupees	One year to five year Rupees	Total Rupees
Lease rental receivable	239,716,054	15,528,576	255,244,630
Less: Unearned finance income	74,230,834	1,345,567	75,576,401
Present value of minimum lease payments	165,485,220	14,183,009	179,668,229

	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

11.2.2 Investment in lease finance includes Rs. 144.105 million (2012: Rs. 145.670 million) which has been placed under non-performing status as detailed below:-

Category of classification	2013 Classified advance Rupees	2013 Specific provision required Rupees	2013 Specific provision held Rupees
Substandard	-	-	-
Doubtful	-	-	-
Loss	144,105,348	144,105,348	144,105,348
	144,105,348	144,105,348	144,105,348

	2012 Classified advance Rupees	2012 Specific provision required Rupees	2012 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

11.2.3 **Particulars of provisions against non-performing lease finance**

	2013 Rupees Specific	2012 Rupees Specific
Opening balance	145,670,449	172,356,548
Charge for the year	11,614,376	-
Amounts written off	-	-
Reversals	(13,179,477)	(26,686,099)
Closing balance	144,105,348	145,670,449

11.2.4 During the year, the Company has not availed FSV benefit of Rs. 64.333 million (2012: Rs. 252.809 million) on provisioning against loans and advances. Furthermore, net reduction in FSV benefit during the year amounted to Rs. 102.072 million (2012: Rs. 48.671 million) resulting in increased charge for specific provision for the year ended by the same amount.

11.2.5 **Particulars of amounts written off against provisions**

	2013 Rupees Specific	2012 Rupees Specific
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.**

	2013	2012
Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons	31,458,350	19,635,254
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	-	-

		Note	2013 Rupees Specific	2012 Rupees Specific
11.3.1	**Opening balance**			
	Loans granted during the year		**19,635,254**	13,011,693
	Repayments during the year		**25,099,648**	19,656,435
	Closing balance		**(13,276,552)**	(13,032,874)
			31,458,350	19,635,254
12	**OPERATING FIXED ASSETS**			
	Capital work-in-progress	12.1	**250,000**	-
	Property and equipment	12.1	**2,325,241,136**	2,382,378,987
	Intangible assets	12.2	**2,010,878**	1,366,369
			2,327,502,014	2,383,745,356

12.1 Property and equipment

	2013									
	COST/REVALUATION					DEPRECIATION				
	Opening balance	Additions	Disposals	Closing balance	Rate	Opening balance	For the year	Disposals	Closing balance	Net Book value
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Freehold land	8,088,120	-	-	8,088,120	-	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,248,493,750	-	-	1,248,493,750	1.19	-	14,857,075	-	14,857,075	1,233,636,675
Building - Islamabad	713,309,036	1,481,100	-	714,790,136	4	-	28,547,224	-	28,547,224	686,242,912
Building	19,975,000	-	-	19,975,000	4	-	798,997	-	798,997	19,176,003
Building - Islamabad- ISE towers	25,500,000	-		25,500,000	1.14	-	290,700		290,700	25,209,300
Heating and air-conditioning	125,662,091	-	-	125,662,091	15	240,298	18,821,706	-	19,062,004	106,600,087
Elevators	63,835,776	1,097,200	-	64,932,976	15	-	9,645,623	-	9,645,623	55,287,353
Electrical fittings	119,582,329	37,341,760	-	156,924,089	15	299,250	18,870,861	-	19,170,111	137,753,978
Fire fighting equipment	3,937,591	-	-	3,937,591	15	-	590,553	-	590,553	3,347,038
Leasehold improvement	6,302,839	-	-	6,302,839	15	3,185,124	922,862	-	4,107,986	2,194,853
Motor vehicles	49,469,627	3,499,750	2,214,300	50,755,077	20	20,591,161	7,862,169	2,214,297	26,239,033	24,516,044
Furniture, fixture and fittings	14,906,109	-	-	14,906,109	20	13,408,141	359,350	-	13,767,491	1,138,618
Office equipment	35,026,075	4,090,981	-	39,117,056	33.33	31,122,973	2,522,808	-	33,645,781	5,471,275
Telephone installation	1,818,716	391,020	-	2,209,736	15	267,122	346,841	-	613,963	1,595,773
Electrical appliances	3,217,085	1,789,402	-	5,006,487	15	1,381,400	505,689	-	1,887,089	3,119,398
Loose tools	1,170,325	-	-	1,170,325	15	597,310	143,250	-	740,560	429,765
Miscellaneous	843,569	-	-	843,569	15	804,337	14,122	-	818,459	25,110
Security systems	13,138,065	261,000	-	13,399,065	15	-	1,990,231	-	1,990,231	11,408,834
	2,454,276,103	49,952,213	2,214,300	2,502,014,016		71,897,116	107,090,061	2,214,297	176,772,880	2,325,241,136
Capital work in progress	-	250,000	-	250,000		-	-	-	-	250,000
	2,454,276,103	50,202,213	2,214,300	2,502,264,016		71,897,116	107,090,061	2,214,297	176,772,880	2,325,491,136

12.2 Intangible assets

	2013									
	COST/REVALUATION					AMORTIZATION				
	Opening balance	Additions	Disposals / transfer	Closing balance	Rate	Opening balance	For the year	Disposals	Closing balance	Net Book value
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Software and others	10,961,174	1,591,008	-	12,552,182	33.33	9,594,805	946,499	-	10,541,304	2,010,878

12.1 Property and equipment (continued)

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 (continued)

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

12.3 Details of disposal of operating fixed assets

Particulars of assets	Cost / revaluation	Accumulated Depreciation	Book value	Surplus	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Suzuki Cultus (LU-846)	606,000	605,999	1	-	677,200	677,199	Auction	Chaudhary Muhammad Saleem
Suzuki Bolan CNG (KW-935)	419,300	419,299	1	-	538,512	538,511	Auction	Mr. Mumtaz Khan
Toyota Corolla 2D (HU-453)	1,189,000	1,188,999	1	-	925,000	924,999	Auction	Mr. Aurangzeb Khan
	2,214,300	2,214,297	3	-	2,140,712	2,140,709		

	Note	2013 Rupees	2012 Rupees
12.4 Depreciation for the year has been allocated as follows:			
Rental income	25.1	94,964,828	99,321,146
Administrative expenses	26	13,071,732	9,874,390
		108,036,560	109,195,536
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		53,956,288	49,761,222
Vehicles		12,300,062	10,461,160
Loose tools		215,330	215,330
		66,471,680	60,437,712
12.6 Had the revaluation not been carried out, the net book value of the revalued assets would have been as follows:			
Land		1,033,673	779,557
Building and other assets		138,004,853	25,106,081
		139,038,526	25,885,638

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	2013 Rupees	2012 Rupees
13 OTHER ASSETS			
Accrued income and receivables	13.1	232,392,461	219,054,017
Advances, deposits, prepayments and other receivables	13.2	1,194,291,539	1,115,412,198
		1,426,684,000	1,334,466,215
13.1 Accrued income and receivables			
Dividend Income		2,250,000	305,000
Accrued income from advances	13.1.1	125,772,362	92,027,742
Accrued income from investments	13.1.3	98,313,100	125,123,417
Accrued income from lendings to financial institutions		150,068	326,000
Others		9,056,279	4,421,206
Less: provision for doubtful income receivables	13.1.5	(3,149,348)	(3,149,348)
		5,906,931	1,271,858
		232,392,461	219,054,017
13.1.1 Accrued income from advances			
Long term advances		773,708,306	767,987,788
Short term advances		174,227,464	174,934,257
Lease financing		60,806,291	69,110,430
Others		5,004,426	5,153,490
		1,013,746,487	1,017,185,965
Less: provision for doubtful accrued income from advances	13.1.2	(887,974,125)	(925,158,223)
		125,772,362	92,027,742

		Note	2013 Rupees	2012 Rupees
13.1.2	**Provision for doubtful accrued income from advances**			
	Opening balance		925,158,223	966,649,005
	Charge for the year		38,958,497	105,139,894
	Amounts written off		(12,259,617)	(68,014,069)
	Reversals		(63,882,978)	(78,616,607)
	Closing balance		887,974,125	925,158,223
13.1.3	**Accrued income from investments**			
	Government Securities		52,868,149	73,340,140
	Term Finance Certificates (TFCs)		195,155,431	210,140,166
	Income on equity (preference shares)		27,424,658	-
			275,448,238	283,480,306
	Less: provision for doubtful accrued income from investments	13.1.4	(177,135,138)	(158,356,889)
			98,313,100	125,123,417
13.1.4	**Provision for doubtful accrued income from investments**			
	Opening balance		158,356,889	114,205,239
	Charge for the year		51,728,984	92,213,400
	Reversals		(32,950,735)	(48,061,750)
	Closing balance		177,135,138	158,356,889
13.1.5	**Provision for doubtful income receivables**			
	Opening balance		3,149,348	3,149,348
	Charge for the year		-	-
	Closing balance		3,149,348	3,149,348
13.2	**Advances, deposits, prepayments and other receivables**			
	Advances to suppliers		13,000,780	17,500,146
	Security deposits		7,388,245	6,588,245
	Prepayments		4,734,773	5,968,102
	Receivable from stock brokers		3,869,995	4,435,867
	Advance tax		901,093,671	816,715,763
	Non banking assets acquired in satisfaction of claims	13.2.1	413,102,345	413,102,345
	Advance for purchase of shares		256,792	256,792
			1,343,446,601	1,264,567,260
	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)	(145,080,000)
		13.2.2	(149,155,062)	(149,155,062)
			1,194,291,539	1,115,412,198

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	2013 Rupees	2012 Rupees
13.2.2	**Provision against doubtful receivable balances**			
	Opening balance		149,155,062	142,213,062
	Charge for the year		-	6,942,000
	Closing balance		149,155,062	149,155,062
14	**BORROWINGS**			
	In Pakistan		4,326,237,792	5,925,528,990
	Outside Pakistan		-	-
			4,326,237,792	5,925,528,990
14.1	**Particulars of borrowings with respect to currencies**			
	In local currency		4,326,237,792	5,925,528,990
	In foreign currency		-	-
			4,326,237,792	5,925,528,990
	Long term borrowings	14.2	2,826,237,792	2,546,233,060
	Short term borrowings	14.3	1,500,000,000	3,379,295,930
			4,326,237,792	5,925,528,990
14.2	**Long term borrowings**			
	Against book debts/receivables	14.2.1	2,300,000,000	1,800,000,000
	Against SBP refinance schemes :			
	- Long term financing of export oriented projects (LT-EOP)		16,341,000	78,137,000
	- Long term financing facility (LTFF)		509,896,792	668,096,060
		14.2.2	526,237,792	746,233,060
			2,826,237,792	2,546,233,060

14.2.1 These represent facilities obtained against charge on book debts/receivables valuing Rs. 3,167 million (2012: Rs. 3,733 million). The mark up is charged at varying rates ranging from 10.21% to 10.81% per annum (2012: 9.91% to 11.05% per annum). These facilities will mature during September 2014 to December 2018 (2012: June 2013 to September 2014).

14.2.2 These represent facilities obtained against State Bank Refinance schemes (LT-EOP / LTFF). The mark up is charged at rate of 5.00% to 10.10% per annum (2012: 5.00% to 10.10% per annum). These facilities will mature during January 2014 to November 2018 (2012: January 2013 to November 2018).

		Note	2013 Rupees	2012 Rupees
14.3	**Short term borrowings**			
	Against book debts/receivables	14.3.1	500,000,000	-
	Repurchase agreements under PIBs - repo	14.3.2	200,000,000	250,000,000
	Repurchase agreements under Market Treasury Bills - repo	14.3.3	-	2,309,295,930
	Clean / letter based financing	14.3.4	-	20,000,000
	Morahaba finance	14.3.5	800,000,000	800,000,000
			1,500,000,000	3,379,295,930

14.3.1 These represent facilities obtained against charge on book debts / receivables valuing Rs. 833.333 million. The mark-up is charged at the rate of 9.67% to 10.40% per annum . These facilities were matured in June 2014.

14.3.2 These are secured against Pakistan Investment Bonds. These carry markup rate of 9.45% (2012: 9.5%) per annum and will mature in January 2014 (2012: January 2013).

14.3.3 These are secured against Treasury bills. These carry mark up rates ranging from 7.75% to 9.25% per annum and were matured in January 2013 .

14.3.4 These represent overnight borrowing in local currency from various financial institutions. These carry interest rate of 9.1% per annum. This facility matured in January 2013 .

14.3.5 These represent morahaba finance arranged from an Islamic Bank. These carry markup rates ranging from 9.51% to 9.94% (2012: 9.76% to 9.86%) per annum. These will be maturing from February 2014 to March 2014 (2012: February 2013 to June 2013).

	Note	2013 Rupees	2012 Rupees
14.4 Details of borrowings secured/unsecured			
Secured			
Borrowings from State Bank of Pakistan :			
- Long term financing of export oriented projects (LT-EOP)		**16,341,000**	78,137,000
- Long term financing facility (LTFF)		**509,896,792**	668,096,060
		526,237,792	746,233,060
Repurchase agreement borrowings		**200,000,000**	2,559,295,930
Against book debts/receivables		**2,800,000,000**	1,800,000,000
Morahaba finance		**800,000,000**	800,000,000
		4,326,237,792	5,905,528,990
Unsecured			
Call borrowings		**-**	20,000,000
		4,326,237,792	5,925,528,990

15 DEPOSITS AND OTHER ACCOUNTS

	Note	2013 Rupees	2012 Rupees
Certificate of Investments (COIs)	15.1	**762,000,000**	685,000,000

15.1 These represent certificate of investments issued to various institutions. The mark up is charged at varying rates ranging from 9.25% to 10.17% per annum (2012: 9.50% to 12.00% per annum). These are repayable in period ranging from January 2014 to June 2014 (2012: January 2013 to June 2013).

16 DEFERRED TAX LIABILITIES

	Note	2013 Rupees	Restated 2012 Rupees
Deferred tax credits arising due to following taxable temporary differences:			
Accelerated tax depreciation		**24,286,129**	18,029,299
Surplus on revaluation of operating fixed assets	20	**728,014,605**	780,109,376
Surplus on revaluation of securities	19	**114,129,907**	119,639,064
		866,430,641	917,777,739
Deferred tax debits arising due to following deductible temporary differences:			
Provision against employee benefits		**-**	(12,727,390)
Net investment in leases		**(12,491,017)**	(10,016,588)
Accumulated tax losses		**(331,218,154)**	(484,569,518)
		(343,709,171)	(507,313,496)
		522,721,470	410,464,243
Valuation reserve against accumulated tax losses		**-**	484,569,518
		522,721,470	895,033,761

16.1 Movement in temporary differences during the year:

	Opening balance 2013 Rupees	Surplus on revaluation of fixed assets 2013 Rupees	Impact on deffered tax liability due to rate change 2013 Rupees	Recognised in profit or loss 2013 Rupees	Recognised in equity 2013 Rupees	Closing balance 2013 Rupees
Taxable temporary differences						
Accelerated tax depreciation	18,029,299	-	-	6,256,830	-	24,286,129
Surplus on revaluation of operating fixed assets	780,109,376	-	(21,900,805)	(30,193,966)	-	728,014,605
Surplus / (deficit) on revaluation of securities	119,639,064	-	(3,418,259)	-	(2,090,898)	114,129,907
Deductible temporary differences						
Provision against employee benefits	(12,727,390)	-	-	12,477,818	249,572	-
Net investment in leases	(10,016,588)	-	-	(2,474,429)	-	(12,491,017)
Accumulated tax losses	-	-	-	(331,218,154)	-	(331,218,154)
	895,033,761	-	(25,319,064)	(345,151,901)	(1,841,326)	522,721,470

	Opening balance 2012 Rupees	Surplus on revaluation of fixed assets 2012 Rupees	Impact on deffered tax liability due to rate change 2012 Rupees	Recognised in profit or loss 2012 Rupees	Recognised in equity 2012 Rupees	Closing balance 2012 Rupees
Taxable temporary differences						
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)	(644,412)	(12,727,390)
Net investment in leases	(25,122,254)	-	-	15,105,666	-	(10,016,588)
	669,231,485	130,317,976	-	(1,005,299)	96,489,599	895,033,761

	Note	2013 Rupees	Restated 2012 Rupees
17 OTHER LIABILITIES			
Mark-up/return/interest accrued on borrowings	17.1	82,970,779	47,890,857
Creditors, accrued and other liabilities	17.2	33,097,636	56,780,104
Deferred liabilities	17.3	54,945,072	88,229,515
		171,013,487	192,900,476
17.1 Mark-up/return/interest accrued on borrowings			
Long term borrowings		39,124,549	38,927,238
Short term borrowings		39,185,956	7,322,001
Securities purchased under Repurchase agreements - repo		4,660,274	1,641,618
		82,970,779	47,890,857

		Note	2013 Rupees	Restated 2012 Rupees
17.2	**Creditors, accrued and other liabilities**			
	Directors' remuneration		**2,747,618**	2,916,294
	Other payables		**18,853,474**	12,638,102
	Payable on employees account		**29,760**	35,520
	Corporate income tax payable		**-**	-
	Accrued liabilities		**11,466,784**	41,190,188
			33,097,636	56,780,104
17.3	**Deferred liabilities**			
	Provision for staff gratuity	34.1	**22,361,198**	31,583,143
	Provision for compensated absences		**4,320,046**	4,780,830
	Advance rental income	17.3.1	**28,263,828**	51,865,542
			54,945,072	88,229,515

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

		Note	2013 Rupees	2012 Rupees
18	**SHARE CAPITAL**			
	Authorized capital:			
	1,000,000,000 ordinary shares of Rs. 10 each (2012: 600,000,000 ordinary shares of Rs. 10 each)	18.2	**10,000,000,000**	6,000,000,000
	Issued, subscribed and paid up capital:			
	400,000,000 ordinary shares of Rs. 10 each issued for cash (2012: 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 (2012: 200,000,000 bonus shares of Rs. 10 each)		**2,000,000,000**	2,000,000,000
		18.1	**6,000,000,000**	6,000,000,000

		2013	2012
18.1	**Reconciliation of number of ordinary shares of Rs. 10 each**	Number of shares	
	Opening balance	**600,000,000**	600,000,000
	Issued during the year	**-**	-
	Closing balance	**600,000,000**	600,000,000

18.2 During the period, the Company has increased its authorised share capital from Rs. 6 billion to Rs. 10 billion.

		Note	2013 Rupees	2012 Rupees
19	**SURPLUS / (DEFICIT) ON REVALUATION OF AFS SECURITIES - NET OF TAX**			
	Quoted securities- AFS		**377,016,425**	319,127,629
	Government securities- AFS		**(5,786,914)**	18,829,733
	Term Finance Certificates (TFCs)- AFS		**296,685**	(781,465)
	Un-quoted securities- AFS		**(40,000,000)**	-
	Mutual fund units- AFS		**4,150,000**	4,650,000
		10.1	**335,676,196**	341,825,897
	Less: related deferred tax asset	16	**(114,129,907)**	(119,639,064)
	Surplus on revaluation of AFS securities- net of tax		**221,546,289**	222,186,833

20 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX

	Note	2013 Rupees	2012 Rupees
Movement in surplus on revaluation of operating fixed assets:			
Opening balance		2,228,710,094	1,941,591,296
Surplus on revaluation of fixed assets		-	372,337,074
Surplus realized on disposal		-	-
Transferred to unappropriated profit in respect of			
– Incremental depreciation charged during the year		(57,296,701)	(55,391,880)
– Deferred tax		(30,193,966)	(29,826,396)
		(87,490,667)	(85,218,276)
Surplus on revaluation of operating fixed assets		2,141,219,427	2,228,710,094
Related deferred tax liability		(780,109,376)	(679,617,796)
Deferred tax recognized on surplus on revaluation of fixed assets		-	(130,317,976)
Impact of change in tax rate		21,900,805	-
Transferred to unconsolidated profit and loss account in respect of incremental depreciation		30,193,966	29,826,396
	16	(728,014,605)	(780,109,376)
Closing balance		1,413,204,822	1,448,600,718

21 CONTINGENCIES AND COMMITMENTS

	2013 Rupees	2012 Rupees
21.1 Direct credit substitutes		
Letter of comfort / guarantee	207,385,000	207,385,000
21.2 Non disbursed commitment for term and working capital finance	911,098,000	1,016,363,000
21.3 Commitments for the acquisition of operating fixed assets (intangibles assets)	15,303,712	31,550,741
	1,133,786,712	1,255,298,741

21.4 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. 67 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.

21.5 Other contingencies

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

Due to negative e-CIB reported by the Bank of Punjab, Saudi Pak did not disburse to Ceco, the finance facility of Rs.30 million sanctioned on 20.10.2008. Feeling aggrieved, Ceco filed on 27.7.2009, the subject damages suit in the Lahore High Court, Lahore, against Saudi Pak for allegedly suffering business losses. The suit is still at evidence stage. After completion of evidence of both the parties, the matter will be fixed by the Court for final arguments for a decision on merits.

(b) Ali Akbar Spinning Mills Limited (COS No.113/2010 of Rs.827.102 million)

Ali Akbar Spinning Mills Limited (AASML) is a willful defaulter against whom a recovery suit of Rs.91.886 million has been filed by Saudi Pak in the Lahore High Court, Lahore. AASML filed the subject counter suit against Saudi Pak on account of alleged losses due to overpayments made against the finance facilities availed and for not allowing an additional financing. Saudi Pak is vehemently contesting this frivolous suit. It will be decided by the Court after hearing final arguments.

		Note	2013 Rupees	2012 Rupees
22	MARK-UP/RETURN/INTEREST EARNED			
	On advances	22.1	505,438,468	579,871,443
	On investments	22.2	431,259,835	466,756,394
	On lendings to financial institutions		8,358,077	30,411,683
	On lease financing		5,654,284	14,052,541
	On profit and loss saving accounts		3,440,995	3,757,467
			954,151,659	1,094,849,528
22.1	On advances			
	Long term advances		461,991,014	537,782,799
	Short term advances		42,460,473	41,627,529
	Staff advances		986,981	461,115
			505,438,468	579,871,443
22.2	On investments			
	Term Finance Certificates		153,146,177	192,595,345
	Government securities		250,689,000	274,161,049
	Return on equity (preference shares)		27,424,658	-
			431,259,835	466,756,394
23	MARK-UP/RETURN/INTEREST EXPENSED			
	Mark-up/return/interest expensed	23.1	435,735,174	652,373,058
	PIB's premium amortization		2,191,505	14,471,909
	Brokerage fee		954,068	1,705,568
			438,880,747	668,550,535

		Note	2013 Rupees	2012 Rupees
23.1	**Mark-up/return/interest expensed**			
	Long term borrowings		181,083,676	296,115,466
	Short term borrowings		180,556,380	200,941,990
	Securities purchased under repurchase agreements - repo		74,095,118	155,315,602
			435,735,174	652,373,058
24	**PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS**			
	Breakup of provisions /(reversals) is as under:			
	Term Finance Certificates (TFCs)		109,645,733	165,434,861
	Unquoted investment		5,296,459	(31,340,813)
			114,942,192	134,094,048
25	**OTHER INCOME**			
	Net rental income	25.1	52,096,205	40,700,843
	Net gain on disposal of operating fixed assets - property and equipment		2,140,709	8,581,204
	Others	25.2	1,350,475	1,128,180
			55,587,389	50,410,227
25.1	**Net rental income**			
	Rental income		191,870,472	187,082,074
	Less: Operating expenses			
	Salaries, allowances and employee benefits	26.1	11,636,360	13,195,078
	Traveling and conveyance		3,200	5,590
	Medical		111,988	185,132
	Janitorial services		4,528,754	3,921,008
	Security services		9,533,515	7,256,838
	Insurance		1,696,490	1,431,673
	Postage, telegraph, telegram and telephone		18,274	867,013
	Printing and stationery		187,143	24,544
	Certification services		25,000	30,400
	Utilities		11,944,269	11,564,932
	Consultancy and professional charges		-	450,000
	Repairs and maintenance		3,596,340	6,703,408
	Rent, rates and taxes		1,397,333	1,383,745
	Depreciation	12.4	94,964,828	99,321,146
	Office general expenses		130,773	40,724
			139,774,267	146,381,231
			52,096,205	40,700,843

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

26	ADMINISTRATIVE EXPENSES	Note	2013 Rupees	2012 Rupees
	Salaries, allowances and employee benefits	26.1	130,995,193	153,057,517
	Traveling and conveyance	26.2	28,938,770	22,545,597
	Vehicle running expenses		4,229,101	3,293,637
	Utilities		11,199,782	6,134,063
	Advertisement and publicity		1,582,939	1,224,885
	Postage, telegram, telephone and telex		5,898,942	5,850,633
	Printing, stationery and periodical		2,776,998	3,433,695
	Legal and professional charges		12,534,569	3,544,280
	Consultancy, custodial and rating services		6,971,757	10,328,378
	Auditor's remuneration	26.3	900,000	675,000
	Repair and maintenance		5,658,390	4,918,269
	Office and general expenses		20,008,561	18,412,322
	Bank charges		323,152	423,484
	Professional training		2,119,498	1,245,996
	Insurance		1,958,224	1,720,734
	Depreciation	12.4	13,071,732	9,874,390
	Donations	26.4	-	50,000
			249,167,608	246,732,880

26.1 This includes the followings staff benefits:

– Rs. 3.656 million (2012: Rs. 4.051 million) on account of employee provident fund expense;

– Rs. 7.401 million (2012: Rs. 6.394 million) on account of gratuity expense; and

– Rs. 1.426 million (2012: Rs. 1.207 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. 17.592 million (2012: Rs. 13.747 million).

26.3	Auditors' remuneration	2013 Rupees	2012 Rupees
	Audit fee	670,000	502,000
	Half yearly review	100,000	75,000
	Code of Corporate Governance review	30,000	23,000
	Out of pocket expenses	100,000	75,000
		900,000	675,000

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 2012, 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	2013 Rupees	2012 Rupees
28	OTHER PROVISIONS/WRITE OFFS			
	Provision against non banking assets acquired in satisfaction of claims		-	6,942,000
	Provision against receivable from stock brokers		-	-
			-	6,942,000
29	OTHER CHARGES			
	Penalties imposed by the State Bank of Pakistan		759,000	-
30	TAXATION			
	– Current year		15,278,816	25,885,193
	– Prior years		-	-
	– Deferred		(345,151,901)	(1,005,299)
		30.1	(329,873,085)	24,879,894
30.1	Relationship between tax expense and accounting profit / (loss)			
	Accounting profit for the year		434,708,531	405,464,676
	Tax rate		34%	35%
	Tax on accounting profit		147,800,901	141,912,637
	Tax effect on income subject to lower rate of taxation		(14,105,772)	4,427,912
	Tax effect of other income considered separately		-	(15,296,259)
	Tax effect of prior years		-	-
	Impact of change in tax rate		25,572,393	-
	Deferred tax asset not recognised		-	(88,974,802)
	Tax effect of permanent differences		(489,140,607)	(17,189,594)
			(329,873,085)	24,879,894
30.2	Tax status			
	For tax related contingencies - refer note 21.4.			

		Note	2013	2012
31	BASIC AND DILUTED EARNING PER SHARE			
	Profit for the year - Rupees		764,581,616	380,584,782
	Weighted average number of ordinary shares - Number		600,000,000	600,000,000
	Basic and diluted earning per share - Rupees		1.274	0.634
32	CASH AND CASH EQUIVALENTS			
	Cash and balance with treasury banks	6	39,928,016	65,538,416
	Balance with other banks	7	100,835,783	366,097,455
			140,763,799	431,635,871

33	STAFF STRENGTH	Note	2013 Numbers	2012 Numbers
	Permanent		62	74
	Temporary/on contractual basis		-	-
	Daily wagers		-	-
	Others		-	-
	Company's own staff strength at the end of the year		62	74
	Outsourced	33.1	94	70
	Total staff strength		156	144

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

34	EMPLOYEE BENEFITS – Staff gratuity	Note	2013 Rupees	2012 Rupees
34.1	The amounts recognized in the unconsolidated statement of financial position are determined as follows:			
	Present value of defined benefit obligation	34.3	22,361,198	20,261,418
	Unrecognized actuarial (loss)/gain		-	-
	Benefits payable to outgoing members		-	11,321,725
		17.3	22,361,198	31,583,143
34.2	The amounts recognized in the unconsolidated profit and loss account are as follows:			
	Service cost		2,200,955	2,330,831
	Interest cost		2,542,861	4,062,716
			4,743,816	6,393,547
34.3	Movement in the present value of defined benefit obligation in the unconsolidated statement of financial position are determined as follows:			
	Opening balance		20,261,418	31,883,415
	Service cost		2,200,955	2,330,831
	Interest cost		2,542,861	4,062,716
	Actuarial gain		(734,036)	(1,262,569)
	Benefits payable to outgoing members		-	(11,321,725)
	Benefits paid		(1,910,000)	(5,431,250)
	Closing balance		22,361,198	20,261,418

34.4	The principal actuarial assumptions used are as follows:	2013	2012
	Discount rate	12.75%	12.00%
	Expected rate of increase in salary	10.25%	9.50%
	Mortality rate	SLIC (2001-2005)	LIC (1975-1979)

34.5 Gratuity expense for the year ending December 31, 2014 expects to be Rs. 4.761 million.

34.6 EFFECTS OF CHANGE IN ACCOUNTING POLICY

- STAFF RETIREMENT BENEFITS

The change in accounting policy as disclosed in note 5.1 has been accounted for retrospectively in accordance with International Accounting Standard - 8 Accounting Policies, Changes in Accounting Estimates and Errors', resulting in adjustment of prior year financial statements. The impact of restatement is not material. Accordingly, unconsolidated statement of finanacial position for the year 2011 has not been presented.

Effect of retrospective application of change in accounting policy are as follows:

	As at December 31, 2012		
	As previously reported	Effect of Restatement	As Restated
34.7 Effect on balance Sheet	Rupees		
Increase in net defined benefit obligation	29,741,965	(1,841,178)	31,583,143
Decrease in deferred tax liability - net	895,678,173	644,412	895,033,761
Net increase in unappropriated profit	-	(1,196,766)	1,196,766

	For the year ended December 31, 2013	For the year ended December 31, 2012	Prior to January 01, 2012
34.8 Effect on profit and loss account	Rupees		
Net increase in profit after tax	-	-	-
Net (increase) / decrease in tax expenses	(249,572)	(441,899)	1,086,311
	(249,572)	(441,899)	1,086,311
34.9 Effect on other comprehensive income			
Actuarial losses reclassified to other comprehensive income	-	(1,262,569)	3,103,747
Net acturial (gain) / loss recognised in other comprehensive income	(734,036)	-	-
	(734,036)	(1,262,569)	3,103,747

The effect on earnings per share related to the restatement is as follows:

	Dec. 31, 2012	Dec. 31, 2011
Basic and diluted earnings per share - rupee	(0.0002)	0.0005

34.10 Staff retirement benefits

Changes in net defined benefit obligation are as follows:

	31 December 2012 Rupees
Opening balance	31,883,415
Service cost	2,330,831
Interest cost	4,062,716
Actuarial gain	(1,262,569)
Benefits payable to outgoing members	-
Benefits paid	(5,431,250)
Closing balance	31,583,143

35 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013	2012	2013	2012	2013	2012
	Chief Executive		Directors		Executives	
Fees	-	-	2,747,618	2,916,294	-	-
Managerial remuneration	7,200,000	7,180,645	-	-	19,456,426	19,908,000
Contribution to defined contribution plan	720,000	718,065	-	-	1,881,929	1,990,800
Rent and house maintenance	4,499,425	4,488,387	-	-	11,291,572	11,944,800
Utilities	720,000	718,065	-	-	1,881,929	1,990,800
Medical	143,665	87,053	-	-	3,136,548	3,318,000
Bonus and Others	4,232,981	1,789,933	-	-	15,919,588	11,285,181
	17,516,071	14,982,148	2,747,618	2,916,294	53,567,992	50,437,581
Number of persons	1	1	6	6	26	29

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

35.2 Director's fees/remuneration is payable to Governments of Islamic Republic of Pakistan and Kingdom of Saudi Arabia.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

36.1 On-balance sheet financial instruments

	2013		2012	
	Book value Rupees	Fair value Rupees	Book value Rupees	Fair value Rupees
Assets				
Cash balances with treasury banks	39,928,016	39,928,016	65,538,416	65,538,416
Balances with other banks	100,835,783	100,835,783	366,097,455	366,097,455
Non-current asset classified as held for sale	21,578,657	21,578,657	46,089,659	46,089,659
Lendings to financial institutions	409,466,390	409,466,390	250,000,000	250,000,000
Investments	6,494,512,553	6,494,512,553	6,496,892,685	6,496,892,685
Advances	3,953,822,929	3,953,822,929	4,961,664,693	4,961,664,693
Other assets	87,364,186	87,364,186	74,591,614	74,591,614
	11,107,508,514	11,107,508,514	12,260,874,522	12,260,874,522

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.

	2013		2012	
	Book value Rupees	Fair value Rupees	Book value Rupees	Fair value Rupees
Liabilities				
Borrowings	4,326,237,792	4,326,237,792	5,925,528,990	5,925,528,990
Deposits and other accounts	762,000,000	762,000,000	685,000,000	685,000,000
Other liabilities	116,068,415	116,068,415	104,670,961	104,670,961
	5,204,306,207	5,204,306,207	6,715,199,951	6,715,199,951

36.2 Off-balance sheet financial instruments

	2013 Book value	2013 Fair value	2012 Book value	2012 Fair value
Commitments in respect of purchase of forward exchange contracts	-	-	-	-

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 2013 Rs. 000	Trading and sales 2013 Rs. 000	Building rental services 2013 Rs. 000	Total 2013 Rs. 000
Total income	669,896	552,306	193,221	1,415,423
Total expenses	416,203	426,210	139,774	982,187
Net income (loss)	253,693	126,096	53,447	433,236
Segment assets (gross)	9,510,244	8,013,757	2,166,250	19,690,251
Segment non performing loans	3,537,416	-	-	3,537,416
Segment provision required	2,689,010	-	-	2,689,010
Segment liabilities	2,719,158	2,398,565	664,250	5,781,973
Segment Return On net Assets (ROA) (%)	2.67	1.57	2.47	2.20
Segment cost of funds (%)	4.38	5.32	6.45	4.99

	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	8,066,378	2,105,355	20,773,804
Segment non performing loans	3,680,883	-	-	3,680,883
Segment provision required	2,506,452	-	-	2,506,452
Segment liabilities	3,817,945	3,032,058	846,619	7,696,621
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

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 7.55 % (2012: 6.52 %) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 2.89 % (2012: 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.

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	2013 Rupees	2012 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
– Investment in preference shares - cost (refer note 10.4)	Saudi Pak Leasing Company Limited	**333,208,501**	-
– Fair value of shares classified as held for sale	Saudi Pak Insurance Company Limited	**21,578,657**	46,089,659
– Borrowing	Saudi Pak Leasing Company Limited	**-**	20,000,000
– Interest payable	Saudi Pak Leasing Company Limited	**-**	94,740
– Prepaid insurance	Saudi Pak Insurance Company Limited	**16,812**	1,936,121
Employee funds			
– Deposits against COIs	Employee funds	**10,000,000**	10,000,000
– Interest payable	Employee funds	**414,337**	712,767
Transactions during the year			
Subsidiary / Associated companies			
– Deposits against COIs	Saudi Pak Real Estate Company Ltd	**-**	50,000,000
– Borrowing availed	Saudi Pak Leasing Company Limited	**-**	20,000,000
– Maturity of borrowing	Saudi Pak Leasing Company Limited	**20,000,000**	-
– 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
– Interest expensed	Saudi Pak Real Estate Company Limited	**-**	2,305,000
– Interest expensed	Saudi Pak Leasing Company Limited	**493,644**	94,740
– Dividend received	Saudi Pak Leasing Company Limited	**114,112**	-
– Rent received	Saudi Pak Leasing Company Limited	**488,950**	441,000
– Rent received	Saudi Pak Insurance Company Limited	**1,998,000**	1,887,000
– Rent received	Saudi Pak Real Estate Company Ltd	**3,506,328**	3,339,360
– Claims received	Saudi Pak Insurance Company Limited	**20,000**	668,262
– Premium paid	Saudi Pak Insurance Company Limited	**113,281**	2,206,791
– 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	**14,938,998**	15,300,858
– Installment received	Saudi Pak Insurance Company Limited	**39,450,000**	40,000,000

39 RELATED PARTY TRANSACTIONS (continued)

	2013 Rupees	2012 Rupees
Transactions during the year		
Key Management Personnel		
– Advances to executives	**21,733,750**	10,128,850
– Repayment of advances	**6,006,870**	5,918,694
Employee funds		
– Maturity of deposits against COIs	**-**	4,500,000
– Contribution to the employees provident fund	**3,655,539**	4,050,538
– Interest expense	**1,035,157**	1,788,668

40 CAPITAL ADEQUACY

40.1 Scope of applications

The Basel III framework has been applied in accordance with BPRD Circular No. 6 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementatiaon intended by December 31, 2019. 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 two subsidiaries namely Saudi Pak Real Estate Company Limited (SPREL) and Saudi Pak Leasing Company Limited (SPLCL). SPREL is the wholly-owned subsidiary while SPLCL is 35.06% owned by the Company.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.

40.1.1 Capital structure

Common Equity Tier 1 capital (CET1) includes fully paid up capital, reserve fund, general reserve as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1(refer to note 40.2.1).

Tier 2 capital includes net of tax reserves on revaluation of fixed assets and equity investments up to a maximum 45% of the balance after all regulatory adjustments applicable on Tier-2 (refer to note 40.2.1).

For main features of capital structure of the Company, please refer to note 40.5.

40.2 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 Regulatory capital base

		2013 Rs. 000	Amount subject to pre Basel III treatment 2013 Rs. 000	2012 Rs. 000
	Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP	**6,000,000**	-	6,000,000
2	Balance in Share Premium Account	**-**	-	-
3	Reserve for issue of Bonus Shares	**-**	-	-
4	General/ Statutory Reserves	**688,160**	-	535,244
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	**-**	-	-
6	Unappropriated/unremitted profits	**669,446**	-	-
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated Company's subsidiaries (amount allowed in CET1 capital of the consolidation group)	**-**	-	-
8	**CET 1 before Regulatory Adjustments**	**7,357,606**	-	6,535,244
	Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	**-**	-	-
10	All other intangibles (net of any associated deferred tax liability)	**(6,725)**	-	(5,832)
11	Shortfall of provisions against classified assets	**-**	-	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**-**	-	-
13	Defined-benefit pension fund net assets	**-**	-	-
14	Reciprocal cross holdings in CET1 capital instruments	**-**	-	-
15	Cash flow hedge reserve	**-**	-	-
16	Investment in own shares/ CET1 instruments	**-**	-	-
17	Securitization gain on sale	**-**	-	-
18	Capital shortfall of regulated subsidiaries	**-**	-	-
19	Deficit on account of revaluation from bank's holdings of property/ AFS	**-**	-	-
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	**-**	-	-
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	**-**	-	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**-**	-	-
23	Amount exceeding 15% threshold	**-**	-	-

40.2.1	Regulatory capital base (continued)	2013 Rs. 000	Amount subject to pre Basel III treatment 2013 Rs. 000	2012 Rs. 000
24	of which: significant investments in the common stocks of financial entities	-	-	-
25	of which: deferred tax assets arising from temporary differences	-	-	-
26	National specific regulatory adjustments applied to CET1 capital	-	-	-
27	Investment in TFCs of other banks exceeding the prescribed limit	-	-	-
28	Any other deduction specified by SBP (mention details)	-	-	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(250,000)	-	(273,045)
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)	-	-	-
	Common Equity Tier 1 (a)	**7,100,881**	-	6,256,367
	Additional Tier 1 (AT 1) Capital			
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	-	-
32	of which: Classified as equity	-	-	-
33	of which: Classified as liabilities	-	-	-
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-	-
35	of which: instrument issued by subsidiaries subject to phase out	-	-	-
36	AT1 before regulatory adjustments	-	-	-
	Additional Tier 1 Capital: regulatory adjustments			
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-
38	Investment in own AT1 capital instruments	-	-	-
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-

			2013 Rs. 000	Amount subject to pre Basel III treatment 2013 Rs.000	2012 Rs. 000
40.2.1	Regulatory capital base (continued)				
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	-	(273,045)
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		(250,000)	-	-
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-	-	-
44	Total of Regulatory Adjustment applied to AT1 capital		-	-	-
45	Additional Tier 1 capital		-	-	
			(250,000)		(273,045)
46	Additional Tier 1 capital recognized for capital adequacy	(b)	-	-	-
	Tier 1 Capital (CET1 + admissible AT1)	c = (a+b)	7,100,881	-	6,256,367
	Tier 2 Capital				
47	Qualifying Tier 2 capital instruments under Basel III		-	-	-
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		-	-	-
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		-	-	-
50	of which: instruments issued by subsidiaries subject to phase out		-	-	-
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		-	-	-
52	Revaluation Reserves		-	-	-
53	of which: Revaluation reserves on Property		635,942	-	651,870
54	of which: Unrealized Gains/Losses on AFS		99,696	-	99,984
55	Foreign Exchange Translation Reserves		-	-	-
56	Undisclosed/Other Reserves		-	-	-
57	**T2 before regulatory adjustments**		735,638		751,854
	Tier 2 Capital: regulatory adjustments				
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		(250,000)		(273,045)

40.2.1 Regulatory capital base (continued)

			2013 Rs. 000	Amount subject to pre Basel III treatment 2013 Rs.000	2012 Rs. 000
59	Reciprocal cross holdings in Tier 2 instruments		-	-	-
60	Investment in own Tier 2 capital instrument		-	-	-
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	-	-
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	-	-
63	Amount of Regulatory Adjustment applied to T2 capital		-	-	-
64	Tier 2 capital (T2)		-	-	-
65	Tier 2 capital recognized for capital adequacy		-	-	-
66	Excess Additional Tier 1 capital recognized in Tier 2 capital		-	-	-
67	Total Tier 2 capital admissible for capital adequacy		-	-	-
	Tier 2 Capital after regulatory adjustments	(d)	**485,638**		478,809
	TOTAL CAPITAL (T1 + admissible T2)	(e = c+d)	**7,586,519**		6,735,176
	Total Risk Weighted Assets	(i=f+g+h)	**12,717,277**	-	13,255,448
68	Total Credit Risk Weighted Assets	(f)	**9,531,517**	-	10,638,081
69	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		-	-	-
70	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		-	-	-
71	of which: deferred tax assets		-	-	-
72	of which: Defined-benefit pension fund net assets		-	-	-
73	of which: others		-	-	-
74	Total Market Risk Weighted Assets	(g)	**1,972,373**	-	1,840,864
75	Total Operational Risk Weighted Assets	(h)	**1,213,387**	-	776,503

40.2.1 Regulatory capital base (continued)

		2013 Rs. 000	Amount subject to pre Basel III treatment 2013 Rs.000	2012 Rs. 000
	Capital Ratios and buffers (in percentage of risk weighted assets)			
76	CET1 to total RWA	55.84%	-	47.20%
77	Tier-1 capital to total RWA	55.84%	-	47.20%
78	Total capital to RWA	59.66%	-	50.81%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-	-
80	of which: capital conservation buffer requirement	-	-	-
81	of which: countercyclical buffer requirement	-	-	-
82	of which: D-SIB or G-SIB buffer requirement	-	-	-
83	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-	-
	National minimum capital requirements prescribed by SBP			
84	CET1 minimum ratio	5%	-	-
85	Tier 1 minimum ratio	6.5%	-	-
86	Total capital minimum ratio	10%	-	10%
	Amounts below the thresholds for deduction (before risk weighting)			
87	Non-significant investments in the capital of other financial entities	-	-	-
88	Significant investments in the common stock of financial entities	-	-	-
89	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-
	Applicable caps on the inclusion of provisions in Tier 2			
90	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-	-
91	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-
92	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
93	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

40.3 Risk weighted exposures

	2013		2012	
	Book value	Risk Adjusted Value	Book value	Risk Adjusted Value
	Rs.000	Rs.000	Rs.000	Rs.000
Credit Risk				
Balance Sheet Items:-				
Cash and other liquid Assets	140,764	20,169	431,636	75,714
Money at call	409,466	81,894	250,000	65,000
Investments	6,494,513	1,079,656	6,496,893	684,400
Loans and Advances	3,953,823	3,606,412	4,961,665	4,924,283
Fixed Assets	2,327,502	2,325,491	2,383,745	2,382,380
Other Assets	1,448,263	1,444,108	1,380,556	1,342,852
	14,774,330	8,557,730	15,904,494	9,474,629
Off Balance Sheet items				
Loan Repayment Guarantees	-	-	-	-
Purchase and Resale Agreements	-	-	-	-
Performance Bonds etc	-	-	-	-
Revolving underwriting Commitments	-	-	-	-
Stand By Letters of Credit	-	-	-	-
Outstanding Foreign Exchange Contracts	-	-	-	-
-Purchase	-	-	-	-
-Sale	-	-	-	-
Other Commitments	1,133,787	973,787	1,255,299	1,163,452
	1,133,787	973,787	1,255,299	1,163,452
Credit risk-weighted exposures		9,531,517		10,638,081
Market Risk				
General market risk		1,035,673		1,029,814
Specific market Risk		936,700		811,050
Market risk-weighted exposures		1,972,373		1,840,864
Operational Risk		1,213,387		776,503
Total Risk-Weighted Exposures		12,717,277		13,255,448

40.4 Capital structure reconciliation (Step-I)

	As per audited financial statements 2013 Rs. 000	Under regulatory scope of consolidation 2013 Rs. 000
ASSETS		
Cash and balances with treasury banks	39,928	39,928
Balances with other banks	100,836	100,836
Lendings to financial institutions	409,466	409,466
Investments	6,494,513	6,494,513
Advances	3,953,823	3,953,823
Operating fixed assets	2,327,502	2,327,502
Deferred tax assets	-	-
Other assets	1,448,263	1,448,263
TOTAL ASSETS	14,774,330	14,774,330

40.4 Capital structure reconciliation (Step-I continued)

	As per audited financial statements 2013 Rs. 000	Under regulatory scope of consolidation 2013 Rs. 000	Reference
LIABILITIES			
Bills payable	-	-	
Borrowings	4,326,238	4,326,238	
Deposits and other accounts	762,000	762,000	
Sub-ordinated loans	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	522,721	522,721	
Other liabilities	171,013	171,013	
TOTAL LIABILITIES	5,781,973	5,781,973	
Share capital	6,000,000	6,000,000	
Reserve fund	329,497	329,497	
General Reserve	358,663	358,663	
Unappropriated profit	669,446	669,446	
Minority interest	-	-	
Surplus on revaluation of assets	1,634,751	1,634,751	
	8,992,358	8,992,358	
TOTAL LIABILITIES AND EQUITY	14,774,330	14,774,330	

40.4.1 Capital structure reconciliation (step-II)

	As per audited financial statements 2013 Rs. 000	Under regulatory scope of consolidation 2013 Rs. 000	Reference
ASSETS			
Cash and balances with treasury banks	39,928	39,928	
Balanced with other banks	100,836	100,836	
Lending to financial institutions	409,466	409,466	
Investments	6,494,513	6,494,513	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	
of which: Mutual Funds exceeding regulatory threshold	-	-	
of which: reciprocal crossholding of capital instrument	-	-	
of which: others	-	-	
Advances	3,953,823	3,953,823	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	
general provisions reflected in Tier 2 capital	-	-	
Fixed Assets	2,327,502	2,327,502	
Deferred Tax Assets	-	-	
of which: DTAs excluding those arising from temporary differences	-	-	
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	
Other assets	1,448,263	1,448,263	
of which: Goodwill	-	-	
of which: Intangibles	6,757	6,757	A
of which: Defined-benefit pension fund net assets	-	-	
TOTAL ASSETS	14,774,330	14,774,330	

40.4.1 Capital structure reconciliation (step-II continued)

	As per audited financial statements 2013 Rs. 000	Under regulatory scope of consolidation 2013 Rs. 000	Reference
LIABILITIES AND EQUITY			
Bills payable	**-**	-	
Borrowings	**4,326,238**	4,326,238	
Deposits and other accounts	**762,000**	762,000	
Sub-ordinated loans	**-**		
of which: eligible for inclusion in AT1	**-**	-	
of which: eligible for inclusion in Tier 2	**-**	-	
Liabilities against assets subject to finance lease	**-**	-	
Deferred tax liabilities	**522,721**	522,721	
of which: DTLs related to goodwill	**-**	-	
of which: DTLs related to intangible assets	**32**	32	B
of which: DTLs related to defined pension fund net assets	**-**	-	
of which: other deferred tax liabilities	**-**	-	
Other liabilities	**171,013**	171,013	
TOTAL LIABILITIES	**5,781,973**	5,781,973	
Share capital	**6,000,000**	6,000,000	
of which: amount eligible for CET1	**6,000,000**	6,000,000	C
of which: amount eligible for AT1	**-**	-	
Reserves (reserve fund and general reserve)	**688,160**	688,160	
of which: portion eligible for inclusion in CET1	**688,160**	688,160	D
of which: portion eligible for inclusion in Tier 2	**-**	-	
Unappropriated profit	**669,446**	669,446	E
Minority Interest	**-**	-	
of which: portion eligible for inclusion in CET1	**-**	-	
of which: portion eligible for inclusion in AT1	**-**	-	
of which: portion eligible for inclusion in Tier 2	**-**	-	
Surplus on revaluation of assets	**1,634,751**	1,634,751	
of which: Revaluation reserves on Property	**1,413,205**	1,413,205	F
of which: Unrealized Gains/Losses on AFS	**221,546**	221,546	
In case of Deficit on revaluation (deduction from CET1)	**-**	-	
	8,992,358	8,992,358	
TOTAL LIABILITIES AND EQUITY	**14,774,330**	14,774,330	

40.4.2 Capital structure reconciliation (Step III)

		Under regulatory scope of consolidation 2013 Rs. 000	Reference
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	C
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	688,160	D
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits	669,446	E
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	
8	**CET 1 before Regulatory Adjustments**	7,357,606	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	
10	All other intangibles (net of any associated deferred tax liability)	(6,725)	A-B
11	Shortfall of provisions against classified assets	-	
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
13	Defined-benefit pension fund net assets	-	
14	Reciprocal cross holdings in CET1 capital instruments	-	
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of property/ AFS	-	
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	-	
28	Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(250,000)	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)	-	
	Common Equity Tier 1	7,100,881	

		Under regulatory scope of consolidation 2013 Rs. 000	Reference
	Additional Tier 1 (AT 1) Capital		
31	Qualifying Additional Tier-1 instruments plus any related share premium		
32	of which: Classified as equity	-	
33	of which: Classified as liabilities	-	
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	
35	of which: instrument issued by subsidiaries subject to phase out	-	
		-	
36	**AT1 before regulatory adjustments**	-	
	Additional Tier 1 Capital: regulatory adjustments		
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38	Investment in own AT1 capital instruments	-	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(250,000)	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44	Total of Regulatory Adjustment applied to AT1 capital	-	
45	Additional Tier 1 capital	-	
46	**Additional Tier 1 capital recognized for capital adequacy**	-	
	Tier 1 Capital (CET1 + admissible AT1)	7,100,881	
	Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III	-	
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	
50	of which: instruments issued by subsidiaries subject to phase out	-	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	
52	Revaluation Reserves	-	
53	of which: Revaluation reserves on Property	635,942	Portion of F
54	of which: Unrealized Gains/Losses on AFS	99,696	Portion of F
55	Foreign Exchange Translation Reserves	-	
56	Undisclosed/Other Reserves (if any)	-	
57	**T2 before regulatory adjustments**	735,638	

		Under regulatory scope of consolidation 2013 Rs. 000	Reference
	Tier 2 Capital: regulatory adjustments		
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(250,000)	
59	Reciprocal cross holdings in Tier 2 instruments	-	
60	Investment in own Tier 2 capital instrument	-	
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
63	Amount of Regulatory Adjustment applied to T2 capital	-	
64	Tier 2 capital (T2)	-	
65	Tier 2 capital recognized for capital adequacy	-	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	-	
	Tier 2 Capital after regulatory adjustments	485,638	
	TOTAL CAPITAL (T1 + admissible T2)	7,586,519	

40.5 Regulatory capital instruments- main feature report

S. No	Issuer	Common Shares	Explanation
1	Unique identifier	✓	Saudi Pak Industrial and Agricultural Investment Company Limited
2	Governing law(s) of the instrument	NA	NA
3		✓	Companies Ordinance 1984, Banking Companies Ordinance 1962
	Regulatory treatment		
4	Transitional Basel III rules	✓	Common Equity Tier 1
5	Post-transitional Basel III rules	✓	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	✓	Group and Solo
7	Instrument type	✓	Ordinary shares
8	Amount recognized in regulatory capital (Rupees in thousands)	✓	6,000,000
9	Par value of instrument	✓	PKR 10
10	Accounting classification	✓	Shareholders' equity
11	Original date of issuance	✓	1981 to 2009
12	Perpetual or dated	NA	No Maturity
13	Original maturity date	NA	NA
14	Issuer call subject to prior supervisory approval	NA	No
15	Optional call date, contingent call dates and redemption amount	NA	NA
16	Subsequent call dates, if applicable	NA	NA
	Coupons / dividends		
17	Fixed or floating dividend/ coupon	NA	NA
18	coupon rate and any related index/ benchmark	NA	NA
19	Existence of a dividend stopper	NA	No
20	Fully discretionary, partially discretionary or mandatory	✓	Fully discretionary
21	Existence of step up or other incentive to redeem	NA	No
22	Noncumulative or cumulative	NA	Non cumulative
	Convertible or non-convertible	NA	Non convertible
23	If convertible, conversion trigger (s)	NA	NA
24	If convertible, fully or partially	NA	NA
25	If convertible, conversion rate	NA	NA
26	If convertible, mandatory or optional conversion	NA	NA
27	If convertible, specify instrument type convertible into	NA	NA
28	If convertible, specify issuer of instrument it converts into	NA	NA
	Write-down feature	✓	No
29	If write-down, write-down trigger(s)	NA	NA
30	If write-down, full or partial	NA	NA
31	If write-down, permanent or temporary	NA	NA
32	If temporary write-down, description of write-up mechanism	NA	NA
33	Position in subordination hierarchy in liquidation	NA	NA
34	Non-compliant transitioned features	✓	No
35	If yes, specify non-compliant features	NA	NA

40.6 Capital adequacy

Saudi Pak is committed to maintaining a strong capital base to support the risks associated with its diversified businesses. Strong capital levels contribute to the safety for the Company, foster shareholder's confidence and support strong credit ratings. It also allows the Company to take advantage of growth opportunities as they arise and enhance shareholder's value.

Saudi Pak has a sound capital management framework to measure, deploy and monitor its available capital and assess its adequacy. Company's management follows a conservative approach towards Capital Adequacy Ratio (CAR). As against 14% regulatory requirement, Company's Board has established a threshold level of 20% CAR. In addition, the Board reviews and approves the Company's annual capital plan. The Assets and Liability Committee, and Senior Management provide governance over the capital management process. Capital is managed and monitored based on planned changes in the Company's strategy, identified changes in its operating environment or changes in its risk profile. The Company's capital adequacy assessment is evaluated on in its current position, expected future risk profile and its internal targets while considering the potential impact of various stress scenarios. The stress testing is used to determine the extent to which severe, but plausible events, impact the Company's capital. For regulatory capital, the Company's internal target includes an adequate buffer over the regulatory minimum level ensuring sufficient flexibility for future capital deployment.

Saudi Pak has a comprehensive risk management framework to ensure that the risks taken are consistent with its risk appetite, its impact on capital relative to internal targets, and that there is an appropriate balance between risk and return. The soundness of capital base is ensured while paying close attention to the cost and availability of the various types of capital, desired leverage, changes in the assets, and the opportunities to profitably deploy capital. The amount of capital required for the business risks and to meet regulatory requirements, is balanced against the goal of generating an appropriate value for the Company's shareholders. The Company deploys capital to support sustainable, long-term revenue and net income growth. All major initiatives to deploy capital are subject to rigorous analysis and evaluation of expected benefits. Key financial criteria include impact on earnings per share, capital ratios, return on invested capital, expected payback period and internal rate of return based on discounted cash flows. Any potential business acquisitions, investments or strategic initiatives are reviewed and approved by the Company's Strategic Investment Committee, to ensure effective deployment of capital. The Company continues to maintain strong, high quality capital levels which positions as well for future business growth. The Company will continue to have a strong capital position in 2014.

40.7 The capital requirements for the Company as per the major risk categories is given below:-

	2013	2012	2013	2012
	Capital Requirements		Risk Weighted Assets	
Credit Risk	**Rs. 000**	Rs. 000	**Rs. 000**	Rs. 000
Claims on :				
Corporate	**514,189**	631,521	**3,672,779**	4,510,867
Banks	**14,289**	16,200	**102,061**	115,714
Sovereigns	**-**	-	**-**	-
Retail portfolio	**2,929**	2,345	**20,923**	16,751
Secured by residential property	**174**	230	**1,246**	1,640
Past Due Loans	**127,039**	223,486	**907,422**	1,596,329
Listed equity investments	**45,922**	46,222	**328,014**	330,156
Unlisted equity investments	**105,230**	49,594	**751,642**	354,244
Fixed Assets	**325,569**	333,533	**2,325,491**	2,382,379
Other Assets	**199,071**	186,200	**1,421,939**	1,330,001
Off Balance Sheet Exposure-Market Related	**-**	-	**-**	-
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**10,084**	26,457	**72,028**	188,975
Equity position risk	**262,277**	227,095	**1,873,410**	1,622,110
Foreign exchange risk	**3,771**	4,169	**26,935**	29,779
Operational Risk				
Capital Requirement for operational risks	**169,874**	108,710	**1,213,387**	776,503
	1,780,418	1,855,762	**12,717,277**	13,255,448

Capital Adequacy Ratio		**2013**	2012
Total eligible regulatory capital held - Rs. (000)	(e)	**7,586,519**	6,735,176
Total Risk Weighted Assets - Rs. (000)	(i)	**12,717,277**	13,255,448
Capital Adequacy Ratio - % age	(e) / (i)	**59.66%**	50.81%

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

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	**203,500**	**3.21**	**-**	**-**	**-**	**-**
Paper and allied	**41,921**	**0.66**	**-**	**-**	**-**	**-**
Electrical goods	**1,000**	**0.02**	**-**	**-**	**200,000**	**17.64**
Dairy and poultry	**42,847**	**0.68**	**-**	**-**	**-**	**-**
Banaspati and allied	**-**	**-**	**-**	**-**	**-**	**-**
Sugar and allied products	**561,668**	**8.87**	**-**	**-**	**311,098**	**27.44**
Chemical and fertilizer	**365,871**	**5.78**	**-**	**-**	**-**	**-**
Energy, oil and gas	**1,529,496**	**24.15**	**-**	**-**	**207,385**	**18.29**
Construction	**420,367**	**6.64**	**-**	**-**	**-**	**-**
Hotels	**52,565**	**0.83**	**-**	**-**	**-**	**-**
Cement	**326,986**	**5.16**	**-**	**-**	**-**	**-**
Textile	**1,796,128**	**28.36**	**-**	**-**	**200,000**	**17.64**
Metal and allied products	**436,270**	**6.89**	**-**	**-**	**-**	**-**
Automobiles and allied	**294,371**	**4.65**	**-**	**-**	**-**	**-**
Transport/services and misc.	**14,501**	**0.23**	**-**	**-**	**-**	**-**
Telecommunication	**17,250**	**0.27**	**-**	**-**	**-**	**-**
Others	**228,790**	**3.61**	**762,000**	**100.00**	**215,304**	**18.99**
	6,333,531	**100.00**	**762,000**	**100.00**	**1,133,787**	**100.00**

	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	26.85
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

41.1.1.2 Segment by sector

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	-	-	-	-	-	-
Private sector	6,333,531	100.00	762,000	100.00	1,133,787	100.00
	6,333,531	100.00	762,000	100.00	1,133,787	100.00

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	500,000	7.89	-	-	-	-
Private sector	6,802,710	93.15	685,000	100.00	1,255,298	100.00
	7,302,710	101.05	685,000	100.00	1,255,298	100.00

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Financial institutions	103,500	103,500	103,500	103,500
Paper and allied	41,920	41,920	43,371	43,371
Electrical goods	-	-	-	-
Dairy and poultry	42,847	42,847	42,847	42,847
Banaspati and allied	-	-	-	-
Sugar and allied products	-	-	52,920	49,832
Chemical and fertilizer	46,348	14,973	48,848	14,973
Energy, oil and gas	251,642	251,642	252,026	240,219
Construction	333,284	196,781	387,466	177,890
Hotels	41,315	41,315	50,000	25,000
Cement	308,236	255,856	316,111	255,856
Textile	880,741	870,241	883,340	760,700
Metal and metal products	172,437	172,437	172,437	172,437
Automobiles and allied	294,371	229,936	294,371	229,936
Transport/services	14,501	14,501	27,480	27,480
Miscellaneous	143,760	143,760	197,006	197,004
	2,674,902	2,379,709	2,871,723	2,341,045

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Public/Government sector	-	-	-	-
Private sector	2,674,902	2,379,709	2,871,723	2,341,045
	2,674,902	2,379,709	2,871,723	2,341,045

41.1.1.5 Geographical segment analysis

	2013			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies and commitments**
	Rs. 000	**Rs. 000**	**Rs. 000**	**Rs. 000**
Pakistan	**434,709**	**14,774,330**	**8,992,358**	**1,133,787**
Asia Pacific (including South Asia)	**-**	**-**	**-**	**-**
Europe	**-**	**-**	**-**	**-**
United States of America and Canada	**-**	**-**	**-**	**-**
Middle East	**-**	**-**	**-**	**-**
Others	**-**	**-**	**-**	**-**
	434,709	**14,774,330**	**8,992,358**	**1,133,787**

Total assets employed include intra group items of Rs. 521.597 million.

41.1.1.5 Geographical segment analysis (continued)

	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	8,206,031	1,255,299
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	405,465	15,904,494	8,206,031	1,255,299

Total assets employed include intra group items of Rs. 546.090 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**
	2013	**2013**	**2013**	**2013**
	Rs. 000	**Rs. 000**	**Rs. 000**	**Rs. 000**
Pakistan Rupee	**14,747,396**	**5,781,973**	**1,133,787**	**7,831,636**
United States Dollar	**26,935**	**-**	**-**	**26,935**
Great Britain Pound	**-**	**-**	**-**	**-**
Deutsche Mark	**-**	**-**	**-**	**-**
Japanese Yen	**-**	**-**	**-**	**-**
Euro	**-**	**-**	**-**	**-**
Other currencies	**-**	**-**	**-**	**-**
	14,774,331	**5,781,973**	**1,133,787**	**7,858,572**

	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	7,698,463	1,255,299	6,920,954
United States Dollar	29,779	-	-	29,779
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	15,904,494	7,698,463	1,255,299	6,950,732

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 2013	Upto 1 month 2013	Over 1-3 months 2013	Over 3-6 months 2013	Over 6-12 months 2013	Over 1-2 years 2013	Over 2-3 years 2013	Over 3-5 years 2013	Over 5-10 years 2013	Above 10 years 2013	2013
	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	39,928,016	-	-	-	-	-	-	-	-	-	39,928,016
Balances with other banks	5.00	100,835,783	97,425,461	-	-	-	-	-	-	-	-	3,410,322
Non-current asset classified as held for sale	-	21,578,657	-	-	-	-	-	-	-	-	-	21,578,657
Lending to financial institutions	10.69	409,466,390	409,466,390	-	-	-	-	-	-	-	-	-
Investments	10.23	6,494,512,553	890,057,881	2,205,670,755	1,227,658,435	55,386,142	199,517,914	-	-	-	-	1,916,221,426
Advances	11.85	3,953,822,929	224,975,256	1,087,190,728	2,610,198,595	196,700	2,764,715	-	-	28,496,935	-	-
Other assets	-	87,364,186	-	-	-	-	-	-	-	-	-	87,364,186
		11,107,508,514	1,621,924,988	3,292,861,483	3,837,857,030	55,582,842	202,282,629	-	-	28,496,935	-	2,068,502,607
Liabilities												
Borrowings from financial institutions	10.02	4,326,237,792	255,732,387	1,307,192,389	2,332,515,858	79,099,634	158,199,268	92,235,050	101,263,206	-	-	-
Deposits and other accounts	10.15	762,000,000	452,000,000	300,000,000	10,000,000	-	-	-	-	-	-	-
Other liabilities	-	116,068,415	-	-	-	-	-	-	-	-	-	116,068,415
		5,204,306,207	707,732,387	1,607,192,389	2,342,515,858	79,099,634	158,199,268	92,235,050	101,263,206	-	-	116,068,415
On-balance sheet gap		5,903,202,307	914,192,601	1,685,669,094	1,495,341,172	(23,516,792)	44,083,361	(92,235,050)	(101,263,206)	28,496,935	-	1,952,434,192
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		5,903,202,307	914,192,601	1,685,669,094	1,495,341,172	(23,516,792)	44,083,361	(92,235,050)	(101,263,206)	28,496,935	-	1,952,434,192
Cumulative yield/interest risk sensitivity gap		-	914,192,601	2,599,861,695	4,095,202,867	4,071,686,075	4,115,769,436	4,023,534,386	3,922,271,180	3,950,768,115	3,950,768,115	5,903,202,307

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 2012 Rupees
		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	
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

41.3 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

	MATURITIES									
	Total 2013 Rupees	Upto 1 month 2013 Rupees	Over 1 - 3 months 2013 Rupees	Over 3 - 6 months 2013 Rupees	Over 6 - 12 months 2013 Rupees	Over 1 - 2 years 2013 Rupees	Over 2 - 3 years 2013 Rupees	Over 3-5 years 2013 Rupees	Over 5-10 years 2013 Rupees	Above 10 years 2013 Rupees
Assets										
Cash and balances with treasury banks	39,928,016	39,928,016	-	-	-	-	-	-	-	-
Balances with other banks	100,835,783	100,835,783	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	21,578,657	-	9,634,183	11,944,474	-	-	-	-	-	-
Lending to financial institutions	409,466,390	409,466,390	-	-	-	-	-	-	-	-
Investments	6,494,512,553	864,771,881	2,018,177,535	347,710,509	1,130,430,290	316,925,809	119,742,799	255,290,890	938,962,840	502,500,000
Advances	3,953,822,929	224,975,256	224,680,984	406,421,983	482,005,438	951,673,912	498,072,299	915,733,121	250,259,936	-
Operating fixed assets	2,327,502,014	8,506,047	16,512,094	24,768,141	49,536,282	99,072,564	99,072,767	193,158,073	296,358,059	1,540,517,986
Other Assets	1,426,684,000	225,263,039	150,814,437	125,130,515	925,476,010	-	-	-	-	-
	14,774,330,342	1,873,746,412	2,419,819,233	915,975,622	2,587,448,020	1,367,672,285	716,887,865	1,364,182,084	1,485,580,835	2,043,017,986
Liabilities										
Borrowings	4,326,237,792	255,732,387	807,192,389	532,515,858	379,099,634	908,199,268	842,235,050	601,263,206	-	-
Deposits and other accounts	762,000,000	452,000,000	300,000,000	10,000,000	-	-	-	-	-	-
Deferred tax liabilities	522,721,470	4,356,012	13,068,037	13,068,037	26,136,074	52,272,147	52,272,147	104,544,294	130,680,368	126,324,355
Other Liabilities	171,013,487	31,372,423	36,083,061	36,083,061	40,793,697	-	-	8,004,373	18,676,871	-
	5,781,972,749	743,460,823	1,156,343,487	591,666,956	446,029,405	960,471,415	894,507,197	713,811,873	149,357,239	126,324,355
Net assets	8,992,357,593	1,130,285,589	1,263,475,746	324,308,666	2,141,418,615	407,200,870	(177,619,332)	650,370,211	1,336,223,596	1,916,693,631
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	688,160,024	-	-	-	-	-	-	-	-	-
Unappropriated profit	669,446,458	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,634,751,111	-	-	-	-	-	-	-	-	-
	8,992,357,593	-	-	-	-	-	-	-	-	-

41.3 Liquidity risk (continued)

41.3.1 Maturities of assets and liabilities (continued)

	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	65,538,416	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	895,033,761	12,534,314	25,068,627	37,602,941	75,205,881	35,487,377	35,487,377	70,974,754	177,436,885	425,235,606
Other Liabilities	192,900,476	76,651,545	33,329,662	29,534,613	34,642,237	-	-	4,828,926	13,913,493	-
	7,698,463,227	2,811,714,176	1,157,222,678	1,172,145,746	967,791,086	510,024,977	193,686,645	244,233,596	216,408,718	425,235,606
Net assets	8,206,031,252	(1,283,520,011)	122,565,896	791,092,610	2,575,456,421	1,103,509,672	918,690,609	968,554,393	1,364,333,461	1,645,348,201
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	535,243,701	-	-	-	-	-	-	-	-	-
Unappropriated loss	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,670,787,551	-	-	-	-	-	-	-	-	-
	8,206,031,252	-	-	-	-	-	-	-	-	-

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:

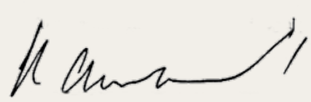
Long Term	AA (Double A)
Short Term	A1+ (A one Plus)
Outlook	Positive

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 Febuary 22, 2014 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, 2013

S.NO	NAME AND ADDRESS	NAME OF INDIVIDUAL/ PARTNERS / DIRECTORS	CNIC No.	FATHERS' / HUSBAND NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR				PRINCIPAL WRITTEN OFF	MARK UP WAIVED	OTHER FINANCIAL RELIEF PROVIDED	TOTAL
					PRINCIPAL	MARK UP	OTHERS	TOTAL				
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Swede Bus Pakistan Pvt Ltd	Mr. Khalid Rafi	42301-0734542-9	Dr.Sh.M.Rafi	11.004	12.260	20.275	43.539	0	12.260	20.275	32.535
		Mr. Ahmad Shabir	42201-9528294-3	Mr. Fazal H. Malik								
		Mr. Muhammad Naseem	42201-0804036-3	Mr. Muhammad Ibrahim								
		Mrs. Tabassum F. Shabir	42201-1825384-8	Mr. Ahmad Shabir								
		Mr. Fawaz Valliani	61101-2675953-5	Mr. Siraj Valliani								
		Mr. Abdul Rehman A. M. Falaknaz	A-1027979 (Passport No.)	Mr. Abdual Rahman Ahmad Mohd.								
					11.004	**12.260**	**20.275**	**43.539**	**0.000**	**12.260**	**20.275**	**32.535**

SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED

Consolidated Financial Statements 2013

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 2013 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 opinions on the financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited and its subsidiary companies namely Saudi Pak Real Estate Limited ("SPREL") and Saudi Pak Leasing Company Limited ("SPLCL"). These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such 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 2013 and the results of their operations for the year then ended.

We draw attention to the following matters:

a) Note 1.2 to the consolidated financial statements which states that SPLCL has accumulated losses of Rs.1,441.466 million as of the balance sheet date, resulting in a negative equity of Rs.260.773 million. Furthermore, due to the liquidity crises, SPLCL was unable to meet its financial obligations of Rs.365.757 million in principal and Rs.139.382 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;

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

c) Not 13.1.3 to the consolidated financial statements wherein it is stated that SPREL has receivable from Divine Developers (Private) Limited ('DDPL'). SPREL has been pursuing recovery of these trade receivables with DDPL, however, due to non-payment by DDPL, the recovery matter has been taken to court which is pending final decision. The management expects a favorable outcome in this regard.

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

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

Islamabad
03 April 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	Note	2013 Rupees	2012 Restated Rupees
ASSETS			
Cash and balances with treasury banks	6	40,075,406	65,690,405
Balances with other banks	7	110,901,129	389,068,830
Non-current asset classified as held for sale	8	115,515,501	96,618,462
Lendings to financial institutions	9	409,466,390	285,000,000
Investments	10	6,322,209,818	6,194,338,065
Advances	11	5,172,048,404	6,363,688,800
Operating fixed assets	12	2,449,947,364	2,612,687,710
Deferred tax assets	17	-	-
Other assets	13	1,767,708,867	1,516,807,275
Development properties	14	-	184,673,844
		16,387,872,879	17,708,573,391
LIABILITIES			
Bills payable		-	-
Borrowings	15	5,065,095,770	7,229,175,546
Deposits and other accounts	16	1,335,010,969	1,329,131,395
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	17	600,745,241	984,691,281
Other liabilities	18	462,342,656	505,195,867
		7,463,194,636	10,048,194,090
NET ASSETS		8,924,678,243	7,660,379,301
REPRESENTED BY			
Share capital	19	6,000,000,000	6,000,000,000
Reserve fund		530,335,980	324,838,150
General reserve		358,662,940	358,662,940
Unappropriated profit/ (loss)		694,290,841	(64,123,532)
		7,583,289,761	6,619,377,558
Non-controlling interest		(305,342,554)	(644,095,429)
Surplus on revaluation of AFS securities - net of tax	20	221,560,520	222,252,953
Surplus on revaluation of operating fixed assets - net of tax	21	1,425,170,516	1,462,844,218
		8,924,678,243	7,660,379,301
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 46 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, 2013

	Note	2013 Rupees	2012 Rupees
Mark-up/Return/Interest Earned	23	1,007,723,217	1,246,894,674
Mark-up/Return/Interest Expensed	24	523,062,594	776,603,120
Net Mark-up/Interest Income		484,660,623	470,291,554
Reversals/ Provision against non-performing loans and advances		(44,706,411)	255,824,164
Provision for diminution in the value of investments	25	114,942,192	134,094,048
Reversal of provision against lendings to financial institutions		-	-
Bad debts written off directly		20,150,542	403,441
		90,386,323	390,321,653
Net Mark-up/Interest income after provisions		394,274,300	79,969,901
NON MARK-UP/INTEREST INCOME			
Fee, Commission and Brokerage Income		5,658,960	15,014,467
Dividend Income		58,788,188	61,420,035
Gain from dealing in foreign currencies		2,229,685	25,667,710
Net gain on dealing in quoted securities		190,979,802	365,647,824
Gain on dealing in mutual funds		3,621,623	9,707,632
Impairment loss on asset classified as held for sale at its fair value		2,633,958	(41,145,142)
Unrealized gain on investments classified as held for trading	10.7	15,489,470	2,257,167
Underwriting income	26	-	15,667,851
Income from sale of development properties - net	27	79,937,185	10,895,745
Other Income	28	298,364,008	180,646,033
Total non mark-up/interest Income		657,702,879	645,779,322
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	29	333,840,496	375,214,513
Impairment loss on quoted securities	30	-	83,227,084
Other provisions and write offs	31	-	6,942,000
Other charges	32	759,000	-
Total non-markup/interest expenses		334,599,496	465,383,597
Share of profit of associate - net of dilution		16,237,903	8,256,402
Loss on disposal of associate		(7,020,911)	-
Extra ordinary/unusual items		-	-
		9,216,992	8,256,402
PROFIT BEFORE TAXATION		726,594,675	268,622,028
Taxation – Current		31,567,866	31,877,664
– Prior years		-	-
– Deferred		(356,785,650)	(10,243,315)
	33	(325,217,784)	21,634,349
PROFIT AFTER TAXATION		1,051,812,459	246,987,679
Attributable to:			
Equity holders of the Company		903,823,959	322,137,463
Non-controlling interests		147,988,500	(75,149,783)
		1,051,812,459	246,987,679
Basic and diluted earning per share	34	1.506	0.537

The annexed notes 1 to 46 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, 2013

	2013 Rupees	2012 Restated Rupees
Profit after taxation	903,823,959	322,137,463
Other comprehensive income		
Effect of recognition of acturial gain	513,737	820,670
Comprehensive income transferred to equity	904,337,696	322,958,133
Components of comprehensive income not reflected in equity		
Surplus on revaluation of available-for-sale securities	(6,175,230)	276,277,901
Deferred tax	2,090,898	(96,697,265)
	(4,084,332)	179,580,636
Total comprehensive income	900,253,364	502,538,767

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 Rupees	2012 Restated Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		726,594,675	268,622,028
Less: dividend income		(58,788,188)	(61,420,035)
		667,806,487	207,201,993
Adjustments:			
Depreciation and amortization		135,678,756	154,758,305
(Reversal)/ provision against non-performing loans and advances		(84,834,966)	255,824,164
Provision for diminution in the value of investments		114,942,192	134,094,048
Bad debts written off directly		20,150,542	403,441
Other provisions/write offs		-	6,942,000
Impairment loss on quoted securities		-	83,227,084
Reversal of impairment on AFS securities		(199,088,883)	(1,114,785,478)
Net gain on disposal of operating fixed assets - property and equipment		(7,829,349)	(15,116,725)
Impairment loss on asset classified as held for sale at its fair value		(2,633,958)	41,145,142
Share of profit of associate - net of dilution		(16,237,903)	(8,256,402)
Provision for gratuity		5,236,253	8,417,939
Provision for compensated absences		1,425,860	1,207,343
Unrealized gain on investment classified as held for trading		(15,489,470)	(2,257,167)
		(48,680,925)	(454,396,306)
		619,125,562	(247,194,313)
Decrease / (increase) in operating assets			
Lendings to financial institutions		(124,466,390)	(113,888,889)
Development properties		184,673,844	21,417,401
Advances		1,276,475,362	883,061,088
Other assets		(175,084,639)	204,243,933
		1,161,598,177	994,833,533
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		(1,969,079,776)	164,598,135
Deposits		5,879,574	(289,090,276)
Other liabilities		(17,820,234)	(102,162,148)
Underwriting provision		-	12,095,093
Deferred liabilities - advance rental income		(22,071,178)	27,387,897
		(2,003,091,614)	(187,171,299)
		(222,367,875)	560,467,921
Gratuity paid		(13,231,725)	(8,298,739)
Compensated absences paid		(1,886,644)	(1,195,269)
Income tax paid		(105,222,165)	(90,355,601)
		(120,340,534)	(99,849,609)
Net cash (used in) / generated from operating activities		(342,708,409)	460,618,312
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Available-For-Sale (AFS) securities		(121,376,007)	(548,963,528)
Investment in Held-To-Maturity (HTM) securities		227,983,597	625,137,475
Investment in Held-for-trading (HFT) securities		(133,378,027)	(148,000,000)
Non-current asset classified as held for sale		49,039,805	(156,501,057)
Dividend received		56,843,188	61,420,035
Investment in operating fixed assets - net		(59,551,157)	(107,332,497)
Sale proceeds on disposal of operating fixed assets - property and equipment		19,364,310	18,604,166
Net cash generated from / (used in) investing activities		38,925,709	(255,635,406)
CASH FLOW FROM FINANCING ACTIVITIES		-	-
(Decrease) / increase in cash and cash equivalents		(303,782,700)	204,982,906
Cash and cash equivalents at beginning of the year		454,759,235	249,776,330
Cash and cash equivalents at end of the year	35	150,976,535	454,759,235

The annexed notes 1 to 46 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, 2013

	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 December 31, 2011 - Audited (as previously reported)	6,000,000,000	1,661,439,491	-	(1,428,172,770)	6,233,266,720	(480,915,677)	5,752,351,043
Effect of retrospective change in accounting policy with respect to accounting for acturial losses - Note 36.6				(2,017,436)			
Balance as at January 01, 2012 - restated	6,000,000,000	1,661,439,491	-	(1,430,190,206)	6,231,249,285	(480,915,677)	5,750,333,608
Profit for the year	-	-	-	322,137,463	322,137,463	(75,149,783)	246,987,679
Effect of recognition of acturial gain				820,670	820,670	-	820,670
Total comprehensive income	-	-	-	322,958,133	322,958,133	(75,149,783)	247,808,349
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	-	-	358,662,940	(358,662,940)	-	-	-
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	324,838,150	358,662,940	(64,123,532)	6,619,377,558	(644,095,429)	5,975,282,129
Balance as at January 01, 2013	6,000,000,000	324,838,150	358,662,940	(64,123,532)	6,619,377,558	(644,095,429)	5,975,282,129
Profit for the year	-	-	-	903,823,959	903,823,959	147,988,500	1,051,812,459
Effect of recognition of acturial gain				513,737	513,737	-	513,737
Total comprehensive income	-	-	-	904,337,696	904,337,696	147,988,500	1,052,326,196
Appropriation from reserve fund	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-
Transfer to reserve fund*	-	152,916,323	-	(152,916,323)	-	-	-
Transfer to reserve fund - Saudi Pak Leasing Company Limited	-	52,581,507	-	(52,581,507)	-	-	-
Transferred from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	-	59,574,507	59,574,507	4,219,074	63,793,581
Issuance of preference shares by Saudi Pak Leasing Company Limited	-	-	-	-	-	195,000,000	195,000,000
Non controling interest share of surplus on revaluation of assets	-	-	-	-	-	(8,454,699)	(8,454,699)
Balance as at December 31, 2013	6,000,000,000	530,335,980	358,662,940	694,290,841	7,583,289,761	(305,342,554)	7,277,947,207

The annexed notes 1 to 46 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, 2013

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) and Saudi Pak Real Estate Limited (SPREL).

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% (2012: 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.

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 2013, SPLCL has made a profit of Rs. 227.884 million (2012: net loss of Rs. 129.498 million) . Moreover, as at the year end, its accumulated losses stood at Rs. 1,441.466 million (2012: Rs. 1,616.483 million), whereas the equity stood at negative Rs. 260.773 million (2012: Rs. 1,016.555 million), as against the minimum equity requirement of Rs. 700 million. Furthermore its total liabilities exceeded total assets by Rs. 226.644 million (2012: 975.928 million).

- As of 31 December 2013 impairment loss of Rs. 791.878 million (2012: 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 2013, total outstanding principal on which defaults were made amounts to Rs, 365.757 million (2012: Rs. 617.507 million) and defaulted mark-up repayments amounts to Rs. 139.382 million (2012: 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 the financial statements on a going concern basis.

- The Board of Directors supports SPLCL in negotiating the terms of restructuring of various borrowings amounting to Rs. 505.138 million (including markup thereon) 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 support SPLCL in negotiating the terms of restructuring of various borrowings amounting to Rs. 505.138 million (including mark-up thereon) from the SPLCL's lenders (including the financial institutions, term finance certificate holders, holders of certificates of investment, etc.) which will help the Company to continue as a going concern.

- The settlement agreements finalised as of 31 December 2013 will result in reduction of borrowings by Rs. 91.976 million through waiver of principal of Rs. 85.9 million and mark-up of Rs. 6.077 million. These are subject to performance of certain terms.

- The borrowings (including mark-up thereon) of SPLCL has been brought down to Rs. 1,100.980 million from Rs. 1,369.203 million during the year through settlements effected by lease and term loans swapping or sale / swapping of collateral held against non-performing borrowers as well as cash settlements and timely repayments as per the revised and restructured terms negotiated with the lenders. The management has finalised certain loans settlement agreements and is under negotiation with the remaining borrowers for the settlement of the SPLCL's obligation through surrendering of its assets/collateral held by the SPLCL against its non-performing exposure or otherwise.

- Since last two financial years, the management of the Company has managed to generate liquidity from the existing business through recovery drive 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 the Company needs to generate additional liquidity to finance its business.

- The management has negotiated with Term Finance Certificate (TFC) holders for restructuring of TFCs C53and has successfully concluded the transaction by way of step up monthly payments since January 2012 and has also successfully negotiated to defer the mark-up payments. Also during the period, the Company has managed to repurchase some of the TFCs on substantial discount from one of the major TFC holders resulting in recognition of waiver of Rs. 54.572 million.

- 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:

	2013 (Rupees)
Equity position as of 31 December 2013	
Issued, subscribed and paid-up capital - ordinary shares	451,605,000
Issued, subscribed and paid-up capital - preference shares	528,208,500
Capital reserves	200,838,896
Accumulated loss	(1,441,466,157)
Surplus on revaluation of available-for-sale investments	40,591
Equity	(260,773,170)
Expected impact on the equity based on financial projections	
Equity as of 31 December 2013:	(260,773,170)
Conversion of liabilities into preference shares	140,000,000
Reversal / waivers of mark-up on settlement of liabilities	127,807,703
Reversal / waivers of principal on settlement of liabilities	136,137,000
Reversal of provisions by claiming forced sales value benefits	21,000,000
Reversal of provisions through recoveries	500,000,000
Effects of taxation and others - net	(65,302,292)
	859,642,411
Expected equity (by June 2016)	598,869,241

1.3 Certain non-compliances of NBFC Regulations 2008 by SPLCL

Due to the fact that at 31 December 2013, SPLCL's equity is negative by Rs. 260.773 million (2012: 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), 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 (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

3 STATEMENT OF COMPLIANCE (continued)

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.

4.2 Use of critical accounting estimates and judgments (continued)

- 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 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) **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 and its two subsidiary companies 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

5.1 Basis of Consolidation (continued)

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.

- In 2012 the Holding Company lost its control over SPI Insurance Company Limited (SPIICL) and accordingly SPIICL was accounted for as subsidiary till the date of loss of control and as associate thereafter in these consolidated financial statements. In 2013 the Company has disposed of its share in associate, thus SPICL is no longer consolidated in these 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 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 acturial valuaiton is carried our periodically using "Projected Unit Credit Method.

Change in accounting policy - defined benefit plans

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 acturial valuaiton is carried our periodically using "Projected Unit Credit Method. IAS 19 (as revised in June 2011) Employees Benefits became effective during the period. The amendments to IAS 19 change accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Adoption of the amended IAS 19 amounts to change in accounting policy as per IAS 8 " Accounting Policies, Changes in Accounting Estimates and Errors" and effects of retrospective application of this change in accounting policy has been disclosed in note 36.6.

(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) **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.

(j) 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.

(k) 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.

(l) 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 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.

5.17 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

5.18 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.

5.19 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.

5.20 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.

5.21 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 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- 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.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

(a) -IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

(b) -IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

(c) -IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

(d) -Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

(e) -IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

(f) -IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

	Note	2013 Rupees	2012 Rupees
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand :			
– Local currency		284,745	262,249
– Foreign currency		-	-
		284,745	262,249
With State Bank of Pakistan in :			
– Local currency current account	6.1	39,790,661	65,428,156
– Foreign currency current account		-	-
		39,790,661	65,428,156
With National Bank of Pakistan in :			
– Foreign currency deposit account		-	-
		40,075,406	65,690,405

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

	Note	2013 Rupees	2012 Rupees
7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts – local currency		3,415,822	4,453,572
On deposit accounts –			
– Local currency	7.1	80,550,734	354,836,710
– Foreign currency	7.2	26,934,573	29,778,548
		110,901,129	389,068,830

7.1 These deposit accounts carry interest rate of 5.00% to 7.25% per annum (2012: 5.00% to 9.50% per annum).

7.2 These deposit accounts carry interest rate of 0.25% per annum (2012: 0.25% per annum).

	Note	2013 Rupees	2012 Rupees
8 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE			
Investment in SPI Insurance Company Limited	8.1	21,578,657	51,231,186
Offices of Saudi Pak Real Estate Limited	8.2	-	45,387,276
Offices of Saudi Pak Leasing Company Limited	8.3	93,936,844	-
		115,515,501	96,618,462

8.1 The Holding Company entered into an agreement dated 09 June 2011 to sell its shareholding in SPI Insurance Company Limited (Formerly Saudi Pak Insurance Company Limited). Accordingly this had 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".

		Note	2013 Rupees	2012 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 represented Office Building Block No. B-901 and B-902, 9th Floor Lakson Square Building No. 3, Sarwar Shaheed Road, Karachi. The management decided to sell these office building blocks and accordingly these had 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". During the year, this property has been sold out.

8.2.2 This represents Office Building Block No. B-903 and B-904, 9th Floor Lakson Square Building No. 3, Sarwar Shaheed Road, This represented 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 accordingly these had 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". During the year, this property has been sold out.

		Note	2013 Rupees	2012 Rupees
8.3	Offices of Subsidiary Company			
	Offices- Company occupied	8.3.1	67,936,844	-
	Repossessed Property	8.3.2	26,000,000	-
			93,936,844	-

8.3.1 The management of the SPLCL has prepared a contingent plan for generating liquidity in case need arises. Keeping in view this requirement, the Board of Directors of the Company, as part of aforementioned contingency plan, approved the decision to dispose Company's office premises. Further in the meeting, the Chief Executive Officer of the Company was authorised to sell the said premises. Had a active plan to dispose off the office premises as at 31 December 2013, therefore office premises had been classified as held for sale. The market value of the property was determined by the independent valuer named as Maricon Consultants (Pvt) Limited on 31 December 2013, the market value of the office premises net of cost to sell as of 31December 2013 amounts to Rs. 73.211 million.

8.3.2 This represents repossesed property acquired by the SPLCL in settlement of loan and lease rental amounts due to the Company. The market value of the property was determined by the independent valuer, named as Maricon Consultants (Pvt) Limited on 04 September 2013, the market value of the office premises net of cost to sell as of 31 December 2013 amounts to Rs. 26.73 million. Since the Company intends to dispose off the aforementioned properties as at 31 December 2013, therefore the said properties are classified as non-current assets classified as held for sale.

9 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2013 Rupees	2012 Rupees
Call money lendings	9.1	200,000,000	235,000,000
Repurchase agreements lendings (reverse repo)	9.2	209,466,390	50,000,000
		409,466,390	285,000,000

9.1 This includes clean placements and term deposit receipts. These carry markup rate 11.00% per annum (2012: 10.30% - 12.00% per annum) maturing on January 2014 (2012: January to April 2013).

9.2 These are secured against Treasury Bills (T-Bills) and 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 10.40% (2012: 10.00%) per annum having maturity within 2 days.

9.3 Particulars of lendings

	2013 Rupees	2012 Rupees
In local currency	409,466,390	285,000,000
In foreign currencies	-	-
	409,466,390	285,000,000

9.4 Securities held as collateral against lendings to financial institutions

	Note	2013			2012		
		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 / Market Treasury Bills	9.4.1	210,000,000	-	210,000,000	50,000,000	-	50,000,000
		210,000,000	-	210,000,000	50,000,000	-	50,000,000

9.4.1 These represent the securities obtained under reverse repo transactions.

10 INVESTMENTS

10.1 Investment by types:

	Note	2013 Held by Group Rupees	2013 Given as collateral Rupees	2013 Total Rupees	2012 Held by Group Rupees	2012 Given as collateral Rupees	2012 Total Rupees
Held-For-Trading securities (HFT)							
Quoted shares		**8,378,027**	**-**	**8,378,027**	-	-	-
Mutual funds		**273,000,000**	**-**	**273,000,000**	148,000,000	-	148,000,000
Available-For-Sale securities (AFS)							
Quoted shares		**881,111,707**	**-**	**881,111,707**	980,989,921	-	980,989,921
Un-quoted shares		**733,247,986**	**-**	**733,247,986**	497,416,378	-	497,416,378
Market Treasury Bills		**2,873,639,200**	**-**	**2,873,639,200**	576,777,088	2,257,107,700	2,833,884,788
Pakistan Investment Bonds (PIBs)		**-**	**195,241,900**	**195,241,900**	-	245,206,600	245,206,600
Ijara Sukuk		**-**	**-**	**-**	-	-	-
Term Finance Certificates (TFCs)		**245,814,257**	**-**	**245,814,257**	250,181,356	-	250,181,356
Commercial Paper		**-**	**-**	**-**	-	-	-
Mutual Funds		**50,000,000**	**-**	**50,000,000**	50,000,000	-	50,000,000
Other-Islamabad Stock Exchange ("ISE" Membership)	10.2	**2,500,000**	**-**	**2,500,000**	2,500,000	-	2,500,000
Sub-total for AFS securities		**4,786,313,150**	**195,241,900**	**4,981,555,050**	2,357,864,743	2,502,314,300	4,860,179,043
Held-To-Maturity securities (HTM)							
Pakistan Investment Bonds (PIBs)	10.3	**200,730,504**	**-**	**200,730,504**	202,922,009	-	202,922,009
Market Treasury Bills		**21,664,903**	**-**	**21,664,903**	26,026,250	-	26,026,250
Term Finance Certificates (TFCs)		**1,377,657,620**	**-**	**1,377,657,620**	1,599,088,365	-	1,599,088,365
Sub-total for HTM securities		**1,600,053,027**	**-**	**1,600,053,027**	1,828,036,624	-	1,828,036,624
Investment at cost		**6,667,744,204**	**195,241,900**	**6,862,986,104**	4,333,901,367	2,502,314,300	6,836,215,667
Provision for diminution in value of investments	10.6	**(891,956,183)**	**-**	**(891,956,183)**	(986,026,786)	-	(986,026,786)
Investments (net of provisions)		**5,775,788,021**	**195,241,900**	**5,971,029,921**	3,347,874,581	2,502,314,300	5,850,188,881
Surplus / (deficit) on revaluation of AFS securities	10.5	**335,690,427**	**-**	**335,690,427**	341,892,017	-	341,892,017
Surplus on revaluation of HFT securities	10.5	**15,489,470**	**-**	**15,489,470**	2,257,167	-	2,257,167
		6,126,967,918	**195,241,900**	**6,322,209,818**	3,692,023,765	2,502,314,300	6,194,338,065

10.2 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (the Act), during 2012 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. 0.731 million (2012: Rs. 2.922 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 (2012: 8% - 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. During the year the Company has converted sub-ordinated loan of Rs. 333.208 million of Saudi Pak Leasing Company Limited into 33.321 million preference shares. The Company has also received a dividend of Rs 0.114 million on these preference shares till December 31, 2013.

10.5 Investment by segments

	Note	2013 Rupees	2012 Rupees
Federal Government securities			
– Pakistan Investment Bonds (PIBs)	10.5.5	395,972,404	448,128,609
– Market Treasury Bills	10.5.5	2,895,304,103	2,859,911,038
		3,291,276,507	3,308,039,647
Fully paid up ordinary shares			
– Listed securities	10.5.1	889,489,734	980,989,921
– Unlisted securities	10.5.2	733,247,986	497,416,378
		1,622,737,720	1,478,406,299
Term Finance Certificates (TFCs)			
– Listed TFCs	10.5.3	974,982,811	1,029,689,893
– Unlisted TFCs	10.5.4	648,489,066	819,579,828
		1,623,471,877	1,849,269,721
Other investments			
Mutual Funds	10.5.6	323,000,000	198,000,000
Other - ISE Membership	10.2	2,500,000	2,500,000
		325,500,000	200,500,000
Total investment at cost		6,862,986,104	6,836,215,667
Less: Provision for diminution in value of investments	10.6	(891,956,183)	(986,026,786)
Investments (net of provisions)		5,971,029,921	5,850,188,881
Surplus on revaluation of Available-For-Sale securities (AFS)	20	335,690,427	341,892,017
Surplus on revaluation of Held- For- Trading securities (HFT)	10.7	15,489,470	2,257,167
		6,322,209,818	6,194,338,065

10.5.1 Investment in fully paid up ordinary shares – listed

2013	2012	Name of investee companies	2013 Rupees	2012 Rupees
Number of ordinary shares				
4,304,051	4,070,051	Agritech Limited	140,021,486	137,377,068
254,638	-	Adamjee Insurance	9,166,355	-
300,000	-	Bank of Punjab	3,245,237	-
750,000	-	Bank Al-Falah Limited	13,038,836	-
		Sub-Total carried forward	165,471,914	137,377,068

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

2013	2012	Name of investee companies	2013	2012
Number of ordinary shares			Rupees	Rupees
		Sub-Total carried forward	165,471,914	137,377,068
99,000	-	Cherat Cement limited	4,911,781	-
415,000	1,229,275	Crescent Steel & Allied Products Limited	9,265,800	39,388,341
4,000,000	4,000,000	Dewan Salman Fiber Limited	21,661,280	21,661,280
500,000	-	Descom Oxychem Limited	2,707,720	-
1,000,000	-	Engro Polymer	13,288,666	-
1,000,000	-	Fatima Fertilizer Company Limited	24,214,364	-
40,000	40,000	Engro Corporation Pakistan Limited	-	8,276,067
1,500,000	4,008,500	Fauji Cement Company Limited	19,109,955	51,068,169
500,000	500,000	Fauji Fertilizer Company Limited	23,153,386	23,153,386
1,475,000	1,500,000	Fauji Fertilizer Bin Qasim Limited	42,412,091	43,130,940
1,125,000	-	Faysal Bank	12,360,730	-
1,100,000	1,875,000	Fecto Cement Limited	24,679,778	41,921,325
50,000	-	Hub Power Company Limited	3,004,770	-
11,572,199	11,572,199	Japan Power Generation Limited	48,003,442	47,998,542
7,000	-	Kohinoor Energy Ltd	221,009	-
450,000	450,000	Kott Addu Power Company Limited	20,095,515	20,095,515
-	1,500,000	Maple Leaf Cement Limited	-	10,205,220
1,000,000	1,000,000	National Bank of Pakistan Limited	56,181,539	64,608,772
1,000,000	1,000,000	Nishat Chunian Power Limited	14,389,050	14,389,050
750,000	1,265,000	Nishat Power Limited	12,034,350	20,297,937
-	2,000,000	NIB Bank Limited	-	17,811,960
250,000	72,000	Pakistan State Oil Company Limited	68,695,717	20,368,155
550,000	1,000,000	Pakistan Telecommunication Company Limited	14,074,610	25,590,200
480,900	343,750	Pakistan Petroleum Limited	51,216,152	40,368,270
-	2,000,000	Lafarge Pakistan Cement Limited	-	8,362,500
2,000,000	3,059,000	Pace Pakistan Limited	25,721,680	39,341,309
1,000,000	-	Pakgen Power Limited	26,105,863	-
161,987	161,987	Packages Limited	-	28,394,283
351,000	420,000	Pak Reinsurance Limited	13,174,848	15,764,775
448,500	632,000	Pakistan Refinery Limited	50,505,055	71,168,774
500,270	993,623	Pak Elektron Limited	7,779,913	20,000,000
453,000	453,000	Pakistan National Shipping Corporation (PNSC)	-	21,747,125
10,000,000	-	Silk Bank Limited	22,743,871	-
50,000	50,000	Security Papers Limited	1,980,000	1,980,000
100,000	190,300	Sitara Chemicals Industries Limited	30,087,238	57,256,013
854,000		Standard Chartered Bank	14,092,447	-
		Sub-Total carried forward	843,344,534	911,724,976

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

2013 Number of ordinary shares	2012 Number of ordinary shares	Name of investee companies	Note	2013 Rupees	2012 Rupees
		Sub-Total carried forward		**843,344,534**	911,724,976
-	458,764	Samin Textiles Limited		**-**	8,823,174
100,000	95,000	Shell Pakistan Limited		**18,507,760**	17,707,500
4,000,000	6,185,000	World Call Telecom Limited		**27,637,440**	42,734,271
				889,489,734	980,989,921

10.5.2 Investment in fully paid up ordinary shares – unlisted

2013 Number of ordinary shares	2012 Number of ordinary shares	Name of investee companies	Note	2013 Rupees	2012 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
-	1,333,333	Burj Bank		**-**	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
450,000	500,000	Highnoon Textiles Limited		**4,500,000**	5,000,000
-	1,500,000	Wah Nobel Acetates Limited		**-**	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
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**	173,000,000
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
100,000,000	-	Silk Bank Limited		**250,000,000**	-
2,500,000	-	SPI Insurance Company Limited		**14,664,938**	-
				733,247,986	497,416,378

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 Chief Executive	As per Accounts	% age Held	breakup Value of Investment	Total Rupees
Pak Kuwait Takaful Company	Mr. Imtiaz Bhatti	31-Dec-12	10.00	15.38	40,000,000
Equity International (Pvt) Limited*	Mr. Syed Farhan Abbas	30-Jun-13	19.05	3.50	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

2013	2012	Name of investee company	Original face Value (Rs.)	2013 Rupees	2012 Rupees
Number of ordinary shares					
59,839	59,839	Allied Bank Limited	5,000	**298,566,288**	298,685,966
44,419	44,419	Azgard Nine Limited	5,000	**136,614,140**	136,614,140
-	6,313	Askari Bank Limited	4,989	**-**	31,470,305
48,780	48,780	Engro Corporation Pakistan Limited	4,957	**241,777,560**	241,785,560
-	5,000	Jahangir Siddiqui and Company Limited	5,000	**-**	24,937,525
32,300	31,125	Maple Leaf Cement (Sukuk) Limited	5,000	**135,512,851**	145,931,250
2,000	2,000	Trust Investment Bank Limited	5,000	**3,748,500**	3,748,500
10,000	10,000	World Call Telecom Limited	5,000	**21,415,716**	21,415,716
15,000	15,000	World Call Telecom Limited	2,150	**22,486,485**	22,486,485
-	10,000	Pakistan Mobile Communications Limited	5,000	**-**	49,330,000
250	250	Pakistan Mobile Communications Limited	100,000	**20,073,125**	23,823,125
6,000	6,000	Summit Bank Limited	5,000	**29,447,521**	29,461,321
51,500	-	Pak Arab Fertilizer Ltd	1,875	**65,340,625**	-
				974,982,811	1,029,689,893

10.5.3.1 These carry rate of return ranging from 10.45% to 13.86% per annum (2012: 11.38% to 13.58% per annum) and having maturity upto 7 years (2012: 8 years).

10.5.4 Investment in Term Finance Certificates – unlisted

2013	2012	Company's name	Name of Chief Executive	Value per certificate (Rupees)	2013 Rupees	2012 Rupees
Number of certificates						
40,000	40,000	Avari Hotels Limited	Mr. Byram D. Avari	5,000	**74,460,000**	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	**40,468,750**	47,343,750
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	**5,555,560**	16,666,670
10,000	10,000	Martin Dow Pharmaceuticals	Mr. Jawed Akhai	5,000	**4,600,000**	26,680,000
-	10,000	Faysal Bank Limited(RBS)	Mr. Naveed A. Khan	5,000	**-**	12,470,000
57,263	57,263	Agritech Limited	Mr. Ahmed Jaudet Bilal	5,000	**286,283,751**	286,283,751
7,045	7,045	Sitara Energy (Sukuk)	Mr. Javed Iqbal	5,000	**21,136,362**	35,227,272
30,000	30,000	Sitara Peroxide Limited	Mr. Imran Ghafoor	5,000	**124,129,143**	133,223,685
					648,489,066	819,579,828

10.5.4.1 These carry rate of return ranging from 10.18% to 13.90% (2012: 8.98% to 13.74%) per annum and having maturity of upto 6 years.

10.5.5 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Rate	Coupon payment
Pakistan Investment Bonds	April 2014 to July 2015	On maturity	8% to 11.50%	Semi-annually
Market Treasury Bills	January 2014 to June 2014	On maturity	8.95% to 9.91%	On maturity

10.5.6 Investments in mutual funds

Name of investee	2013	2012	Note	2013	2012
	Number of unit			Rupees	Rupees
Atlas Money Market Fund	-	96,050		-	48,000,000
Meezan Cash Fund	1,025,287			48,000,000	-
Askari Sovereign Cash Fund	475,034			47,000,000	-
HBL Money Market Fund	259,218			26,000,000	-
ABL Cash Fund	2,618,278			26,000,000	-
NAFA Money Market Fund	2,617,545			26,000,000	-
Pak Oman Advantage Fund	5,000,000	5,000,000		50,000,000	50,000,000
UBL Fund Managers Limited	547,180	509,439		50,000,000	50,000,000
Arif Habib Investments Limited	1,082,084	505,383		50,000,000	25,000,000
PICIC Asset Management Company Limited	-	252,162		-	25,000,000
				323,000,000	198,000,000

10.6 Provision for diminution in value of investments

	Note	2013 Rupees	2012 Rupees
Opening balance		986,026,786	1,812,699,417
Charge for the year		163,353,982	288,112,847
Reverse for the year		(58,335,702)	(142,080,063)
Reversals (related to quoted AFS securities)		(199,088,883)	(972,705,415)
Written off		-	-
Closing balance	10.6.1	891,956,183	986,026,786

10.6.1 Particulars of provision in respect of type and segments

	2013 Rupees	2012 Rupees
Available-For-Sale (AFS) securities	331,187,108	537,310,417
Impairment on quoted securities	251,466,950	249,059,977
Un-quoted securities	36,333,191	34,250,291
Term Finance Certificates (TFCs)		
Held-To-Maturity (HTM) securities	272,968,934	165,406,101
Term Finance Certificates (TFCs)		
	891,956,183	986,026,786

10.7 Unrealized gain on revaluation of investments classified as held for trading

	Note	2013 Rupees	2012 Rupees
Unrealized gain on revaluation of investments classified as held for trading	10.5	15,489,470	2,257,167

10.8 Quality of available for sale securities

(a) Quoted Securities

	2013		2012	
	Rating	Market value Rupees	Rating	Market value Rupees
Companies				
Adamjee Insurance	AA	37.37		
Agritech Limited	D	12.67	D	11.67
Bank Alfalah Limited	AA/A-1+	27.04	-	-
Crescent Steel and Allied Limited	unrated	47.16	unrated	35.15
Engro Corporation Pakistan Limited	-	-	A/A1	92.04
Engro Polymer	unrated	13.41	-	-
Dewan Salman Fiber Limited	unrated	2.62	unrated	2.40
Descom Oxychem Limited	unrated	5.40	-	-
Fauji Cement Company Limited	unrated	15.95	unrated	6.54
Fatima Fertilizer Company Limited	A+/A1	28.56	-	-
Faysal Bank	AA/A1+	11.39	-	-
Fecto Cement Limited	unrated	44.63	unrated	34.63
Fauji Fertilizer Bin Qasim Limited	unrated	43.81	unrated	38.59
Fauji Fertilizer Company Limited	unrated	111.96	unrated	117.14
Hub Power Company Limited	AA+/A1+	60.72	-	-
Japan Power Generation Limited	-	-	unrated	1.68
Kot Addu Power Company Limited	AA+/A-1+	61.75	AA+/A-1+	49.39
Maple Leaf Cement Limited	BB/B	-	D	14.57
National Bank of Pakistan Limited	AAA/A1+	58.06	AAA/A1+	49.39
Nishat Power Limited	A+/A1	30.06	A+/A1	19.50
Nishat Chunian Power Limited	A+/A-2	34.78	A/A-2	21.01
NIB Bank Limited	-	-	AA-/A1+	2.63
Pakistan Telecommunication Company Limited	unrated	28.44	unrated	17.35
Pakistan Petroleum Limited	unrated	213.96	unrated	176.79
Pakistan State Oil Company Limited	AA+/A1+	332.22	AA+/A1+	232.21
Pakgen Power Limited	AA/A1+	21.71	-	-
Lafarge Pakistan Cement Limited	-	-	unrated	5.07
Pace Pakistan Limited	Withdrawn	3.79	Withdrawn	2.99
Packages Limited	-	-	AA/A1+	151.16
Pak Reinsurance Limited	unrated	28.45	AA	24.45
Pak Refinery Limited	A-/A2	76.14	unrated	69.30
Pak Elektron limited	unrated	19.99	Withdrawn	10.76
PNSC	-	-	AA-/A1+	34.82
Sitara Chemicals Industries Limited	A+/A1	245.01	A+/A1	179.00
Silk Bank Limited	A-/A2	2.10	-	-
Standard Chartered Bank	AAA/A1+	24.90	-	-
Security Papers Limited	AAA/A1+	70.30	AAA/A1+	51.32
Samin Textile Limited	-	-	unrated	6.70
Saudi Pak Leasing Company Limited	-	-	unrated	3.25
Shell Pakistan Limited	unrated	190.43	unrated	136.19
World Call Telecom Limited	D	2.48	D	2.53

(b) **Mutual Funds**

Companies	2013 Rating	2013 Market value Rupees	2012 Rating	2012 Market value Rupees
Atlas Money Market Fund	-	-	AA(f)	505.05
Meezan Cash Fund	AA(f)	50.09	-	-
Askari Sovereign Cash Fund	AAA(f)	100.80	-	-
HBL Money Market Fund	AA(f)	101.09	-	-
ABL Cash Fund	AA(f)	10.01	-	-
NAFA Money Market Fund	AA(f)	10.01	-	-
Pak Oman Advantage Fund	-	-	AM3	10.93
UBL Fund Managers Limited	AM2	100.57	AM2	100.28
Arif Habib Investments Limited	AM2	50.02	A+/A1	50.14
PICIC Asset Management Company Limited	-	-	AM2-	100.43

11 ADVANCES

	Note	2013 Rupees	2012 Rupess
– In Pakistan		6,511,104,952	7,530,018,981
– Outside Pakistan		-	-
		6,511,104,952	7,530,018,981
Net investment in finance lease			
– In Pakistan	11.2	2,199,403,812	2,456,965,145
– Outside Pakistan		-	-
		2,199,403,812	2,456,965,145
Bills discounted and purchased		-	-
Advances – gross	11.1	8,710,508,764	9,986,984,126
Provision for non-performing advances	11.1.6	(2,383,465,341)	(2,324,089,748)
Provision for non-performing lease finance	11.2.3	(1,154,995,019)	(1,299,205,578)
Advances – net of provision		5,172,048,404	6,363,688,800

11.1 Particulars of advances - gross

		Note	2013 Rupees	2012 Rupess
11.1.1	– In local currency		8,673,280,976	9,949,756,338
	– In foreign currencies		37,227,788	37,227,788
			8,710,508,764	9,986,984,126
11.1.2	Long term advances (for over one year)	11.1.3	6,786,891,928	7,566,297,426
	Short term advances (for upto one year)	11.1.4	1,888,449,896	2,396,849,317
	Staff advances		35,166,940	23,837,383
			8,710,508,764	9,986,984,126

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 (2012: 7.00% to 22.66% per annum). These also include term loans due from customers secured against property and equipments etc. as also mentioned in note 10.2.2.1 below.

11.1.4 These are maturing within next twelve months and carry mark-up rates ranging from 11.36% to 17.86% per annum (2012: 11.36% to 25% per annum). These are secured by pledge of quoted shares, stocks and charge on receivable etc.

11.1.5 Advances include Rs. 2881.396 million (2012: Rs. 3,137.100 million) which have been placed under non-performing status as detailed below:-

Category of classification	2013		
	Classified advances Rupees	**Provision required Rupees**	**Provision held Rupees**
Substandard	**52,380,000**	**-**	**-**
Doubtful	**-**	**-**	**-**
Loss	**2,829,015,897**	**2,383,465,341**	**2,383,465,341**
	2,881,395,897	**2,383,465,341**	**2,383,465,341**

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	2,782,589,274	2,213,897,315	2,213,897,315
	3,137,100,384	2,324,089,748	2,324,089,748

11.1.6 **Particulars of provisions against non-performing advances**

	2013 Rupees Specific	2012 Rupees Specific
Opening balance	**2,324,089,748**	2,315,164,814
Charge for the year	**247,176,167**	346,373,485
Amounts written off	**-**	(115,161,874)
Reversals	**(187,800,574)**	(222,286,677)
Closing balance	**2,383,465,341**	2,324,089,748

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 consolidated financial statements is not available for payment of cash or stock dividend. As on December 31, 2013, total FSV benefit availed by the Company stands at Rs. 255.908 million (2012: Rs. 357.981 million). Had the FSV benefit not recognised, profit before and after tax for the year would have been lower by Rs. 255.908 million and Rs.168.900 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. 49.656 million (31 December 2012: Rs. 256.88 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, the specific provision against non-performing loans would have been higher by Rs. 49.656 million (31 December 2012: Rs. 256.88 million) and the Company's profit for the period (before taxation) would also have been lower by the same amount.

		Note	2013 Rupees	2012 Rupees
11.1.7	**Particulars of write offs:**			
	Against provisions		-	115,161,874
	Directly charged to the consolidated profit and loss account		20,150,542	403,441
			20,150,542	115,565,315
11.1.8	**Particulars of amounts written off against provisions**			
	Write offs of Rs. 500,000 and above		20,150,542	115,161,874
	Write offs of below Rs. 500,000		-	-
			20,150,542	115,161,874
11.2	**Net investment in finance lease**			
	Minimum lease payments receivables		1,821,514,862	2,067,834,510
	Add: Residual value of leased assets		459,565,381	502,181,821
			2,281,080,243	2,570,016,331
	Less: Unearned finance income		(81,676,431)	(113,051,186)
	Present value of minimum lease payments	11.2.1	2,199,403,812	2,456,965,145
	Less: Provision for potential lease losses	11.2.2	(1,154,995,019)	(1,299,205,578)
	Net investment in lease		1,044,408,793	1,157,759,567

11.2.1 Present value of minimum lease payments

	2013		
	Less than one year Rupees	One year to five year Rupees	Total Rupees
Lease rental receivable	2,101,633,003	179,447,240	2,281,080,243
Less: Unearned finance income	(74,230,834)	(7,445,597)	(81,676,431)
Present value of minimum lease payments	2,027,402,169	172,001,643	2,199,403,812

	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

11.2.2 Investment in lease finance includes Rs. 1,346.056 million (2012: Rs. 1,301.819 million) which has been placed under non-performing status as detailed below:-

	2013		
Category of classification	Classified advance Rupees	Specific provision required Rupees	Specific provision held Rupees
Substandard	-	-	-
Doubtful	-	-	-
Loss	1,346,056,567	1,154,995,019	1,154,995,019
	1,346,056,567	1,154,995,019	1,154,995,019

	2012		
	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

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% (2012: 12.5% to 20.01%) 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 2013, the Company's investment in lease assets was 72.25% (31 December 2012: 67.52%) of the total assets (less allowable deductions).

11.2.3 Particulars of provisions against non-performing lease finance

	2013 Rupees Specific	2012 Rupees Specific
Opening balance	**1,299,205,578**	1,162,196,727
Charge for the year	**81,068,921**	251,824,887
Amounts written off	**(32,376,040)**	-
Reversals	**(192,903,440)**	(114,816,036)
Closing balance	**1,154,995,019**	1,299,205,578

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. 628.375 million (31 December 2012: Rs. 823.906 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, the specific provision against non-performing lease portfolio would have been higher by Rs. 628.375 million (31 December 2012: Rs. 823.906 million) and the Company's profit (before taxation) would also have been lower by the same amount.

11.2.4 Particulars of amounts written off against provisions

	2013 Rupees Specific	2012 Rupees Specific
Write offs of Rs. 500,000 and above	**32,376,040**	-
Write offs of below Rs. 500,000	**-**	-
	32,376,040	-

11.3 Particulars of loans and advances to directors and associated companies etc.

	2013	2012
Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons	**35,166,940**	23,837,383
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	**-**	-

12 OPERATING FIXED ASSETS

		2013 Rupees	2012 Rupees
Capital work-in-progress	12.1	**250,000**	-
Property and equipment	12.1	**2,447,686,486**	2,611,229,390
Intangible assets	12.2	**2,010,878**	1,458,320
		2,449,947,364	2,612,687,710

12.1 Property and equipment

	2013									
	COST/REVALUATION					DEPRECIATION				
	Opening balance Rupees	" Additions / Transfers " Rupees	Disposals / Transfers Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Disposals / Transfers Rupees	Closing balance Rupees	Net Book value Rupees
Freehold land	8,088,120	-	-	8,088,120	-	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,248,493,750	-	-	1,248,493,750	1.19	-	14,857,075	-	14,857,075	1,233,636,675
Building - Islamabad	713,309,036	1,481,100	-	714,790,136	4	-	28,547,224	-	28,547,224	686,242,912
Building	248,251,216	6,044,000	118,975,985	135,319,231	4	45,839,929	26,311,189	33,182,570	38,968,548	96,350,683
Building - Islamabad- ISE towers	25,500,000	-	-	25,500,000	1.14	-	290,700	-	290,700	25,209,300
Heating and air-conditioning	129,244,640	-	-	129,244,640	15	3,688,521	18,821,706	-	22,510,227	106,734,413
Elevators	63,835,776	1,097,200	-	64,932,976	15	-	9,645,623	-	9,645,623	55,287,353
Electrical fittings	119,582,329	37,341,760	-	156,924,089	15	299,250	18,870,861	-	19,170,111	137,753,978
Fire fighting equipment	3,937,591	-	-	3,937,591	15	-	590,553	-	590,553	3,347,038
Leasehold improvement	6,302,839	-	-	6,302,839	15	3,185,124	922,862	-	4,107,986	2,194,853
Motor vehicles	66,908,193	4,547,824	3,207,300	68,248,717	20	31,763,068	9,514,248	3,107,998	38,169,318	30,079,399
Furniture, fixture and fittings	23,512,576	-	1,168,805	22,343,771	20	19,930,976	529,239	448,775	20,011,439	2,332,332
Office equipment	56,905,241	4,756,843	79,800	61,582,284	33.33	53,045,933	2,738,894	79,800	55,705,027	5,877,257
Telephone installation	1,818,716	391,020	-	2,209,736	15	267,122	346,841	-	613,963	1,595,773
Electrical appliances	3,217,085	1,789,402	-	5,006,487	15	1,381,400	505,689	-	1,887,089	3,119,398
Loose tools	1,170,325	-	-	1,170,325	15	597,310	143,250	-	740,560	429,765
Miscellaneous	843,569	-	-	843,569	15	804,337	14,122	-	818,459	25,110
Security systems	13,138,065	261,000	-	13,399,065	15	-	1,990,231	-	1,990,231	11,408,834
Leasehold Plant and Machinery	114,962,080	-	-	114,962,080		76,988,787	-	-	76,988,787	37,973,293
	2,849,021,147	57,710,149	123,431,890	2,783,299,406		237,791,757	134,640,306	36,819,143	335,612,920	2,447,686,486
Capital work in progress	-	250,000	-	250,000		-	-	-	-	250,000
	2,849,021,147	57,960,149	123,431,890	2,783,549,406		237,791,757	134,640,306	36,819,143	335,612,920	2,447,936,486

12.2 Intangible assets

	2013									
	COST/REVALUATION					AMORTIZATION				
	Opening balance Rupees	" Additions / Transfers " Rupees	Disposals / Transfers Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Disposals / Transfers Rupees	Closing balance Rupees	Net Book value Rupees
Software and others	12,616,582	1,591,008	-	14,207,590	33.33	11,158,262	1,038,450	-	12,196,712	2,010,878

12.1 Property and equipment (continued)

2012

	COST/REVALUATION								DEPRECIATION						NET
	Opening balance Rupees	Additions / Transfers Rupees	Revaluation surplus/ (deficit) Rupees	Adjustment for revaluation Rupees	Disposals Transfers Rupees	Adjustment for loss of control in subsidiary Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Adjustment for revaluation Rupees	Disposals Transfers Rupees	Adjustment for loss of control in subsidiary Rupees	Closing balance Rupees	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	33.33	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	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
Leasehold Plant and Machinery	111,062,135	2,301,480	10,006,600	-	8,408,135	-	114,962,080		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 (continued)

2012

	COST/REVALUATION								AMORTIZATION						NET
	Opening balance Rupees	Additions / Transfers Rupees	Revaluation surplus/ (deficit) Rupees	Adjustment for revaluation Rupees	Disposals Transfers Rupees	Adjustment for loss of control in subsidiary Rupees	Closing balance Rupees	Rate %	Opening balance Rupees	For the year Rupees	Adjustment for revaluation Rupees	Disposals Transfers Rupees	Adjustment for loss of control in subsidiary Rupees	Closing balance Rupees	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

12.3 Details of disposal of operating fixed assets

Particulars of assets	Cost / revaluation	Accumulated Depreciation	Book value	Surplus	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Suzuki Cultus (LU-846)	606,000	605,999	1	-	677,200	677,199	Auction	Chaudhary Muhammad Saleem
Suzuki Bolan CNG (KW-935)	419,300	419,299	1	-	538,512	538,511	Auction	Mr. Mumtaz Khan
Toyota Corolla 2D (HU-453)	1,189,000	1,188,999	1	-	925,000	924,999	Auction	Mr. Aurangzeb Khan
Hyundai Santro: AFX-674	559,000	503,101	55,899	-	152,500	96,601	Company Policy	Mr. Hazrat Wali
Daihatsu Coure: ALJ - 295	434,000	390,600	43,400	-	250,000	206,600	Company Policy	Ms. Farhana Naz
Generator 500 kVA	6,390,500	5,324,625	1,065,875	-	1,790,568	724,693	Auction	Mr. Saleem Hussain
Generator 350 kVA	6,095,900	5,044,725	1,051,175	-	1,708,024	656,849	Auction	Mr. Saleem Hussain
Generator 39 kVA	1,233,250	889,228	344,022	-	345,547	1,525	Auction	Mr. Saleem Hussain
Generator 39 kVA	1,233,250	889,228	344,022	-	345,547	1,525	Auction	Mr. Saleem Hussain
Generator 150 kVA	1,999,750	1,422,040	577,710	-	560,314	(17,396)	Auction	Mr. Saleem Hussain
Generator 250 kVA	3,892,400	3,640,400	252,000	-	450,098	198,098	Auction	M& E Engineering Services
Generator 500 kVA	6,260,750	5,875,750	385,000	-	675,000	290,000	Auction	M& E Engineering Services
Generator 350 kVA	6,095,900	5,701,900	394,000	-	750,000	356,000	Auction	M& E Engineering Services
Load Bank 1250 kVA	3,204,000	2,366,500	837,500	-	900,000	62,500	Auction	M& E Engineering Services
Generator 80 kVA	1,029,500	477,174	552,326	-	975,000	422,674	Auction	M& E Engineering Services
Generator 350 kVA	2,728,000	1,203,000	1,525,000	-	2,700,000	1,175,000	Auction	M& E Engineering Services
Generator 100 kVA	935,000	348,000	587,000	-	1,050,000	463,000	Auction	M& E Engineering Services
Korangi warehouse	2,800,000	-	2,800,000	-	3,400,000	600,000	Auction	Various buyers
Glass door furniture	75,155	75,155	-	-	40,000	40,000	Auction	Various buyers
Office equipment	79,800	79,800	-	-	71,000	71,000	Auction	Various buyers
Furniture and fixture (various items)	1,093,650	373,620	720,030	-	1,060,000	339,970	Auction	Various buyers
	48,354,105	36,819,144	11,534,961	-	19,364,310	7,829,349		

	2013 Rupees	2012 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	**84,143,195**	78,624,161
Building improvement	**-**	3,526,371
Vehicles	**19,432,498**	10,461,160
Loose tools	**215,330**	215,330
	103,791,023	92,827,022

12.5 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.

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.

	2013 Rupees	2012 Rupees
12.6 Had the revaluation not been carried out, the net book value of the revalued assets would have been as follows:		
Land	**1,033,673**	779,557
Office premises	**11,311,396**	12,025,096
Building and other assets	**138,004,853**	25,106,081
Properties of SPLCL	**33,709,583**	34,574,575
	184,059,505	72,485,309

13	OTHER ASSETS	Note	2013 Rupees	2012 Rupees
	Accrued income and receivables	13.1	570,047,407	395,384,541
	Advances, deposits, prepayments and other receivables	13.2	1,197,661,460	1,121,422,734
			1,767,708,867	1,516,807,275
13.1	Accrued income and receivables			
	Dividend income		2,250,000	305,000
	Accrued income from advances	13.1.1	130,119,308	106,948,777
	Accrued income from investments	13.1.2	98,313,100	125,123,417
	Accrued income from lendings to financial institutions		150,068	642,738
	Other receivables	13.1.3	339,214,931	162,364,609
			570,047,407	395,384,541
13.1.1	Accrued income from advances			
	Long term advances		774,852,043	768,583,692
	Short term advances		174,227,464	175,868,668
	Lease financing		143,742,507	159,056,929
	Others		5,004,426	5,153,490
			1,097,826,440	1,108,662,779
	Less: provision for doubtful accrued income from advances		(967,707,132)	(1,001,714,002)
			130,119,308	106,948,777
13.1.2	Accrued income from investments			
	Government Securities		52,868,149	73,340,140
	Term Finance Certificates (TFCs)		195,155,431	210,140,166
	Income on equity (preference shares)		27,424,658	-
	Commercial Papers		-	-
			275,448,238	283,480,306
	Less: provision for doubtful accrued income from investments		(177,135,138)	(158,356,889)
			98,313,100	125,123,417

13.1.3 This includes an amount of Rs. 333.38 million receivable from Divine Developers (Private) Limited ('DDPL') in respect of sale of 90 houses of Residential - Divine Gardens, which is secured against equitable as well as registered mortgage of immovable properties in favour of the Company against various other properties for an amount of Rs. 1,350 million. SPREL has been pursuing recovery of these trade receivables with DDPL, however, due to non-payment by DDPL, the recovery matter has been taken to the Court which is pending final decision. The management expects a favorable outcome in this regard.

13.2	Advances, deposits, prepayments and other receivables	Note	2013 Rupees	2012 Rupees
	Advances to suppliers		13,000,780	17,502,419
	Security deposits		7,675,548	7,285,204
	Prepayments and other receivables		7,817,391	7,179,341
	Receivable from stock brokers		3,869,995	4,435,867
	Advance tax - net		901,093,671	820,815,828
	Non banking assets acquired in satisfaction of claims		413,102,345	413,102,345
	Advance for purchase of shares	13.2.1	256,792	256,792
			1,346,816,522	1,270,577,796
	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)	(145,080,000)
		13.2.2	(149,155,062)	(149,155,062)
			1,197,661,460	1,121,422,734

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	2013 Rupees	2012 Rupees
13.2.2 Provision against doubtful receivable balances			
Opening balance		149,155,062	142,213,062
Charge for the year		-	6,942,000
Closing balance		149,155,062	149,155,062
14 DEVELOPMENT PROPERTIES			
Balance at beginning of the year		184,673,844	206,091,245
Cost of plots		-	-
Construction cost		-	-
Development properties sold during the year		(184,673,844)	(21,417,401)
Balance at end of the year	14.1	-	184,673,844

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. Commercial property has been fully sold during the year.

	Note	2013 Rupees	2012 Rupees
15 BORROWINGS			
In Pakistan		5,065,095,770	7,229,175,546
Outside Pakistan		-	-
	15.1	5,065,095,770	7,229,175,546
15.1 Particulars of borrowings with respect to currencies			
In local currency		5,065,095,770	7,229,175,546
In foreign currency		-	-
		5,065,095,770	7,229,175,546
Long term borrowings	15.2	3,142,048,114	3,051,415,599
Short term borrowings	15.3	1,923,047,656	4,177,759,947
		5,065,095,770	7,229,175,546
15.2 Long term borrowings			
Against book debts/receivables	15.2.1	2,457,905,161	1,866,384,616
Term finance certificates - secured	15.2.2	157,905,161	430,853,483
Clean / letter based financing		-	7,944,440
Against SBP refinance schemes :			
- Long term financing of export oriented projects (LT-EOP)		16,341,000	78,137,000
- Long term financing facility (LTFF)		509,896,792	668,096,060
	15.2.3	526,237,792	746,233,060
		3,142,048,114	3,051,415,599

15.2.1 These represent facilities obtained against charge on book debts/receivables valuing Rs. 3,167 million (2012: Rs. 3,373 million). The mark up is charged at varying rates ranging from 10.21% to 10.81% per annum (2012: 9.91% to 12% per annum). These facilities will mature during June 2013 to September 2014 (2012: June 2013 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 2013, 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 the holding company against State Bank Refinance schemes (LT-EOP / LTFF). The mark up is charged at rate of 5.00% to 10.10% per annum (2012: 5.00% to 10.10% per annum). These facilities will mature during January 2014 to November 2018 (2012: January 2013 to November 2018).

		Note	2013 Rupees	2012 Rupees
15.3	**Short term borrowings**			
	Holding company	15.3.1	1,500,000,000	3,359,295,930
	Subsidiary company -SPLCL	15.3.2	423,047,656	818,464,017
			1,923,047,656	4,177,759,947
15.3.1	**Particulars of borrowings - holding company**			
	Against book debts/receivables	15.3.1.1	500,000,000	-
	Repurchase agreements under PIBs - repo	15.3.1.2	200,000,000	250,000,000
	Repurchase agreements under Market Treasury Bills - repo	15.3.1.3	-	2,309,295,930
	Morahaba finance	15.3.1.4	800,000,000	800,000,000
			1,500,000,000	3,359,295,930

15.3.1.1 This represents facilities obtained by Holding Company against charge on book debts / receivables valuing Rs. 833.333 million. The mark-up is charged at the rate of 9.67% to 10.40% per annum. These facilities will be matured in June 2014.

15.3.1.2 These represents finances obtained by Holding Company and these finances are secured against Pakistan Investment Bonds. These carry markup rate of 9.45% (2012: 9.50%) per annum and will mature in January 2014 (2012: January 2013).

15.3.1.3 These represents finances obtained by Holding Company and these were secured against Treasury bills and carry mark up rates of 7.75% to 9.25% and were matured in January 2013.

15.3.1.4 These represent morahaba finance arranged from an Islamic Bank by Holding Company. These carry markup rates ranging from 9.51% to 9.94% (2012: 9.76% to 9.86%) per annum. These will be maturing from February 2014 to March 2014 (2012: February 2013 to June 2013).

		Note	2013 Rupees	2012 Rupees
15.3.2	**Particulars of borrowings - SPLCL**			
	Clean / letter based financing	15.3.2.1	179,193,232	102,444,448
	Against book debts/receivables	15.3.2.2	243,854,424	668,019,569
	Term finance certificates - secured		-	48,000,000
			423,047,656	818,464,017

15.3.2.1 SPLCL has availed clean/ letter based financing 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 2013, SPLCL has accrued a mark-up of Rs. 32.603 million (2012: 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 2013, SPLCL has accrued a mark-up of Rs. 18.441 million (2012: 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 (MEBL) 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. 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, MEBL and the said borrower. The management is currently under negotiation for an early execution of the said agreement. As per the restructuring terms, this finance carries no markup.

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. On 24 December 2012, SPLCL has restructured the loan by way of the settlement agreement. As per the latest agreement, SPLCL is required to settle the loan through following terms:

-Down payment of Rs. 1.237 million.
-14 equal monthly cash payment of Rs. 1.33 million starting from January 2013.

SPLCL has made down payment of Rs 1.237 million on 31 December 2012 and has paid the monthly installments on the agreed date as per the revised agreement. As of December 31, 2013 SPLCL has accrued the markup of Rs. 4.39 million."

e) 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.

15.3.2.2 SPLCL has availed borrowings against book debts/ receivables from various parties as per following details:

a) This represents finance of Rs. 115 million obtained from Soneri Bank Limited on 22 March 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreement on 22 December 2010. As per the rescheduling terms the entire principal was payable in monthly installments of Rs. 1 million starting from November 2010. SPLCL paid the installments upto 16 March 2011.

On 7 May 2013, SPLCL has again restructured the loan by way of settlement agreement, as per the latest agreement, SPLCL is required to settle the loan through following terms: Rs. 43 million by way of transfer of a property (held as collateral of Rs. 43 million against the borrower) or a cash payment of Rs. 25 million as full and final settlement of Rs. 43 million. Rs. 34.5 million by way of transfer of a property (held as collateral of Rs. 34.5 million against the borrower). Cash payment of Rs. 5 million in 12 equal monthly installments of

Rs. 0.416 million each commencing from the date of execution of settlement agreement.

SPLCL has settled the loan amounting to Rs. 43 million by way of cash payment of Rs. 25 million on 28 August 2013 and has recognised a waiver of Rs. 18 million against the said payment. SPLCL has also paid the installments on due dates. As per the revised restructuring terms, this finance carries no mark-up.

b) 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 2013, SPLCL has accrued mark up of Rs. 7.238 million (2012: Rs. 5.806 million).The management is currently under negotiation to settle / restructure this borrowing.

c) 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 2013, SPLCL has accrued mark-up of Rs. 28.712 million (2012: Rs. 19.705 million). The management is currently under negotiation to settle / restructure this borrowing.

d) 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.

e) 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.

f) 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 2013 SPLCL is complying with revised terms of the restructuring agreement.

g) 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.

On July 04, 2013, SPLCL has changed the term of revised agreement by way of the addendum. As per ammendment, the Company is now required to settle the loan thorugh the following revised terms:

- Rupees 65.2 million by way of transfer of a property or a cash payment of Rs. 45 million payable in tranches on July 12, 2013, July 30, 2013 and July 31, 2013.

- Rs 12 million by way of transfer of property.

During the period, SPLCL has settled its entire borrowing of Rs. 87.6 million by making cash payment of Rs 45 million on respective dates as per ammendments of revised agreement against its liability of Rs 65.2 million. Further SPLCL has transferred the property of Rs 12 million on 09 December 2013 and recognised a waiver of Rs. 30.6 million against the said borrowing.

h) 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 2013, SPLCL has accrued a mark up of Rs. 1.807 million (2012: Rs. 1.807 million).

15.4 Details of borrowings secured/unsecured

	Note	2013 Rupees	2012 Rupees
Secured			
Borrowings from State Bank of Pakistan :			
– Against SBP refinance schemes		**526,237,792**	746,233,060
Repurchase agreement borrowings		**200,000,000**	2,559,295,930
Against book debts/receivables		**3,201,759,585**	2,534,404,185
Term finance certificates		**157,905,161**	478,853,483
Morahaba finance		**800,000,000**	800,000,000
		4,885,902,538	7,118,786,658
Unsecured			
Call borrowings		**179,193,232**	110,388,888
		5,065,095,770	7,229,175,546

16 DEPOSITS AND OTHER ACCOUNTS

	Note	2013 Rupees	2012 Rupees
Certificate of Investments (COIs)	16.1	**762,000,000**	848,664,301
Security deposits against finance leases	16.2	**573,010,969**	480,467,095
		1,335,010,969	1,329,131,395

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 (2012: 9.50% to 12% per annum). These are repayable in period ranging from January 2014 to June 2014 (2012: January 2013 to June 2013).

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

		Note	2013 Rupees	2012 Rupees
17	DEFERRED TAX LIABILITIES			
	Deferred tax credits arising due to following taxable temporary differences:			
	Accelerated tax depreciation		51,382,961	53,411,322
	Surplus on revaluation of operating fixed assets	21	724,504,811	784,316,976
			-	790,008
	Investments - held for trading	20	114,129,907	119,639,064
	Surplus on revaluation of securities		890,017,679	958,157,370
	Deferred tax debits arising due to following deductible temporary differences:			
	Provision against employee benefits		-	(12,727,390)
	Investment property		-	(4,250,470)
	Net investment in leases		41,945,716	45,005,067
	Accumulated tax losses		(331,218,154)	(490,311,389)
			(289,272,438)	(462,284,182)
			600,745,241	495,873,188
	Valuation reserve		-	488,818,093
			600,745,241	984,691,281
18	OTHER LIABILITIES			
	Mark-up/return/interest accrued on borrowings	18.1	310,793,519	337,813,754
	Creditors, accrued and other liabilities	18.2	96,506,579	80,683,038
	Deferred liabilities	18.3	55,042,558	86,699,075
			462,342,656	505,195,867
18.1	Mark-up/return/interest accrued on borrowings			
	Long term borrowings		117,446,785	230,027,498
	Short term borrowings		188,686,460	106,144,638
	Securities purchased under Repurchase agreements - repo		4,660,274	1,641,618
			310,793,519	337,813,754
18.2	Creditors, accrued and other liabilities			
	Directors' remuneration		2,747,618	2,916,294
	Other payables		18,836,662	13,152,782
	Payable on employees account		1,285,616	35,520
	Corporate income tax payable - net		10,566,034	3,942,490
	Amount due to other insurers/reinsurers		-	-
	Premium received in advance		-	-
	Accrued liabilities		63,070,649	60,635,952
			96,506,579	80,683,038

		Note	2013 Rupees	2012 Rupees
18.3	Deferred liabilities			
	Provision for staff gratuity	36.1	22,458,688	31,583,243
	Provision for compensated absences		4,320,046	4,780,830
	Advance rental income	18.3.1	28,263,824	50,335,002
			55,042,558	86,699,075

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

		2013 Rupees	2012 Rupees
19	SHARE CAPITAL		
	Authorized capital:		
	1,000,000,000 ordinary shares of Rs. 10 each (2012: 600,000,000 ordinary shares of Rs. 10 each)	10,000,000,000	6,000,000,000
	Issued, subscribed and paid up capital:		
	400,000,000 ordinary shares of Rs. 10 each issued for cash (2012: 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 (2012: 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	
19.1	Reconciliation of number of ordinary shares of Rs. 10 each		
	Opening balance	600,000,000	600,000,000
	Issued during the year	-	-
	Closing balance	600,000,000	600,000,000

19.2 During the period, the holding Company has increased its authorised share capital from Rs. 6 billion to Rs. 10 billion.

19.3 Minimum Capital Requirement

19.3.1 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 in their meeting held on 11 June 2012 decided to increase the authorised share capital of SPLCL to Rs. 2,000 million. The shareholders of the Company through special resolution in Extra Ordinary General Meeting held on 11 July 2012 approved the decision of the Board of Directors to convert the sub-ordinated debt from the holding Company and loan from Bank of Khyber vide its letter number SC/NBFC/23/SPLCL/2013/58 dated 13 February 2013, also approved the conversion.

During the year ended 30 June 2013, SPLCL issued non-redeemable / convertible preference shares of Rs. 10 each aggregating to Rs. 528.209 million against the conversion of debt. These are non-cumulative, non-redeemable / convertible preference shares carrying dividend at 2.5% per annum annually at the end of each completed year on the face value of Rs.10 per preference share. The preference shareholders are only entitled to receive preferential dividend and are not entitled to right shares and bonus shares to which the holders of ordinary shares may be entitled. These shares are convertible into ordinary shares at the option of preference share holders at any time from the date of issue of preference shares. The dividend is payable annually at the end of each completed year subject to availability of profit for the year.

		Note	2013 Rupees	2012 Rupees
20	**SURPLUS / (DEFICIT) ON REVALUATION OF AFS SECURITIES - NET OF TAX**			
	Quoted securities		377,030,656	319,193,749
	Government securities		(5,786,914)	18,829,733
	Term Finance Certificates (TFCs)		296,685	(781,465)
	Un-quoted securities- AFS		(40,000,000)	-
	Mutual fund units		4,150,000	4,650,000
		10.5	335,690,427	341,892,017
	Less: related deferred tax liability	17	(114,129,907)	(119,639,064)
			221,560,520	222,252,953
21	**SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX**			
	Movement in surplus on revaluation of operating fixed assets:			
	Opening balance		2,247,161,194	1,946,209,451
	Surplus on revaluation of fixed assets		-	390,390,456
	Surplus realized on disposal		-	-
	Transferred to unappropriated profit in respect of		(63,793,581)	(57,965,532)
	– Incremental depreciation charged during the year		(33,692,286)	(31,473,181)
	– Deferred tax		(97,485,867)	(89,438,713)
	Surplus on revaluation of operating fixed assets		2,149,675,327	2,247,161,194
	Related deferred tax liability		(784,316,976)	(679,153,497)
	Deferred tax recognized on surplus on revaluation of fixed assets		-	(136,636,660)
	Impact of change in tax rate		26,119,879	
	Transferred to consolidated profit and loss account in respect of incremental depreciation		33,692,286	31,473,181
		17	(724,504,811)	(784,316,976)
	Closing balance		1,425,170,516	1,462,844,218
22	**CONTINGENCIES AND COMMITMENTS**			
22.1	**Direct credit substitutes**			
	Letter of comfort / guarantee		207,385,000	207,385,000
22.2	**Non disbursed commitment for term and working capital finance**		911,098,000	1,016,363,000
22.3	**Claims against the Group not acknowledged as debts**		168,034,208	168,034,208
22.4	**Commitments for the acquisition of operating fixed assets (intangibles assets)**		15,303,712	31,550,741
			1,301,820,920	1,423,332,949

22.5 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. 67 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.

(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."

22.6 Other contingencies

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

Due to negative e-CIB reported by the Bank of Punjab, Saudi Pak did not disburse to Ceco, the finance facility of Rs.30 million sanctioned on 20.10.2008. Feeling aggrieved, Ceco filed on 27.7.2009, the subject damages suit in the Lahore High Court, Lahore, against Saudi Pak for allegedly suffering business losses. The suit is still at evidence stage. After completion of evidence of both the parties, the matter will be fixed by the Court for final arguments for a decision on merits.

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

Ali Akbar Spinning Mills Limited (AASML) is a willful defaulter against whom a recovery suit of Rs.91.886 million has been filed by Saudi Pak in the Lahore High Court, Lahore. AASML filed the subject counter suit against Saudi Pak on account of alleged losses due to overpayments made against the finance facilities availed and for not allowing an additional financing. Saudi Pak is vehemently contesting this frivolous suit. It will be decided by the Court after hearing final arguments.

		Note	2013 Rupees	2012 Rupees
23	**MARK-UP/RETURN/INTEREST EARNED**			
	On advances	23.1	**507,252,464**	651,964,368
	On investments	23.2	**434,252,665**	471,422,053
	On lendings to financial institutions		**10,273,265**	40,178,357
	On lease financing - net		**49,516,941**	77,543,474
	On profit and loss saving accounts		**6,427,882**	5,786,422
			1,007,723,217	1,246,894,674
23.1	**On advances**			
	Long term advances		**462,898,012**	552,143,348
	Short term advances		**43,367,471**	99,359,905
	Staff advances		**986,981**	461,115
			507,252,464	651,964,368
23.2	**On investments**			
	Term Finance Certificates		**153,146,177**	192,595,345
	Government securities		**253,681,830**	278,826,708
	Return on equity (preference shares)		**27,424,658**	-
			434,252,665	471,422,053
24	**MARK-UP/RETURN/INTEREST EXPENSED**			
	Mark-up/return/interest expensed	24.1	**507,520,771**	744,626,894
	Deposits		**12,396,250**	15,565,568
	PIB's premium amortization		**2,191,505**	14,471,909
	Brokerage fee		**954,068**	1,938,749
			523,062,594	776,603,120
24.1	**Mark-up/return/interest expensed**			
	Long term borrowings		**237,921,808**	371,522,089
	Short term borrowings		**195,503,845**	217,789,203
	Securities purchased under repurchase agreements - repo		**74,095,118**	155,315,602
			507,520,771	744,626,894
25	**PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS**			
	Breakup of provisions /(reversals) is as under:			
	Term Finance Certificates (TFCs)		**109,645,733**	165,434,861
	Unquoted investment		**5,296,459**	(31,340,813)
			114,942,192	134,094,048
26	**UNDER WRITING INCOME**			
	Net premium revenue		**-**	82,646,947
	Net claims		**-**	(23,291,723)
	Premium deficiency reserve		**-**	2,000,656
	Expenses		**-**	(40,236,323)
	Net commission		**-**	(5,451,706)
			-	15,667,851

		Note	2013 Rupees	2012 Rupees
27	**INCOME FROM SALE OF DEVELOPMENT PROPERTIES - NET**			
	Revenue from sale of development properties	27.1	**263,765,205**	30,892,706
	Revenue from lease rentals of properties		**845,824**	1,420,440
	Less: cost incurred on development properties	27.2	**(184,673,844)**	(21,417,401)
			79,937,185	10,895,745
27.1	Revenue from sale of development properties			
	Residential Project	27.2.1	**151,717,500**	22,987,500
	Commercial Project	27.2.2	**112,047,705**	7,905,206
			263,765,205	30,892,706
27.2	Cost incurred on development properties			
	Residential Project	27.2.1	**103,606,140**	15,697,900
	Commercial Project	27.2.2	**81,067,704**	5,719,501
			184,673,844	21,417,401

27.2.1 Residential Project

Profit recognized on stage of completion method

31 December 2013

	Total	Stage of completion as at December 31, 2013	On the basis of stage of completion	"Revenue recognized in prior years"	Revenue to be recognized in current year
	2013 Rupees	(%)	2013 Rupees	2013 Rupees	2013 Rupees
Revenue	**459,750,000**	**100**	**459,750,000**	**308,032,500**	**151,717,500**
Cost	**(313,958,000)**	**100**	**(313,958,000)**	**(210,351,860)**	**(103,606,140)**
Profit	**145,792,000**	**100**	**145,792,000**	**97,680,640**	**48,111,360**

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

27.2.1.1 During the year , SPREL sold under construction residential property at a total price of 459.750 million on 'as is' basis while construction was still in progress. Pursuant to this transaction ,the Company is no more required to perform further construction work on these properties and fulfill other contractual obligations under the construction contract.Therefore entire contractual revenue and related costs have been recognized in the profit and loss account.

27.2.2 Commercial Project

	31 December 2013				
	Total	Stage of completion as at December 31, 2013	On the basis of stage of completion	"Revenue recognized in prior years"	Revenue to be recognized in current year
	2013 Rupees	(%)	2013 Rupees	2013 Rupees	2013 Rupees
Revenue	**137,481,847**	**100**	**137,481,847**	**25,434,142**	**112,047,705**
Cost	**(99,469,576)**	**100**	**(99,469,576)**	**(18,401,872)**	**(81,067,704)**
Profit	**38,012,271**	**100**	**38,012,271**	**7,032,270**	**30,980,001**

27.2.2 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

27.2.2.1 During the year , SPREL sold under construction commercial property at a total price of 137.48 million on 'as is' basis while construction was still in progress. Pursuant to this transaction ,the Company is no more required to perform further construction work on these properties and fulfill other contractual obligations under the construction contract.Therefore entire contractual revenue and related costs have been recognized in the profit and loss account.

28 OTHER INCOME	Note	2013 Rupees	2012 Rupees
Net rental income	28.1	**48,418,451**	37,384,923
Net gain on disposal of operating fixed assets - property and equipment		**7,829,349**	15,116,725
Waiver on settlement of long term finances		**237,516,141**	93,232,072
Others	28.2	**4,600,067**	34,912,313
		298,364,008	180,646,033

28.1 Net rental income

	2013 Rupees	2012 Rupees
Rental income	**188,192,718**	183,766,154
Less: Operating expenses		
Salaries, allowances and employee benefits	**11,636,360**	13,195,078
Traveling and conveyance	**3,200**	5,590
Medical	**111,988**	185,132
Janitorial services	**4,528,754**	3,921,008
Security services	**9,533,515**	7,256,838
Insurance	**1,696,490**	1,431,673
Postage, telegraph, telegram and telephone	**18,274**	867,013
Printing and stationery	**187,143**	24,544
Certification services	**25,000**	30,400
Utilities	**11,944,269**	11,564,932
Consultancy and professional charges	**-**	450,000
Repairs and maintenance	**3,596,340**	6,703,408
Rent, rates and taxes	**1,397,333**	1,383,745
Depreciation	**94,964,828**	99,321,146
Office general expenses	**130,773**	40,724
	139,774,267	146,381,231
	48,418,451	37,384,923

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

29	ADMINISTRATIVE EXPENSES	Note	2013 Rupees	2012 Rupees
	Salaries, allowances and employee benefits	29.1	166,200,041	203,865,894
	Traveling and conveyance	29.2	31,356,655	28,192,236
	Vehicle running expenses		8,950,343	10,034,288
	Utilities		13,377,403	8,732,807
	Advertisement and publicity		2,849,557	2,270,475
	Postage, telegram, telephone and telex		6,940,320	7,302,941
	Printing, stationery and periodical		4,216,892	4,603,360
	Legal and professional charges		26,423,862	12,639,296
	Consultancy, custodial and rating services		7,022,207	16,560,767
	Auditor's remuneration	29.3	1,803,955	1,826,900
	Repair and maintenance		8,179,542	7,663,138
	Office and general expenses		30,984,069	25,750,813
	Bank charges		596,445	684,217
	Professional training		2,119,498	1,245,996
	Depreciation		22,819,707	43,791,385
	Donations	29.4	-	50,000
			333,840,496	375,214,513

29.1 This includes the followings staff benefits for the Group:

29.1.1 Rs. 3.656 million (2012: Rs. 4.051 million) on account of employee provident fund expense;
29.1.2 Rs. 5.206 million (2012: Rs. 8.417 million) on account of gratuity expense (also refer note 37.4 below); and
29.1.3 Rs. 1.426 million (2012: Rs. 1.207 million) on account of compensated absences expense.

29.2 This includes payments made to Directors of the Company for attending Board / Board's committee meetings amounting to Rs. 17.592 million (2012: Rs. 13.747 million).

29.3	Auditors' remuneration	Note	2013 Rupees	2012 Rupees
	Audit fee - Parent		670,000	502,000
	- Subsidiaries / Associates		853,955	1,057,000
	Half yearly review		100,000	75,000
	Code of Corporate Governance review		30,000	23,000
	Fee for regulatory return		-	-
	Out of pocket expenses		150,000	169,900
			1,803,955	1,826,900

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

30 IMPAIRMENT LOSS ON QUOTED SECURITIES

In 2012 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.

		Note	2013 Rupees	2012 Rupees
31	**OTHER PROVISIONS AND WRITE OFFS**			
	Provision against non banking assets acquired in satisfaction of claims		-	6,942,000
	Provision against receivable from stock brokers		-	-
	Provision for other doubtful receivables		-	-
			-	6,942,000
32	**OTHER CHARGES**			
	Penalties imposed by the State Bank of Pakistan		759,000	-
33	**TAXATION**			
	– Current year		31,567,866	31,877,664
	– Prior years		-	-
	– Deferred		(356,785,650)	(10,243,315)
			(325,217,784)	21,634,349
33.1	**Relationship between tax expense and accounting loss**			
	Accounting profit for the year		726,594,675	268,622,028
	Tax rate		34%	35%
	Tax on accounting profit		247,042,190	94,017,710
	Tax effect on income subject to lower rate of taxation		(14,105,772)	4,427,912
	Tax effect of other income considered separately		-	(15,296,259)
	Tax effect of prior years		-	-
	Impact of change in tax rate		25,572,393	-
	Deferred tax asset not recognized		-	(88,974,802)
	Tax effect of permanent differences		(583,726,595)	27,459,788
			(325,217,784)	21,634,349
33.2	**Tax status**			
	For tax related contingencies - refer note 22.5.			
34	**BASIC AND DILUTED EARNING PER SHARE**		2013	2012
	Profit for the year attributable to equity holders of the Company - Rupees		903,823,959	322,137,463
	Weighted average number of ordinary shares - Number		600,000,000	600,000,000
	Basic and diluted earning per share - Rupees		1.506	0.537
35	**CASH AND CASH EQUIVALENTS**			
	Cash and balance with treasury banks	6	40,075,406	65,690,405
	Balance with other banks	7	110,901,129	389,068,830
			150,976,535	454,759,235
36	**EMPLOYEE BENEFITS – Staff gratuity**			
36.1	**The amounts recognized in the statements of consolidated statement of financial position are determined as follows:**			
	Present value of defined benefit obligation	36.2	22,853,635	24,406,687
	Fair value of plan assets	36.3	(394,947)	(1,752,313)
	Unrecognized actuarial loss		-	(2,392,856)
	Benefits payable to outgoing members		-	11,321,725
		18.3	22,458,688	31,583,243

		2013 Rupees	2012 Rupees
36.2	**Movement in the Present value of defined benefit obligation in the consolidated statement of financial position are determined as follows:**		
	Opening balance	24,406,687	37,436,330
	Impact of disposal of associate	(4,145,269)	-
	Service cost	2,693,392	4,363,056
	Interest cost	2,542,861	6,108,183
	Actuarial (loss) / gain	(734,036)	(3,880,417)
	Benefits payable to outgoing members	-	(11,321,725)
	Benefits paid	(1,910,000)	(8,298,740)
	Closing balance	22,853,635	24,406,687
36.3	**Movement in fair value of plan assets**		
	Opening balance	-	4,073,675
	Expected return on plan assets	-	2,053,300
	Contribution to the fund	394,947	2,024,392
	Benefit paid during the year	-	(5,734,981)
	Actuarial (loss) / gain	-	(664,073)
	Closing balance	394,947	1,752,313
36.4	**The amounts recognized in the consolidated profit and loss account are as follows:**		
	Service cost	2,693,392	4,363,056
	Interest cost	2,542,861	6,108,183
	Expected return on plan assets	(29,273)	(2,053,300)
	Recognition of actuarial loss / (gain)	-	-
		5,206,980	8,417,939
36.5	**The principal actuarial assumptions used are as follows:**	2013	2012
	Discount rate	12.5 - 12.75%	13.00%
	Expected rate of increase in salary	10.25% - 11.5%	12.00%
	Expected interest on plan assets	-	14.00%
	Mortality rate	SLIC (2001-2005)	LIC (1975-1979)

36.6 EFFECTS OF CHANGE IN ACCOUNTING POLICY

STAFF RETIREMENT BENEFITS

The change in accounting policy as disclosed in note 5.10 has been accounted for retrospectively in accordance with International Accounting Standard - 8 Accounting Policies, Changes in Accounting Estimates and Errors', resulting in adjustment of prior year financial statements. The impact of restatement is not material. Accordingly, consolidated statement of finanacial position for the year 2011 has not been presented.

Effect of retrospective application of change in accounting policy are as follows:

	As at December 31, 2012		
	As previously reported	Effect of Restatement	As Restated
36.7 Effect on balance Sheet	Rupees		
Increase in net defined benefit obligation	29,741,965	(1,841,178)	31,583,143
Decrease in deferred tax liability - net	895,678,173	644,412	895,033,761
Net increase in unappropriated profit	-	(1,196,766)	1,196,766

	For the year ended December 31, 2013	For the year ended December 31, 2012	Prior to January 01, 2012
36.8 Effect on profit and loss account	Rupees		
Net increase in profit after tax	-	-	-
Net (increase) / decrease in tax expenses	(249,572)	(441,899)	1,086,311
	(249,572)	(441,899)	1,086,311
36.9 Effect on other comprehensive income			
Actuarial losses reclassified to other comprehensive income	-	(1,262,569)	3,103,747
Net acturial (gain) / loss recognised in other comprehensive income	(734,036)	-	-
	(734,036)	(1,262,569)	3,103,747

	Dec. 31, 2012	Dec. 31, 2011
The effect on earnings per share related to the restatement is as follows:		
Basic and diluted earnings per share - rupee	(0.0002)	0.0005

36.10 Staff retirement benefits

Changes in net defined benefit obligation are as follows:	31 December 2012 Rupees
Opening balance	31,883,415
Service cost	2,330,831
Interest cost	4,062,716
Actuarial gain	(1,262,569)
Benefits payable to outgoing members	-
Benefits paid	(5,431,250)
Closing balance	31,583,143

37 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013	2012	2013	2012	2013	2012
	Chief Executive		Directors		Executives	
Fees	**-**	-	**3,857,618**	4,138,794	**-**	-
Managerial remuneration	**10,449,996**	12,295,461	**-**	-	**27,140,392**	27,500,770
Post employment benefits	**720,000**	1,111,446	**-**	-	**2,206,629**	2,352,776
Utilities, rent and house maintenance	**6,607,519**	7,660,775	**-**	-	**16,410,098**	17,543,094
Medical	**143,665**	87,053	**-**	-	**3,136,548**	3,318,000
Bonus and others	**4,232,981**	3,594,933	**-**	-	**16,519,174**	12,188,181
	22,154,161	24,749,668	**3,857,618**	4,138,794	**65,412,841**	62,902,821
Number of persons	**3**	3	**18**	20	**36**	38

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

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

38.1 On-balance sheet financial instruments

	2013		2012	
	Book value Rupees	Fair value Rupees	Book value Rupees	Fair value Rupees
Assets				
Cash balances with treasury banks	**40,075,406**	**40,075,406**	65,690,405	65,690,405
Balances with other banks	**110,901,129**	**110,901,129**	389,068,830	389,068,830
Lendings to financial institutions	**409,466,390**	**409,466,390**	285,000,000	285,000,000
Investments	**6,322,209,818**	**6,322,209,818**	6,194,338,065	6,194,338,065
Advances	**5,172,048,404**	**5,172,048,404**	6,363,688,800	6,363,688,800
Other assets	**570,099,132**	**570,099,132**	396,002,138	396,002,138
	12,624,800,279	**12,624,800,279**	13,693,788,238	13,693,788,238

	2013		2012	
	Book value Rupees	Fair value Rupees	Book value Rupees	Fair value Rupees
Liabilities				
Borrowings	**5,065,095,770**	**5,065,095,770**	7,229,175,546	7,229,175,546
Deposits and other accounts	**1,335,010,969**	**1,335,010,969**	1,329,131,395	1,329,131,395
Other liabilities	**396,734,064**	**396,734,064**	414,554,302	414,554,302
	6,796,840,803	**6,796,840,803**	8,972,861,243	8,972,861,243

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 44.3.1 below.

39 DERIVATIVE INSTRUMENTS

The Group does not deal in derivative instruments.

40 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance 2013 Rs. In million	**Trading and sales 2013 Rs. In million**	**Real Estate services 2013 Rs. In million**	**Insurance services 2013 Rs. In million**	**Total 2013 Rs. In million**
Total income	**944.41**	**617.41**	**319.91**	**-**	**1,881.73**
Total expenses	**514.38**	**391.12**	**249.64**	**-**	**1,155.13**
Net income (loss)	**430.04**	**226.29**	**70.27**	**-**	**726.60**
Segment assets (gross)	**11,919.35**	**8,137.82**	**2,460.50**	**-**	**22,517.67**
Segment non performing loans	**5,089.97**	**-**	**-**	**-**	**5,089.97**
Segment provision required	**3,847.76**	**-**	**-**	**-**	**3,847.76**
Segment liabilities	**4,670.52**	**2,128.55**	**664.13**	**-**	**7,463.19**
Segment Return On net Assets (ROA) (%)	**3.61**	**2.78**	**2.86**	**-**	**3.23**
Segment cost of funds (%)	**4.32**	**4.81**	**10.15**	**-**	**5.13**

	Corporate Finance 2012 Rs. In million	Trading and sales 2012 Rs. In million	Real Estate services 2012 Rs. In million	Insurance services 2012 Rs. In million	Total 2012 Rs. In million
Total income	1,035.02	801.97	194.66	84.65	2,116.29
Total expenses	877.30	705.49	180.89	83.99	1,847.67
Net income (loss)	157.72	96.98	13.77	0.66	268.62
Segment assets (gross)	13,953.70	7,082.39	2,419.24	76.60	23,531.93
Segment non performing loans	5,257.08	-	-	-	5,257.08
Segment provision required	3,822.95	-	-	-	3,822.95
Segment liabilities	5,367.70	3,793.81	885.09	1.60	10,048.70
Segment Return On net Assets (ROA) (%)	1.13	1.37	0.57	0.86	1.14
Segment cost of funds (%)	6.29	9.96	7.48	109.64	7.85

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 6.77 % (2012: 8.14 %) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.67 % (2012: 4.87 %) of the total liabilities have been allocated to segments based on their respective assets.

41 CAPITAL ADEQUACY

41.1 Scope of applications

The Basel III framework has been applied in accordance with BPRD Circular No. 6 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementatiaon intended by December 31, 2019. 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 two subsidiaries namely Saudi Pak Real Estate Company Limited (SPREL) and Saudi Pak Leasing Company Limited (SPLCL). SPREL is the wholly-owned subsidiary while SPLCL is 35.06% owned by the Company.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.

41.1.1 Capital structure

Common Equity Tier 1 capital (CET1) includes fully paid up capital, reserve fund, general reserve as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1(refer to note 40.2.1).

"Tier 2 capital includes net of tax reserves on revaluation of fixed assets and equity investments up to a maximum 45% of the balance after all regulatory adjustments applicable on Tier-2 (refer to note 40.2.1)"

For main features of capital structure of the Company, please refer to note 40.5.

41.2 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:

41.2.1 Regulatory capital base

	Common Equity Tier 1 capital (CET1): Instruments and reserves	2013 Rupees 000	Amount subject to pre Basel III treatment 2013 Rupees 000	2012 Rupees 000
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	-	6,000,000
2	Balance in Share Premium Account	-	-	-
3	Reserve for issue of Bonus Shares	-	-	-
4	General/ Statutory Reserves	758,574	-	588,419
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-	-
6	Unappropriated/unremitted profits	164,068	-	(566,739)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated Company's subsidiaries (amount allowed in CET1 capital of the consolidation group)	(305,342)	-	(644,095)
8	**CET 1 before Regulatory Adjustments**	**6,617,300**	-	5,377,585

41.2.1	Regulatory capital base (continued)	2013 Rupees 000	Amount subject to pre Basel III treatment 2013 Rupees 000	2012 Rupees 000
	Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	-	-	-
10	All other intangibles (net of any associated deferred tax liability)	(6,725)	-	(5,924)
11	Shortfall of provisions against classified assets	-	-	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-
13	Defined-benefit pension fund net assets	-	-	-
14	Reciprocal cross holdings in CET1 capital instruments	-	-	-
15	Cash flow hedge reserve	-	-	-
16	Investment in own shares/ CET1 instruments	-	-	-
17	Securitization gain on sale	-	-	-
18	Capital shortfall of regulated subsidiaries	-	-	-
19	Deficit on account of revaluation from bank's holdings of property/ AFS	-	-	-
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
23	Amount exceeding 15% threshold			
24	of which: significant investments in the common stocks of financial entities	-	-	-
25	of which: deferred tax assets arising from temporary differences	-	-	-
26	National specific regulatory adjustments applied to CET1 capital	-	-	-
27	Investment in TFCs of other banks exceeding the prescribed limit	-	-	-
28	Any other deduction specified by SBP (mention details)	-	-	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(250,000)	-	(273,045)
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)	-	-	-
	Common Equity Tier 1 (a)	6,360,575	-	5,098,616

		2013 Rupees 000	Amount subject to pre Basel III treatment 2013 Rupees 000	2012 Rupees 000
41.2.1	Regulatory capital base (continued)			
	Additional Tier 1 (AT 1) Capital			
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	-	-
32	of which: Classified as equity	-	-	-
33	of which: Classified as liabilities	-	-	-
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-	-
35	of which: instrument issued by subsidiaries subject to phase out	-	-	-
36	**AT1 before regulatory adjustments**	-	-	-
	Additional Tier 1 Capital: regulatory adjustments			
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-
38	Investment in own AT1 capital instruments	-	-	-
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(250,000)	-	(273,045)
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
44	Total of Regulatory Adjustment applied to AT1 capital	-	-	-
45	Additional Tier 1 capital	-	-	-
		(250,000)	-	(273,045)
46	**Additional Tier 1 capital recognized for capital adequacy (b)**	-	-	-
	Tier 1 Capital (CET1 + admissible AT1) c = (a+b)	6,360,575	-	5,098,616

41.2.1	Regulatory capital base (continued)	2013 Rupees 000	Amount subject to pre Basel III treatment 2013 Rupees 000	2012 Rupees 000
	Tier 2 Capital			
47	Qualifying Tier 2 capital instruments under Basel III	-	-	-
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-	-
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-	-
50	of which: instruments issued by subsidiaries subject to phase out	-	-	-
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-	-
52	Revaluation Reserves	-	-	-
53	of which: Revaluation reserves on Property	641,327		651,881
54	of which: Unrealized Gains/Losses on AFS	99,702		206,294
55	Foreign Exchange Translation Reserves	-	-	-
56	Undisclosed/Other Reserves	-	-	-
57	**T2 before regulatory adjustments**	741,029		858,174
	Tier 2 Capital: regulatory adjustments			
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(250,000)		(273,045)
59	Reciprocal cross holdings in Tier 2 instruments	-	-	-
60	Investment in own Tier 2 capital instrument	-	-	-
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
63	Amount of Regulatory Adjustment applied to T2 capital	-	-	-
64	Tier 2 capital (T2)	-	-	-
65	Tier 2 capital recognized for capital adequacy	-	-	-
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-	-
67	Total Tier 2 capital admissible for capital adequacy	-	-	-
	Tier 2 Capital after regulatory adjustments (d)	491,029		585,129
	TOTAL CAPITAL (T1 + admissible T2) (e = c+d)	6,851,604		5,683,745

			2013 Rupees 000	Amount subject to pre Basel III treatment 2013 Rupees 000	2012 Rupees 000
41.2.1	Regulatory capital base (continued)				
68	Total Credit Risk Weighted Assets	(f)	**10,931,140**	-	12,178,854
69	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		**-**	-	-
70	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		**-**	-	-
71	of which: deferred tax assets		**-**	-	-
72	of which: Defined-benefit pension fund net assets		**-**	-	-
73	of which: others		**-**	-	-
74	Total Market Risk Weighted Assets	(g)	**1,972,625**	-	1,855,100
75	Total Operational Risk Weighted Assets	(h)	**1,232,108**	-	724,446
	Capital Ratios and buffers (in percentage of risk weighted assets)				
76	CET1 to total RWA	(a/i)	**45.00%**	-	34.55%
77	Tier-1 capital to total RWA	(c/i)	**45.00%**	-	34.55%
78	Total capital to RWA	(e/i)	**48.47%**	-	38.51%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		**-**	-	-
80	of which: capital conservation buffer requirement81				
	of which: countercyclical buffer requirement		**-**	-	-
82	of which: D-SIB or G-SIB buffer requirement		**-**	-	-
83	CET1 available to meet buffers (as a percentage of risk weighted assets)		**-**	-	-
	National minimum capital requirements prescribed by SBP				
84	CET1 minimum ratio		**5%**	-	-
85	Tier 1 minimum ratio		**6.5%**	-	-
86	Total capital minimum ratio		**10%**	-	10%
	Amounts below the thresholds for deduction (before risk weighting)				
87	Non-significant investments in the capital of other financial entities		**-**	-	-
88	Significant investments in the common stock of financial entities		**-**	-	-
89	Deferred tax assets arising from temporary differences (net of related tax liability)		**-**	-	-
	Applicable caps on the inclusion of provisions in Tier 2				
90	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		**-**	-	-
91	Cap on inclusion of provisions in Tier 2 under standardized approach		**-**	-	-
92	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		**-**	-	-
93	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		**-**	-	-

41.3 Risk weighted exposures	2013		2012	
	Book value Rupees 000	Risk Adjusted Value 000	Book value Rupees 000	Risk Adjusted Value 000
Credit Risk				
Balance Sheet Items:-				
Cash and other liquid Assets	**149,674**	**21,921**	449,015	119,159
Money at call	**409,466**	**81,894**	305,000	61,000
Investments	**6,535,218**	**1,108,027**	6,558,745	728,438
Loans and Advances	**5,171,788**	**4,820,901**	6,363,688	6,029,890
Fixed Assets	**2,405,443**	**2,403,432**	2,560,436	2,714,359
Other Assets	**1,547,502**	**1,521,178**	1,397,107	1,362,556
	16,219,091	**9,957,353**	17,633,991	11,015,402
Off Balance Sheet items				
Loan Repayment Guarantees	**-**	**-**	-	-
Purchase and Resale Agreements	**-**	**-**	-	-
Performance Bonds etc	**-**	**-**	-	-
Revolving underwriting Commitments	**-**	**-**	-	-
Stand By Letters of Credit	**-**	**-**	-	-
Outstanding Foreign Exchange Contracts	**-**	**-**	-	-
-Purchase	**-**	**-**	-	-
-Sale	**-**	**-**	-	-
Other Commitments	**1,133,787**	**973,787**	1,255,298	1,163,452
	1,133,787	**973,787**	1,255,298	1,163,452
		10,931,140		12,178,854
Credit risk-weighted exposures				
Market Risk				
General market risk		**1,035,801**		1,037,575
Specific market Risk		**936,824**		817,525
Market risk-weighted exposures		**1,972,625**		1,855,100
Operational Risk		**1,232,108**		724,446
Total Risk-Weighted Exposures		**14,135,872**		14,758,400

41.4 Capital structure reconciliation (Step-I)

	As per audited financial statements 2013 Rs. 000	Under regulatory scope of consolidation 2013 Rs. 000
ASSETS		
Cash and balances with treasury banks	40,075	40,066
Balances with other banks	110,901	109,608
Lendings to financial institutions	409,466	409,466
Investments	6,322,210	6,535,218
Advances	5,172,048	5,171,788
Operating fixed assets	2,449,947	2,405,443
Deferred tax assets	-	-
Other assets	1,883,224	1,547,502
TOTAL ASSETS	16,387,873	16,219,091
LIABILITIES		
Bills payable	-	-
Borrowings	5,065,096	5,065,096
Deposits and other accounts	1,335,011	1,335,011
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	600,745	600,745
Other liabilities	462,343	452,528
TOTAL LIABILITIES	7,463,195	7,453,380
Share capital	6,000,000	6,000,000
Reserve fund	530,336	399,911
General Reserve	358,663	358,663
Unappropriated profit	694,291	164,068
Minority interest	(305,343)	(305,343)
Surplus on revaluation of assets	1,646,731	1,646,731
	8,924,678	8,264,030
TOTAL LIABILITIES AND EQUITY	16,387,873	15,717,410

41.4.1 Capital structure reconciliation (Step-II)

	As per audited financial statements 2013 Rs. 000	Under regulatory scope of consolidation 2013 Rs. 000	Reference
ASSETS			
Cash and balances with treasury banks	**40,075**	40,066	
Balanced with other banks	**110,901**	109,608	
Lending to financial institutions	**409,466**	409,466	
Investments	**6,322,210**	6,535,218	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	**-**	-	
of which: significant capital investments in financial sector enti ties exceeding regulatory threshold	**-**	-	
of which: Mutual Funds exceeding regulatory threshold	**-**	-	
of which: reciprocal crossholding of capital instrument	**-**	-	
of which: others	**-**	-	
Advances	**5,172,048**	5,171,788	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	**-**	-	
general provisions reflected in Tier 2 capital	**-**	-	
Fixed Assets	**2,449,947**	2,405,443	
Deferred Tax Assets	**-**	-	
of which: DTAs excluding those arising from temporary differences	**-**	-	
of which: DTAs arising from temporary differences exceeding regula tory threshold	**-**	-	
Other assets	**1,883,224**	1,547,502	
of which: Goodwill	**-**	-	
of which: Intangibles	**6,757**	6,757	A
of which: Defined-benefit pension fund net assets	**-**	-	
TOTAL ASSETS	**16,387,873**	16,219,091	

	As per audited financial statements 2013 Rs. 000	Under regulatory scope of consolidation 2013 Rs. 000	Reference
41.4.1 Capital structure reconciliation (Step-II continued)			
LIABILITIES AND EQUITY			
Bills payable	**-**	-	
Borrowings	**5,065,096**	5,065,096	
Deposits and other accounts	**1,335,011**	1,335,011	
Sub-ordinated loans	**-**		
of which: eligible for inclusion in AT1	**-**	-	
of which: eligible for inclusion in Tier 2	**-**	-	
Liabilities against assets subject to finance lease	**-**	-	
Deferred tax liabilities	**600,745**	600,745	
of which: DTLs related to goodwill	**-**	-	
of which: DTLs related to intangible assets	**32**	32	B
of which: DTLs related to defined pension fund net assets	**-**	-	
of which: other deferred tax liabilities	**-**	-	
Other liabilities	**462,343**	452,528	
TOTAL LIABILITIES	**7,463,195**	7,453,380	
Share capital	**6,000,000**	6,000,000	C
of which: amount eligible for CET1	**6,000,000**	6,000,000	-
of which: amount eligible for AT1	**-**	-	
Reserves (reserve fund and general reserve)	**688,160**	758,572	
of which: portion eligible for inclusion in CET1	**688,160**	758,572	D
of which: portion eligible for inclusion in Tier 2	**-**	-	
Unappropriated profit	**895,130**	164,068	E
Minority Interest	**(305,343)**	(305,343)	F
of which: portion eligible for inclusion in CET1	**-**	-	
of which: portion eligible for inclusion in AT1	**-**	-	
of which: portion eligible for inclusion in Tier 2	**-**	-	
Surplus on revaluation of assets	**1,646,731**	741,029	
of which: Revaluation reserves on Property	**-**	641,327	
of which: Unrealized Gains/Losses on AFS	**-**	99,702	G
In case of Deficit on revaluation (deduction from CET1)	**-**	-	
	8,924,678	7,358,326	
TOTAL LIABILITIES AND EQUITY	**16,387,873**	14,811,706	

		Under regulatory scope of consolidation 2013 Rs. 000	Reference
41.4.2	**Capital structure reconciliation (Step-III)**		
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	C
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	758,574	D
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits	164,068	E
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated Company's subsidiaries (amount allowed in CET1 capital of the consolidation group)	(305,342)	F
8	**CET 1 before Regulatory Adjustments**	6,617,300	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	
10	All other intangibles (net of any associated deferred tax liability)	(6,725)	A-B
11	Shortfall of provisions against classified assets	-	
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
13	Defined-benefit pension fund net assets	-	
14	Reciprocal cross holdings in CET1 capital instruments	-	
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of property/ AFS	-	
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	-	
28	Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(250,000)	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)	-	
Common Equity Tier 1		6,360,575	

	Additional Tier 1 (AT 1) Capital	Under regulatory scope of consolidation 2013 Rs. 000	Reference
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	
32	of which: Classified as equity	-	
33	of which: Classified as liabilities	-	
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	
35	of which: instrument issued by subsidiaries subject to phase out	-	
36	**AT1 before regulatory adjustments**	-	
	Additional Tier 1 Capital: regulatory adjustments		
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38	Investment in own AT1 capital instruments	-	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(250,000)	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44	Total of Regulatory Adjustment applied to AT1 capital	-	
45	Additional Tier 1 capital	-	
46	Additional Tier 1 capital recognized for capital adequacy	-	
	Tier 1 Capital (CET1 + admissible AT1)	6,360,575	
	Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III	-	
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	
50	of which: instruments issued by subsidiaries subject to phase out	-	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	
52	Revaluation Reserves	-	
53	of which: Revaluation reserves on Property	641,327	Portion of G
54	of which: Unrealized Gains/Losses on AFS	99,702	Portion of G
55	Foreign Exchange Translation Reserves	-	
56	Undisclosed/Other Reserves (if any)	-	
57	T2 before regulatory adjustments		
	Tier 2 Capital: regulatory adjustments	741,029	
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(250,000)	
59	Reciprocal cross holdings in Tier 2 instruments	-	
60	Investment in own Tier 2 capital instrument	-	
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
63	Amount of Regulatory Adjustment applied to T2 capital	-	
64	Tier 2 capital (T2)	-	
65	Tier 2 capital recognized for capital adequacy	-	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	-	
	Tier 2 Capital after regulatory adjustments	491,029	
	TOTAL CAPITAL (T1 + admissible T2)	6,851,604	

41.5 Regulatory capital instruments- main feature report

S. No	Main Features	Common Shares	Explanation
1	Issuer	✓	Saudi Pak Industrial and Agricultural Investment Company Limited
2	Unique identifier	NA	NA
3	Governing law(s) of the instrument	✓	Companies Ordinance 1984, Banking Companies Ordinance 1962
	Regulatory treatment		
4	Transitional Basel III rules	✓	Common Equity Tier 1
5	Post-transitional Basel III rules	✓	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	✓	Group and Solo
7	Instrument type	✓	Ordinary shares
8	Amount recognized in regulatory capital (Rupees in thousands)	✓	6,000,000
9	Par value of instrument	✓	PKR 10
10	Accounting classification	✓	Shareholders' equity
11	Original date of issuance	✓	1981 to 2009
12	Perpetual or dated	NA	No Maturity
13	Original maturity date	NA	NA
14	Issuer call subject to prior supervisory approval	NA	No
15	Optional call date, contingent call dates and redemption amount	NA	NA
16	Subsequent call dates, if applicable	NA	NA
	Coupons / dividends		
17	Fixed or floating dividend/ coupon	NA	NA
18	coupon rate and any related index/ benchmark	NA	NA
19	Existence of a dividend stopper	NA	No
20	Fully discretionary, partially discretionary or mandatory	✓	Fully discretionary
21	Existence of step up or other incentive to redeem	NA	No
22	Noncumulative or cumulative	NA	Non cumulative
	Convertible or non-convertible	NA	Non convertible
23	If convertible, conversion trigger (s)	NA	NA
24	If convertible, fully or partially	NA	NA
25	If convertible, conversion rate	NA	NA
26	If convertible, mandatory or optional conversion	NA	NA
27	If convertible, specify instrument type convertible into	NA	NA
28	If convertible, specify issuer of instrument it converts into	NA	NA
	Write-down feature	✓	No
29	If write-down, write-down trigger(s)	NA	NA
30	If write-down, full or partial	NA	NA
31	If write-down, permanent or temporary	NA	NA
32	If temporary write-down, description of write-up mechanism	NA	NA
33	Position in subordination hierarchy in liquidation	NA	NA
34	Non-compliant transitioned features	✓	No
35	If yes, specify non-compliant features	NA	NA

41.6 Capital adequacy

Saudi Pak is committed to maintaining a strong capital base to support the risks associated with its diversified businesses. Strong capital levels contribute to the safety for the Company, foster shareholder's confidence and support strong credit ratings. It also allows the Company to take advantage of growth opportunities as they arise and enhance shareholder's value.

Saudi Pak has a sound capital management framework to measure, deploy and monitor its available capital and assess its adequacy. Company's management follows a conservative approach towards Capital Adequacy Ratio (CAR). As against 14% regulatory requirement, Company's Board has established a threshold level of 20% CAR. In addition, the Board reviews and approves the Company's annual capital plan. The Assets and Liability Committee, and Senior Management provide governance over the capital management process. Capital is managed and monitored based on planned changes in the Company's strategy, identified changes in its operating environment or changes in its risk profile. The Company's capital adequacy assessment is evaluated on in its current position, expected future risk profile and its internal targets while considering the potential impact of various stress scenarios. The stress testing is used to determine the extent to which severe, but plausible events, impact the Company's capital. For regulatory capital, the Company's internal target includes an adequate buffer over the regulatory minimum level ensuring sufficient flexibility for future capital deployment.

Saudi Pak has a comprehensive risk management framework to ensure that the risks taken are consistent with its risk appetite, its impact on capital relative to internal targets, and that there is an appropriate balance between risk and return. The soundness of capital base is ensured while paying close attention to the cost and availability of the various types of capital, desired leverage, changes in the assets, and the opportunities to profitably deploy capital. The amount of capital required for the business risks and to meet regulatory requirements, is balanced against the goal of generating an appropriate value for the Company's shareholders. The Company deploys capital to support sustainable, long-term revenue and net income growth. All major initiatives to deploy capital are subject to rigorous analysis and evaluation of expected benefits. Key financial criteria include impact on earnings per share, capital ratios, return on invested capital, expected payback period and internal rate of return based on discounted cash flows. Any potential business acquisitions, investments or strategic initiatives are reviewed and approved by the Company's Strategic Investment Committee, to ensure effective deployment of capital. The Company continues to maintain strong, high quality capital levels which positions as well for future business growth. The Company will continue to have a strong capital position in 2014.

41.7 The capital requirements for the Company as per the major risk categories is given below:-

	2013	2012	2013	2012
	Capital Requirements		Risk Weighted Assets	
	Rs. 000	Rs. 000	**Rs. 000**	Rs. 000
Credit Risk				
Claims on :				
Corporate	**655,838**	770,011	**4,684,557**	5,500,082
Banks	**14,534**	16,682	**103,815**	119,159
Sovereigns	**-**	-	**-**	-
Retail portfolio	**3,291**	2,786	**23,509**	19,903
Secured by residential property	**174**	230	**1,246**	1,640
Past Due Loans	**151,953**	244,821	**1,085,375**	1,748,721
Listed equity investments	**45,922**	46,222	**328,014**	330,156
Unlisted equity investments	**109,202**	55,759	**780,013**	398,282
Fixed Assets	**336,480**	380,010	**2,403,432**	2,714,359
Other Assets	**212,965**	188,517	**1,521,178**	1,346,552
Off Balance Sheet Exposure-Market Related	**-**	-	**-**	-
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**10,084**	26,639	**72,028**	190,275
Equity position risk	**262,313**	228,906	**1,873,662**	1,635,046
Foreign exchange risk	**3,771**	4,169	**26,935**	29,779
Operational Risk				
Capital Requirement for operational risks	**172,495**	101,422	**1,232,108**	724,446
	1,979,022	2,066,174	**14,135,872**	14,758,400

Capital Adequacy Ratio		2013	2012
Total eligible regulatory capital held - Rs. (000)	(e)	**6,851,604**	5,683,745
Total Risk Weighted Assets - Rs. (000)	(i)	**14,135,872**	14,758,400
Capital Adequacy Ratio - % age	(e) / (i)	**48.47%**	38.51%

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

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	2013 Rupees	2012 Rupees
Nature of balances / transactions		
Outstanding balances at year end with associated undertakings		
Employee funds		
– Deposits against COIs	10,000,000	10,000,000
– Interest and other payables	414,337	712,767
– Payable to defined benefit plan	-	944,644
Transactions during the year with associated undertakings		
Key Management Personnel		
– Advances to executives	21,733,750	10,128,850
– Repayment of advances	6,006,870	5,918,694
Employee funds		
– Maturity of deposits against COIs	-	4,500,000
– Contribution to the employees provident fund/ gratuity fund	6,538,421	4,557,869
– Interest expense	1,035,157	1,788,668

43 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.

43.1 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 classified a particular financing on the basis of SBP guidelines.

43.1.1 Segmental information

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

43.1.1.1 Segments by class of business:

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Financial institutions	**203,500**	**2.34**	**-**	**-**	**-**	**-**
Paper and allied	**145,188**	**1.67**	**-**	**-**	**-**	**-**
Electrical goods	**13,377**	**0.15**	**-**	**-**	**200,000**	**15.36**
Dairy and poultry	**70,204**	**0.81**	**-**	**-**	**-**	**-**
Banaspati and allied	**119,771**	**1.38**	**-**	**-**	**-**	**-**
Sugar and allied products	**566,571**	**6.50**	**-**	**-**	**311,098**	**23.90**
Chemical and fertilizer	**404,826**	**4.65**	**-**	**-**	**-**	**-**
Energy, oil and gas	**1,600,632**	**18.38**	**-**	**-**	**207,385**	**15.93**
Construction	**623,058**	**7.15**	**-**	**-**	**-**	**-**
Hotels	**52,565**	**0.60**	**-**	**-**	**-**	**-**
Cement	**376,568**	**4.32**	**-**	**-**	**-**	**-**
Textile	**2,190,177**	**25.14**	**-**	**-**	**200,000**	**15.36**
Metal and allied products	**506,342**	**5.81**	**-**	**-**	**-**	**-**
Automobiles and allied	**384,237**	**4.41**	**-**	**-**	**-**	**-**
Transport/services and misc.	**530,853**	**6.09**	**-**	**-**	**-**	**-**
Telecommunication	**115,044**	**1.32**	**-**	**-**	**-**	**-**
Others	**807,336**	**9.26**	**1,335,011**	**100.00**	**383,337**	**29.45**
	8,710,249	**100.00**	**1,335,011**	**100.00**	**1,301,820**	**100.00**

	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	14.95	685,000	51.54	199,584	14.02
	9,986,984	100.00	1,329,131	100.00	1,423,332	100.00

43.1.1.2 Segment by sector

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	-	-	-	-	-	-
Private sector	8,710,249	100.00	1,335,011	100.00	1,301,820	100.00
	8,710,249	100.00	1,335,011	100.00	1,301,820	100.00

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount Rs. 000	%age	Amount Rs. 000	%age	Amount Rs. 000	%age
Public / Government sector	500,000	5.74	-	-	-	-
Private sector	9,486,984	100.00	1,329,131	100.00	1,423,332	100.00
	9,986,984	105.74	1,329,131	100.00	1,423,332	100.00

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Financial institutions	156,369	103,500	103,500	103,500
Paper and allied	41,920	84,486	103,287	74,818
Electrical goods	6,654	6,654	6,804	4,577
Dairy and poultry	59,429	48,377	59,554	47,309
Banaspati and allied	80,112	18,438	82,103	55,695
Sugar and allied products	-	-	52,920	49,832
Chemical and fertilizer	67,452	28,074	71,473	29,595
Energy, oil and gas	296,754	257,438	295,782	247,656
Construction	441,024	238,932	524,748	246,775
Hotels	41,315	41,315	50,000	25,000
Cement	326,815	256,798	335,610	255,856
Textile	1,129,578	1,001,968	1,155,209	945,489
Metal and metal products	207,445	196,095	211,485	194,376
Automobiles and allied	349,287	272,077	349,631	271,894
Transport/services	334,567	201,159	445,040	261,457
Miscellaneous	688,731	783,149	600,774	809,466
	4,227,452	3,538,460	4,447,920	3,623,295

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Public/Government sector	-	-	-	-
Private sector	4,227,452	3,538,460	4,447,920	3,623,295
	4,227,452	3,538,460	4,447,920	3,623,295

43.1.1.5 Geographical segment analysis

	2013			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies and commitments**
	Rs. 000	**Rs. 000**	**Rs. 000**	**Rs. 000**
Pakistan	**726,595**	**16,387,873**	**8,924,678**	**1,301,821**
Asia Pacific (including South Asia)	**-**	**-**	**-**	**-**
Europe	**-**	**-**	**-**	**-**
United States of America and Canada	**-**	**-**	**-**	**-**
Middle East	**-**	**-**	**-**	**-**
Others	**-**	**-**	**-**	**-**
	726,595	**16,387,873**	**8,924,678**	**1,301,821**

	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

43.2 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.

43.2.1 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.

43.2.2 Foreign exchange risk

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

43.2.2 Foreign Exchange risk (continued)

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. 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.

	Assets 2013 Rs. 000	**Liabilities 2013 Rs. 000**	**Off-balance sheet items 2013 Rs. 000**	**Net currency exposure 2013 Rs. 000**
Pakistan Rupee	**16,360,939**	**10,048,194**	**1,301,821**	**5,010,924**
United States Dollar	**26,935**	**-**	**-**	**26,935**
Great Britain Pound	**-**	**-**	**-**	**-**
Deutsche Mark	**-**	**-**	**-**	**-**
Japanese Yen	**-**	**-**	**-**	**-**
Euro	**-**	**-**	**-**	**-**
Other currencies	**-**	**-**	**-**	**-**
	16,387,873	**10,048,194**	**1,301,821**	**5,037,858**

	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

43.2.3 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.

43.2.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total 2013	Upto 1 month 2013	Over 1-3 months 2013	Over 3-6 months 2013	Over 6-12 months 2013	Over 1-2 years 2013	Over 2-3 years 2013	Over 3-5 years 2013	Over 5-10 years 2013	Above 10 years 2013	2013
	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	40,075,406	-	-	-	-	-	-	-	-	-	40,075,406
Balances with other banks	5.00	110,901,129	106,447,557	-	-	-	-	-	-	-	-	4,453,572
Lending to financial institutions	10.69	409,466,390	409,466,390	-	-	-	-	-	-	-	-	-
Investments	10.23	6,322,209,818	890,057,881	2,205,670,755	1,227,658,435	328,386,142	199,517,914	-	-	-	-	1,470,918,691
Advances	11.85	5,172,048,404	258,798,624	1,188,660,832	2,711,668,699	203,397,123	408,645,131	372,381,060	-	28,496,935	-	-
Other assets	-	570,099,132	-	-	-	-	-	-	-	-	-	570,099,132
		12,624,800,279	1,664,770,452	3,394,331,587	3,939,327,134	531,783,265	608,163,045	372,381,060	-	28,496,935	-	2,085,546,801
Liabilities												
Borrowings from financial institutions	10.02	5,065,095,770	317,303,885	1,491,906,883	2,701,944,846	202,242,632	158,199,268	92,235,050	101,263,206	-	-	-
Deposits and other accounts	10.15	1,335,010,969	720,504,484	604,506,485	10,000,000	-	-	-	-	-	-	-
Other liabilities	-	396,734,064	-	-	-	-	-	-	-	-	-	396,734,064
		6,796,840,803	1,037,808,369	2,096,413,368	2,711,944,846	202,242,632	158,199,268	92,235,050	101,263,206	-	-	396,734,064
On-balance sheet gap		5,827,959,476	626,962,083	1,297,918,219	1,227,382,288	329,540,633	449,963,777	280,146,010	(101,263,206)	28,496,935	-	1,688,812,737
Off-balance sheet financial instruments												
Commitments in respect of purchase of forward contract		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		5,827,959,476	626,962,083	1,297,918,219	1,227,382,288	329,540,633	449,963,777	280,146,010	(101,263,206)	28,496,935	-	1,688,812,737
Cumulative yield/interest risk sensitivity gap		-	626,962,083	1,924,880,302	3,152,262,590	3,481,803,223	3,931,767,000	4,211,913,010	4,110,649,804	4,139,146,739	4,139,146,739	5,827,959,476

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

	Effective yield/ interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Total 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
On-balance sheet financial instruments	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
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

43.3 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.

43.3.1 Maturities of assets and liabilities

	MATURITIES									
	Total 2013 Rupees	Upto 1 month 2013 Rupees	Over 1 - 3 months 2013 Rupees	Over 3 - 6 months 2013 Rupees	Over 6 - 12 months 2013 Rupees	Over 1 - 2 years 2013 Rupees	Over 2 - 3 years 2013 Rupees	Over 3-5 years 2013 Rupees	Over 5-10 years 2013 Rupees	Above 10 years 2013 Rupees
Assets										
Cash and balances with treasury banks	40,075,406	40,075,406	-	-	-	-	-	-	-	-
Balances with other banks	110,901,129	110,901,129	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	115,515,501	4,813,146	9,626,292	14,439,438	28,878,875	57,757,751	-	-	-	-
Lending to financial institutions	409,466,390	409,466,390	-	-	-	-	-	-	-	-
Investments	6,322,209,818	864,771,881	2,018,177,535	677,907,774	1,130,430,290	316,925,809	119,742,799	255,290,890	938,962,840	-
Advances	5,172,048,404	245,274,677	285,579,247	528,218,509	603,801,964	1,195,527,179	741,665,351	1,321,721,541	250,259,936	-
Operating fixed assets	2,449,947,364	10,546,803	20,593,606	30,890,409	61,780,818	123,561,636	123,561,839	242,136,207	296,358,059	1,540,517,986
Development properties	-	-	-	-	-	-	-	-	-	-
Other Assets	1,767,708,867	225,263,039	150,814,437	228,356,045	1,163,275,347	-	-	-	-	-
	16,387,872,879	1,911,112,471	2,484,791,117	1,479,812,174	2,988,167,294	1,693,772,375	984,969,989	1,819,148,638	1,485,580,835	1,540,517,986
Liabilities										
Borrowings	5,065,095,770	286,518,136	868,763,887	717,230,352	748,528,622	1,000,556,517	842,235,050	601,263,206	-	-
Deposits and other accounts	1,335,010,969	499,750,914	395,501,828	296,505,484	143,252,743	-	-	-	-	-
Deferred tax liabilities	600,745,241	4,356,012	13,068,037	13,068,037	26,136,074	52,272,147	52,272,147	104,544,294	130,680,368	204,348,126
Other Liabilities	462,342,656	31,372,423	36,083,061	36,083,061	48,213,663	283,909,207	-	8,004,373	18,676,871	-
	7,463,194,636	821,997,486	1,313,416,813	1,062,886,934	966,131,102	1,336,737,871	894,507,197	713,811,873	149,357,239	204,348,126
Net assets	8,924,678,243	1,089,114,985	1,171,374,304	416,925,240	2,022,036,192	357,034,504	90,462,792	1,105,336,765	1,336,223,596	1,336,169,860
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	888,998,920	-	-	-	-	-	-	-	-	-
Unappropriated loss	694,290,841	-	-	-	-	-	-	-	-	-
Non-controlling interest	(305,342,554)	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,646,731,036	-	-	-	-	-	-	-	-	-
	8,924,678,243	-	-	-	-	-	-	-	-	-

43.3 Liquidity risk (continued)

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.

43.3.1 Maturities of assets and liabilities (continued)

					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	984,691,281	20,059,475	40,118,949	82,592,804	97,942,467	35,487,377	35,487,377	70,974,754	177,436,885	424,591,193
Other Liabilities	505,195,869	104,517,431	85,378,878	185,682,261	112,716,056	-	-	4,828,926	12,072,315	-
	10,048,194,091	2,900,782,840	1,385,355,067	1,695,348,959	1,306,321,368	770,754,281	584,780,601	765,692,240	214,567,540	424,591,193
Net assets	7,660,379,300	(1,272,409,369)	693,717,157	598,536,174	2,877,485,804	1,177,467,197	576,957,992	496,457,094	1,366,174,639	1,145,992,614
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	-
Reserves	683,501,090	-	-	-	-	-	-	-	-	-
Unappropriated loss	(64,123,532)	-	-	-	-	-	-	-	-	-
Non-controlling interest	(644,095,429)	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,685,097,171	-	-	-	-	-	-	-	-	-
	7,660,379,300	-	-	-	-	-	-	-	-	-

43.4 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 III

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.

44 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	Positive

45 GENERAL

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

46 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 03 April 2014 by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN