



Saudi Pak Industrial and Agricultural
Investment Company Limited



ANNUAL REPORT

2010



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2010**

Saudi Pak



Saudi Pak Industrial and Agricultural Investment Company Limited

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

Regional Offices:

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

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

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Board of Directors

Mr. Mohammed W. Al-Harby	Chairman
Rana Assad Amin	Deputy Chairman
Mr. Musaad A. Al-Fakhri	Director
Mr. Abdul Ghaffar Soomro	Director
Mr. Mohammed A. Al-Jarbou	Director
Mr. Yawar Zia	Director

Acting GM/Chief Executive

Mr. Muhammad Anwar

Risk Management Committee

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

Audit Committee

Mr. Mohammed A. Al-Jarbou	Chairman
Rana Assad Amin	Member
Mr. Yawar Zia	Member
Mr. Muhammad Tariq Masoud	Secretary

Company Secretary

Mr. Mohammad Nayeem Akhtar

Auditors

M. Yousuf Adil Saleem & Company
Chartered Accountants
(A Member Firm of Deloitte Touche Tohmatsu)

Legal Advisors

Muhammad Bilal
Bilal Law Associates



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.





Confidence

“ Give me where to stand,
and I will move the earth. ”

Archimedes





Corporate Objectives

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

Core Values

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

Corporate Profile

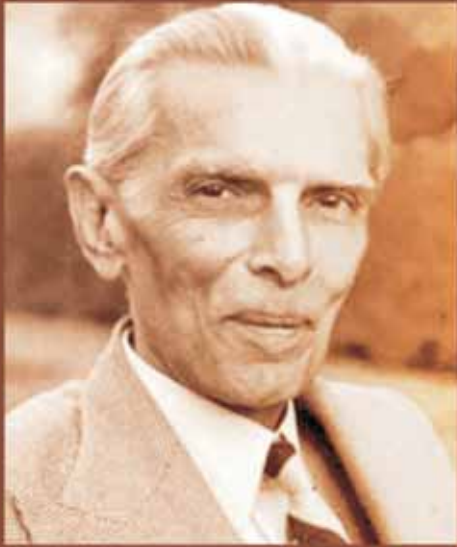
Saudi Pak Industrial and Agricultural Investment Company Limited was incorporated in 1981 under a joint venture agreement between the Kingdom of Saudi Arabia and the Government of Islamic Republic of Pakistan. The initial authorized capital of the Company was Rs.1,000 million. As of December 31, 2010 paid up capital of the Company is amounted to 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)
 - Long Term Finance for purchase of locally fabricated machinery
- Short term loans to meet the working capital requirements
- Direct equity investments
- Underwriting of public issues of shares and Term Finance Certificates
- Non-funded commitments in the form of guarantees
- Syndication, Trusteeship, Acting as Financial Arranger/ Advisor and Consultancy services

Islamic Republic of Pakistan



Muhammad Ali Jinnah

Kingdom of Saudi Arabia



King Abdul Aziz Al Saud

Board of Directors Nominee Directors of

Kingdom of Saudi Arabia

Government of Pakistan



Mr. Mohammed W. Al - Harby
Chairman

General Manager (Rtd)
Real Estate Development Fund
Kingdom of Saudi Arabia



Rana Assad Amin
Deputy Chairman

Additional Secretary
Ministry of Finance
Government of Pakistan



Mr. MUSAAD A. AL-Fakhri
Director

Chief, Infrastructure Sector
Budget and Organization Affairs
Ministry of Finance
Kingdom of Saudi Arabia



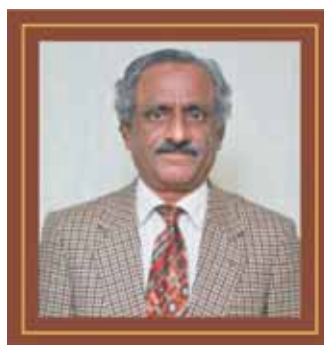
Mr. Abdul Ghaffar Soomro
Director

Secretary
Ministry of Industries
and Production
Government of Pakistan



Mr. Mohammad A. Al-Jarbou
Director

Financial Advisor
Public Investment Fund
Ministry of Finance
Kingdom of Saudi Arabia



Mr. Yawar Zia
Director

Senior Consultant
Government of Pakistan

Trust

“ It takes years to build up trust, and only seconds to destroy it ”





The

Mr. Muhammad Anwar

Acting General Manager/
Chief Executive

Mr. M. Tariq Masud

Executive Vice President
Treasury Division

Ms. Parveen A. Malik

Executive Vice President
Portfolio Management Division

Mr. Rohail Ajmal

Executive Vice President
Chief Financial Officer and
Head of Finance Division

Mr. M. Nayeem Akhtar

Senior Vice President
Law Division /
Company Secretary

Ms. Fozia Fakhar

Senior Vice President
Corporate Finance Division

Mr. Arshed Ahmed Khan

Senior Vice President
Head of Lahore Office

Mr. M. Hussain

Senior Vice President
Information & Research Division

Mr. M. Saeed Akhtar

Senior Vice President
Head of Karachi Office

Mr. Nasir A. Malik

Senior Vice President
General Services and
Building Division

Mr. Ali Imran

Senior Vice President
Information Technology Division

Mr. M. Tanweer

Senior Vice President
Risk Management Division

Sheikh Aftab Ahmad | Mr. Azhar Ahmed Khan | Mr. M. Naseer Malik | Mr. Arif Majeed Butt

Senior Vice President
Credit Administration Division

Vice President
Acting Head of
Human Resource Division

Vice President
Acting Head of
Internal Audit Division

Asstt. Vice President
Compliance Division



M

anagement

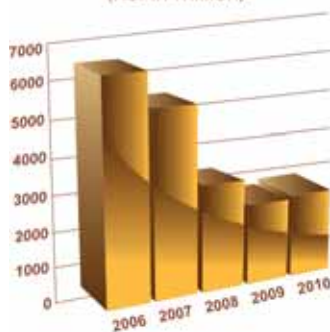


Operational Highlights

(Rs. In million)

	2010	2009	2008	2007	2006
Approval of Financing and Investment (Net)					
Long Term Finance/TFCs	1,724.1	1,211.5	2,027.9	3,858.6	2,805.9
Lease Finance	-	92.0	-	127.5	241.6
Equity Investment	-	15.0	168.8	86.4	225.0
Strategic Investments	-	250.0	225.0	100.0	1,369.5
Short Term Finance	970.0	600.0	330.0	873.9	1,314.2
Guarantees and Underwriting	10.8	35.0	484.6	361.8	420.0
Total Approvals	2,704.9	2,203.5	3,236.3	5,408.2	6,376.2
Cumulative Approvals	51,901.3	49,196.4	46,992.9	43,756.6	38,348.4
Disbursement of Funds					
Long Term Finance/TFCs	1,980.3	1,338.5	3,536.7	2,693.3	2,700.1
Lease Finance	92.0	-	46.1	125.8	242.1
Short Term Finance	605.5	544.4	707.3	856.8	1,255.0
Direct Equity & Underwriting Take-ups	19.3	15.0	112.2	178.0	200.0
Strategic Investment	-	250.0	225.0	890.8	586.2
Total Disbursements	2,697.1	2,147.9	4,627.3	4,744.7	4,983.4
Cumulative Disbursements	46,229.4	43,532.3	41,384.4	36,757.1	32,012.4
Recoveries					
Total Amount	2,992.9	3,185.8	4,298.3	5,271.9	3,667.2
Current Dues Collection Ratio (%)	83.12	78.99	82.99	91.72	88.07

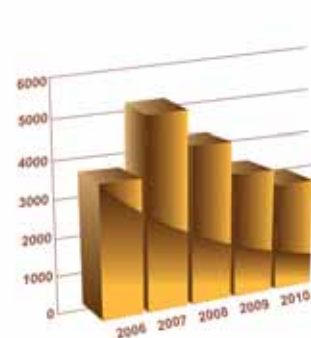
Approval of Financing & Investment (Net)
(Rs. in million)



Disbursement of Funds
(Rs. in million)



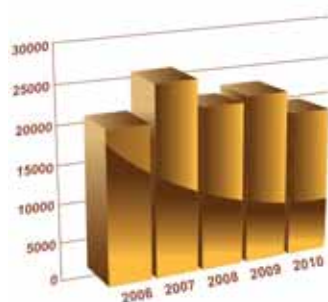
Recoveries
(Rs. in million)



Financial Highlights

	(Rs. in million)				
	2010	2009	2008	2007	2006
<u>Income Statement</u>					
Total Income	1,356.6	2,601.2	8,897.2	1,977.4	1,540.3
Net Income	242.3	1,173.1	7,186.2	672.7	358.3
Profit Before Provisions and Tax	24.3	976.8	5,051.8	499.4	211.4
Profit/(loss) after Provisions and Tax	(503.8)	418.9	4,426.6	54.4	332.7
Payouts:					
Cash Dividend	-	-	6,000.0	-	150.0
Stock Dividend/Right Issue®	-	1000.0®	1000.0®	1000.0®	1,000.0
<u>Balance Sheet at year end</u>					
Total Shareholders' Equity	7,513.2	7,992.3	6,487.3	7,005.3	5,895.6
Total Assets	18,395.6	21,211.1	21,133.6	25,017.8	20,446.3
<u>Selected Ratios</u>					
Return on Average Equity(%)	(6.5)	5.8	65.6	0.8	5.7
Return on Average Assets(%)	(2.5)	2.0	19.2	0.2	1.7
Assets/Equity(times)	2.4	2.6	3.3	3.6	3.5

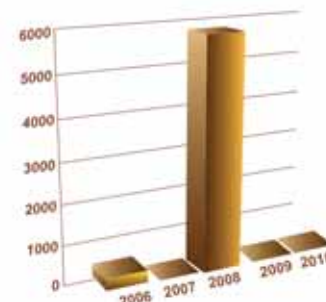
Total Assets
(Rs. in million)



Total Income
(Rs. in million)



Dividend
(Rs. in million)





Summary of Consolidated Accounts

(Rs. in million)

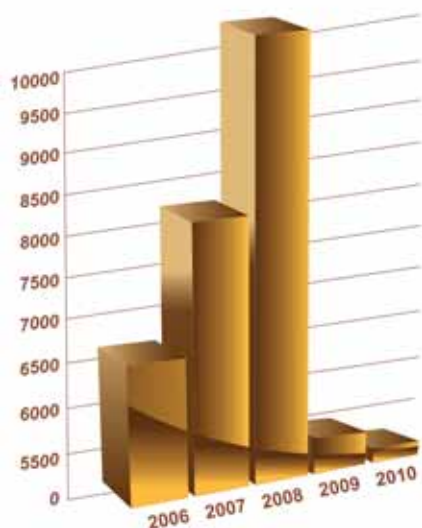
Income Statement

	2010	2009	2008	2007	2006
Total Income	1,690.5	3,117.7	10,849.1	8,196.4	6,626.9
Interest/Markup Income	1,719.4	2,315.6	3,764.2	6,648.7	5,475.8
Profit/(Loss) before tax and Minority Interest	(274.1)	33.1	3,904.4	(3,244.0)	(197.3)
Profit/(Loss) after tax and Minority Interest	(433.9)	237.9	4,125.6	(2,034.9)	130.7

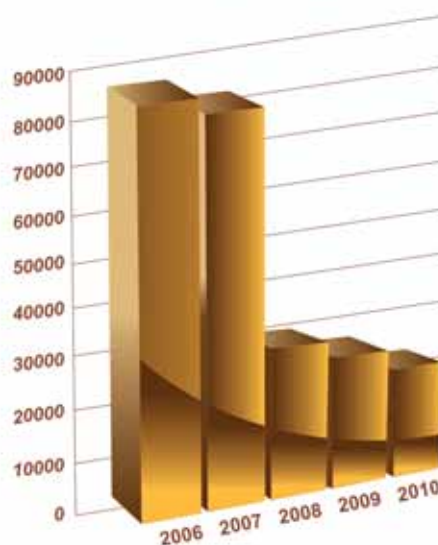
Balance Sheet at year end:

Total Shareholders' Equity	9,513.9	10,202.1	8,581.8	9,429.8	10,483.2
Total Assets	22,244.8	26,292.6	27,633.0	81,306.4	82,463.2

Total Income
(Rs. in million)

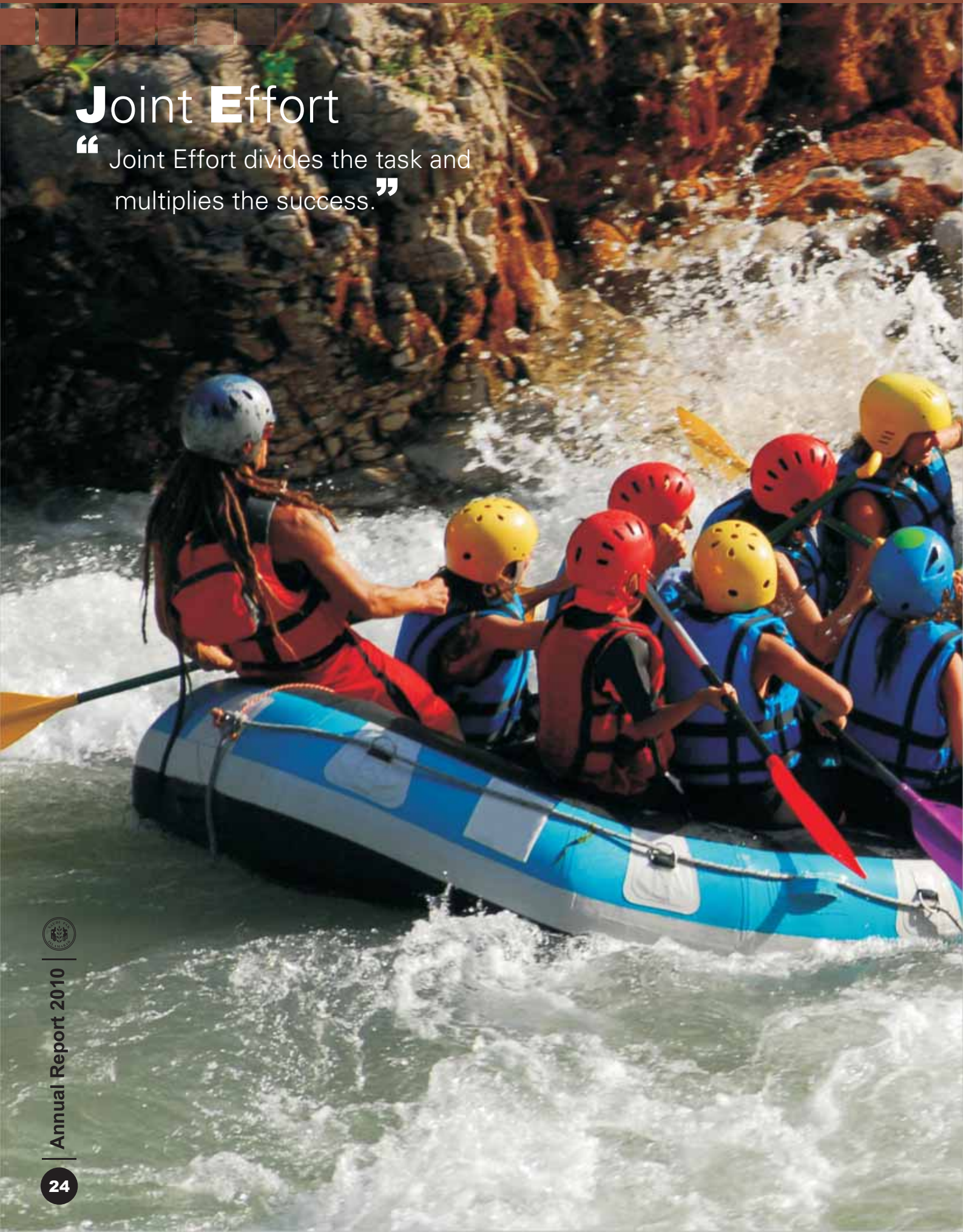


Total Assets
(Rs. in million)



Joint Effort

“ Joint Effort divides the task and multiplies the success. ”





Chairman's Message



I am pleased to present the 29th audited financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited as well as consolidated accounts for the year ended December 31, 2010 together with Auditors' Report to Members and the Directors' Report.

The year 2010 proved to be another challenging year for Pakistan's economy. The persistent inflationary pressures, rising trend of interest rates, weak fiscal position, susceptible law and order situation in the country coupled with energy shortages were the main constraints that surrounded the economy during the year 2010. Although external current account deficit and economic growth showed improvement on the back of recovery in the industrial and service sectors in 2010, the overall recovery remained fragile. Further, difficulties were emanated from the uncertain global economic outlook and catastrophic flooding in major parts of the country during second half of 2010.

The banking sector remained under pressure due to rising trend of NPLs. The economic recession along with power shortages, security concerns, and higher inflation squeezed profit margins as well as the repayment capacity of the borrowers. Accordingly, the banks maintained their risk averse stance and preferred to invest in government securities offering higher risk adjusted returns along with increased preference for top rated private sector corporations.

Despite tough challenges, Saudi Pak contributed in the growth of corporate sector and approved aggregate financing of Rs.2,705 million and disbursed an amount of Rs.2,697 million. Total approvals and disbursements during the year 2010 enhanced by Rs.501.4 million and Rs.549.2 million respectively.

The recovery on account of current dues against advances and term finance certificates stood at 83.12 percent as compared to 79 percent in the previous year.

In order to address high inflation, State Bank of Pakistan in July, 2010 increased the discount rate from 12.5 percent to 13.0 percent followed by another increase from 13.0 percent to 14.0 percent on November 30, 2010. Despite interest rate hike, KSE-100 Index concluded the year with an impressive 28 percent return. The Index at the closing of the year i.e. December 31, 2010 reached to 12,022.46 points from 9,386.92 points as of December 31, 2009. During the outgoing year, foreign funds remained the most active participants at the local bourse outpacing local players. During the period under review, Saudi Pak realized Rs.253.5 million as gain on dealing in quoted securities, Rs.96.2 million as dividend income, aggregating total income of Rs.349.7 million. This total income earned from stock portfolio is 53 percent lesser than the income earned on this account in previous year.

Saudi Pak Leasing Company Limited (SPLC) faced exceptionally hard times owing to the financial crisis. Your company adopted a prudent approach and made 100 percent provisions against its shareholding (35% of paid up capital of SPLC) as well as subordinate loan provided to Saudi Pak Leasing Company Limited. Notwithstanding plans are underway to try for its rehabilitation.

Saudi Pak Real Estate Limited, a fully owned subsidiary of the Company posted a profit of Rs.51 million as against a loss of Rs.42 million incurred by Saudi Pak Insurance Limited in 2010.

The rising interest rate in Pakistan and historic low rate of Libor has made quite costly for Saudi Pak to hold its own foreign currency assets and resultantly incurred a net cost of Rs.443.79 million in mobilizing local currency funds to meet Company's operational requirements. This factor coupled with full provision of Rs.576.68 million in Saudi Pak Leasing and sector problem of non-performing loans contributed adversely and as a result company incurred a net after tax loss of Rs.503.85 million in the year 2010 as compared to net after tax profit of Rs.418.90 million in the previous year.

Remedial measures have since been initiated. I assure you that the Company will endeavor to transfer the current year loss into profit in 2011 on the back of the consolidation of operations, stringent business guidelines, strengthened oversight function of the Board and Management's vigour for transformation.

In the end, I would like to express on my behalf and on behalf of the Board our sincere gratitude to the joint venture partners, the Kingdom of Saudi Arabia and the Islamic Republic of Pakistan for their unstinted support. Thanks are due to the regulatory agencies, that is, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their professional guidance. I am also thankful to the Board and appreciate the valuable services and dedication of the Management and staff.



Mohammed W. Al-Harby
Chairman



Directors' Report

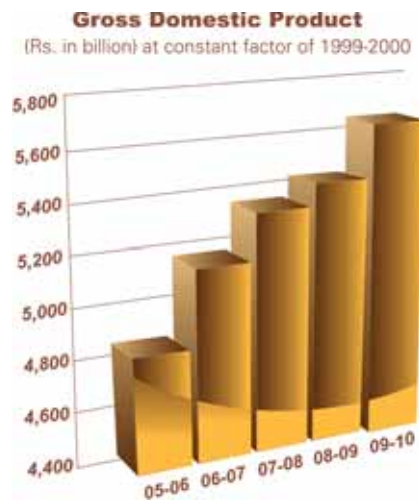
Economic Overview

Pakistan's economy witnessed a moderate but fragile recovery during the fiscal year 2010. Helped by a modest improvement in business and consumer confidence, relatively supportive monetary and fiscal policies, and some good fortune (in the shape of declining international prices) real GDP growth rose to 4.1 percent, compared with an anemic 1.2 percent in the previous year.

The developments marked an improvement from the previous year's picture, fundamental structural weaknesses in the economy remained unaddressed. For example, some key reforms failed to gather traction; (1) persistent disagreements led to the deferment of a proposed expansion of the tax net through the introduction of a broad based GST; (2) the proposed restructuring of public sector enterprises, to improve efficiency and lower the fiscal burden, did not take place; and (3) after some initial work, there was little or no progress in either resolving the energy sector debt chain (circular debt problem) or substantially improving electricity supply.

The principal structural problem, however, was the weak fiscal performance; the fiscal deficit bounced back to 6.3 percent of GDP in the year 2009-10, i.e. 1.1 percentage points higher than in the previous year. The initial Rs 1.6 trillion tax revenue targets for the fiscal year 2010 had looked optimistic, incorporating a record 29.8 percent annual growth, compared with an average growth of 14.6 percent over the preceding five years.

The slippage on the expenditure side was more disappointing. There are significant rigidities in government spending, including debt servicing, defense, the government salary bill, etc. In this context, the 10.7 percent year to year growth in subsidies and losses of public sector enterprises, was particularly disappointing. To put this in perspective, in the year 2009-10, these expenditures, as a percentage of GDP, were almost equal to the combined total for health and education.



The exports performance was particularly encouraging, being led by a 25.2 percent year to year growth in second half of fiscal year 2010 compared to a decline of 4.0 percent year to year during the preceding six months. Similarly, remittances saw a robust 14.0 percent year to year increase during the year, despite an economic slowdown in countries that source a large part of the flows. This

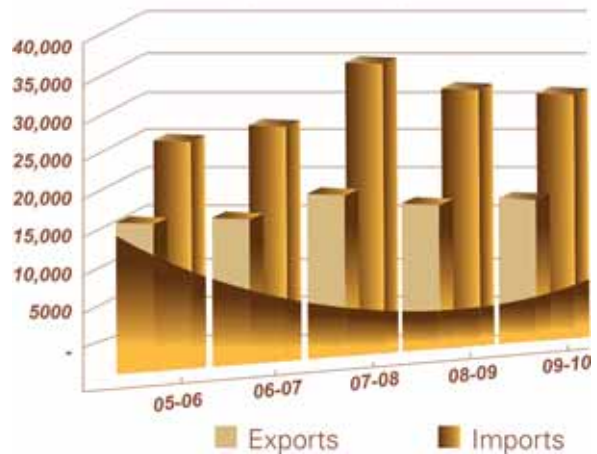
appears to reflect, in part, the increased usage of formal channels for these transfer payments.

The macroeconomic framework embedded in the fiscal year 2011, Annual Development Program targets have suffered a serious setback early into the year as large areas of the country were devastated by widespread rains and unprecedented floods. Large parts of the country's agricultural heartland were particularly hit hard by these floods, with significant damages to standing *kharif* crops (e.g., cotton, rice and sugarcane) and livestock. The economy also suffered extensive damage to infrastructure (bridges, road networks, gas/power plants and some industrial units such as rice mills, ginning factories, etc.), productivity losses from supply-disruptions, the large-scale displacement of people, etc. The relief and rehabilitation task is gigantic and despite considerable international assistance and large-scale public mobilization, the resources available are likely to be quite inadequate against anticipated needs.

It is therefore obvious that the economic priorities and targets for the year 2010-11, in particular, will see substantial revision and all

key macroeconomic indicators will likely record deterioration. The impact of the floods has strengthened these inflationary expectations for fiscal year 2011; the August 2010 Consumer Price Index, included a 15.6 percent year to year rise in its food component. The revised State Bank of Pakistan forecasts suggest that annual average inflation for fiscal year 2011 is likely to be in the range of 13.5-14.5 percent, up from both, the 9.5 percent target and earlier State Bank of Pakistan forecast of 11.0-12.0 percent for the year.

Exports - Imports
(US \$ in million)



Operational Review

Corporate Financing

The year 2010 commenced with an improving business environment during which the industrial sector witnessed growth after almost 18 months of depression.

However the prevalence of economic and social weaknesses and the unexpected losses, emanating from the devastation caused by the floods of August, 2010 have kept the economy from gaining its full momentum of growth and recovery during the year.

The Banking sector also remained pressurized due to high levels of NPLs and credit risk posed by the private sector and maintained its risk-averse stance. In view of the prevailing condition of the economy and financial sector, Corporate Finance operations were conducted under the conservative strategy.

However this strategy was modified, to

address the improving business environment and the importance of industrial growth towards economic recovery, which entailed expansion of advances by lending to low risk corporate clients in key performing sectors.

Other Banks and DFI's under their risk averse strategy also pursued the low risk corporate entities for building advances due to which Saudi Pak faced stiff competition. The markup rates for booking high quality/low risk assets in the advances portfolio were very competitive which under many business negotiations were difficult for Saudi Pak to offer in view of its higher cost of funds in comparison with the commercial banks.

The total requests received for financing amounting to Rs 12.5 billion, out of which the total financing approved during the year is Rs.2,705 million. Total amount approved during the year was 22.7% higher compared to last year.

More than 90% of the financing proposals approved during the year were structured on standalone basis. The syndicate transactions in which Saudi Pak participated, it played a leading role. The non-markup based income in the form of arrangement & advisory fee and processing fee also showed improvement.

Fresh financing was concentrated to major performing industrial sectors such as Textile Spinning, Sugar & Allied, Telecommunications, Oil & Gas and Chemicals and Pharmaceuticals etc. Textile



spinning and sugar sector account for 37% and 25% of the total approvals extended during the year.

The large scale spinning units were the major beneficiaries and initiated expansion and BMR projects of their units. Saudi Pak approved long-term financing under SBP Refinance Scheme for Export Oriented Projects for some of the leading textile spinning units. Total approvals of Rs 1,110 million were extended to this sector during the year of which Rs 960 million was approved under SBP-Refinance Scheme.

The Sugar Industry owing to continuously growing level of domestic demand for white refined sugar and its by-products, showed requirements for working capital financing. Short-term financing of Rs 750 million for some of the leading Sugar Mills in the country was approved.

From the fresh approvals of Rs 2,705 million during the year disbursements amounting to Rs 1,976 million were made, while the balance amount of Rs 721 million was disbursed from brought forward limits, constituting total disbursements of Rs 2,697 million during 2010.

Credit Administration

Post disbursement project monitoring function of Advances Portfolio is an important part of the main business activity of Saudi Pak. Credit Administration Division (CAD) and its Regional Offices at Karachi and Lahore are actively carrying out this activity. The CAD acts as a vehicle for effective follow-up of its financing and ensure recovery of

the amounts due, maintenance of adequate security of its risk assets etc.

Despite of the prevalent economic slowdown, credit crunch and energy crisis concerted efforts by Credit Administration Division led to improved recovery ratio of 83.1% of current dues against Advances and Term Finance Certificates. Higher recoveries helped to consolidate financing activities to Saudi Pak's existing as well as new clients despite the liquidity crunch being witnessed in the financial market.

Capital Market Operations

KSE-100 Index gained 28 per cent during the year however, major gain (21 per cent) was in last quarter as market was range bound during first three quarters of the year. Foreign inflow with enhanced local participation was key driver of the market. KSE-100 Index closed at 12,022 points at year end trading at 2.5 years high. However, Ex-OGDC, the KSE-100 Index gained only 16 per cent and out performing sector was oil and gas followed by banking sector. During the year, rising interest rate scenario, imposition of capital gain tax, devastating floods, law and order situation and increasing twin deficits coupled with higher inflation have been concerning issues for the investors. In the same backdrop, trading activity was 9 years low with average daily volume of 121 million shares against 306,



Consistency

“

Good result is consistency of performance.

”

Jim Dale





341 and 364 million shares in 2003, 2004 and 2005 respectively. Turnover velocity of local bourses was lowest in Asia.

Despite financial meltdown of 2008 and subsequent stock market crisis, Karachi Stock Exchange offered good return of 33 per cent over the decade out pacing the return generated by most of the traditional assets. Out of 10 years, KSE-100 Index generated positive return for eight years whereas 2001 and 2008 generated negative return of 16 per cent and 58 per cent respectively.

During the year under review, Saudi Pak trading remained limited as major movement of the market was in heavy weight scrips at comparatively higher P/E multiple. Strategy was selling on strength reducing the portfolio size as well as ensuring reversal of impairment realized at year closed 2008. During the period, the portfolio size as well as number of scrips were reduced. Capital gains realized during the year amounted to Rs 253.5 million and dividend income Rs 96.2 million aggregating total income to Rs 349.7 million. Return on portfolio stood in line with gain in KSE-100 Index ex-OGDC.

Treasury Operations

The year started with continuation of gradual easing of monetary policy, the trend had to be reversed later during the year to overcome monetary imbalances, particularly resurgence of inflation. Accordingly, tight monetary regime was re-activated, and policy discount rate was raised successively. High policy rates led to surge in KIBOR and cost of borrowing.

For financial sector organizations, immediate impacts of these trends translated into high cost of liquidity, increase in risk premium charged to the borrower institutions, and rising non-performing assets of financial sector.

To meet the challenges of the year 2010, Treasury Division of Saudi Pak pro-actively positioned itself to pursue the objectives of smooth resource mobilization, managing liquidity and interest rate risk, effective balance sheet management, and diversification of funding sources.

Saudi Pak's Treasury is a resource hub of the Company, with its prime object of meeting funding needs for Company's operations.



This function was carried out smoothly through permissible and diversified modes, and average resource mobilization during the year remained at Rs 13.5 billion, (inclusive of off balance sheet swaps, where average mobilization was Rs 4.679 billion).

The funds mobilized from diversified modes (i.e. money market, deposits, swaps etc.), were also deployed in government securities, and secured money market modes, where the objectives of income enhancement and liquidity were achieved simultaneously.

While undertaking deployments and spread earning transactions, selective approach is adopted in order to avoid credit/institutional risk

Risk Management Framework

Risk Management function is a vital organ of banking industry. A comprehensive Risk Management Policy has been formulated wherein roles and responsibilities from micro level to macro level have been clearly spelt out. At the micro level the risk is handled by the risk takers, whereas at the macro level the risk is monitored through independent review and oversight by Risk Management Division and the Committees. Saudi Pak, following the guidelines of State Bank of Pakistan, is moving forward in a

phased manner to implement Basel-II framework.

Obligor and Facility Risk Rating systems are already in place to monitor and mitigate the Credit Risk whereas Market Risk is calculated using Value at Risk module. Other areas of risk are also closely monitored and mitigation techniques are applied to safeguard the interests of the Company and its stakeholder.

To further streamline the risk management activities, the services of a consultant have been hired for the development of risk assessment tools and to enhance the management reporting system. The said tools will shortly be available and will pave the way to strengthen the risk management activities at Saudi Pak.

Information Technology

Information technology is a key contributor to the development of the company by managing its Infrastructure and facilitating strategic initiatives for accelerating business growth. The Information Technology function has gained enhanced role in the financial sector. Saudi Pak's IT Strategy is to use the power of ideas that provides momentum and direction to strengthen the Company's decision support systems, re-engineering of the legacy systems and building capacity for growth.

Data center has also been established at Regional Office Lahore to support the replication of company's data being stored at Head Office, Islamabad. In this regard, specialized mechanism has been devised by utilizing the dedicated equipments to fulfill the storage requirement of critical data which is being consolidated in Head Office and transferred online to Regional Office using secured channel.





To cope with the localized or global disasters, Business Continuity /Disaster Recovery Site has also 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.

Human Resource Development

Saudi Pak recognizes its Human Resources as a key driver of organizational excellence and growth. We firmly believe that the continued progress and success of the Company depends upon to a great extent on its employees. Management of Human Resources has been one of our core focus areas. Our policy on Human Resources is to attain the highest standards of professionalism throughout the organization by recognizing and revealing individual capabilities, productivity, commitment and contribution. We help employees to attain their maximum efficiency and effectiveness through a well-rounded training and

development program. Based on individual as well as Divisional need basis, 41 man days training was provided to employees on various topics during the year 2010. Each employee is encouraged to improve and develop himself and thereby prepare him for positions of higher responsibility. HR function contributes to organizational performance by aligning people and practices in line with the Company's strategic business plan.

Saudi Pak is proud to promote an open culture, encouraging people to be themselves and giving their ideas a chance to flourish. We encourage and practice 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 Plus) and Short Term entity rating A-1+ (A-one Plus) with 'Stable' outlook.

Credit Rating

By JCR-VIS	
Long Term	AA+
Short Term	A-1+
Outlook	'Stable'

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, 2010, except as disclosed in the financial statements.
- k) The value of investment of Provident Fund as at December 31, 2010 according to their audited financial statement is approximately Rs.57 million (2009: Rs.54 million).

Auditors

The Auditors, M/s M. Yousuf Adil Saleem & Company, Chartered Accountants have completed their assignment for the year ended December 31, 2010 and shall retire on the conclusion of 29th Annual General Meeting. Audit Committee had recommended the name of M/s KPMG Taseer Hadi & Co., Chartered Accountants to be the auditors for the year ending December 31, 2011. Accordingly, the Board approved the recommendation of the Audit Committee and recommended the name of M/s KPMG Taseer Hadi & Co., Chartered Accountants for consideration and approval at the Annual General Meeting.

Board of Directors Meetings

During the year, six 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	Remarks
Mr. Mohammed W. Al-Harby	03	03	Existing
Rana Assad Amin	06	06	Existing
Mr. MUSAAD A. Al-Fakhri	03	03	Existing
Mr. Abdul Ghaffar Soomro	05	05	Existing
Mr. Mohammed A. Al - Jarbou	03	03	Existing
Mr. Yawar Zia	05	05	Existing
Dr. Abdullah T. Al - Thenayan	03	03	Ex-director
Dr. Ashfaque Hasan Khan	01	01	Ex-director
Mr. Sulaiman A. Al-Orf	03	03	Ex-director
Mr. Muhammad Razi Abbas	01	01	Ex-director
Mr. Ali R. Al - Harbi	03	03	Ex-director

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

It is expected that FY-2011 would be another challenging year for Saudi Pak. The structural changes have been initiated, once these are completed, achieving of promising results would not be an issue for the Company.



Results

“ The achievements of an organization are the results of the combined effort of each individual. ”

Vince Lombardi

Strategic Investments

Owing to its believes on growth through core operations as well as through horizontal growth, Saudi Pak has been establishing its associates through strategic investments. Its associates include Saudi Pak Leasing Company Limited, Saudi Pak Insurance Company Limited, Saudi Pak Real Estate Limited and building space of Saudi Pak Tower.

A brief profile of strategic investments is as follows:

Saudi Pak Leasing Company Limited

The Company having paid-up capital of Rs 451.6 million is listed at local bourses. Saudi Pak's stake in the Company stands at 35 per cent. After financial melt down of 2008, the Company is striving for its rehabilitation. During the year under review, its main focus was on reduction of financial cost through settlements/ restructuring of debts. The Company during the period ended June 30, 2010 reduced its liabilities by 22 per cent from Rs 5,830 million to Rs 4,569 million and plans to further reduce by 30 per cent in the year 2011. The Company is striving for its revival through reduction in financial and administrative cost coupled with emphasize on recoveries of loans and leases.

Saudi Pak Insurance Company Limited

The Company was established in 2005 with its head office at Karachi and its branch network is in almost all major cities of the country. Paid-up capital of the Company is Rs 325 million with Saudi Pak's stake of 69 per cent. In the year 2010, the Company was more selective in providing risk coverage in the backdrop of economic slow down after financial melt down of 2008 and devastating floods of July 2010. A conservative approach is planned to be maintained in the year 2011 as economic challenges are likely to be continued with slow growth of GDP. Besides, various options are under consideration to strengthen financial health of the Company.

Saudi Pak Real Estate Limited

The Company is wholly owned subsidiary of Saudi Pak. It was established in 2007 with initial paid-up capital of Rs. 100 million which has been enhanced to Rs. 500 million through two Right Issues. Achieving break-even in 2008, the Company earned net profit of Rs. 45.21 million in 2009. During the year 2010, the net profit is likely to be Rs. 50 million. During the year under review, the Company participated in a housing project at prime location in Lahore. The construction work is at advance stage and project is expected to be completed in 2011. The Company plans to increase its capital base through induction of strategic partners that will enable to undertake large scale real estate projects while strengthening asset base of the Company.

Saudi Pak Tower

Saudi Pak owns a twenty story high rise building in Islamabad known as Saudi Pak Tower. The building is used to be a land mark in 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 surveillance audit, the certification was renewed in 2008 for three years i.e. up to 2011. On recommendation of certification body i.e. Moody International, the transition from ISO 9001- 2000 to ISO 9001-2008 (new version) was completed. The Security of building has been enhanced by installing additional 16 securities surveillance cameras with digital video recording system etc.

A major portion of the building has been leased out. Tower has an Executive Business Centre (EBC) with furnished rooms along with all office facilities. The rooms of EBC are designed for clients, requiring rental space for any duration.



Financial Results

Total mark up income decreased by 23.8 percent to Rs 1,425 million from Rs 1,870 million in the previous year as against mark up expense which declined by 22.0 percent to Rs 1,114 million from Rs 1,428 million. Resultantly, net spread decreased to Rs 311 million from Rs 442 million in the current year.

Non-mark up income decreased by 109.4 percent from Rs 731 million to Rs (69) million. The provision against non-performing loans decreased to Rs 16 million from Rs 181 million.

Net loss after taxation amounted to Rs 504 million as compared to net profit of Rs 419 million in the corresponding period of the previous year.

The paid up capital was Rs 6,000 million at the end of year 2010. The shareholders equity decreased to Rs 9,300 million as on December 31, 2010 from Rs 10,079 million as on December 31, 2009. The shareholders equity as on December 31, 2010 includes surplus on revaluation of fixed assets amounting to Rs 2,027 million and deficit on revaluation of securities held under Available for Sale (AFS) category amounting to Rs 240 million, net of tax. Total assets of the Company amounted to Rs 18,396 million as on December 31, 2010 against Rs 21,211 million as on December 31, 2009.



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

	2010 (Rupees)	2009 (Rupees)
Un-appropriated Profit/(Loss) brought forward	(528,064,364)	(918,583,349)
Appropriation from reserve fund	528,064,364	-
(Loss)/Profit for the year	(503,850,823)	418,904,094
	<u>(503,850,823)</u>	<u>(499,679,255)</u>
Appropriations:		
Transfer to reserve funds	-	(83,780,819)
Incremental depreciation on revalued fixed assets	55,391,880	55,395,710
Un-appropriated (Loss)	(448,458,943)	(528,064,364)

Acknowledgment

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



Chairman

Islamabad
Dated: March 06, 2011



Statistical Information

	(Rs. in million)				
	2010	2009	2008	2007	2006
Net Financing Approved					
Funded:					
Long Term Finance/TFCs	1,724.1	1,211.5	2,027.9	3,858.6	2,805.9
Lease Finance	-	92.0	-	127.5	241.6
Short Term Finance	970.0	600.0	330.0	873.9	1,314.2
Direct Equity/Investment/Placement	-	265.0	393.8	186.4	1,594.5
Sub-Total	2,694.1	2,168.5	2,751.7	5,046.4	5,956.2
Non-Funded:					
Underwriting of Shares	-	35.0	84.6	350.0	420.0
Guarantees	10.8	-	400.0	11.8	-
Sub-Total	10.8	35.0	484.6	361.8	420.0
Total Amount	2,704.9	2,203.5	3,236.3	5,408.2	6,376.2

Net Financing and Investment Approved: Cumulative as on December 31, 2010

	(Rs. In million)	As %age of Funded	As %age of Funded & Non- Funded
Funded:			
Long Term Finance/TFCs	25,705.3	54.35	49.53
Lease Finance	1,775.8	3.75	3.42
Short Term Finance	13,885.7	29.36	26.75
Direct Equity/Investment/Placement	5,929.2	12.54	11.42
Sub-Total	<u>47,296.0</u>	<u>100.00</u>	<u>91.12</u>
As %age of Non-Funded			
Non-Funded:			
Underwriting of Shares	2,816.0	61.15	5.43
Guarantees	1,789.3	38.85	3.45
Sub-Total	<u>4,605.3</u>	<u>100.00</u>	<u>8.88</u>
Total Amount	<u>51,901.3</u>		<u>100.00</u>

(Rs. in million)

	2010	2009	2008	2007	2006	Since Inception to 31-12-2010
Disbursement: By type of assistance						
Long Term Finance/FTCs	1,980.3	1,338.5	3,536.7	2,693.3	2,700.1	25,257.9
Lease Finance	92.0	-	46.1	125.8	242.1	1,743.3
Short Term Finance	605.5	544.4	707.3	856.8	1,255.0	13,006.8
Direct Equity/Investment/Placement	-	15.0	93.8	161.4	200.0	1,827.4
Investment in Associated Company	-	250.0	225.0	890.8	586.2	4,030.6
Share taken up against underwriting	19.3	-	18.4	16.6	-	363.4
Total	2,697.1	2,147.9	4,627.3	4,744.7	4,983.4	46,229.4

Net Financing and Investment Approved*: Sector Exposure

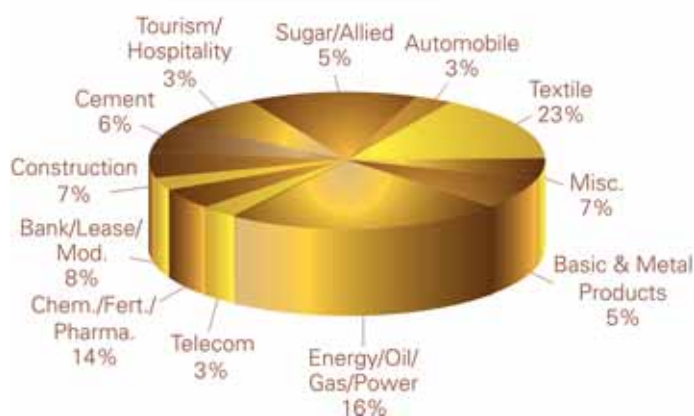
(Rs. in million)

Sector	No.	2010			Since inception to 31-12-2010		
		Amount	%	No.	Amount	%	
Financial Services	-	-	-	159	8,671.5	18.34	
Power/Oil & Gas	2	330.0	12.25	64	5,145.3	10.88	
Agro based	1	100.0	3.71	15	626.4	1.32	
Manufacturing	21	1,994.1	74.02	532	28,832.7	60.96	
Services	3	270.0	10.02	55	4,020.1	8.50	
Total	27	2,694.1	100.00	825	47,296.0	100.00	

*Excluding underwriting and guarantees

Position as on December 31, 2010

Sector Exposure



Modewise Financing



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 present, the Board has six non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of a Stock Exchange, have been declared as a defaulter by that Stock Exchange.
4. During the year 2010, three directors representing Kingdom of Saudi Arabia (KSA) were appointed in place of the outgoing directors and similarly two directors were also replaced by the Government of Pakistan.
5. The business of the Company is conducted in accordance with the "Statement of Ethics and Business Practices" signed by all the directors and employees.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they are approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the General Manager / Chief Executive, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The Company has also carried out orientation courses for the Directors.
10. The meetings of the Audit Committee were held in every quarter prior to approval of interim and final results as required by the Code. The Terms of Reference of the Committee were fully complied with.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be

- disclosed.
12. During the year the Board approved the appointment of Mr. Rohail Ajmal, Head of Internal Audit Division as Chief Financial Officer in place of Mr. Khawar Ashfaq, Acting Chief Financial Officer and Mr. Mohammad Nayeem Akhtar Head of Law Divison Senior Vice President as Company Secretary in place of Mr. Faridullah Khan Acting Company Secretary and Mr. Muhammad Naseer Malik, Vice President Internal Audit as Acting Head of Internal Audit in place of Mr. Rohail Ajmal. The remuneration and terms and conditions of employment, as determined by General Manager / Chief Executive has been approved by the Board.
 13. Acting GM/Chief Executive and CFO duly endorsed the financial statements of the Company before approval of the Board
 14. The Directors, Acting GM/CE and executives do not hold any interest in the shares of the Company.
 15. The Company has complied with all the corporate and financial reporting requirements of the Code.
 16. The Board has formed an Audit Committee comprising of three members all of whom are non-executive directors.
 17. The Board has set-up an effective internal audit function on full time basis.
 18. The statutory auditors of the company 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 .
 19. 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.
 20. 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.
 21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the
Board of Directors



Chairman

Islamabad
Dated: March 06, 2011



Statement on Internal Controls

The statement is being presented to comply with the Guidelines on Internal Controls issued by State Bank of Pakistan vide their BSD Circular No. 07 of May 27, 2004.

The system of internal controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year 2010, the Company endeavored to follow the guidelines on Internal Controls. It is an ongoing process for identification, evaluation and management of significant risks faced by the Company.

The management is responsible for establishing and maintaining adequate Internal Controls and procedures. Keeping in view the risk exposure, internal controls are regularly reviewed and reported on their soundness.

The Board is periodically briefed on the internal controls working in the Company. The Board endorses the efficacy of these controls.

For and on behalf of the
Board of Directors



Chairman

Islamabad
Dated: March 06, 2011



Review Report to The Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Saudi Pak Industrial and Agricultural Investment Company Limited ("the Company") to comply with 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 system 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 transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2010.

Islamabad
Date: March 06, 2011



Chartered Accountants



Financial Statements 2010



18,395,621,212



Auditors' Report to the Members of Saudi Pak Industrial and Agricultural Investment Company Limited

We have audited the annexed Statement of Financial Position of Saudi Pak Industrial and Agricultural Investment Company Limited ("the Company") as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "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 International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - i. the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes referred to in note 5.1, 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 statement of financial position, profits and loss account, statement of comprehensive income, cash flow statements and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2010 and of the loss, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 9.4.1 to the financial statements that the Board of Directors has decided the conversion of the interest free subordinated loan to a related party into preference shares. State Bank of Pakistan has granted extension for the conversion of subordinated loan into equity till June 30, 2011.



Chartered Accountants
Engagement Partner: Mohammed Saleem

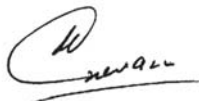
Islamabad
Date: March 06, 2011



**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010**

	Note	2010 (Rupees)	2009
ASSETS			
Cash and balances with treasury banks	6	40,842,606	44,578,637
Balances with other banks	7	218,336,242	2,538,195,884
Lendings to financial institutions	8	454,782,750	2,083,870,748
Investments	9	7,527,488,718	7,403,286,526
Advances	10	6,344,004,026	5,623,538,406
Operating fixed assets	11	2,248,888,099	2,282,313,203
Deferred tax assets	15	122,512,551	129,962,515
Other assets	12	1,438,766,220	1,105,373,270
		18,395,621,212	21,211,119,189
LIABILITIES			
Bills payable		-	-
Borrowings	13	7,137,934,094	8,160,658,100
Deposits and other accounts	14	1,654,902,252	2,635,847,714
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred liabilities	16	57,595,602	71,645,385
Deferred tax liabilities		-	-
Other liabilities	17	245,550,122	264,020,066
		9,095,982,070	11,132,171,265
NET ASSETS		<u>9,299,639,142</u>	<u>10,078,947,924</u>
REPRESENTED BY			
Share capital	18	6,000,000,000	6,000,000,000
Reserves	19	1,961,641,045	2,520,383,519
Unappropriated loss		(448,458,943)	(528,064,364)
		7,513,182,102	7,992,319,155
Deficit on revaluation of securities - net of tax	20	(240,368,028)	(25,451,367)
Surplus on revaluation of operating fixed assets - net of tax	21	2,026,825,068	2,112,080,136
		<u>9,299,639,142</u>	<u>10,078,947,924</u>
CONTINGENCIES AND COMMITMENTS	22		

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



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHAIRMAN

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
Note	(Rupees)	
Mark-up/return/interest earned	23 1,425,414,054	1,870,369,880
Mark-up/return/interest expensed	24 1,114,352,982	1,428,082,033
Net mark-up/interest income	311,061,072	442,287,847
Provision against non-performing loans and advances	25 15,590,740	180,632,276
Provision for diminution in the value of investments	26 395,916,969	367,508,960
Provision against lendings to financial institutions	8 (23,500,000)	23,500,000
Bad debts written off directly	-	-
	388,007,709	571,641,236
Net mark-up/interest expense after provisions	(76,946,637)	(129,353,389)
NON MARK-UP/INTEREST INCOME		
Fee, commission and brokerage income	-	-
Dividend income	96,159,614	74,826,797
Loss from dealing in foreign currencies	(443,799,545)	(61,542,009)
Gain on dealing in quoted securities	240,048,191	599,596,982
Gain on dealing in mutual funds	13,429,077	72,731,031
Unrealized loss on revaluation of investment classified as held-for-trading	-	(3,569,223)
Other income	27 25,346,608	48,769,899
Total non mark-up/interest income	(68,816,055)	730,813,477
NON MARK-UP/INTEREST EXPENSES		
Administrative expenses	28 217,223,416	196,231,378
Other provisions/write offs	-	-
Other charges	29 731,400	36,000
Total non-markup/interest expenses	217,954,816	196,267,378
Extra ordinary/unusual items	-	-
(LOSS)/PROFIT BEFORE TAXATION	(363,717,508)	405,192,710
Taxation - Current	26,021,402	25,439,451
- Prior years	10,402,608	-
- Deferred	103,709,305	(39,150,835)
	30 140,133,315	(13,711,384)
(LOSS)/PROFIT AFTER TAXATION	(503,850,823)	418,904,094
Basic and diluted earnings per share-Rupees	31 (0.84)	0.81

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


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


CHAIRMAN



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Note	2010 (Rupees)	2009
(Loss) / profit after tax for the year		(503,850,823)	418,904,094
Other comprehensive income			
Reversal of capital reserves relating to rescheduling benefits		(30,678,110)	30,678,110
Comprehensive income transferred to equity		(534,528,933)	449,582,204
Components of comprehensive income not reflected in equity			
Deficit on revaluation of available-for-sale securities	9.1	(369,796,967)	(28,794,567)
Deferred tax		129,428,939	3,343,200
		(240,368,028)	(25,451,367)
Total comprehensive income		(774,896,961)	424,130,837

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


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


CHAIRMAN

**CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Note	2010 (Rupees)	2009
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/ profit before taxation		(363,717,508)	405,192,710
Less: dividend income		(96,159,614)	(74,826,797)
		(459,877,122)	330,365,913
Adjustments:			
Depreciation		112,901,011	111,397,096
Provision against non-performing loans and advances		15,590,740	180,632,276
Provision for diminution in the value of investments		395,916,969	367,508,960
Provision against lending to financial institutions		(23,500,000)	23,500,000
Income from dealing in foreign currencies		(504,287)	(490,000)
Gain on disposal of operating fixed assets		(1,045,470)	(1,771,733)
Deferred income		(22,547,975)	(37,657,306)
Provision for gratuity		5,122,325	5,113,761
Provision for compensated absences		1,284,303	1,532,489
Unrealized loss on revaluation as held-for-trading securities		-	3,569,223
		483,217,616	653,334,766
		23,340,494	983,700,679
Decrease/(increase) in operating assets			
Lendings to financial institutions		1,652,587,998	(772,370,748)
Held-for-trading securities		134,702,055	(75,770,793)
Advances		(766,734,470)	545,098,023
Other assets		76,242,338	58,642,242
		1,096,797,921	(244,401,276)
(Decrease)/increase in operating liabilities			
Borrowings from financial institutions		(1,022,724,006)	(2,682,784,567)
Deposits		(980,945,462)	1,215,847,714
Other liabilities		(45,550,576)	44,315,705
Deferred liabilities		5,992,418	23,770,258
		(2,043,227,626)	(1,398,850,890)
		(923,089,211)	(659,551,487)
Gratuity paid		(2,841,624)	(1,677,403)
Income tax paid		(493,559,210)	(148,186,913)
		(496,400,834)	(149,864,316)
Net cash used in operating activities		(1,419,490,045)	(809,415,803)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(1,098,633,273)	1,885,626,185
Net investment in held-to-maturity securities		103,313,946	(289,339,865)
Net investment in subsidiaries		-	(583,208,501)
Dividend received		97,463,364	74,023,047
Investment in operating fixed assets		(7,357,130)	(25,084,910)
Sale proceeds from operating fixed assets		1,107,465	2,772,951
Net cash (used in) /from investing activities		(904,105,628)	1,064,788,907
CASH FLOW FROM FINANCING ACTIVITIES			
Cash received against right issue		-	1,000,000,000
Dividend paid		-	-
Net cash flow from financing activities		-	1,000,000,000
(Decrease)/increase in cash and cash equivalents		(2,323,595,673)	1,255,373,104
Cash and cash equivalents at beginning of the year		2,582,774,521	1,327,401,417
Cash and cash equivalents at end of the year	32	259,178,848	2,582,774,521

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


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


CHAIRMAN



**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
DECEMBER 31, 2010**

	Paid-up capital	Reserve fund	General reserve	Capital reserve	Unappropriated profit/(loss)	Total
.....(Rupees).....						
Balance as at January 01, 2009	5,000,000,000	2,405,924,590	-	-	(918,583,349)	6,487,341,241
Comprehensive income						
Profit for the year	-	-	-	-	418,904,094	418,904,094
Capital reserves - rescheduling benefit	-	-	-	30,678,110	-	30,678,110
Total comprehensive income	-	-	-	30,678,110	418,904,094	449,582,204
Transfer to reserve fund	-	83,780,819	-	-	(83,780,819)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	55,395,710	55,395,710
Transactions with owners						
Issue of right shares	1,000,000,000	-	-	-	-	1,000,000,000
Balance as at December 31, 2009	<u>6,000,000,000</u>	<u>2,489,705,409</u>	<u>-</u>	<u>30,678,110</u>	<u>(528,064,364)</u>	<u>7,992,319,155</u>
Comprehensive income						
Loss for the year	-	-	-	-	(503,850,823)	(503,850,823)
Capital reserves - rescheduling benefit	-	-	-	(30,678,110)	-	(30,678,110)
Total comprehensive income	-	-	-	(30,678,110)	(503,850,823)	(534,528,933)
Appropriation from reserve fund	-	(528,064,364)	-	-	528,064,364	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	55,391,880	55,391,880
Balance as at December 31, 2010	<u>6,000,000,000</u>	<u>1,961,641,045</u>	<u>-</u>	<u>-</u>	<u>(448,458,943)</u>	<u>7,513,182,102</u>

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



CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHAIRMAN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

1. LEGAL STATUS AND OPERATIONS

Saudi Pak Industrial and Agricultural Investment Company Limited (the "Company") is a Public limited company incorporated in Pakistan, 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 registered office of the Company is situated at Saudi Pak Tower, Jinnah Avenue, Islamabad.

2. BASIS OF PRESENTATION

These financial statements have been presented in accordance with format prescribed by the State Bank of Pakistan's BSD Circular No.4 dated February 17, 2006, directives issued by the State Bank of Pakistan (SBP), International Financial Reporting Standards, and applicable laws in Pakistan.

2.1 Functional and presentation currency

These financial statements have been prepared in Pak Rupee which is the reporting and functional currency.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the 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, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives 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 NBFIs 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 financial statements. The investments have been classified and valued in accordance with the requirements prescribed by the SBP's BSD Circular No. 4 dated February 17, 2006 and BSD Circular No. 10 dated July 13, 2004.

3.3 New accounting standards, amendments and IFRIC interpretations that are not yet effective:

"The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	Effective Date
- Amendments to IFRS 1 First – time Adoption of International Financial Reporting Standards – Exemption from Comparative IFRS 7 Disclosures for First – time Adoption of International Financial Reporting Standards	July 01, 2010
- Amendments to IFRS 1 First – time Adoption of International Financial Reporting Standards – Replacement of ‘fixed dates’ for certain exceptions with ‘the date of transition to IFRSs’	July 01, 2011
- Amendments to IFRS 1 First – time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe Hyperinflation	July 01, 2011
- Amendments to IFRS 3 Business Combinations	July 01, 2010
- Amendments to IFRS 9 Financial Instruments - Classification and Measurements	January 01, 2013
- Amendments to IAS 1 Presentation of Financial Statements	January 01, 2011
- Amendments to IAS 12- Limited Scope Amendment recovery of underlying assets	January 01, 2012
- Amendments to Revised IAS 24- Related Party Disclosures- Revised definition of related parties	January 01, 2011
- Amendments to IAS 27- Consolidated and Separate Financial Statements	July 01, 2010
- Amendments to IAS 32- Financial Instruments Presentation- Classification of Rights Issues	February 01, 2010
- Amendments to IAS 34-Interim Financial Reporting	January 01, 2011
- Amendments to IFRIC 13- Customer Loyalty Programmes	January 01, 2011
- Amendments to IFRIC 14 IAS-19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011
- Amendments to IFRIC 19- Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

4. BASIS OF MEASUREMENT

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

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

Critical accounting estimates and judgments

‘The preparation of 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. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company’s financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Classification of investments

Held-for-trading

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

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

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

b) Provision against 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) 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 balance sheet date and the rates contracted.

f) Depreciation, amortization and revaluation of operating fixed 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 financial statements (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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of previous financial year except for the following:

IAS-1 Presentation of financial statements (revised)

SBP vide BSD Circular letter No. 7 of 2010 dated April 20, 2010, apart from suggesting the change in the name of certain components of financial statements, has clarified that with effect from June 30, 2010 and on wards, two statement approach shall be adopted in the preparation of quarterly, half-yearly and annual financial statements as mentioned in the revised IAS-1 "Presentation of Financial Statements". Accordingly, the company has presented profit and loss account and statement of comprehensive income separately in these financial statements.

Further, all changes in owners' equity are presented in the statement of changes in equity, whereas all non-owners changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

5.2 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 profit and loss account. Advances are written off when there is no realistic prospect of recovery.

5.3 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.

5.4 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for the consideration received is included in the borrowings from financial institutions. Conversely, consideration for securities purchased under resale agreements (reverse repo) are included in lendings to financial institutions. The difference between the sale and repurchase/purchase and resale price is treated as mark up/return/interest expense and earned, as the case may be.

5.5 Investments

Investments are classified as follows:



5.5.1 Held-for-trading

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 profit and loss account in accordance with the requirements of the State Bank of Pakistan's circular.

5.5.2 Held-to-maturity

The securities acquired with the intention and ability to hold them upto maturity. These securities are carried at amortized cost.

5.5.3 Available-for-sale

The securities which do not fall under held for trading and held to maturity categories are classified under this category. Investments in quoted securities where ready quotations are available on Reuters Page (PKRV) or stock exchanges are valued at market value on portfolio basis. Un-quoted equity securities are valued at lower of cost and break up value. The break up value of the equity securities is calculated with reference to the latest available financial statements of the investee companies.

The surplus/(deficit) on revaluation net of deferred tax is taken to "Surplus/(deficit) on Revaluation of Securities" and shown in the balance sheet below equity net of deferred tax. However, any permanent diminution in the value of securities is provided for by charging it to the profit and loss account.

5.5.4 Profit or loss on sale of investments

Profit or loss on sale of investments is charged to profit and loss account.

5.5.5 Investments in subsidiaries

Investments in subsidiaries are stated at cost.

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 Company maintains provision for potential lease losses in accordance with the Prudential Regulations applicable on the Company.

5.7 Operating fixed assets and depreciation**5.7.1 Tangibles**

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. Depreciation is provided on straight line method at rates specified in note 11 to the 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.



Tangible operating fixed assets carried at revalued amount are valued by professionally qualified valuers with sufficient regularity to ensure that their carrying amounts do not differ materially

Surplus on revaluation of fixed assets to the extent of incremental depreciation charged to related assets is transferred to equity (net of deferred tax).

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

5.7.2 Intangibles

Intangible assets are stated at cost less accumulated amortization. Impairment losses, if any, is charged to profit and loss account. Amortization is computed from the date of purchase to date of write off using the straight line method in accordance with the rates specified in note 11 to these financial statements to write off cost of the assets over their estimated useful lives.

5.7.3 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 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the exchange rate prevailing at the balance sheet date. Exchange gains or losses are included in the profit and loss account currently.

5.9 Taxation

5.9.1 Current

Provision for current taxation is the expected tax payable on the taxable income for the year using tax rates applicable at the balance sheet date. 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.

5.9.2 Deferred

The Company accounts for the deferred taxation, using the balance sheet liability method, providing for the temporary differences between the current amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates applicable at the balance sheet date. Deferred tax asset is recognized only to the extent that is probable that the future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefits will be realized.

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

5.10 Provisions

Provisions are recognized when there are present, legal or constructive obligations as a result of past events, and it is probable that an outflow of resources embodying economic benefits

will be required to settle the obligation and a reliable estimate of the amounts can be made.

5.11 Employee benefits

5.11.1 Defined benefit plan

The Company operates an unfunded gratuity scheme for all of its permanent employees who have put in three years of continuous service with the Company. The actuarial valuation is carried out periodically using "Projected Unit Credit Method" as allowed under the International Accounting Standard 19 "Employee Benefits".

A portion of the actuarial gains or losses is recognized if the net cumulative unrecognized actuarial gains or losses at the end of the previous year exceeds the "corridor" which is defined as the greater of:

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

5.11.2 Defined contribution plan

The Company also operates a 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.

5.11.3 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.

5.12 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 State Bank of Pakistan.

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.

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

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

Gain/ loss on sale of investments is credited/ charged to profit and loss account currently.

5.13 Financial instruments

5.13.1 Financial assets and financial liabilities

Financial instruments carried on the balance sheet 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.

5.14 Off-setting

Financial assets and financial liabilities are only set-off and net amount is reported in the 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 asset simultaneously.

5.15 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognized on the trade date, i.e. the date that the bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

5.16 Impairment

At each balance sheet date the Company reviews the carrying amounts of its assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. Whenever the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized as an expense immediately.

5.17 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 comprises of the following main business segments:

5.17.1 Business Segment

Corporate finance

This includes investment activities such as underwriting, Initial Public Offers (IPOs), corporate financing, treasury and money market operations.

Trading and Sales

This segment undertakes the capital market activities.

Building Rental Services

This segment undertakes the rental services of Saudi Pak Tower and its allied activities.

5.17.2 Geographical Segment

The Company conducts all its operations in Pakistan.

6. CASH AND BALANCES WITH TREASURY BANKS	Note	2010 (Rupees)	2009
In hand			
Local currency		114,143	116,203
Foreign currency		-	-
With State Bank of Pakistan in current account			
Local currency	6.1	40,605,864	44,342,175
Foreign currency		-	-
With National Bank of Pakistan in deposit account-saving			
Foreign currency		122,599	120,259
		<u>40,842,606</u>	<u>44,578,637</u>

6.1 Deposit is maintained with State Bank of Pakistan to comply with its requirements issued from time to time.

7. BALANCES WITH OTHER BANKS	Note	2010 (Rupees)	2009
In Pakistan			
On current accounts - local currency		27,874,980	3,198,469
On deposit account - saving			
- Local currency	7.1	104,463,498	2,529,388,621
- Foreign currency	7.2	85,997,764	5,608,794
		<u>218,336,242</u>	<u>2,538,195,884</u>

7.1 These deposit accounts carry interest rate of 4.00% to 5.00% per annum (2009: 4.00% to 13.00% per annum).

7.2 These deposit accounts carry interest rate of 0.25% per annum (2009: 0.65% per annum).

8. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2010 (Rupees)	2009
Call money lendings	8.1	307,330,000	1,228,500,000
Repurchase agreements lendings (reverse repo)	8.2	147,452,750	878,870,748
		<u>454,782,750</u>	<u>2,107,370,748</u>
Less: Provision for call money lendings		-	(23,500,000)
		<u>454,782,750</u>	<u>2,083,870,748</u>



8.1 This includes clean placements and term deposit receipts. These carry markup rate ranging from 13.25% to 13.31% per annum (2009: 12.50% to 18.00% per annum) maturing between January 2011 to February 2011 (2009: between January 2010 to February 2011).

8.2 These are secured against Pakistan Investment Bonds (PIBs) and Treasury Bills. 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 between 12.95% to 13.60% per annum (2009: 11.60% to 12.10% per annum) having maturity within 10 days (2009: 62 days).

8.3 Particulars of lendings

	Note	2010 (Rupees)	2009
In local currency		454,782,750	2,083,870,748
In foreign currencies		-	-
		454,782,750	2,083,870,748

8.4 Securities held as collateral against lendings to financial institutions

	Note	2010			2009		
		Held by Company	Further Given as collateral	Total	Held by Company	Further Given as collateral	Total
		(Rupees)			(Rupees)		
Pakistan Investment Bonds/ Treasury Bills	8.4.1	49,772,400	97,680,350	147,452,750	-	878,870,748	878,870,748
		49,772,400	97,680,350	147,452,750	-	878,870,748	878,870,748

8.4.1 These represent the securities obtained under reverse repo transactions that have been used to raise finance under repo transaction (note 13.3)

9. INVESTMENTS

9.1 Investment by types:

Note	2010			2009		
	Held by Company	Given as collateral	Total	Held by Company	Given as collateral	Total
	(Rupees)			(Rupees)		
Held-for-trading securities						
Quoted	-	-	-	138,271,278	-	138,271,278
Available-for-sale securities						
Quoted	2,552,655,487	-	2,552,655,487	2,623,214,148	-	2,623,214,148
Un-quoted	579,833,048	-	579,833,048	574,833,048	-	574,833,048
Treasury bills	630,021,196	1,168,582,204	1,798,603,400	274,227,414	769,333,516	1,043,560,930
Pakistan investment bonds (PIBs)	93,979,060	-	93,979,060	93,979,060	-	93,979,060
Ijara sukuk	10,000,000	-	10,000,000	10,000,000	-	10,000,000
Term finance certificates	44,000,000	-	44,000,000	90,000,000	-	90,000,000
Commercial paper	93,447,560	-	93,447,560	-	-	-
Mutual funds	385,337,523	-	385,337,523	366,637,523	-	366,637,523
	4,389,273,874	1,168,582,204	5,557,856,078	4,032,891,193	769,333,516	4,802,224,709
Held-to-maturity securities						
Pakistan investment bonds (PIBs)	534,321,908	-	534,321,908	551,249,898	-	551,249,898
Term finance certificates	1,979,884,528	-	1,979,884,528	2,065,766,197	-	2,065,766,197
	2,514,206,436	-	2,514,206,436	2,617,016,095	-	2,617,016,095
Subsidiaries						
Saudi Pak Leasing Company Limited						
-Investment in shares	243,467,574	-	243,467,574	243,467,574	-	243,467,574
-Subordinated loan	333,208,501	-	333,208,501	333,208,501	-	333,208,501
Saudi Pak Insurance Company Limited	225,000,000	-	225,000,000	225,000,000	-	225,000,000
Saudi Pak Real Estate Company Limited	500,000,000	-	500,000,000	500,000,000	-	500,000,000
	1,301,676,075	-	1,301,676,075	1,301,676,075	-	1,301,676,075
Investment at cost	8,205,156,385	1,168,582,204	9,373,738,589	8,089,854,641	769,333,516	8,859,188,157
Provision for diminution in value of investments	(311,349,633)	-	(311,349,633)	(203,770,701)	-	(203,770,701)
Provision for investments in subsidiary-Saudipak Leasing Company Limited	(576,676,075)	-	(576,676,075)	(288,338,038)	-	(288,338,038)
Investments (net of provisions)	7,317,130,677	1,168,582,204	8,485,712,881	7,597,745,902	769,333,516	8,367,079,418
Deficit on revaluation of available-for-sale securities	(369,796,967)	-	(369,796,967)	(28,794,567)	-	(28,794,567)
Impairment loss on quoted securities	(588,427,196)	-	(588,427,196)	(931,429,102)	-	(931,429,102)
Deficit on revaluation of held-for-trading securities	-	-	-	(3,569,223)	-	(3,569,223)
Total investment at market value	6,358,906,514	1,168,582,204	7,527,488,718	6,633,953,010	769,333,516	7,403,286,526

9.2 This includes preference shares of Pak Electron Limited amounting to Rs. 15 million in 2009 with an annual dividend of 9.50%. These preference shares were converted to ordinary shares during the year 2010.

9.3 This includes premium of Rs.34.322 million (2009: Rs.51.250 million) on purchase of PIB's. The premium is being amortized over the years to maturity ranging from October 2012 to April 2014. Investment in PIB's carry coupon interest rates ranging from 8% to 13% per annum (2009: 8.00% to 13.00% per annum).

9.4 This represents the cost of acquisition of 35.06% (2009: 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. 8.709 million (2009: Rs. 22.328 million).

9.4.1 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 May 28, 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 has decided to convert the same into preference shares. The SBP vide its letter # BPRD/BLRD-04/SPIAICO/2011/87 dated January 04, 2011 has granted extension for conversion of subordinated loan into equity till June 30, 2011.



9.5 This represents 22.5 million shares in Saudi Pak Insurance Company Limited representing 69.2% (2009: 69.2%) of paid up capital of Saudi Pak Insurance Company Limited having a break-up value of Rs. 5.50 per share.

9.6 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.

9.7 Investment by segments	Note	2010 (Rupees)	2009
Federal Government securities			
Pakistan investment bonds	9.7.5	628,300,968	645,228,958
Treasury bills		1,798,603,400	1,043,560,930
Ijara sukuk		10,000,000	10,000,000
		<u>2,436,904,368</u>	<u>1,698,789,888</u>
Fully paid up ordinary shares			
-Quoted securities	9.7.1	2,796,123,061	3,004,953,000
-Unquoted securities	9.7.2	1,304,833,048	1,299,833,048
		4,100,956,109	4,304,786,048
Term finance certificates (TFCs)			
-Listed TFCs	9.7.3	1,145,063,253	1,248,495,654
-Unlisted TFCs	9.7.4	878,821,275	907,270,543
		2,023,884,528	2,155,766,197
Other investments			
Mutual funds	9.7.6	385,337,523	366,637,523
Commercial paper		93,447,560	-
Subordinated loan-Saudi Pak Leasing Company limited		333,208,501	333,208,501
		811,993,584	699,846,024
Total investment at cost		9,373,738,589	8,859,188,157
Less: Provision for diminution in value of investment	9.8	(888,025,708)	(492,108,739)
Investments (net of provisions)		8,485,712,881	8,367,079,418
Deficit on revaluation of held-for-trading securities	9.9	-	(3,569,223)
Impairment loss on quoted securities		(588,427,196)	(931,429,102)
Deficit on revaluation of available-for-sale securities		(369,796,967)	(28,794,567)
Total investment at market value		<u>7,527,488,718</u>	<u>7,403,286,526</u>

9.7.1 Investment in fully paid up ordinary shares-quoted

2010	2009	Name of investee companies	2010	2009
Number of ordinary shares			(Rupees)	
693,055	-	Agritech Limited	19,492,931	-
1,100,500	652,000	Askari Commercial Bank Limited	19,993,835	15,031,226
1,500,000	1,500,000	Arif Habib Corporation Limited	98,867,790	98,867,793
6,000,000	782,592	Azgard Nine limited	108,725,016	26,289,723
-	579,016	Al Zamin Leasing Corporation Limited	-	10,379,643

Saudi Pak Industrial and Agricultural Investment Company Limited

2010	2009	Name of investee companies	2010	2009
Number of ordinary shares			(Rupees)	
3,447,948	2,242,329	Summit Bank Limited (Arif Habib Bank Limited)	24,827,495	19,771,290
40,000	-	Attock Petroleum Limited	12,057,746	-
-	240,000	Attock Refinery Limited	-	36,556,415
384,913	315,729	Attock Cement Limited	25,283,073	21,793,211
825,000	1,100,000	Bank Islami Pakistan Limited	7,421,064	9,894,747
-	1,000,000	B.R.R International Modaraba	-	10,438,000
500,000	3,500,040	Byco Petroleum Pakistan Limited	5,461,950	37,886,913
4,318,127	2,687,882	Bank Al-Falah Limited	68,626,071	48,501,461
5,120,622	5,120,622	Bank of Khyber Limited	34,766,565	34,766,588
1,128,648	2,500,000	Chenab Limited	9,944,020	22,026,403
2,345,336	1,633,010	Crescent Steel & Allied Products	87,089,050	70,265,275
500,000	1,000,000	D.G. Khan Cement Limited	12,100,273	29,073,570
6,278,600	6,278,600	Dewan Farooq Motors	81,531,262	81,531,238
5,228,883	6,819,765	Dewan Salman Fiber	28,316,074	36,931,184
3,199,957	3,054,688	Dewan Cement Limited	21,192,975	20,972,936
1,500,000	1,459,200	Descon Oxychem Limited	10,282,239	12,184,198
-	258,000	Engro Corporation Pakistan Limited	-	44,347,292
-	400,000	Engro Polymer Limited	-	9,129,815
-	80,000	EFU General Insurance	-	8,345,932
7,060,348	6,869,500	Fauji Cement Company Limited	89,948,594	89,057,093
500,000	712,349	Fauji Fertilizer Company Limited	46,306,772	63,574,951
2,300,000	2,800,000	FFC Bin Qasim Limited	66,134,112	82,727,132
4,207,540	4,207,500	Fecto Cement Limited	94,072,336	94,072,317
1,907,249	1,849,659	First Credit & Investment Bank Limited	18,617,356	18,458,352
-	535,000	Golden Arrow	-	1,841,226
766,012	1,196,000	Hub Power Company Limited	23,970,649	36,551,835
-	80,000	ICI Pakistan Limited	-	14,204,038
11,572,199	10,169,081	Japan Power Generation Limited	49,999,503	49,999,522
1,361,990	1,231,990	Jahangir Siddiqui and Company Limited	41,508,056	41,563,441
-	5,803,500	JS Large Capital Fund	-	58,035,000
500,000	112,000	Kott Addu Power Company Limited	22,328,350	4,846,819
10,000,487	10,000,487	Maple Leaf Cement Limited	68,038,113	68,038,113
160,000	-	Mari Gas Company Limited	21,356,550	-
3,500,000	-	My Bank Limited	20,521,125	-
1,000,000	700,000	National Bank of Pakistan Limited	88,837,061	88,592,967
1,345,000	1,398,016	Nishat Chunian Limited	23,586,383	22,769,957
1,000,000	-	Nishat Chunian Power Limited	14,389,047	-
3,000,000	150,000	Nishat Mills Limited	18,754,053	9,524,544
1,000,000	50,000	Nishat Power Limited	15,641,570	593,980
9,681,622	7,167,622	NIB Bank Limited	87,827,446	79,398,804
-	375,000	Oil & Gas Development Company Limited	-	42,885,233
-	69,767	Orix Investment Bank Limited	-	5,010,003
100,000	130,000	Pakistan State Oil Company Limited	30,415,596	39,586,269
3,900,000	2,500,000	Pakistan Telecommunication Company Limited	99,801,784	74,141,786



2010	2009	Name of investee companies	2010	2009
Number of ordinary shares			(Rupees)	
250,000	250,000	Pakistan Petroleum Limited	40,368,270	48,441,925
-	55,000	Pak Oil Field Company Limited	-	11,840,884
-	2,000,000	Pak Strategic Allocation Fund	-	20,000,000
-	2,494,999	Lotte PTA Pakistan Limited	-	18,001,997
4,591,000	5,001,000	Lafarge Cement Company Limited	19,196,118	20,910,439
6,695,000	5,181,000	Pace Pak Limited	86,103,355	78,988,511
848,704	837,704	Packages Limited	148,767,131	167,753,215
749,000	1,024,000	Pak Reinsurance Limited	39,589,682	60,114,785
750,000	651,262	Pakistan Refinery Limited	84,456,611	73,780,838
993,623	102,169	Pakistan Elektron Limited	20,000,000	5,000,000
1,046,386	363,332	PNSC	50,233,746	19,881,968
-	1,000	Rupali Polyester	-	40,068
15,835,403	15,835,403	Saudi Pak Leasing Company Limited	243,467,573	243,467,573
50,000	-	Security Papers Limited	1,980,000	-
646,492	598,319	Sitara Chemicals Ind	205,105,210	202,470,594
-	5,789,000	Sui Southern Gas Company Limited	-	91,485,808
1,200,000	1,180,800	Sui Northern Gas Company Limited	51,629,890	67,011,533
665,000	1,000,000	Samba Bank Limited	4,776,542	7,182,774
458,764	462,164	Samin Textiles	8,823,173	13,540,574
805,000	676,101	Sitara Peroxide	17,050,067	22,088,794
-	50,138	Searle Pakistan Limited	-	3,185,726
200,000	135,000	Shell Pakistan Limited	46,598,685	32,455,272
5,135,000	5,135,000	Telecard Limited	39,377,644	39,377,650
10,213,350	9,194,848	World Call Telecom	70,565,479	67,473,837
			<u>2,796,123,061</u>	<u>3,004,953,000</u>

9.7.2 Investment in fully paid up ordinary shares-unquoted

2010	2009	Name of investee companies	2010	2009
Number of ordinary shares			(Rupees)	
571,000	571,000	Ali Paper Board Industries Limited	5,710,000	5,710,000
1,000,000	1,000,000	Saudi Pak Kalabagh Livestock Company Limited	10,000,000	10,000,000
650,000	650,000	Bela Chemical Industries Limited	6,500,000	6,500,000
400,000	400,000	Fruit Sap Limited	4,000,000	4,000,000
630,000	630,000	Equity International Private Limited	6,000,000	6,000,000
1,125,000	1,125,000	Taurus Securities Limited	11,250,000	11,250,000
500,000	500,000	Highnoon Textiles Limited	5,000,000	5,000,000
1,500,000	1,500,000	Wah Nobel Acetates Limited	15,000,000	15,000,000
5,000,000	5,000,000	Pakistan Textile City Limited	50,000,000	50,000,000
5,000,000	5,000,000	Alhamra Hills Private Limited	50,000,000	50,000,000
5,714,285	5,714,285	Vision Network Television	100,000,000	100,000,000
4,000,000	4,000,000	Pak Kuwait Takaful Company	40,000,000	40,000,000
5,000,000	5,000,000	Al Hamra Avenue Private Limited	50,000,000	50,000,000
-	1,500,000	Pak Elektron Limited	-	15,000,000
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

2010	2009	Name of investee companies	2010	2009
Number of ordinary shares			(Rupees)	
2,000,000	-	Trust Investment Bank Limited	20,000,000	-
22,500,000	22,500,000	Saudi Pak Insurance Company Limited	225,000,000	225,000,000
50,000,000	50,000,000	Saudi Pak Real Estate Limited	500,000,000	500,000,000
			<u>1,304,833,048</u>	<u>1,299,833,048</u>

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

Company's name	Name of Chief Executive	As per accounts	Percentage held	Break up value of investment	Total (Rupees)
Pak Kuwait Takaful Company	Mr. Imtiaz Bhatti Mr. Robert	30-Sep-10	10.00	10.84	40,000,000
Equity International (Pvt) Limited*	Micheal	30-Jun-10	20.00	0.59	6,000,000

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

9.7.3 Investment in term finance certificates -listed

2010	2009	Company's name	Value per certificate (Rs.)	2010	2009
Number of certificates				(Rupees)	
-	5,000	Al-Zamin Leasing Modaraba-II	-	-	8,500,000
89,839	89,839	Allied Bank Limited	4,998	449,015,322	449,195,000
30,000	20,000	Azgard Nine Limited	4,163	124,898,600	74,898,600
6,313	6,313	Askari Commercial Bank Limited	4,989	31,495,557	31,508,183
16,159	16,159	Bank Alfalah Limited	4,988	80,608,845	80,639,871
39,780	39,780	Engro Corporation Pakistan Limited	5,000	198,900,000	198,900,000
7,000	7,000	Jahangir Siddiqui and Company	4,992	34,944,000	34,958,000
30,000	30,000	Maple Leaf Cement (Sukuk)	4,996	149,872,500	150,000,000
-	10,000	Pakistan Mobile Communications Limited	-	-	46,000,000
-	10,000	Pak American Fertilizer Limited	-	-	44,000,000
20,000	20,000	Standard Chartered Bank Limited (Formerly Union Bank Ltd)	1,250	25,000,000	69,920,000
3,749	4,998	Trust Investment Bank Limited	2,000	7,497,000	9,996,000
10,000	10,000	World Call Telecom	4,283	42,831,429	49,980,000
				<u>1,145,063,253</u>	<u>1,248,495,654</u>

9.7.3.1 These carry rate of return ranging from 10.75% per annum to 15.79% per annum (2009: 9.50% to 15.19% per annum) and having maturity of upto 10 years.



9.7.4 Investment in term finance certificates -unlisted

2010	2009	Company's name	Name of Chief Executive	Value per certificate (Rs.)	2010	2009
Number of certificates			(Rupees)			
40,000	40,000	Avari Hotels Limited	Mr. Byram D. Avari	4,246	169,829,200	200,000,000
18,000	18,000	Amtex Limited(Sukuk)	Mr. Khurram Iftikhar	3,750	67,500,000	90,000,000
10,000	10,000	B.R.R Guardian Modaraba	Mr. Ayaz Dawood	5,000	50,000,000	50,000,000
5,000	5,000	Gharibwal Cement Limited.	Mr. Muhammad Tausif Paracha	4,996	24,980,000	24,985,000
10,000	10,000	JDW Sugar Mills Limited	Mr. Jahangir Tareen	3,889	38,888,890	50,000,000
-	10,000	Kashf Foundation	Mrs. Roshaneh Zafar	-	-	21,428,572
10,000	-	Martin Dow Pharmaceuticals	Mr. Jawed Akhai	5,000	50,000,000	-
10,000	10,000	Royal Bank of Scotland (Prime Commercial Bank Ltd.)	Mr. Shehzad Naqvi	3,743	37,430,000	49,910,000
40,000	40,000	Pak American Fertilizer Ltd	Mr. Abid Amin	6,100	244,000,000	200,000,000
11,273	11,273	Sitara Energy (Sukuk)	Mr. Javed Iqbal	4,375	49,318,182	56,363,636
5,000	5,000	SME Leasing Limited	Mrs. Arjumand A. Qazi	1,250	6,250,003	14,583,335
30,000	30,000	Sitara Peroxide Limited	Mr. Imran Ghafoor	4,688	140,625,000	150,000,000
					<u>878,821,275</u>	<u>907,270,543</u>

9.7.4.1 These carry rate of return ranging from 13.38% per annum to 16.48% per annum (2009: 13.59% to 16.60% per annum) and having maturity of upto 6 years.

9.7.5 Principal terms of investments in Federal Government securities

Name of investment	Maturity period	Principal	Coupon rate	Coupon payment
Pakistan Investment Bonds	Aug 2011 to Apr 2014	On maturity	8% to 13%	Semi-annually
Treasury Bills	January 2011 to July 2011	On maturity	12.09% - 13.47%	On maturity
Government of Pakistan Ijara Sukuk	September 2011	On maturity	13.27%	On maturity

9.7.6 Investments in mutual funds

Name of investee	2010	2009	2010	2009
	Number of units		(Rupees)	
AKD Opportunity Fund	2,894,665	1,820,431	87,227,378	87,227,378
CDC Trustee NIT Government Bond Fund	2,662,533	2,500,000	25,000,000	25,000,000
CDC Trustee Askari Sovereign Cash Fund	267,385	243,807	25,000,000	25,000,000
CDC Trustee Lakson Money Market Fund	106,048	-	10,000,000	-
CDC Trustee Faysal Saving Growth Fund	97,580	-	10,000,000	-
CDC Trustee Atlas Money Market Fund	20,594	-	10,000,000	-
CDC Trustee HBL Money Market Fund	102,258	-	10,000,000	-
Faysal Balance Growth Fund	100,000	100,000	9,660,145	9,660,145
Faysal Money Market Fund	500,000	-	50,000,000	-
JS Large Capital Fund	500,000	-	23,700,000	-
NAFA Stock Fund	-	748,553	-	10,000,000
National Investment Trust	2,316,300	1,771,779	74,750,000	59,750,000
Pak Intl. Element Islamic Fund	-	498,193	-	25,000,000
Pak Oman Advantage Fund	5,000,000	5,000,000	50,000,000	50,000,000
Reliance Income Fund	-	534,923	-	25,000,000
Trustee Pakistan Income Enhancement Fund	-	490,773	-	25,000,000
United Growth and Income Fund	-	250,455	-	25,000,000
			<u>385,337,523</u>	<u>366,637,523</u>

9.8 Provision for diminution in value of investments

	2010	2009
	(Rupees)	
Opening balance	492,108,739	126,199,779
Charge for the year	400,584,505	372,451,961
Reversals	(4,667,536)	(4,943,001)
Written off	-	(1,600,000)
Closing balance	<u>888,025,708</u>	<u>492,108,739</u>

9.8.1 Particulars of provision in respect of type and segments

Available-for-sale securities

Un-quoted securities 252,619,633 178,785,701

Held-to-maturity securities

Term finance certificates 58,730,000 24,985,000

Subsidiaries

Saudipak Leasing Company Limited 576,676,075 288,338,038

888,025,708 492,108,739

9.9 Unrealized loss on revaluation of investments classified as held for trading

Quoted securities - (3,569,223)



9.10 Quality of available for sale securities

Quoted Securities Companies	2010		2009	
	Rating	Market value Rs.	Rating	Market value Rs.
Askari Commercial Bank	AA	17.69	AA	27.30
Agritech Limited	SD	23.90	-	-
Alzamin leasing Corporation Limited	NA	-	BBB+/A-2	2.90
Summit Bank (Formerly Arif Habib Bank)	A	3.81	A/A-2	6.70
Attock Petroleum Limited	NA	334.52	-	-
Attock Refinery limited	NA	-	NA	137.93
Attock Cement Limited	NA	63.11	NA	52.00
Azgard Nine limited	SD	9.66	A+	20.79
Arif Habib Corporation Limited	A+/A-1	24.89	A+/A-1	49.27
BRR International Modarba	NA	-	A-	2.56
Bank Afalah Limited	AA	11.21	AA	13.77
Bank of Khyber Limited	A-/A-2	4.30	BBB+/A-2	4.91
Byco Petroleum Pakistan Limited	NA	11.27	NA	9.50
Bank Islami Pakistan	A	3.63	A	5.87
Chenab Limited	NA	3.12	NA	3.84
Crescent Steel and Allied	NA	27.51	A+/A-1	26.01
DG Khan Cement Limited	NA	30.17	NA	32.56
Dewan Cement Limited	D	2.24	CC	2.51
Dewan Farooq Motors Limited	NA	2.28	NA	1.49
Dewan Salman Fibre Limited	NA	2.99	NA	1.48
Descon Oxychem Limited	NA	8.16	NA	7.27
Engro Corporation Pakistan Limited	NA	-	AA	183.27
Engro Polymer	NA	-	NA	17.94
EFU General Insurance	AA	-	AA	97.60
Fauji Cement Limited	NA	5.02	NA	6.16
Fecto Cement Limited	NA	7.25	NA	10.50
FFC Bin Qasim Limited	NA	35.73	NA	26.13
Fauji Fertilizer Limited	NA	125.86	NA	102.93
First Credit and Investment Bank	A-	3.26	A-/A-2	3.35
Golden Arrow	A-	-	NA	3.00
Hub Power Company Limited	AA+	37.41	AA+	31.08
ICI Pakistan Limited	NA	-	NA	168.49
Jahangir Siddique and Company Limited	AA	10.90	AA+	30.07
Kot Addu Power Company Limited	NA	40.68	NA	45.87
Maple Leaf Cement Limited	BB	2.87	SD	3.76
Mari Gas Limited	NA	124.97	-	-
My bank Limited	A-	2.81	-	-
National Bank of Pakistan Limited	AAA/A-1+	76.82	AAA/A-1+	74.37
Nishat Chunian Limited	A/A-2	22.72	NA	21.20
Nishat Mills Limited	A+/A-1	64.17	A+	69.90
Nishat Power Limited	AA-/A-1+	16.23	AA/A1+	12.73
Nishat Chunian Power Limited	AA-/A-1+	16.09	-	-
NIB Bank Limited	AA-/A-1+	2.95	AA-	4.80
Oil & Gas Development Company Limited	AAA/A-1+	-	AAA/A-1+	110.61
Orix Investment Bank Limited	NA	-	NA	7.65
Pakistan Telecommunication Company Limited	NA	19.42	NA	17.65

	2010		2009	
	Rating	Market value Rs.	Rating	Market value Rs.
Pak Oil Fields Limited	NA	-	NA	230.77
Pak Strategic Allocation Fund	NA	-	4-Star	4.44
Pakistan Petroleum Limited	NA	217.15	NA	189.59
Lotte PTA Pakistan Limited	NA	-	NA	7.83
Pakistan State Oil Limited	AA+/A-1+	295.18	NA	297.44
Lafarge Pakistan Cement Limited	NA	3.21	NA	2.19
Pace Pakistan Limited	A/A-1	2.73	A	5.85
Packages Limited	AA/A-1+	128.61	AA	144.00
Pak Reinsurance Limited	NA	16.25	NA	26.10
Pak Refinery Limited	NA	107.72	NA	120.70
PNSC	AA-/A-1+	37.95	NA	47.00
Ropali Polyester	NA	-	NA	37.80
Sitara Chemicals	AA-/A-1	127.75	AA-/A-1	160.02
Sui Southern Gas Company limited	NA	-	AA-	13.43
Sui Northern Gas Company Limited	AA/A-1+	26.74	AA	24.80
Samba Bank Limited	A/A-1	1.96	A/A-1	3.31
Samin Textile	NA	6.10	NA	15.73
Sitara Peroxide	NA	13.25	NA	15.83
Saudi Pak Leasing Company Limited	D	0.55	-	-
Searle Pakistan Limited	NA	-	BBB/A-3	62.35
Shell Pakistan Limited	NA	208.22	NA	250.36
Telecard Company Limited	BBB	2.21	BBB	2.63
World Call Telecomm Limited	A-/A-2	2.90	A-/A-2	3.70

NA= Not Available

Mutual Funds

Companies

	2010		2009	
	Rating	Market value Rs.	Rating	Market value Rs.
AKD Opportunity Fund	3-Star	31.70	3-Star	43.35
CDC Trustee NIT Government Bond Fund	2-Star	-	2-Star	10.13
CDC Trustee Askari Sovereign Cash Fund	AA+	104.46	NA	102.99
CDC-Trustee NIT Govt. Bond Fund	-	10.52	-	-
CDC-Trustee Lakson Money Market Fund	AA	100.06	-	-
CDC-Trustee Faysal Saving Growth Fund	A	105.15	-	-
CDC-Trustee Atlas Money Market Fund	AA+	515.50	-	-
CDC-Trustee HBL Money Market Fund	AA+	102.92	-	-
Faysal Money Market Fund-Growth Units	AA+	100.53	-	-
Faysal Balance Growth Fund	4-Star	76.12	3-Star	99.24
JS Large Capital fund	-	65.15	NA	4.60
National Investment Trust	3-Star	31.42	2-Star	30.25
Pak Intl. Element Islamic Fund	3-Star	-	NA	48.54
NAFA Stock Fund	3-Star	-	NA	7.21
Reliance Income Fund	NA	-	NA	39.68
Pak Oman Advantage Fund	AA-	10.49	-	10.64
Trustee Pakistan Income Enhancement Fund	4-Star	-	4-Star	50.67
United Growth and Income Fund	-	-	-	101.55

NA= Not Available



10. ADVANCES	Note	2010	2009
		(Rupees)	
In Pakistan		8,090,519,192	7,356,209,593
Outside Pakistan		-	-
		8,090,519,192	7,356,209,593
Net investment in finance lease			
In Pakistan	10.2.1	285,159,510	252,734,639
Outside Pakistan		-	-
		285,159,510	252,734,639
Bills discounted and purchased (excluding treasury bills)		-	-
Advances - gross		8,375,678,702	7,608,944,232
Provision for non-performing advances	10.1.6	(1,856,689,961)	(1,814,906,256)
Provision for non-performing lease finance	10.2.3	(174,984,715)	(170,499,570)
Advances - net of provision		6,344,004,026	5,623,538,406

10.1 Particulars of advances (Gross)

10.1.1 In local currency		8,320,263,757	7,553,529,287
In foreign currencies		55,414,945	55,414,945
		8,375,678,702	7,608,944,232
10.1.2 Long term advances	10.1.3	7,472,075,387	6,522,539,865
Short term advances	10.1.4	889,977,874	1,072,390,321
Staff advances		13,625,441	14,014,046
		8,375,678,702	7,608,944,232

10.1.3 These have been disbursed under agreements on mark-up basis in terms of which the purchase price represents total amounts sanctioned to be provided under the agreement and the corresponding sale price represents the amount eventually receivable, subject to rebate, if any, at the stipulated rate for repayment earlier than the scheduled date. The above arrangements are secured by charges created over assets of the beneficiary companies. These carry mark-up rates ranging from 7.00% to 17.88% per annum (2009: 7.00% to 19.36% per annum).

10.1.4 These are maturing within next twelve months and carry mark-up rates ranging from 14.00% to 18.18% per annum (2009: 9.00% to 18.63% per annum). These are secured by pledge of quoted shares, stocks and charge on receivable etc.

10.1.5 Advances include Rs. 2,788.771 million (2009: Rs. 2,619.487 million) which have been placed under non-performing status as detailed below:-

Category of classification	Classified advances	Specific provision required	Specific provision held
		(Rupees)	
Substandard	317,031,245	63,796,812	63,796,812
Doubtful	152,281,399	19,159,531	19,159,531
Loss	2,319,458,618	1,773,733,618	1,773,733,618
	2,788,771,262	1,856,689,961	1,856,689,961

		2010	2009
		(Rupees)	
10.1.6 Particulars of provisions against non-performing advances		Specific	Specific
Opening balance	Note	1,814,906,256	1,685,352,700
Charge for the year		223,696,640	523,862,078
Amounts written off	10.1.7	-	(2,556,836)
Reversals		(181,912,935)	(391,751,686)
Closing balance		1,856,689,961	1,814,906,256
10.1.7 Particulars of write offs:			
Against provisions		-	2,556,836
Directly charged to the profit and loss account		-	-
		-	2,556,836
10.1.8 Particulars of amounts written off against provisions			
Write offs of Rs. 500,000 and above		-	2,556,836
Write offs of below Rs. 500,000		-	-
		-	2,556,836
10.2 Net investment in finance lease			
Minimum lease payments receivables		399,720,759	343,804,518
Add: residual value of lease assets		-	-
Gross investment in lease finance		399,720,759	343,804,518
Less: unearned finance income		(114,561,249)	(91,069,879)
Present value of minimum lease payments	10.2.1	285,159,510	252,734,639
Provision for potential lease losses	10.2.3	174,984,715	170,499,570
Net investment in lease		110,174,795	82,235,069

10.2.1 Net investment in finance lease

		2010		
		Less than one year	One year to five year	Total
		(Rupees)		
Lease rental receivable		39,348,158	360,372,604	399,720,762
Residual value		-	-	-
Minimum lease payments		39,348,158	360,372,604	399,720,762
Less: Unearned finance income		19,167,116	95,394,136	114,561,252
Present value of minimum lease payments		20,181,042	264,978,468	285,159,510
		2009		
		Less than one year	One year to five year	Total
		(Rupees)		
Lease rental receivable		43,579,630	300,224,888	343,804,518
Residual value		-	-	-
Minimum lease payments		43,579,630	300,224,888	343,804,518
Less: Unearned finance income		10,121,770	80,948,109	91,069,879
Present value of minimum lease payments		33,457,860	219,276,779	252,734,639



10.2.2 Investment in lease finance includes Rs. 198.589 million (2009: Rs. 172.168 million) which has been placed under non-performing status as detailed below:-

Category of classification	Classified advance	Specific provision required	Specific provision held
(Rupees).....		
Substandard	31,473,350	7,868,338	7,868,338
Doubtful	-	-	-
Loss	<u>167,116,377</u>	<u>167,116,377</u>	<u>167,116,377</u>
	<u>198,589,727</u>	<u>174,984,715</u>	<u>174,984,715</u>

10.2.3 Particulars of provisions against non-performing lease finance

	2010	2009
	(Rupees)	
	<u>Specific</u>	<u>Specific</u>
Opening balance	170,499,570	186,338,217
Charge for the year	9,134,782	29,910,136
Amounts written off	-	(33,682,421)
Reversals	(4,649,637)	(12,066,362)
Closing balance	<u>174,984,715</u>	<u>170,499,570</u>

10.2.4 Particulars of amounts written off against provisions

Write offs of Rs. 500,000 and above	-	33,682,421
Write offs of below Rs. 500,000	-	-
	<u>-</u>	<u>33,682,421</u>

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

Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons	<u>13,625,441</u>	<u>14,014,046</u>
Debts due by companies or firms in which the directors of the Company are interested as directors, partners	<u>-</u>	<u>-</u>
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	<u>-</u>	<u>-</u>

11. OPERATING FIXED ASSETS

	2010				W.D.V		
	COST/REVALUATION		DEPRECIATION		As at		
	As at January 01, 2010	Additions Adjustments Disposals	As at December 31, 2010	Rate %	As at January 01, 2010	For the year Disposals	As at December 31, 2010
Tangible assets							
Freehold land	8,088,120	-	8,088,120	-	-	-	8,088,120
Leasehold land - Islamabad	1,018,225,001	-	1,018,225,001	1.19	42,409,070	12,116,877	975,815,931
Building - Islamabad	1,311,700,357	-	1,311,700,357	4.00	182,624,447	52,468,007	1,129,075,910
Building	22,019,252	72,217,564	94,236,816	4.00	3,082,686	880,768	18,936,566
Heating and air-conditioning	89,450,774	-	89,450,774	15.00	45,451,946	13,407,340	43,998,828
Elevators	41,000,000	-	41,000,000	15.00	21,524,976	6,149,994	19,475,024
Electrical fittings	74,371,533	-	74,371,533	15.00	31,974,085	11,155,689	42,397,448
Fire fighting equipment	2,316,875	-	2,310,536	15.00	1,158,708	346,541	1,158,167
Leasehold improvement	5,865,053	408,115	6,273,168	15.00	397,301	939,896	5,467,752
Motor vehicles	37,086,296	-	35,889,296	20.00	22,125,839	5,410,702	14,960,457
Furniture, fixture and fittings	14,288,571	-	13,835,686	20.00	12,780,282	755,937	1,508,289
Office equipment	33,660,344	3,393,091	35,865,353	33.33	25,464,696	5,365,864	8,195,648
Telephone installation	2,334,911	-	2,334,911	15.00	1,318,596	312,480	1,016,315
Electrical appliances	1,311,027	686,250	1,988,702	15.00	697,306	191,775	613,721
Loose tools	310,125	955,000	1,170,325	15.00	242,575	96,951	67,550
Miscellaneous	998,593	-	1,063,393	15.00	975,068	32,227	23,525
Security systems	10,274,956	709,710	10,984,666	15.00	2,499,706	1,627,057	7,775,250
Intangible assets							
Software	2,673,301,788	78,369,730	2,748,685,042	33.33	394,727,287	111,258,105	2,278,574,501
Capital work in progress							
	8,606,050	1,204,964	9,811,014		4,867,348	1,642,906	3,738,702
	2,681,907,838	79,574,694	2,758,496,056		399,594,635	112,901,011	2,282,313,203
2010 Rupees							
	2,681,907,838	79,574,694	2,758,496,056		399,594,635	112,901,011	2,282,313,203





	2009					W. D. V	
	COST/REVALUATION			DEPRECIATION		As at	As at
	As at January 01, 2009	Additions	Adjustments Disposals	As at December 31, 2009	Rate %	For the year As at January 01, 2009	Disposals December 31, 2009
Tangible assets			(Rupees)			(Rupees)	
Freehold land	8,088,120	-	-	8,088,120	-	-	-
Leasehold land - Islamabad	1,018,225,001	-	-	1,018,225,001	1.19	30,292,193	42,409,070
Building - Islamabad	1,311,700,357	-	-	1,311,700,357	4.00	130,156,440	182,624,447
Building - leasehold Karachi	22,019,252	-	-	22,019,252	4.00	2,201,918	3,082,686
Heating and air-conditioning	87,391,260	2,059,514	-	89,450,774	15.00	32,240,318	45,451,946
Elevators	41,000,000	-	-	41,000,000	15.00	15,374,982	21,524,976
Electrical fittings	70,744,753	3,830,000	(203,220)	74,371,533	15.00	21,217,146	31,974,085
Fire fighting equipment	2,316,875	-	-	2,316,875	15.00	811,217	1,158,708
Leasehold improvement	1,659,147	5,629,676	1,423,770	5,865,053	15.00	602,282	658,489
Motor vehicles	36,276,082	4,621,084	3,810,870	37,086,296	20.00	19,712,779	22,125,839
Furniture, fixture and fittings	14,063,271	225,300	-	14,288,571	20.00	11,781,693	12,780,282
Office equipment	32,988,464	2,820,122	2,148,242	33,660,344	33.33	22,605,330	25,464,696
Telephone installation	2,296,911	38,000	-	2,334,911	15.00	1,009,091	1,318,596
Electrical appliances	1,143,917	325,060	157,950	1,311,027	15.00	720,721	697,306
Loose tools	310,125	-	-	310,125	15.00	238,681	242,575
Miscellaneous	998,593	-	-	998,593	15.00	921,970	975,068
Security systems	9,243,956	1,079,000	(48,000)	10,274,956	15.00	1,101,668	2,499,706
Intangible assets	2,660,466,084	20,627,756	(251,220)	2,673,301,788		290,988,429	394,727,287
Software	3,897,676	4,708,374	-	8,606,050	33.33	3,748,724	4,867,348
Capital work in progress	2,664,363,760	25,336,130	(251,220)	2,681,907,838		294,737,153	399,594,635
2009 Rupees	2,664,363,760	25,336,130	(251,220)	2,681,907,838		294,737,153	399,594,635
11.1	Depreciation for the year has been allocated as follows:						
					2010	2009	
						(Rupees)	
	Rental income		27.1		98,669,116	97,956,925	
	Administrative expenses		28		14,231,895	13,440,171	
					112,901,011	111,397,096	

11.2 Details of disposal of operating fixed assets

Particulars of assets	Cost /		Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
	revaluation	depreciation						
.....(Rupees).....								
Refrigerator	7,200	7,199	1	1,500	1,499	Auction	Mr. Babar Faraz	
Waves Air Conditioner (.75)	32,949	32,949	-	1,000	1,000	Auction	Mr. Babar Faraz	
Carbon Di Oxide (6 kg) Fire extinguisher	6,339	6,339	-	1,000	1,000	Auction	Mr. Babar Faraz	
Intimus Paper Shredder Machine	27,600	27,599	1	2,000	1,999	Auction	Mr. Omer Siddiqui	
Ladder MS pipe 1.25" Tower	30,000	29,990	10	3,000	2,990	Auction	Mr. Omer Siddiqui	
Oil Radiator Heater	70,646	60,510	10,136	3,000	(7,136)	Auction	Mr. Omer Siddiqui	
Padestal Fan 20"	1,375	1,374	1	500	499	Auction	Mr. Omer Siddiqui	
Modular Table (44)	152,680	152,636	44	44,000	43,956	Auction	Mr. Omer Siddiqui	
Executive Table (29)	178,305	155,148	23,157	54,000	30,843	Auction	Mr. Omer Siddiqui	
Executive Chairs (23)	121,900	93,297	28,603	46,000	17,397	Auction	Mr. Omer Siddiqui	
Dell Optiplex GS-240 SD (12)	827,928	827,916	12	84,000	83,988	Auction	Mr. Omer Siddiqui	
Stabilizer SVC-1000 N Stavol (16)	141,264	141,248	16	32,000	31,984	Auction	Mr. Omer Siddiqui	
Stabilizer SVC-1500 N Stavol (7)	48,900	48,893	7	11,000	10,993	Auction	Mr. Omer Siddiqui	
Stabilizer SVC-5000 N Stavol (3)	124,390	124,387	3	12,000	11,997	Auction	Mr. Omer Siddiqui	
Stabilizer SVC-1000 N Exmp model mv-10 (3)	18,000	17,997	3	5,555	5,552	Auction	Mr. Omer Siddiqui	
Toyota corolla 2D Saloon (HE-522)	1,197,000	1,196,999	1	806,910	806,909	Auction	Mr. Muhammad Zubair	
	2,986,476	2,924,481	61,995	1,107,465	1,045,470			

	2010	2009
		(Rupees)
	36,005,008	34,160,689
	11,055,913	8,030,913
	206,440	226,940
	47,267,361	42,418,542

11.3 The gross carrying amount of fully depreciated assets that are still in use:

Furniture, fixture and fittings, electrical fittings, office equipment, computer equipment
Vehicles
Loose tools

11.4 As at December 31, 2009, an assessment of land and building was conducted by an independent valuer M/s National Project Manager (Pvt) Limited. The fair value determined by the valuer was not materially different from the carrying value of the assets therefore no adjustment was made in the books of account.

12. OTHER ASSETS	Note	2010	2009
		(Rupees)	
Income accrued and receivables	12.1	338,597,088	374,673,060
Advances, deposits, prepayments and other receivables	12.2	1,100,169,132	730,700,210
		<u>1,438,766,220</u>	<u>1,105,373,270</u>
12.1 Income accrued and receivables			
Dividend income		-	1,303,750
Income from advances	12.1.1	186,158,812	181,824,323
Income from investments	12.1.2	148,481,487	152,678,922
Income from lendings to financial institutions		3,905,768	18,095,485
Others		3,170,259	23,386,441
Less: provision for doubtful income receivables		(3,119,238)	(2,615,861)
		51,021	20,770,580
		<u>338,597,088</u>	<u>374,673,060</u>
12.1.1 Income from advances			
Long term advances		825,059,272	645,414,594
Short term advances		163,599,050	167,406,432
Lease financing		68,146,885	60,841,615
Others		6,624,905	5,628,978
		1,063,430,112	879,291,619
Less: provision for doubtful income from advances	12.1.3	(877,271,300)	(697,467,296)
		<u>186,158,812</u>	<u>181,824,323</u>
12.1.2 Income from investments			
Government Securities		68,036,953	69,327,693
Redeemable Capital - TFCs		136,933,457	90,097,374
Commercial Papers		3,835,233	-
		208,805,643	159,425,067
Less: provision for doubtful income from investments		(60,324,156)	(6,746,145)
		<u>148,481,487</u>	<u>152,678,922</u>
12.1.3 Provision for doubtful income from advances			
Opening balance		697,467,296	575,908,454
Charge for the year		199,445,964	200,343,927
Reversals		(19,641,960)	(72,471,008)
Amount written off		-	(6,314,077)
Closing balance		<u>877,271,300</u>	<u>697,467,296</u>
12.2 Advances, deposits, prepayments and other receivables			
Advances to suppliers		15,681,436	97,609,738
Security deposits		6,643,611	6,636,111
Prepayments		4,133,212	4,987,014
Receivable from stock brokers	12.2.1	199,499,238	230,412,314
Advance tax		874,211,635	391,055,033
Advance for purchase of shares	12.2.2	256,792	256,792
		1,100,425,924	730,957,002
Less: provision against advance for purchase of shares		(256,792)	(256,792)
		<u>1,100,169,132</u>	<u>730,700,210</u>

12.2.1 This includes receivable from DJM securities amounting to Rs. 173.421 million. The settlement package has been finalized with the broker who offered a property against the receivable amount. Sale deed has been duly executed and registered with the Registrar however mutation in the revenue records is in process.

12.2.2 This represents the advance given in prior years to National Accountability Bureau for the purchase of 32.718 million shares in Silk Bank Limited (formerly Saudi Pak Commercial Bank Limited). Out of this the Company has received 32.703 million shares, while the receipt of remaining shares is doubtful therefore the relevant amount of advance has been provided for.

13. BORROWINGS	Note	2010 (Rupees)	2009
In Pakistan		7,137,934,094	8,160,658,100
Outside Pakistan		-	-
		<u>7,137,934,094</u>	<u>8,160,658,100</u>
13.1 Particulars of borrowings with respect to currencies			
In local currency		7,137,934,094	8,160,658,100
In foreign currency		-	-
		<u>7,137,934,094</u>	<u>8,160,658,100</u>
Long term borrowings	13.2	3,174,481,999	3,760,574,290
Short term borrowings	13.3	3,963,452,095	4,400,083,810
		<u>7,137,934,094</u>	<u>8,160,658,100</u>
13.2 Long term borrowings			
Against book debts/receivables	13.2.1	2,299,999,999	3,383,333,331
Against long term export oriented projects	13.2.2	874,482,000	377,240,959
		<u>3,174,481,999</u>	<u>3,760,574,290</u>

13.2.1 These represent facilities obtained against charge on book debts/receivables valuing Rs. 4,256 million (2009: Rs. 5,333 million). The mark up is charged at varying rates ranging from 13.66% to 14.44% per annum (2009: 13.06% to 13.91% per annum). These facilities will mature during April 2011 to September 2014.

13.2.2 These represent facilities obtained against export oriented projects under SBP scheme. The mark up is charged at rate of 5.00% to 8.60% per annum (2009: 5.00%). These facilities will mature during January 2011 to October 2017.

13.3 Short term borrowings	Note	2010 (Rupees)	2009
Against book debts/receivables	13.3.1	650,000,000	-
Repurchase agreements under PIBs - repo	13.3.2	97,680,350	197,714,946
Repurchase agreements under Treasury bills - repo	13.3.3	1,204,762,000	1,450,384,516
Clean/letter based financing	13.3.4	1,211,009,745	1,751,984,348
Morahaba finance	13.3.5	800,000,000	1,000,000,000
		<u>3,963,452,095</u>	<u>4,400,083,810</u>



- 13.3.1** These represent facilities obtained against charge on book debts/receivables valuing Rs.1,476.923 million (2009: Rs. nil). The mark-up is charged at rate of 13.45% to 13.63% per annum .These facilities are maturing in January 2011 to October 2011.
- 13.3.2** These are secured against Pakistan Investment Bonds. These carry markup rate of 12.90% per annum (2009: 12.05% per annum) and will mature in January 2011.
- 13.3.3** These are secured against Treasury bills. These carry mark up rates ranging from 13.00% to 13.90% per annum (2009: 12.25% to 12.35% per annum) and are maturing in January 2011 (2009: January 2010 to April 2010.)
- 13.3.4** These represent borrowing in local currency from various financial institutions and overnight borrowings. These carry interest rates ranging from 11.75% to 14.00% per annum (2009: 10.00% to 12.77% per annum). These facilities will be maturing in January 2011 (2009: January 2010 to March 2010).
- 13.3.4** These represent morahaba finance arranged from an Islamic Bank. These carry markup rates ranging from 13.74% to 14.05% per annum (2009: 12.76% to 12.80% per annum). These will be maturing from January 2011 to May 2011 (2009: January 2010 to April 2010).

13.4 Details of borrowings secured/unsecured Note	2010	2009
	(Rupees)	
Secured		
Borrowings from State Bank of Pakistan -Export Oriented Projects	874,482,000	377,240,959
Repurchase agreement borrowings	1,302,442,350	1,648,099,462
Against book debts/receivables	2,949,999,999	3,383,333,331
Morahaba finance	800,000,000	1,000,000,000
	<u>5,926,924,349</u>	<u>6,408,673,752</u>
Unsecured		
Call borrowings	1,211,009,745	1,751,984,348
	<u>7,137,934,094</u>	<u>8,160,658,100</u>
14. DEPOSITS AND OTHER ACCOUNTS		
Certificates of investments (COIs)	14.1 1,654,902,252	2,635,847,714

- 14.1** These represent certificate of investments issued to various institutions. The mark up is charged at varying rates ranging from 12.52% to 13.95% per annum (2009: 11.82% to 16% per annum). These are repayable in period ranging from January 2011 to August 2011(2009: January 2010 to August 2010).

15. DEFERRED TAX (ASSETS)/ LIABILITIES	Note	2010	2009
		(Rupees)	
Deferred tax (debits)/credits arises due to:			
Accelerated tax depreciation		61,956,993	21,572,672
Provision against employee benefits		(11,366,080)	(10,489,059)
Provision against diminution in value of investment		-	(71,319,745)
Net investment in leases		(43,674,526)	(66,383,183)
Deficit on revaluation of securities		(129,428,938)	(3,343,200)
		<u>(122,512,551)</u>	<u>(129,962,515)</u>
16. DEFERRED LIABILITIES			
Provision for staff gratuity	34.1	29,344,463	27,063,762
Provision for compensated absences		3,130,050	2,904,977
Deferred income	16.1	25,121,089	41,676,646
		<u>57,595,602</u>	<u>71,645,385</u>

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

17. OTHER LIABILITIES	Note	2010	2009
		(Rupees)	
Mark-up/return/interest accrued on borrowings	17.1	140,889,434	188,134,487
Creditors, accrued and other liabilities	17.2	104,660,688	75,885,579
		<u>245,550,122</u>	<u>264,020,066</u>
17.1 Mark-up/return/interest accrued on borrowings			
Long term finances		59,269,405	85,164,099
Short term finances		78,244,221	96,837,808
Repurchase agreements		3,375,808	6,132,580
		<u>140,889,434</u>	<u>188,134,487</u>
17.2 Creditors, accrued and other liabilities			
Directors' remuneration		3,091,586	3,032,557
Other payables		11,038,395	9,205,635
Payable on employees account		697,491	593,067
Corporate income tax payable		81,359,813	55,338,411
Accrued liabilities		8,473,403	7,715,909
		<u>104,660,688</u>	<u>75,885,579</u>



18. SHARE CAPITAL	2010	2009
	(Rupees)	
Authorized capital: 600,000,000 ordinary shares of Rs. 10 each (2009: 600,000,000 ordinary shares of Rs. 10 each)	6,000,000,000	6,000,000,000
Issued, subscribed and paid up capital: 400,000,000 ordinary shares of Rs. 10 each issued for cash (2009: 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 (2009: 200,000,000 bonus shares of Rs. 10 each)	2,000,000,000	2,000,000,000
	<u>6,000,000,000</u>	<u>6,000,000,000</u>

18.1 Reconciliation of number of ordinary shares of Rs. 10 each

	2010	2009
	Number of shares	
Opening balance	600,000,000	500,000,000
Issued during the year	18.1.1 -	100,000,000
Closing balance	<u>600,000,000</u>	<u>600,000,000</u>

18.1.1 During the year 2009 the Company made right issue of 100 million shares of Rs. 10 each.

18.2 Minimum Capital Requirement

There is a shortfall of Rs. 448.459 million in meeting the minimum capital requirement (MCR) of Rs. 6 billion (free of losses) as at December 31, 2010.

The management is of the view that the said shortfall shall be adjusted through reserves after seeking the approval from State Bank of Pakistan. (State Bank of Pakistan vide its letter No. BSD/BAI-3/237/2010 dated March 22, 2010 had allowed the Company to meet the minimum paid-up capital (free of losses) of Rs. 6 billion by appropriating the deficit balance of Rs. 528.064 million as of December 31, 2009, from the reserves held by the Company.)

19. RESERVES

Reserve fund	1,961,641,045	2,489,705,409
General reserve	-	-
Capital reserves	-	30,678,110
	<u>1,961,641,045</u>	<u>2,520,383,519</u>

20. DEFICIT ON REVALUATION OF SECURITIES - NET OF TAX

Quoted securities	(388,620,748)	(43,154,059)
Government securities	(28,927,349)	(9,552,463)
Mutual fund units	47,751,130	23,911,955
	<u>(369,796,967)</u>	<u>(28,794,567)</u>
Less: related deferred tax asset	129,428,939	3,343,200
	<u>(240,368,028)</u>	<u>(25,451,367)</u>

	2010	2009
	(Rupees)	
21. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX		
Movement in surplus on revaluation of properties:		
Opening balance	2,112,080,136	2,197,304,307
Transferred to unappropriated profit in respect of		
- Incremental depreciation charged during the year	(55,391,880)	(55,395,710)
- Deferred tax	(29,826,396)	(29,828,461)
	(85,218,276)	(85,224,171)
Surplus realized on disposal	(36,792)	-
Closing balance	<u>2,026,825,068</u>	<u>2,112,080,136</u>
21.1 Had the revaluation not been carried out, the net book value of the revalued assets would have been as follows:		
Land	1,073,105	1,086,597
Building and other assets	186,103,270	126,430,403
	<u>187,176,375</u>	<u>127,517,000</u>
22. CONTINGENCIES AND COMMITMENTS		
22.1 Direct credit substitutes		
Letter of comfort/guarantee	13,185,000	211,800,000
22.2 Transaction-related contingent liabilities	-	8,825,000
22.3 Other contingencies		
Non disbursed commitment for term and working capital finance	824,886,000	1,130,100,000
22.4 Commitments in respect of forward exchange contracts	4,750,355,000	4,883,092,580
22.5 Commitments for the acquisition of operating fixed assets	1,799,518	1,850,400
22.6 Other commitments		
Underwriting commitment	-	35,000,000
	<u>5,590,225,518</u>	<u>6,270,667,980</u>

22.7 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 created which has been paid by the company.

The appeals preferred by the company in this respect are presently pending adjudication before Income Tax Appellate Tribunal. It is likely that the appeals will be decided in favour of the Company.



Tax year 2008 and 2009

The Company's income tax liability has been assessed at Rs. 291 million and Rs. 650 million for tax years 2008 and 2009 respectively. The company's appeal before Commissioner Inland Revenue (CIR-Appeals) are pending. However the Company had to pay Rs. 400 million. It is likely that the appeals will be decided in favour of the Company

22.8 Stahlco Domestic Products (Private) Limited

Stahlco Domestic Product (Pvt.) Limited is a defaulter of Saudi Pak against whom Saudi Pak has separately filed a recovery suit of Rs. 34.929 million in the Banking Court-IV, Lahore. The said customer in default as a counter-blast filed the instant frivolous suit against Saudi Pak claiming damages of Rs. 43.093 million on account of alleged overpayments & loss of business etc. Saudi Pak engaged a lawyer and filed Application for leave to defend the suit (i.e. PLA) in the Court. Its reply has also been filed by the plaintiff. Now it is at advance stage of hearing and fixed for arguments on PLA by the legal counsels representing Stahlco and Saudi Pak. On the basis of record and lawful grounds, the matter is actively pursued for a favorable decision from the Court on merits.

22.9 Ceco Tyre (Private) Limited

Ceco Tyre also feeling aggrieved with Bank of Punjab who had reported bad CIB due to which Saudi Pak had also withdrawn its sanction letter of finance, has alleged that it has met losses etc. of Rs. 584.00 million, therefore, filed a declaratory and damages suit of the said sum on June 01, 2009. The suit has been filed against BOP making Saudi Pak a necessary party. In that Saudi Pak has filed its Petition for Leave to Appear & Defend the suit (PLA). BOP has also filed its PLA. Replies to both the PLAs have also been filed by the plaintiff. The case is now at advance stage of hearing and fixed for arguments of legal counsels representing Ceco, BOP and Saudi Pak. On the basis of record and lawful grounds, the matter is actively pursued for a favorable decision from the Court on merits.

22.10 Ceco Tyre (Private) Limited

Saudi Pak had sanctioned a finance facility favoring Ceco Tyres but was sooner cancelled due to bad CIB reported to State Bank of Pakistan by the Bank of Punjab. The plaintiff feeling aggrieved filed a declaratory and damages suit of Rs. 202.00 million on July 27, 2009 against Saudi Pak making BOP a necessary party. Saudi Pak engaged lawyer and filed its Petition for Leave to Appear & Defend the suit (PLA). Reply of the PLA has been filed by the Plaintiff. The matter is now fixed for arguments on PLA. Still pending adjudication with court.

22.11 Crescent Sugar Mills Limited

This suit for damages of Rs. 102.622 million was filed on October 13, 2008 by the borrowing company (Crescent Sugar) in Islamabad High Court, Islamabad against Saudi Pak. It is a counter-blast against the recovery suit filed by Saudi Pak in the Lahore High Court, Lahore against the borrower company. However further proceeding could not be held as IHC became non-functional and the case was transferred to Lahore High Court, Rawalpindi Bench for further hearings. Since then, the matter was not fixed/heard and stands adjourned for a date in office.

Government of Pakistan has re-established Islamabad High Court (IHC) effective from December 13, 2010 and will commence functions soon. It is however expected that this suit will be withdrawn/disposed off in terms of the provisions of settlement/compromise already entered into between the parties (i.e. Crescent Sugar Mills and Saudi Pak) vide Settlement Agreement dated November 08, 2010.

22.12 Ali Akbar Spinning Mills Limited

Ali Akbar Spinning Mills Limited (AASML) was served with legal notices but did not pay the Saudi Pak's outstanding dues. Therefore, Saudi Pak filed a recovery suit of Rs. 91.886 million during April 2010 in the Lahore High Court, Lahore against AASML and its directors/ guarantors. AASML after receipt of Saudi Pak's legal notices also filed a frivolous damages suit of Rs. 827.102 million in the LHC, Lahore, as a counter-blast. Saudi Pak received Court Notices of the alleged damages suit during July 2010. After hiring services of the law firm (Mandviwalla & Zafar, Lahore), Saudi Pak filed its Petition for Leave to Appear & Defend the suit (PLA). AASML was required to file reply of the Saudi Pak's reply. Thereafter, the court will hear arguments of both the legal counsels on PLA and decide. Based on record and legal grounds, the matter is pursued for a favorable decision from Court on merits.

23. MARK-UP/RETURN/INTEREST EARNED	Note	2010	2009
		(Rupees)	
On lendings to financial institutions		112,949,139	249,881,907
On investments	23.1	490,378,364	570,148,575
On advances	23.2	761,457,255	876,200,883
On lease financing		26,517,549	27,479,824
On profit and loss saving accounts		34,111,747	146,658,691
		<u>1,425,414,054</u>	<u>1,870,369,880</u>
23.1 On investments			
Term finance certificates		249,272,001	288,694,518
Government securities		241,106,363	281,454,057
		<u>490,378,364</u>	<u>570,148,575</u>
23.2 On advances			
Long term advances		644,623,222	789,012,989
Short term advances		116,367,538	86,709,660
Carryover transactions/margin financing		-	-
Staff advances		466,495	478,234
		<u>761,457,255</u>	<u>876,200,883</u>
24. MARK-UP/RETURN/INTEREST EXPENSED			
Mark-up/return/interest expense	24.1	1,095,152,872	1,408,608,852
PIB's premium amortization		16,927,990	16,927,990
Brokerage fee		2,272,120	2,545,191
		<u>1,114,352,982</u>	<u>1,428,082,033</u>
24.1 Mark-up/return/interest expense			
Long term finances		383,332,764	521,561,398
Short term finances		544,903,249	690,938,685
Repurchase agreements-repo		166,916,859	196,108,769
		<u>1,095,152,872</u>	<u>1,408,608,852</u>
25. PROVISION AGAINST NON-PERFORMING LOANS AND ADVANCES			
Non-performing advances		<u>15,590,740</u>	<u>180,632,276</u>



26. PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS	Note	2010	2009
		(Rupees)	
Subsidiary-Saudi Pak Leasing Company Limited		288,338,038	288,338,038
Term finance certificates		33,745,000	24,985,000
Unquoted investment		73,833,931	54,185,922
		<u>395,916,969</u>	<u>367,508,960</u>
27. OTHER INCOME			
Net rental income	27.1	22,547,975	37,657,306
Gain on sale of operating fixed assets		1,045,470	1,771,733
Miscellaneous	27.2	1,753,163	9,340,860
		<u>25,346,608</u>	<u>48,769,899</u>

27.1 Net rental income	Note	2010	2009
		(Rupees)	
Rental income		163,100,653	180,721,458
Less: Operating expenses			
Salaries, allowances and employee benefits		11,445,649	11,361,472
Traveling and conveyance		1,140	420
Medical		139,954	192,736
Janitorial services		2,549,421	2,688,908
Security services		5,730,385	5,485,295
Insurance		2,550,204	2,586,615
Postage, telegraph, telegram and telephone		32,307	73,779
Printing and stationery		40,340	41,091
Certification services		48,400	113,000
Utilities		12,908,576	11,907,774
Consultancy and professional charges		150,000	469,890
Repairs and maintenance		5,380,018	7,732,632
Rent, rates and taxes		868,142	2,330,317
Depreciation	11.1	98,669,116	97,956,925
Office general expenses		39,026	123,298
		<u>140,552,678</u>	<u>143,064,152</u>
		<u>22,547,975</u>	<u>37,657,306</u>

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

28. ADMINISTRATIVE EXPENSES	Note	2010	2009
		(Rupees)	
Salaries, allowances and employee benefits	28.1	118,961,177	116,615,636
Traveling and conveyance		24,177,478	17,815,111
Vehicle running expenses		3,030,849	2,998,577
Utilities		4,492,766	3,758,725
Advertisement and publicity		1,505,992	2,206,279
Postage, telegram, telephone and telex		5,214,836	5,409,162
Printing, stationery and periodical		2,086,751	2,482,577
Legal and professional charges		3,835,491	4,971,656
Consultancy, custodial and rating services		5,260,361	4,395,758
Auditor's remuneration	28.2	795,000	440,000
Repairs and maintenance		4,133,878	3,280,117
Office and general expenses		15,930,721	16,081,076
Bank charges		431,835	408,611
Professional training		2,292,792	1,103,222
Insurance		841,594	824,700
Depreciation	11.1	14,231,895	13,440,171
Donations	28.3	10,000,000	-
		<u>217,223,416</u>	<u>196,231,378</u>

28.1 This includes an amount of Rs. 3.383 million (2009: Rs. 2.923 million) on account of employee provident fund benefits.

28.2 Auditors' remuneration	Note	2010	2009
		(Rupees)	
Audit fee		368,500	335,000
Half-yearly review		55,000	50,000
Code of Corporate Governance review		16,500	15,000
Certifications		300,000	-
Out of pocket expenses		55,000	40,000
		<u>795,000</u>	<u>440,000</u>

28.3 The donation was given to Prime Minister Flood Relief Fund for affecties of floods in Pakistan.

29. OTHER CHARGES	Note	2010	2009
		(Rupees)	
Penalties imposed by State Bank of Pakistan		731,400	36,000

30. TAXATION	Note	2010	2009
		(Rupees)	
For the year:			
-Current		26,021,402	25,439,451
-Prior		10,402,608	-
-Deferred		103,709,305	(39,150,835)
	30.1	<u>140,133,315</u>	<u>(13,711,384)</u>



30.1 Relationship between tax expense and accounting (loss)/ profit

	Note	2010 (Rupees)	2009
Accounting (loss)/profit for the year		(363,717,508)	405,192,710
Tax rate		35%	35%
Tax on income		(127,301,128)	141,817,449
Tax effect on income subject to lower rate of taxation		15,526,255	(13,700,358)
Tax effect of capital gain		88,717,044	(234,065,577)
Tax effect of temporary difference		(103,709,305)	39,150,835
Tax effect of computational adjustments		266,900,449	80,509,035
		140,133,315	13,711,384

31. BASIC/ DILUTED EARNINGS PER SHARE

(Loss)/profit for the year	Rupees	(503,850,823)	418,904,094
Weighted average number of ordinary shares	Number	600,000,000	516,666,667
Basic and diluted earnings per share	Rupees	(0.84)	0.81

32. CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks		40,842,606	44,578,637
Balance with other banks		218,336,242	2,538,195,884
		259,178,848	2,582,774,521

33. STAFF STRENGTH

Permanent		92	96
Temporary/on contractual basis		-	-
Daily wagers		-	-
Others		-	-
Company's own staff strength at the end of the year		92	96
Outsourced	33.1	88	93
Total Staff Strength		180	189

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

34.1 The amounts recognized in the balance sheet are determined as follows:

		2010 (Rupees)	2009
Present value of defined benefit obligation		27,245,708	26,581,180
Fair value of plan assets		-	-
Unrecognized actuarial gain		2,098,755	482,582
		29,344,463	27,063,762

34.2 The amounts recognized in the profit and loss account are as follows:	Note	2010 (Rupees)	2009
Service cost		2,194,943	1,920,739
Interest cost		2,927,382	3,193,022
		<u>5,122,325</u>	<u>5,113,761</u>
34.3 Movement in the liability recognized in balance sheet:			
Opening balance		27,063,762	22,390,213
Charge to profit and loss account		5,122,325	5,113,761
Benefits paid		(2,841,624)	(440,212)
Closing balance		<u>29,344,463</u>	<u>27,063,762</u>

34.4 The principal actuarial assumptions used are as follows:	2010	2009
Discount rate	14.50%	12.75%
Expected rate of increase in salary	12.00%	10.75%

	2010	2009	2008	2007	2006
(Rupees).....				
Present value of defined benefit obligation	<u>27,245,708</u>	<u>26,581,180</u>	<u>23,281,066</u>	<u>23,253,216</u>	<u>22,274,216</u>
Experience adjustments of obligations	<u>2,098,755</u>	<u>482,582</u>	<u>(890,853)</u>	<u>3,672,000</u>	<u>3,803,000</u>

34.5 The Company expects to make contribution of Rs. 5.629 million to employee gratuity fund during the next financial year.

34.6 The expense is recognized in general and administration expenses in profit and loss account.





35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	2010		2009		2010		2009	
	Chief Executive	Directors	Executives	Directors	Executives	Directors	Executives	
Fees	-	3,091,586	-	3,097,448	-	-	-	
Managerial remuneration	4,083,360	-	10,203,216	-	14,734,233	-	-	
Contribution to defined contribution plan	377,028	-	1,020,322	-	1,029,030	-	-	
Rent and house maintenance	1,513,512	-	6,121,920	-	5,424,180	-	-	
Utilities	336,336	-	1,020,336	-	904,012	-	-	
Medical	57,976	-	1,700,536	-	1,508,084	-	-	
Bonus and Others	4,992,364	-	6,994,700	-	5,531,731	-	-	
	<u>11,360,576</u>	<u>3,091,586</u>	<u>27,061,030</u>	<u>3,097,448</u>	<u>29,131,270</u>			
Number of persons	1	6	16	6	16			

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

36.1 On-balance sheet financial instruments

	2010		2009	
	Book value	Fair value (Rupees)	Book value	Fair value
Assets				
Cash balances with treasury banks	40,842,606	40,842,606	44,578,637	44,578,637
Balances with other banks	218,336,242	218,336,242	2,538,195,884	2,538,195,884
Lendings to financial institutions	454,782,750	454,782,750	2,083,870,748	2,083,870,748
Investments	7,527,488,718	7,527,488,718	7,403,286,526	7,403,286,526
Advances	6,344,004,026	6,344,004,026	5,609,524,360	5,609,524,360
Other assets	538,096,326	538,096,326	605,085,374	605,085,374
	<u>15,123,550,668</u>	<u>15,123,550,668</u>	<u>18,284,541,529</u>	<u>18,284,541,529</u>

	2010		2009	
	Book value	Fair value	Book value	Fair value
Liabilities				
Borrowings	7,137,934,094	7,137,934,094	8,160,658,100	8,160,658,100
Deposits and other accounts	1,654,902,252	1,654,902,252	2,635,847,714	2,635,847,714
Other liabilities	245,550,122	245,550,122	264,020,066	264,020,066
	9,038,386,468	9,038,386,468	11,060,525,880	11,060,525,880
36.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	4,750,355,000	4,750,355,000	4,883,092,580	4,883,092,580
Forward agreements for borrowing	-	-	-	-
Forward sale of foreign exchange	-	-	-	-
Forward agreements for lending	-	-	-	-

(Rupees)

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 traded investments other than those classified as held to maturity is based on quoted market price. 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 audited 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	Trading and sales	Building rental services	Total
(Rupees in '000).....			
2010				
Total income	1,184,308	452,989	163,101	1,800,398
Total expenses	1,567,344	456,218	140,553	2,164,115
Net income (loss)	(383,036)	(3,229)	22,548	(363,717)
Segment assets (gross)	12,442,953	8,951,246	2,329,925	23,724,124
Segment non performing loans	2,987,361	888,026	-	3,875,387
Segment provision required	2,031,675	888,026	-	2,919,701
Segment liabilities	7,137,934	1,932,927	25,121	9,095,982
Segment return on net assets (ROA) (%)	(3.08)	(0.04)	0.97	(1.53)
Segment cost of funds (%)	12.60	5.10	6.03	9.12
2009				
Total income	1,588,916	896,611	180,767	2,666,294
Total expenses	1,676,162	441,878	143,061	2,261,101
Net income (loss)	(87,246)	454,733	37,706	405,193
Segment assets (gross)	14,724,815	7,997,281	2,329,925	25,052,021
Segment non performing loans	2,791,655	492,109	-	3,283,764
Segment provision required	1,985,406	492,109	-	2,477,515
Segment liabilities	8,160,658	2,929,837	41,677	11,132,172
Segment return on net assets (ROA) (%)	(0.59)	5.69	1.62	1.62
Segment cost of funds (%)	11.38	5.53	6.14	9.03

39. RELATED PARTY TRANSACTIONS

39.1 Related parties comprise of directors, entities owned by the directors of the company, companies where directors of the company also hold directorship, key employees and entities that have key management personnel in common. The following are the related parties of the Company.

Subsidiary companies

Saudi Pak Leasing Company Limited
 Saudi Pak Insurance Company Limited
 Saudi Pak Real Estate Company Limited

Key management personnel

Chief Executive/ Heads of departments
 Directors
 Employee funds

Companies with common directorship

Heavy Mechanical Complex
Vision Network Television
Pakistan Television Network
Pakistan Broadcasting Corporation
Pak Iran Investment Company
National Highway Authority
Pakistan Poverty Alleviation Fund
Pakistan Institute of Management
Utility Stores Corporation of Pakistan (Pvt) Limited
National Industrial Parks Development and Management Company
Pakistan Industrial Development Corporation
Export Processing Zones Authority
State Enterprises Display Centre Islamabad
Technology Up-Gradation and Skill Development Company Lahore
Competitiveness Support Fund Islamabad
Asian Productivity Organization Japan
Pakistan Gems and Jewelry Development Company Karachi

Except for the matters reported in note 39.3 to the financial statements, transactions with the related parties are executed substantially on the same terms, including markup rates and collaterals, as those prevailing at the time for comparable transactions with the unrelated parties and do not involve more than a normal risk (i.e. under the comparable Uncontrolled Price Method)

Other than those transactions which are made under the terms of employment, the 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 executed at arm's length basis:

Nature of transactions	Name of the Company	2010	2009 (Rupees)
Balances outstanding:			
Subsidiary companies			
Investments	Saudi Pak Real Estate Company Limited	500,000,000	500,000,000
	Saudi Pak Insurance Company Limited	225,000,000	225,000,000
	Saudi Pak Leasing Company Limited	243,467,574	243,467,574
Placement against COIs	Saudi Pak Leasing Company Limited	103,525,000	109,500,000
Employee fund			
Deposits against COIs	Employee fund	15,073,753	10,500,000
Transactions during the year			
Subsidiary companies			
Acquisition of shares during the year	Saudi Pak Real Estate Company Limited	-	250,000,000
Interest income	Saudi Pak Leasing Company Limited	458,441	32,716,165
Interest expensed	Saudi Pak Real Estate Company Limited	-	3,412,014
	Saudi Pak Leasing Company Limited	-	189,864
Rent received	Saudi Pak Leasing Company Limited	1,042,090	1,198,458
Claims received	Saudi Pak Insurance Company Limited	28,477	497,686
Premium paid	Saudi Pak Insurance Company Limited	4,487,886	4,469,182
Companies with common directorship			
Borrowings availed	Pak Iran Joint Investment Company	1,696,000,000	-
Borrowings matured	Pak Iran Joint Investment Company	1,696,000,000	-
Interest expensed	Pak Iran Joint Investment Company	29,069,395	-
Rent received	Vision Network Television	3,216,927	3,007,369
Interest income	United Bank Limited	-	6,185,496
Acquisition of shares	United Bank Limited	-	32,198,594
Sale of shares	United Bank Limited	-	67,302,834
Realized gain / (loss) on sale of shares	United Bank Limited	-	5,736,132
Interest expensed	United Bank Limited	-	16,076,289
Key management personnel			
Advances to executives		2,021,152	1,387,200
Repayment of advances		2,382,932	1,713,862
Employee fund			
Contribution to the employees provident fund		3,383,785	2,923,003
Interest expense		1,773,510	1,307,658

39.3 Following are the transactions and balances with related parties executed at non arm's length basis:

Balances outstanding:			
Subsidiary companies			
Subordinated loan	Saudi Pak Leasing Company Limited	333,208,501	333,208,501
Transactions during the year			
Subsidiary companies			
Subordinated loan	Saudi Pak Leasing Company Limited	-	333,208,501

40. CAPITAL ADEQUACY

40.1 Scope of applications

The Basel II framework has been applied in accordance with Circular No. BSD/BAI-2/201/1490/2008 dated December 30, 2008.

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

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

40.1.1 Capital structure

Capital adequacy ratio (including corresponding figures) calculated in accordance with the BSD Circular No. 08 of 2006 dated June 27, 2006 issued by SBP is as follows:

	2010	2009
	(Rupees in '000)	
Tier I Capital		
Fully paid up capital	6,000,000	6,000,000
Share premium	-	-
Reserves	1,961,641	2,520,384
Unappropriated loss	(448,459)	(528,064)
Less: Goodwill, investment in commercial entities (50%) etc.	(118,624)	(288,860)
Total Tier I Capital	7,394,558	7,703,460
Tier II Capital		
Subordinated debt (upto 50% of total Tier I capital)	-	-
General Provisions subject to 1.25% of total risk weighted assets	-	-
Revaluation Reserve (upto 45%)	745,663	938,983
Less: Calculation difference (expected losses vs eligible provisions)	-	-
Investment in commercial entities (50%)	(112,685)	(259,670)
Total Tier II Capital	632,978	679,314
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	<u>8,027,536</u>	<u>8,382,774</u>



40.1.2 Capital adequacy

The risk weighted assets to capital ratio, calculated in accordance with State Bank of Pakistan' guideline on capital adequacy was as follows:

	2010	2009	2010	2009
	Capital Requirements		Risk Weighted Assets	
	(Rupees in '000)			
Credit Risk				
Portfolios subject to standardized approach				
Corporate	2,545,952	2,330,127	1,513,552	1,276,940
Banks	368,231	4,063,202	73,646	812,640
Sovereigns etc.	2,448,697	1,733,696	-	-
Unrated (Corporate)	5,431,037	5,287,988	5,431,037	5,287,988
Past Due Loans	-	-	-	-
Fixed Assets	2,245,588	2,278,574	2,245,588	2,278,574
Other Assets	1,442,842	1,249,350	1,442,842	1,249,351
Off Balance Sheet Exposure-Non-Market Related	839,871	1,387,575	695,663	693,483
Off Balance Sheet Exposure-Market Related	4,750,355	4,883,093	23,752	2,465,962
Equity Exposure Risk in the Banking Book				
Equity portfolio subject to market-based approaches				
Under simple risk weight method	1,543,841	3,745,102	2,003,987	4,190,126
Under Internal models approach	-	-	-	-
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	-	-	-	-
Equity position risk etc.	328,281	500,500	4,103,512	6,256,246
Capital Requirement for portfolios subject to Internal Models Approach				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	-	-	-	-
Operational Risk				
Capital Requirement for operational risks	81,736	58,197	1,021,702	727,463
	<u>22,026,431</u>	<u>27,517,404</u>	<u>18,555,281</u>	<u>25,238,773</u>
Capital Adequacy Ratio				
	2010		2009	
	(Rupees in '000)			
Total eligible regulatory capital held (a)	<u>8,027,536</u>		<u>8,382,774</u>	
Total Risk Weighted Assets (b)	<u>18,555,281</u>		<u>25,238,773</u>	
Capital Adequacy Ratio (a) / (b)	<u>43.26%</u>		<u>33.21%</u>	

40.2 Credit Risk-General Disclosures Basel II Specific

The Company used standardized approach for credit risk.

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

Types of Exposures and ECAI's used - 2010

Exposures	JCR-VIS	PACRA
Corporate	x	x
Banks	x	x
Sovereigns	x	x
SME's	x	x

Credit Exposures subject to Standardized approach

Exposures	Rating Category	2010			2009		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
.....(Rupees in '000).....							
Corporate	AAA/AA/AA+/AA-	699,120	-	699,120	689,384	-	689,384
	A+/A/A-	1,324,098	-	1,324,098	1,238,349	-	1,238,349
	BBB/BBB+/BBB-	41,317	-	41,317	57,911	-	57,911
	BB+/BB/BB-	1,401,707	-	1,401,707	1,234,532	-	1,234,532
Banks	A-1	126,987	-	126,987	3,676,683	-	3,676,683
	A-2	241,139	-	241,139	2,064	-	2,064
	A-3	104	-	104	384,455	-	384,455
	Others	-	-	-	-	-	-
Sovereigns etc		2,448,697	-	2,448,697	1,733,696	-	1,733,696
Unrated		9,743,017	-	9,743,017	11,670,967	-	11,670,967

CRM= Credit Risk Mitigation

41. RISK MANAGEMENT

The Company realizes the importance of risk management. We have independent and dedicated risk management functions. A comprehensive risk management framework has been adopted and is in process of implementation/ finalization. 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 15 percent as against regulatory requirement of 10 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 assess overall risk appetite of the company that in turn will be used to assess 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
- 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

	2010					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount	%age	Amount	%age	Amount	%age
	(Rupees in '000)					
Financial institutions	114,000	1.36	1,654,902	100	4,825,355	86.32
Paper and allied	79,510	0.95	-	-	-	-
Electrical goods	56,296	0.67	-	-	-	-
Dairy and poultry	147,622	1.76	-	-	175	0.01
Banaspati and allied	10,000	0.12	-	-	-	-
Sugar and allied products	434,457	5.19	-	-	23,632	0.42
Chemical and fertilizer	944,524	11.28	-	-	120,000	2.15
Energy, oil and gas	1,633,567	19.50	-	-	164,985	2.95
Hotel and construction	842,183	10.06	-	-	-	-
Cement	445,231	5.32	-	-	-	-
Textile	2,226,528	26.58	-	-	295,810	5.29
Metal and metal products	480,053	5.73	-	-	110,269	1.97
Automobiles and allied	342,318	4.09	-	-	-	-
Transport/services and misc.	341,987	4.08	-	-	-	-
Telecommunication	263,778	3.15	-	-	50,000	0.89
Others	13,625	0.16	-	-	-	-
	<u>8,375,679</u>	<u>100.00</u>	<u>1,654,902</u>	<u>100.00</u>	<u>5,590,226</u>	<u>100.00</u>

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

41.1.1.2 Segment by sector

	Advances (gross)		Deposits		Contingencies and commitments	
	Amount	%age	Amount	%age	Amount	%age
	(Rupees in '000)					
Public sector	-	-	-	-	-	-
Private sector	8,375,679	100	1,654,902	100	5,590,226	100
	8,375,679	100	1,654,902	100	5,590,226	100

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

	2010		2009	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Financial institutions	101,500	101,500	101,500	101,500
Paper and allied	79,509	57,280	79,509	53,802
Electrical goods	26,295	26,295	29,744	19,935
Dairy and poultry	45,122	45,122	45,697	45,697
Banaspati and allied	10,000	10,000	10,000	10,000
Sugar and allied products	81,840	81,840	101,839	101,839
Chemical and fertilizer	68,743	68,743	138,965	93,778
Energy, oil and gas	264,687	102,332	159,543	61,144
Hotel and construction	212,358	7,779	219,423	-
Cement	267,154	198,840	271,087	271,087
Textile	1,022,459	703,535	927,302	589,317
Metal and metal products	190,625	135,067	190,625	128,179
Automobiles and allied	297,531	183,047	165,500	165,500
Transport/services	44,787	44,787	48,169	48,169
Miscellaneous	274,750	265,508	302,751	295,459
	2,987,360	2,031,675	2,791,654	1,985,406

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

	2010		2009	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Public sector	-	-	-	-
Private sector	2,987,360	2,031,675	2,791,654	1,985,406
	2,987,360	2,031,675	2,791,654	1,985,406

41.1.1.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
(Rupees in '000).....			
Pakistan	(363,718)	18,395,621	9,299,639	5,590,226
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>(363,718)</u>	<u>18,395,621</u>	<u>9,299,639</u>	<u>5,590,226</u>

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 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.

2010			
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
.....(Rupees in '000).....			
Pakistan Rupee	18,309,501	9,095,982	839,871 8,373,648
United States Dollar	86,120	-	4,750,355 (4,664,235)
Great Britain Pound	-	-	-
Deutsche Mark	-	-	-
Japanese Yen	-	-	-
Euro	-	-	-
Other currencies	-	-	-
	<u>18,395,621</u>	<u>9,095,982</u>	<u>5,590,226 3,709,413</u>

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.



41.3 Liquidity risk

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

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

41.3.1 Maturities of assets and liabilities

Total	2010									
	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years	
	(Rupees)									
Assets										
Cash and balances with treasury banks	40,842,606	-	-	-	-	-	-	-	-	-
Balances with other banks	218,336,242	-	-	-	-	-	-	-	-	-
Lending to financial institutions	454,782,750	50,000,000	-	-	-	-	-	-	-	-
Investments	7,527,488,718	1,149,246,145	414,379,993	2,222,135,705	620,123,010	386,236,251	483,419,954	1,341,066,032	500,000,000	-
Advances	6,344,004,026	383,047,083	471,234,426	702,620,237	1,209,085,381	963,582,914	1,405,262,159	1,021,732,226	-	-
Operating fixed assets	2,248,888,099	5,455,532	16,366,597	32,733,194	65,466,388	65,466,388	128,732,825	251,840,176	1,671,915,934	-
Deferred tax assets	122,512,551	-	61,256,275	61,256,275	-	-	-	-	-	-
Other Assets	1,438,766,220	173,412,392	157,782,321	880,551,438	-	-	-	-	-	-
Liabilities										
Borrowings	18,395,621,212	1,566,009,202	1,121,019,612	3,899,296,850	1,894,674,779	1,420,285,553	2,017,414,938	2,614,638,434	2,171,915,934	-
Deposits and other accounts	7,137,934,094	3,168,167,541	694,824,672	510,760,455	296,933,116	1,606,978,646	455,893,709	378,502,000	-	-
Deferred tax liabilities	1,654,902,252	25,873,955	6,953,753	192,148,149	-	-	-	-	-	-
Deferred liabilities	-	-	-	-	-	-	-	-	-	-
Other Liabilities	57,595,602	2,093,424	6,280,272	12,560,544	-	-	9,742,354	22,732,160	-	-
	245,550,122	19,875,574	59,626,722	126,296,678	-	-	-	-	-	-
Net assets	9,095,982,070	3,645,936,889	767,685,419	841,765,826	296,933,116	1,606,978,646	465,636,063	401,234,160	-	-
Share capital	9,299,639,142	(1,955,570,979)	496,197,251	353,334,193	1,597,741,663	(186,693,093)	1,551,778,875	2,213,404,274	2,171,915,934	-
Reserves	6,000,000,000	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,961,641,045	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	(448,458,943)	-	-	-	-	-	-	-	-	-
	1,786,457,040	-	-	-	-	-	-	-	-	-
	9,299,639,142	-	-	-	-	-	-	-	-	-

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.
- by putting in place business continuity plan and disaster recovery program

42. CREDIT RATING

Saudi Pak's Long term short term entity rating has been assessed by JCR-VIS Crediting Rating Company Limited. Long term entity rating has been reaffirmed at AA+ (Double A Plus) and short term rating at A1+ (A one Plus) with stable outlook.

43. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 06, 2011 by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited.

44. GENERAL

In preparing these financial statements the disclosure requirements as contained in SBP's directives have been complied with to the extent considered appropriate by the Management, therefore corresponding figures have been rearranged or/and reclassified wherever necessary for the purpose of comparison.

44.2 Figures in these accounts have been rounded off to the nearest rupee, except as otherwise stated.



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHAIRMAN

Consolidated **F**inancial
Statements

10



Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Statement of Financial Position of Saudi Pak Industrial and Agricultural Investment Company Limited ("Holding Company") and its subsidiary companies as at December 31, 2010 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 ("consolidated financial statements"), for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company and its subsidiaries, which include Saudi Pak Real Estate Limited and Saudi Pak Insurance Company Limited and we have also given a conclusion on condensed interim financial information for six months period ended December 31, 2010 of its subsidiary company, Saudi Pak Leasing Company Limited. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated 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.

- a) Regulation 25 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (Regulations) requires that loans and leases should be classified and provided for when principal or income amount is overdue for more than the prescribed time in accordance with the criteria given in Schedule X of the Regulations, and any income thereon should be suspended. However, Saudi Pak Leasing Company Limited (the Company) has not recognized provision of Rs. 34.33 million on loans and leases which have been overdue for more than the prescribed time mentioned in the Schedule X and has not suspended income of Rs. 81.51 million thereon on the basis of the expected future settlement of the defaulted amounts. We understand that this practice is not in line with the aforesaid requirement and regulation 26 of the Regulations which allow reversal of specific provision and recognition of income only when recovery is made. Had the Company recognized and suspended the aforesaid provision and income respectively, the loss for the year and the accumulated loss would have increased by Rs. 115.84 million, and net investment in leases, short-term loans, long term loans and accrued mark-up would have been reduced by Rs 53.69 million, Rs 5.18 million, Rs 3 million and Rs 53.97 million respectively.

Except for the effect on the financial statements of the matters referred to paragraph (a), in our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary companies as at December 31, 2010 and the results of their operations for the year then ended.

Without further qualifying our opinion, we draw attention to;

- i) Note 1.1 to the consolidated financial statements that describe the adverse financial condition of the Saudi Pak Leasing Company Limited including accumulated losses aggregating to Rs 771.85 million as at December 31, 2010, the total liabilities exceeded the total assets by Rs. 134.09 million and the company has a short fall of Rs. 38.78 million in the equity against the required minimum equity requirement of Rs. 200 million as prescribed by the Non Banking Finance Companies and Notified Entities Regulation, 2008. These conditions, along with other matters as fully explained in Note, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Management of Saudi Pak Leasing Company Limited has also disclosed the mitigating factors in the above said notes; therefore, the financial statements of Saudi Pak Leasing Company Limited have been prepared using going concern assumption.
- ii) Note 40.3 to the consolidated financial statements that explain conversion of interest free subordinated loan to a related party into preference shares. State Bank of Pakistan has granted extension for the conversion of subordinated loan into equity till June 30, 2011.



Chartered Accountants
Engagement Partner: Mohammed Saleem

Islamabad
Date: April 27, 2011



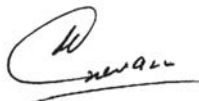
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2010**

		2010	2009
ASSETS	Note	(Rupees)	
Cash and balances with treasury banks	6	41,130,338	44,886,018
Balances with other banks	7	286,433,932	2,595,452,561
Lendings to financial institutions	8	431,257,750	2,220,072,818
Investments	9	7,177,103,246	6,903,786,981
Advances	10	9,357,049,115	9,813,433,647
Operating fixed assets	11	2,409,835,810	2,473,565,207
Deferred tax assets	16	261,955,044	278,080,313
Other assets	12	2,013,105,775	1,686,617,256
Investment property		266,945,150	276,672,130
		22,244,816,160	26,292,566,931
LIABILITIES			
Bills payable	13	-	-
Borrowings	14	9,078,011,683	10,793,122,442
Deposits and other accounts	15	2,858,458,046	4,436,252,661
Sub-ordinated loans		-	-
Deferred tax liabilities		-	-
Liabilities against assets subject to finance lease		-	-
Underwriting provision	17	228,634,482	299,819,036
Deferred liabilities	18	60,390,055	71,645,385
Other liabilities	19	505,454,683	489,626,699
		12,730,948,949	16,090,466,223
NET ASSETS		9,513,867,211	10,202,100,708
REPRESENTED BY			
Share capital	20	6,000,000,000	6,000,000,000
Reserves	21	1,961,641,045	2,520,383,519
Unappropriated loss		(203,238,191)	(512,380,563)
		7,758,402,854	8,008,002,956
Non-controlling interest		(42,689,064)	102,999,501
Deficit on revaluation of securities - net of tax		(234,893,718)	(27,858,910)
Surplus on revaluation of operating fixed assets - net of tax		2,033,047,139	2,118,957,161
		9,513,867,211	10,202,100,708

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 45 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, 2010**

	Note	2010 (Rupees)	2009
Mark-up/return/interest earned	23	1,719,394,608	2,315,589,720
Mark-up/return/interest expensed	24	1,399,432,726	2,065,916,450
Net mark-up/interest income		319,961,882	249,673,270
Provision against non-performing loans and advances	25	113,083,189	304,629,834
Provision for diminution in the value of investments	26	107,578,931	79,170,922
Provision against lendings to financial institutions		(23,500,000)	23,500,000
Bad debts written off directly		8,181,908	5,478,785
		205,344,028	412,779,541
Net mark-up/interest income/(expense) after provisions		114,617,854	(163,106,271)
NON MARK-UP/INTEREST INCOME			
Fee commission and brokerage income		343,990	477,550
Gain on dealing in quoted securities		246,485,816	646,199,959
Gain on dealing in mutual funds		13,429,077	72,731,031
Gain on dealing in Government securities		-	-
Loss from dealing in foreign currencies		(443,805,216)	(61,231,026)
Dividend income		104,331,154	85,518,834
Unrealized gain/(loss) on investments classified as held-for-trading		780,981	(3,569,223)
Underwriting loss	27	(46,004,131)	(11,861,608)
Income from sale of development properties-net	28	49,001,400	-
Other income	29	46,506,720	73,820,313
Total non mark-up/interest (expense)/income		(28,930,209)	802,085,830
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	30	337,342,851	329,354,015
Impairment loss on quoted securities		21,683,756	276,400,826
Other provisions/write offs		-	-
Other charges	31	731,400	36,000
Total non-markup/interest expenses		359,758,007	605,790,841
(LOSS)/PROFIT BEFORE TAXATION		(274,070,362)	33,188,718
Taxation - Current		39,090,300	35,492,838
- Prior years		8,211,547	(2,395,671)
- Deferred		112,560,839	(237,759,471)
	32	159,862,686	(204,662,304)
(LOSS)/PROFIT AFTER TAXATION		(433,933,048)	237,851,022
Attributable to:			
Equity holders of the parent		(274,968,826)	577,847,046
Non-controlling interest		(158,964,222)	(339,996,024)
		(433,933,048)	237,851,022
Basic and diluted earnings per share	33	(0.53)	1.12

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


CHAIRMAN

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(274,070,362)	33,188,718
Less: dividend income	(104,331,154)	(85,518,834)
	(378,401,516)	(52,330,116)
Adjustments for non-cash items		
Depreciation	144,510,822	166,164,304
Provision against non-performing loans and advances	113,083,189	304,629,834
Provision for diminution in the value of investments	107,578,931	79,170,922
Provision against lendings to financial institutions	(23,500,000)	23,500,000
Bad debts written off directly	8,181,908	5,478,785
Exchange gain	(504,287)	(490,000)
Impairment loss on quoted securities	21,683,756	276,400,826
Unrealized (gain)/loss on investments	(780,981)	3,569,223
Provision for gratuity	6,199,882	6,516,370
Gain on disposal of investment property	(21,870,244)	-
Gain on disposal of operating fixed assets	(1,570,813)	(12,557,162)
	353,012,163	852,383,102
	(25,389,353)	800,052,986
Decrease/(increase) in operating assets		
Lendings to financial institutions	1,812,315,068	(1,035,072,818)
Advances	335,119,435	2,207,789,226
Investment property	9,726,980	(255,432,737)
Other assets	74,789,786	379,617,231
	2,231,951,269	1,296,900,902
(Decrease)/Increase in operating liabilities		
Borrowings	(1,715,110,759)	(2,931,265,028)
Bills payable	-	-
Liabilities against assets subject to finance lease	-	-
Deposits and other accounts	(1,577,794,615)	37,223,039
Other liabilities	(14,766,535)	29,797,791
Underwriting provision	(71,184,554)	(101,438,672)
Deferred liabilities	(14,613,588)	(24,450,455)
	(3,393,470,051)	(2,990,133,325)
	(1,186,908,135)	(893,179,437)
Gratuity paid	(2,841,624)	(2,486,350)
Income tax paid	(497,204,949)	(155,558,672)
	(500,046,573)	(158,045,022)
Net cash used in operating activities	(1,686,954,708)	(1,051,224,459)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	(967,260,551)	1,390,158,286
Net investment in held to maturity securities	102,488,198	(275,233,587)
Net investment in held for trading securities	140,347,688	(88,730,003)
Investment in operating fixed assets	(12,905,937)	(45,778,641)
Dividend received	105,634,904	84,715,084
Sale proceeds from sale of operating fixed assets	5,876,097	151,247,133
Net cash flow (used in)/ from investing activities	(625,819,601)	1,216,378,272
CASH FLOW FROM FINANCING ACTIVITIES		
Cash received against right issue	-	1,000,000,000
Dividend paid	-	-
Net cash flow from financing activities	-	1,000,000,000
Net (decrease)/ increase in cash and cash equivalents	(2,312,774,309)	1,165,153,813
Cash and cash equivalents at beginning of the year	2,640,338,579	1,475,184,766
Cash and cash equivalents at end of the year	327,564,270	2,640,338,579

Note

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The annexed notes 1 to 45 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, 2010**

	Note	2010 (Rupees)	2009
(Loss) / profit after tax for the year		(433,933,048)	237,851,022
Other comprehensive income			
Reversal of capital reserves relating to rescheduling benefits		(30,678,110)	30,678,110
Comprehensive income transferred to equity		(464,611,158)	268,529,132
Components of comprehensive income not reflected in equity			
Deficit on revaluation of available-for-sale securities	9.1	(351,421,261)	(28,794,567)
Deferred tax		116,527,543	935,657
		(234,893,718)	(27,858,910)
Total comprehensive (loss)/income		(699,504,876)	240,670,222

The annexed notes 1 to 45 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, 2010**

	Paid-up capital	Reserve fund	General reserve	Capital reserve	Unappropriated profit/(loss)	Total
	(Rupees)					
Balance as at January 01, 2009	5,000,000,000	2,405,924,590	-	-	(1,062,415,586)	6,343,509,004
Comprehensive income						
Profit for the year-restated	-	-	-	-	577,847,046	577,847,046
Capital reserves - rescheduling benefit	-	-	-	30,678,110	-	30,678,110
Total comprehensive income	-	-	-	30,678,110	577,847,046	608,525,156
Transfer to reserve fund	-	83,780,819	-	-	(83,780,819)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	55,968,796	55,968,796
Transactions with owners						
Right issue	1,000,000,000	-	-	-	-	1,000,000,000
Balance as at December 31, 2009-restated	6,000,000,000	2,489,705,409	-	30,678,110	(512,380,563)	8,008,002,956
Comprehensive income						
Loss for the year	-	-	-	-	(274,968,826)	(274,968,826)
Capital reserves - rescheduling benefit	-	-	-	(30,678,110)	-	(30,678,110)
Total comprehensive income	-	-	-	(30,678,110)	(274,968,826)	(305,646,936)
Transfer from reserve fund	-	(528,064,364)	-	-	528,064,364	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	56,046,834	56,046,834
Balance as at December 31, 2010	6,000,000,000	1,961,641,045	-	-	(203,238,191)	7,758,402,853

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


CHAIRMAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

1. Legal Status and Operations

Saudi Pak Industrial and Agricultural Investment Company Limited ("the Parent or Holding Company") is a public limited company incorporated in Pakistan, jointly sponsored by the Governments of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan. The principal activity of the Parent 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.

As at December 31, 2010, the Parent Company has three subsidiaries. The status of subsidiaries and shareholding of the Group ("Parent Company and its subsidiaries") is as follows:

Subsidiary Company	Nature of Business	Date of Acquisition	Group Holding
Saudi Pak Leasing Company Limited ("The Leasing")	Leasing	September 1997	35.06%
Saudi Pak Insurance Company Limited ("The Insurance Company")	Insurance	February 2005	71.93%
Saudi Pak Real Estate Limited	Real Estate	December 2007	100%

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

- 1.1** Financial meltdown in the world has had a negative impact on the local economy as well, which had already been encountering higher inflation, political instability, and lack of trust of foreign investors. These factors cumulatively caused liquidity crunch in the country due to which a wave of defaults spread across the financial sector, soaring a percentage of bad loan portfolios beyond previous highs. The Saudipak Leasing Company, being one of financial sector victims, also started facing defaults in repayments by its lessees. Heavy drop in market values of the Company's investments in equity portfolio also deteriorated financial position of the Company. As a result:

'-Impairments of Rs. 425.05 million and Rs. 185.08 million on lease and loans portfolios, and investment portfolio respectively have been recognized till December 31, 2010.

'-As of December 31, 2010, accumulated losses have reached to Rs. 771.85 million and total liabilities have exceeded total assets by Rs. 134.09 million due to which the Company may not be able to settle the liabilities in normal course of business.

'-The Company's rating was downgraded as at June 30, 2010, not permitting the Company to issue new certificate of investments. Subsequently, the management has not renewed the rating agreement with JCR - VIS, a credit rating company.

'-Potential lease losses of the Company could increase substantially if the revised criteria for classification of assets and provisioning as provided in Schedule XI of the Non Banking Finance Companies and Notified Entities Regulations, 2008, applicable from July 2011, is not deferred.

'-The Company maintains an equity of Rs. 161.22 million as against the minimum equity requirement of Rs. 200 million which has rendered it unable to get its license renewed and write new leases.



'Although material uncertainty exists due to the above factors which may cast doubt on the Company's ability to continue as a going concern, however, the management of the Company is confident that the going concern assumption is appropriate for the reasons explained in the ensuing paragraphs and has, as such prepared its financial statements on a "going concern basis".

'Keeping in view the liquidity crunch being faced by the Company, the management has successfully restructured its term finance certificate by increasing the repayment period by four years and substantially reducing the mark-up rate on the financing facility.

The management has successfully repaid / settled liabilities amounting to Rs. 678.45 million along with financial charges of Rs. 66.7 million to the lenders during the six months period ended December 31, 2010. The Company has accordingly decreased its financial charges from Rs. 296 million to Rs. 114.4 million in the same period since last year mainly due to restructuring / settlement of loans agreements and resultant reduction in markup rate and borrowing levels. Out of Rs. 678.45 million, the Company successfully executed various settlement agreements during the period amounting to Rs. 413.12 million with its lenders resulting in satisfaction of short term and long term finance facilities against term loans, lease portfolio and properties recovered from non performing asset base.

Subsequent to period end, a settlement proposal has been discussed which is pending approval of the lending bank's board. This settlement will have an effect of conversion of loan of Rs. 125 million into preference shares and roll over of Rs. 100 million at substantially reduced markup rate thereby improving the equity position of the Company by Rs. 125 million.

Management is hopeful that the reduction in financing cost through restructuring/settlements, expected reversals of provisions resulting from settlement with the defaulted borrowers and the issuance of convertible preference shares against settlement of loans will assist in reducing the losses.

2. Basis of Presentation

These consolidated financial statements ("financial statements") have been presented in accordance with format prescribed by State Bank of Pakistan's BSD Circular No.4 dated February 17, 2006. These financial statements have been presented in accordance with directives issued by the State Bank of Pakistan (SBP), International Financial Reporting Standards, and applicable laws in Pakistan.

2.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the subsidiary companies of the Parent Company.

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 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 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. Minority 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 parent company. Minority interest are presented as a separate item in the consolidated financial statements.

2.2 Functional and Presentation Currency

These financial statements have been prepared in Pak Rupee which is the Group's reporting and functional currency.

3. Statement of Compliance

3.1 These financial statements have been prepared in accordance with the 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, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives 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 NBFIs 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 financial statements. The investments have been classified and valued in accordance with the requirements prescribed by the SBP's BSD Circular No. 4 dated February 17, 2006 and BSD Circular No. 10 dated July 13, 2004.

3.3 New accounting standards, amendments and IFRIC interpretations that are not yet effective:

"The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Group's current operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures:

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| - Amendments to IFRS 1 First time Adoption of International Financial Reporting Standards - Exemption from Comparative IFRS 7 Disclosures for First - time Adoption of International Financial Reporting Standards | July 01, 2010 |
| - Amendments to IFRS 1 First time Adoption of International Financial Reporting Standards Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' | July 01, 2011 |
| - Amendments to IFRS 1 First time Adoption of International Financial Reporting Standards Additional exemption for entities ceasing to suffer from severe hyperinflation | July 01, 2011 |



- Amendments to IFRS 3 Business Combinations	July 01, 2010
- Amendments to IFRS 9 Financial Instruments - Classification and Measurements	January 01, 2013
- Amendments to IAS 1 Presentation of Financial Statements	January 01, 2011
- Amendments to IAS 12- Limited Scope Amendment recovery of underlying assets	January 01, 2012
- Amendments to Revised IAS 24- Related Party Disclosures- Revised definition of related parties	January 01, 2011
- Amendments to IAS 27- Consolidated and Separate Financial Statements	July 01, 2010
- Amendments to IAS 32- Financial Instruments Presentation- Classification of Rights Issues	February 01, 2010
- Amendments to IAS 34-Interim Financial Reporting	January 01, 2011
- Amendments to IFRIC 13- Customer Loyalty Programmes	January 01, 2011
- Amendments to IFRIC 14 IAS-19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011
- Amendments to IFRIC 19- Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

4. Basis of Measurement

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

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

Critical Accounting Estimates and Judgments

The preparation of 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. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Classification Of Investments

Held-for-trading

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

Held-to-maturity

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

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

b) Provision against advances

The Group reviews its loan portfolio to assess amount of non-performing advances and provision 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 relevant regulations and management's judgment.

c) 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 balance sheet date and the rates contracted.

f) Depreciation, amortization and revaluation of operating fixed 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 financial statements (note 35) for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are Group'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.

5. Summary of Significant Accounting Policies

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of previous financial year except for the following:

IAS-1 Presentation of financial statements (revised)

SBP vide BSD Circular letter No. 7 of 2010 dated April 20, 2010, apart from suggesting the change in the name of certain components of financial statements, has clarified that with effect from June 30, 2010 and onwards, two statement approach shall be adopted in the preparation of quarterly, half-yearly and annual financial statements as mentioned in the revised IAS-1 "Presentation of Financial Statements". Accordingly, the Group has presented profit and loss account and statement of comprehensive income separately in these financial statements.

Further, all changes in owners' equity are presented in the statement of changes in equity, whereas all non-owners changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

5.1 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 profit and loss account. Advances are written off when there is no realistic prospect of recovery.

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 financial statements as investments and a liability for the consideration received is included in the borrowings. Conversely, consideration for securities purchased under resale agreements (reverse repo) are included in lendings to financial institutions. The difference between the sale and repurchase/purchase and resale price is treated as mark up/return/interest expense and earned, as the case may be.

5.4 Investments

Investments are classified as follows:

5.4.1 Held-to-maturity

The securities acquired with the intention and ability to hold them upto maturity. These securities are carried at amortized cost.

5.4.2 Held-for-trading

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 profit and loss account in accordance with the requirements of the State Bank of Pakistan's circular.

5.4.3 Available-for-sale

The securities which do not fall under held-for-trading and held-to-maturity categories are classified under this category. Investments in quoted securities where ready quotations are available on Reuters Page (PKRV) or stock exchanges are valued at market value on portfolio



basis. Un-quoted equity securities are valued at lower of cost and break up value. The break up value of the equity securities is calculated with reference to the latest available financial statements of the investee companies.

The surplus/(deficit) on revaluation net of deferred tax is taken to "Surplus/(deficit) on Revaluation of Securities" and shown in the balance sheet below equity net of deferred tax. However, any permanent diminution in the value of securities is provided for by charging it to the profit and loss account.

5.4.4 Profit or (loss) on sale of investments

Profit or (loss) on sale of investment is charged to profit and loss account.

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 charge offs, net of recoveries. The Group maintains provision for potential lease losses in accordance with the Prudential Regulations applicable on the Group.

5.6 Operating fixed assets and depreciation

5.6.1 Tangibles

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.

Depreciation is provided on straight line method at rates specified in note 11 to the 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.

Tangible operating fixed assets carried at revalued amount are valued by professionally qualified valuers with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values.

Surplus on revaluation of fixed assets to the extent of incremental depreciation charged to related assets is transferred to equity (net of deferred tax).

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

5.6.2 Intangibles

Intangible assets are stated at cost less accumulated amortization. Impairment loss, if any, is charged to profit and loss account. Amortization is computed from the date of purchase to date of write off using the straight line method in accordance with the rates specified in note 11 to these financial statements to write off cost of the assets over their estimated useful lives.

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



5.7 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the exchange rate prevailing at the balance sheet date. Exchange gains or losses are included in the profit and loss account currently.

5.8 Taxation

5.8.1 Current

Provision for current taxation is the expected tax payable on the taxable income for the year using tax rates applicable at the balance sheet date. 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.

5.8.2 Deferred

The Group accounts for the deferred taxation, using the balance sheet liability method, providing for the temporary differences between the current amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates applicable at the balance sheet date. Deferred tax asset is recognized only to the extent that is probable that the future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefits will be realized.

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

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 outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made.

5.10 Employee benefits

5.10.1 Defined benefit plan

The Parent Company operates an unfunded gratuity scheme for all of its permanent employees. The actuarial valuation is carried out periodically using "Projected Unit Credit Method" as allowed under the International Accounting Standard 19 "Employee Benefits".

A portion of the actuarial gains or losses is recognized if the net cumulative unrecognized actuarial gains or losses at the end of the previous year exceeds the "corridor" which is defined as the greater of:

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

5.10.2 Defined contribution plan

The Parent Company also operates a 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.

5.10.3 Compensated absences

As per its service rules, the Parent 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 State Bank of Pakistan.

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

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.

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

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

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

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

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

Gain /loss on sale of investments is credited / charged to profit and loss account currently.

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

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company 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;
- it is probable that the economic benefit associated with the transaction will flow to the company;



Revenue on sale of buildings, bungalows and villas is recognized on the percentage completion if all of the following conditions are met:

- the company 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 company being unable to fulfil its contractual obligations for this reason is remote.

5.12 Related party transactions

Transactions with its related parties are carried out on an arm's length basis determined in accordance with the generally accepted method.

5.13 Financial instruments

5.13.1 Financial assets and financial liabilities

Financial instruments carried on the balance sheet 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.

5.14 Off-setting

Financial assets and financial liabilities are only set-off and net amount is reported in the 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 asset simultaneously.

5.15 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

5.16 Impairment - Reversal of impairment

At each balance sheet date the Group reviews the carrying amounts of its assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. Whenever the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized as an expense immediately.

Where conditions giving rise to impairment subsequently reverse, the carrying amount of the assets is increased to its revised recoverable amount but limited to the extent of initial cost of the assets.

5.17 Underwriting provisions

The Group recognizes liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims

are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. These claims are accounted for based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and claims actually reported upto one month subsequent to the balance sheet date.

5.18 Provision for unearned premium

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

5.19 Premium deficiency reserve

Where the cumulative unearned premium reserve for all classes of business is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of policies in force at balance sheet date, a premium deficiency reserve is recognized as a liability to meet the deficit. The movement in the premium deficiency reserve is charged to the profit and loss account.

5.20 Impairment

At each balance sheet date the Group reviews the carrying amounts of its assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. Whenever the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized as an expense immediately.

5.21 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 comprises of the following main business segments:

5.21.1 Business Segment

Corporate finance

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

Trading and Sales

This segment undertakes the treasury, money market and capital market activities.

Building Rental Services

This segment undertakes the rental services of Saudi Pak Tower and its allied activities.

5.21.2 Geographical Segment

The Group conducts all its operations in Pakistan.

5.22 Cost of Revenue

Cost of revenue includes the cost of land and development cost. Development costs include the cost of infrastructure and construction. The cost of revenues in respect of building is based on the estimated proportion of the development cost incurred to date to the estimated total development costs for each project. The cost of revenues in respect of land sales is based on the total estimated cost of the land site including development work to the extent required under the sales contract over the total usable land area in a particular development.

5.23 Borrowing cost

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 recognised in profit or loss in the period in which they are incurred.

5.24 Investment property

Investment property held either to earn rentals or for capital appreciation or for both is classified as investment property. Investment property is carried at fair value. Under the fair value model, the investment property is measured at fair value and any changes in fair value are dealt through profit and loss account.

An external and independent valuer having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

If an investment property becomes owner-occupied or stock-in-trade, it is reclassified as property and equipment or stock-in-trade and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording.

5.25 Development Property

Development property consists of property being developed principally for sale and is stated at lower of cost or net realizable value. Cost comprises all direct costs attributable to the design and construction of the property. The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. Work in process comprises of properties in the process of construction/development. Cost in relation to work-in-process comprises of proportionate cost of land, cost of direct materials, labour and appropriate overheads. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to complete and estimated cost to be incurred to make the sale, if any.

The management reviews the carrying values of the development properties on an annual basis.

6. Cash and Balances With Treasury Banks	Note	2010 (Rupees)	2009
In hand			
Local currency		367,220	400,717
With State Bank of Pakistan in current account			
Local currency	6.1	40,640,519	44,359,542
With National Bank of Pakistan in deposit account - saving			
Local currency		-	5,500
Foreign currency		122,599	120,259
		41,130,338	44,886,018

6.1 Deposit is maintained with State Bank of Pakistan to comply with its requirements issued from time to time.

7. Balances with Other Banks	Note	2010 (Rupees)	2009
In Pakistan			
On current accounts - local currency		31,140,181	8,987,952
On deposit account - saving			
- Local currency	7.1	169,295,987	2,580,855,815
- Foreign currency	7.2	85,997,764	5,608,794
		286,433,932	2,595,452,561

7.1 These deposit accounts carry interest rate of 4.00% to 11.00% per annum (2009: 4.00% to 13.00% per annum).

7.2 These deposit accounts carry interest rate of 0.25% per annum (2009: 0.65% per annum).

8. Lendings to Financial Institutions	Note	2010 (Rupees)	2009
Call money lendings	8.1	283,805,000	1,306,300,000
Purchase under resale arrangement of listed equity securities	8.2	-	58,402,070
Repurchase agreements lendings (reverse repo)	8.3	147,452,750	878,870,748
		431,257,750	2,243,572,818
Less: Provision for call money lendings		-	(23,500,000)
		431,257,750	2,220,072,818

8.1 These include clean placements and term deposit receipts. These carry markup rate ranging from 13.25% to 13.60% per annum (2009: 12.50% to 18.00% per annum) maturing between January 2011 to February 2011 (2009: maturing between January 2010 to February 2011).

8.2 These represent secured placement agreements against marketable securities as collateral. These carried markup rates ranging from 14.20% to 16.00% per annum. These were matured during the year.

8.3 These are secured against Pakistan Investment Bonds (PIBs) and Treasury Bills. The difference between the contracted purchase price and the re-sale price is recognized as income over the period of the contract. These carry markup rate between 12.95% to 13.60% per annum (2009: 11.60% to 12.10% per annum) having maturity within 10 days (2009: 62 days).

8.4 Particulars of lendings

	2010	2009
	(Rupees)	
Local currency	431,257,750	2,220,072,818
Foreign currency	-	-
	431,257,750	2,220,072,818

8.5 Securities held as collateral against lendings to financial institutions

Note	2010			2009		
	Held by Group	Given as collateral (Rupees)	Total	Held by Group	Given as collateral (Rupees)	Total
Purchase under resale arrangement of listed equity securities	-	-	-	-	58,402,070	58,402,070
Pakistan investment bonds/ Treasury bills	49,772,400	97,680,350	147,452,750	-	878,870,748	878,870,748
	49,772,400	97,680,350	147,452,750	-	937,272,818	937,272,818

8.5.1 These represent the securities obtained under reverse repo transactions that have been used to raise finance under repo transaction (note 14.3).

9. Investments - Net	Note	2010			Restated 2009		
		Held by Group	Given as collateral (Rupees)	Total	Held by Group	Given as collateral (Rupees)	Total
9.1 Investments by Types							
Held-for-trading securities							
Quoted		7,447,474	-	7,447,474	151,364,385	-	151,364,385
Available-for-sale securities							
Quoted		2,852,002,470	-	2,852,002,470	3,168,309,368	-	3,168,309,368
Un-quoted	9.2	706,629,058	-	706,629,058	629,833,048	-	629,833,048
Treasury bills		630,021,196	1,168,582,204	1,798,603,400	274,227,414	769,333,516	1,043,560,930
Pakistan investment bonds (PIBs)		93,979,060	-	93,979,060	93,979,060	-	93,979,060
Ijara Sukuk		10,000,000	-	10,000,000	10,000,000	-	10,000,000
Term finance certificates		44,000,000	-	44,000,000	90,000,000	-	90,000,000
Commercial paper		93,447,560	-	93,447,560	-	-	-
Mutual funds		460,337,523	-	460,337,523	513,145,607	-	513,145,607
		4,890,416,867	1,168,582,204	6,058,999,071	4,779,494,497	769,333,516	5,548,828,013
Held-to-maturity securities							
Pakistan investment bonds (PIBs)	9.3	566,497,091	-	566,497,091	583,103,620	-	583,103,620
Term finance certificates		1,979,884,528	-	1,979,884,528	2,065,766,197	-	2,065,766,197
		2,546,381,619	-	2,546,381,619	2,648,869,817	-	2,648,869,817
Investment at cost		7,444,245,960	1,168,582,204	8,612,828,164	7,579,728,699	769,333,516	8,349,062,215
Provision for diminution in value of investments	9.5	(311,349,633)	-	(311,349,633)	(203,770,701)	-	(203,770,701)
Investments (net of provisions)		7,132,896,327	1,168,582,204	8,301,478,531	7,375,957,998	769,333,516	8,145,291,514
Deficit on revaluation of available for sale securities		(351,421,261)	-	(351,421,261)	(28,794,567)	-	(28,794,567)
Impairment loss on quoted securities		(773,735,005)	-	(773,735,005)	(1,209,140,743)	-	(1,209,140,743)
Deficit on revaluation of held for trading securities	9.6	780,981	-	780,981	(3,569,223)	-	(3,569,223)
Investment at revalued amount - net of provisions		6,008,521,042	1,168,582,204	7,177,103,246	6,134,453,465	769,333,516	6,903,786,981

9.1.1 Prior Period adjustment

In the year 2009, Saudi Pak Industrial and Agricultural Investment Company Limited (holding company) created provision of Rs. 288.338 million for diminution in the value of investment and subordinated loan in Saudi Pak Leasing Company Limited which remained unadjusted in the consolidation.

In the current year, the group has adjusted the amount of provision of Rs. 288.338 million in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The adjustment has been corrected by restating the amount of provision for diminution in the value of investment in the year 2009.

9.2 This includes preference shares of Pak Electron Limited amounting to Rs. 15 million in 2009 with an annual dividend of 9.50%. These preference shares were converted to ordinary shares during the year 2010.

9.3 This includes premium of Rs. 34.322 million (2009: Rs. 51.250 million) on purchase of PIB's. The premium is being amortized over the years to maturity ranging from October 2012 to April 2014. Investment in PIB's carry coupon interest rates ranging from 8.00% to 13.00% per annum (2009: 8.00% to 13.00% per annum).

9.4 Investments by Segments	Note	Restated	
		2010	2009
		(Rupees)	
Federal government securities			
-Pakistan Investment Bonds		660,476,151	677,082,680
-Treasury bills		1,798,603,400	1,043,560,930
-Ijara Sukuk		10,000,000	10,000,000
		2,469,079,551	1,730,643,610
Fully paid up ordinary shares:			
-Quoted securities	9.4.1	2,859,449,944	3,319,673,753
-Unquoted securities	9.4.2	706,629,058	629,833,048
		3,566,079,002	3,949,506,801
Term finance certificates			
-Listed TFCs	9.4.3	1,145,063,253	1,248,495,654
-Unlisted TFCs	9.4.4	878,821,275	907,270,543
		2,023,884,528	2,155,766,197
Other investments			
-Mutual funds	9.4.5	460,337,523	513,145,607
-Commercial paper		93,447,560	-
		553,785,083	513,145,607
Total investment at cost		8,612,828,164	8,349,062,215
Less: Provision for diminution in value of investment	9.5	(311,349,633)	(203,770,701)
Investments (net of provisions)		8,301,478,531	8,145,291,514
Surplus/(deficit) on revaluation of held for trading securities	9.6	780,981	(3,569,223)
Impairment loss on quoted securities		(773,735,005)	(1,209,140,743)
Deficit on revaluation of available for sale securities		(351,421,261)	(28,794,567)
Investment at revalued amount - net of provisions		7,177,103,246	6,903,786,981

9.4.1 Investment in fully paid up ordinary shares-quoted

2010	2009	Name of investee	2010	2009
Number of ordinary shares			(Rupees)	
693,055	-	Agritech Limited	19,492,931	-
1,250,500	777,000	Askari Commercial Bank Limited	26,277,575	21,314,966
1,585,000	1,585,000	Arif Habib Corporation Limited	110,970,953	110,970,956
6,250,000	932,592	Azgard Nine	113,835,016	29,408,223
-	579,016	Al Zamin Leasing Corporation Limited	-	10,379,643
3,447,948	2,242,329	Summit Bank (Formerly Arif Habib Bank Limited)	24,827,495	19,771,290
60,500	55,000	Allied Bank Limited	6,145,855	6,145,855
40,000	-	Attock Petroleum Limited	12,057,746	-
-	250,000	Attock Refinery Limited	-	37,935,715
384,913	315,729	Attock Cement	25,283,073	21,793,211
-	250,000	Atlas Bank Limited	-	860,000
825,000	1,100,000	Bank Islami Pakistan Limited	7,421,064	9,894,747
-	1,000,000	B.R.R International Modaraba	-	10,438,000
500,000	3,500,040	Byco (Formerly Bosicor Pakistan Limited)	5,461,950	37,886,913
4,318,127	2,937,882	Bank Al-Falah Limited	68,626,071	51,943,961
5,120,622	5,120,622	Bank of Khyber Limited	34,766,565	34,766,588
333,499	756,250	Bank of Punjab	27,315,108	61,940,366
-	320,000	Callmate Telips Telecom Limited	-	-
1,128,648	2,500,000	Chenab Limited	9,944,020	22,026,403
2,345,336	1,633,010	Crescent Steel & Allied Products	87,089,050	70,265,275
500,000	1,000,000	D.G. Khan Cement Limited	12,100,273	29,073,570
6,278,600	6,278,600	Dewan Farooq Motors	81,531,262	81,531,238
5,228,883	6,819,765	Dewan Salman Fiber	28,316,074	36,931,184
3,199,957	3,054,688	Dewan Cement	21,192,975	20,972,936
1,500,000	1,459,200	Descon Oxychem Limited	10,282,239	12,184,198
-	60,500	Dawood Hercules	-	21,167,152
100,000	383,000	Engro Chemicals Pakistan	32,276,659	88,727,702
-	400,000	Engro Polymer	-	9,129,815
-	90,000	EFU General Insurance	-	10,069,632
26,500	26,500	Eye Television Network Limited	2,014,915	2,014,915
1,199,900	-	Fatima Fertilizer Limited	16,788,598	-
7,060,348	6,869,500	Fauji Cement Company Limited	89,948,594	89,057,093
500,000	1,022,849	Fauji Fertilizer Company Limited	46,306,772	77,888,899
-	-	Faysal Bank Limited	-	-
2,300,000	2,820,000	Fauji Fertilizers Bin Qasim Limited	66,134,112	83,249,732
4,207,540	4,207,500	Fecto Cement	94,072,336	94,072,317
1,907,249	1,849,659	First Credit & Investment Bank Limited	18,617,356	18,458,352
-	1,333,333	First Dawood Islamic Fund	-	13,333,330
-	1,885,266	Golden Arrow	-	9,468,176
766,012	1,231,000	Hub Power Company Limited	23,970,649	37,603,090
-	-	Habib Bank Limited	-	-
-	-	Habib Metropolitan Bank	-	-
-	879,140	Hira textile	-	10,989,250
-	80,000	ICI Pakistan Ltd	-	14,204,038
53,424	44,250	International Industries Limited	5,405,445	5,405,445
11,572,199	10,169,081	Japan Power Generation Limited	49,999,503	49,999,522
-	-	JDW Sugar Mills	-	-
1,516,690	1,721,690	Jahangir Siddiqui & Co.	74,698,844	84,827,678
-	5,803,500	JS Large Capital Fund	-	58,035,000
500,000	112,000	Kott Addu Power	22,328,350	4,846,819
-	-	Lucky Cement	-	-

2010	2009	Name of investee	2010	2009
Number of ordinary shares			(Rupees)	
10,000,487	10,242,987	Maple Leaf Cement	68,038,113	74,607,737
160,000	-	Mari Gas Company Limited	21,356,550	-
3,500,000	-	My Bank Limited	20,521,125	-
-	110,000	MCB Bank Limited	-	42,446,840
1,285,000	1,033,000	National Bank of Pakistan	133,739,811	141,304,567
1,345,000	1,398,016	Nishat Chunian	23,586,383	22,769,957
1,175,000	-	Nishat Chunian Power	16,803,866	-
3,080,000	230,000	Nishat Mills	29,298,925	20,069,416
1,333,500	50,000	Nishat Power Limited	20,674,225	593,980
9,981,622	7,467,622	NIB Bank	92,732,871	84,304,229
-	395,000	Oil & Gas Development Company Limited	-	45,007,438
-	69,767	Orix Investment Bank Limited	-	5,010,003
160,000	205,000	Pakistan State Oil	61,377,747	75,010,020
3,900,000	2,750,000	Pakistan Telecommunication Company Limited	99,801,784	78,732,568
253,000	265,000	Pakistan Petroleum Ltd	40,817,664	51,138,289
-	55,000	Pak Oil Field	-	11,840,884
-	2,000,000	Pak Strategic Allocation Fund	-	20,000,000
-	2,494,999	Pakistan PTA Ltd	-	18,001,997
5,101,000	5,726,000	Lafarge Pakistan Cement Company Limited	27,227,545	32,327,664
6,695,000	5,181,000	Pace Pak Limited	86,103,355	78,988,511
848,704	837,704	Packages Limited	148,767,131	167,753,215
-	-	Pakistan International Container Terminal	-	-
749,000	1,274,000	Pak Reinsurance	39,589,682	61,347,145
750,000	651,262	Pakistan Refinery Limited	84,456,611	73,780,838
1,086,339	296,457	Pakistan Elektron Limited	23,750,000	10,811,400
1,046,386	363,332	PNSC	50,233,746	19,881,968
-	5,625,000	PACE Barka	-	56,250,000
-	1,000	Rupali Polyester	-	40,068
632,568	166,065	Silk Bank Limited	4,292,267	3,126,010
50,000	-	Security Papers Limited	1,980,000	-
698,992	648,319	Sitara Chemicals Ind	220,259,174	217,624,558
-	5,789,000	Sui Southern Gas	-	91,485,808
1,200,000	1,180,800	Sui Northern Gas	51,629,890	67,011,533
665,000	1,000,000	Samba Bank Limited	4,776,542	7,182,774
458,764	462,164	Samin Textiles	8,823,173	13,540,574
805,000	676,101	Sitara Peroxide	17,050,067	22,088,794
-	50,138	Searle Pakistan Limited	-	3,185,726
200,000	140,500	Shell Pakistan	46,598,685	33,832,252
120,000	120,000	Shakarganj sugar Mills Ltd	4,943,293	4,943,293
604,575	604,575	SME Leasing Limited	6,650,325	6,650,325
5,135,000	5,135,000	Telecard Co	39,377,644	39,377,650
136,125	223,750	United Bank Limited	18,126,843	23,971,843
10,213,350	9,194,848	World Call Telecom	70,565,479	72,650,684
			<u>2,859,449,944</u>	<u>3,319,673,753</u>



9.4.2 Details of investment in unlisted companies above 10% of paid-up capital of investee company are as follows;

Company's name	Name of chief executive	As per audited accounts	Break up value (Rupees)	Total paid up value (Rupees)
Pak Kuwait Takaful Company	Mr. Imtiaz Bhatti	30-Sep-10	10.84	40,000,000
Equity International (Pvt) Ltd*	Mr. Robert Micheal	30-Jun-10	0.59	6,000,000

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

9.4.3 Investment in term finance certificates -listed

Number of certificates			Value per certificate (Rs.)	2010 (Rupees)	2009 (Rupees)
2010	2009	Company's name			
-	5,000	Al-Zamin Leasing Modaraba-II	-	-	8,500,000
89,839	89,839	Allied Bank Limited	4,998	449,015,322	449,195,000
30,000	20,000	Azgard Nine Limited	4,163	124,898,600	74,898,600
6,313	6,313	Askari Commercial Bank	4,989	31,495,557	31,508,183
16,159	16,159	Bank Alfalah Limited	4,988	80,608,845	80,639,871
39,780	39,780	Engro Chemicals Pakistan	5,000	198,900,000	198,900,000
7,000	7,000	Jahangir Siddiqui and Co.	4,992	34,944,000	34,958,000
30,000	30,000	Maple Leaf Cement (Sukuk)	4,996	149,872,500	150,000,000
-	10,000	Pakistan Mobile Communications Ltd.	-	-	46,000,000
-	10,000	Pak American Fertilizer Ltd	-	-	44,000,000
20,000	20,000	Standard Chartered Bank Limited (Formerly Union Bank Ltd)	1,250	25,000,000	69,920,000
3,749	4,998	Trust Investment Bank	2,000	7,497,000	9,996,000
10,000	10,000	World Call Telecom	4,283	42,831,429	49,980,000
				<u>1,145,063,253</u>	<u>1,248,495,654</u>

9.4.3.1 These carry rate of return ranging from 10.75% per annum to 15.79% per annum (2009: 9.50% to 15.19% per annum) and having maturity of upto 10 years.

9.4.4 Investment in term finance certificates -unlisted

Number of certificates			Name of chief executive	Value per certificate (Rs.)	2010 (Rupees)	2009 (Rupees)
2010	2009	Company's name				
40,000	40,000	Avari Hotels Limited	Mr. Behram D. Avari	4,246	169,829,200	200,000,000
18,000	18,000	Amtex Limited(Sukuk)	Mr. Khurram Iftikhar	3,750	67,500,000	90,000,000
10,000	10,000	B.R.R Guardian Modaraba	Mr. Ayaz Dawood	5,000	50,000,000	50,000,000
5,000	5,000	Gharibwal Cement Ltd.	Mr. Muhammad Tausif Paracha	4,996	24,980,000	24,985,000
10,000	10,000	JDW Sugar Mills Limited	Mrs. Amina Tareen	3,889	38,888,890	50,000,000
-	10,000	Kashf Foundation	Mrs. Roshaneh Zafar	-	-	21,428,572
10,000	-	Martin Dow Pharmaceuticals	Mr. Jawed Akhai	-	50,000,000	-
10,000	10,000	Royal Bank of Scotland (Prime Commercial Bank Ltd.)	Mr. Shehzad Naqvi	3,743	37,430,000	49,910,000
40,000	40,000	Pak American Fertilizer Ltd	Mr. Abid Amin	6,100	244,000,000	200,000,000
11,273	11,273	Sitara Energy (Sukuk)	Mr. Javed Iqbal	4,375	49,318,182	56,363,636
5,000	5,000	SME Leasing Limited	Mrs. Arjumand Qazi	1,250	6,250,003	14,583,335
30,000	30,000	Sitara Peroxide Ltd	Mr. Imran Ghafoor	4,688	140,625,000	150,000,000
					<u>878,821,275</u>	<u>907,270,543</u>

9.4.4.1 These carry rate of return ranging from 13.38% per annum to 16.48% per annum(2009: 13.59% to 16.60% per annum) and having maturity of upto 6 years.

9.4.5 Investments in Mutual Funds

Name of investee	2010 No. of Units	2009	2010 (Rupees)	2009
AKD Opportunity Fund	2,894,665	1,820,431	87,227,378	87,227,378
CDC Trustee NIT Government Bond Fund	2,662,533	2,500,000	25,000,000	25,000,000
CDC Trustee Askari Sovereign Cash Fund	267,385	243,807	25,000,000	25,000,000
CDC Trustee Lakson Money Market Fund	106,048	-	10,000,000	-
CDC Trustee Faysal Saving Growth Fund	97,580	-	10,000,000	-
CDC Trustee Atlas Money Market Fund	20,594	-	10,000,000	-
CDC Trustee HBL Money Market Fund	102,258	-	10,000,000	-
Faysal Saving Balance Growth Fund	100,000	100,000	9,660,145	9,660,145
Faysal Money Market Fund	500,000	-	50,000,000	-
JS Large Capital Fund	500,000	-	23,700,000	-
MCB Cash Management Optimizer Fund	258,356	-	25,000,000	-
NAFA Stock Fund	-	748,553	-	10,000,000
National Investment Trust	2,316,300	1,771,779	74,750,000	59,750,000
Pak Intl. Element Islamic Fund	-	498,193	-	25,000,000
Pak Oman Advantage Fund	5,000,000	5,000,000	50,000,000	50,000,000
Reliance Income Funds	-	534,923	-	25,000,000
Trustee Pakistan Income Enhancement Fund	-	490,773	-	25,000,000
United Growth and Income Fund	-	250,455	-	25,000,000
First Dawood Mutual fund	-	814,469	-	7,004,803
Mezan Balance fund Growth	-	1,000,000	-	10,000,000
Namco Balanced Funds	-	2,472,967	-	24,729,670
Pakistan Startegic fund	-	150,000	-	1,500,000
UBL Liquidity Plus Fund	526,782	498,853	50,000,000	51,194,904
Pakistan Cash Management Fund	-	1,029,702	-	51,766,210
Golden Arrow Selected Stock Fund	-	104,166	-	312,497
			<u>460,337,523</u>	<u>513,145,607</u>

9.5 Provision for diminution in value of investments

	2010 (Rupees)	2009
Opening balance	203,770,701	126,199,779
Charge for the year	107,578,931	79,170,922
Written off	-	(1,600,000)
Closing balance	<u>311,349,632</u>	<u>203,770,701</u>

9.5.1 Particulars of provision in respect of type and segments

Available-for-sale securities		
Quoted and un-quoted securities	<u>311,349,632</u>	<u>203,770,701</u>

9.6 Deficit on revaluation of held-for-trading securities

Quoted securities	<u>780,981</u>	<u>(3,569,223)</u>
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9.7 Quality of available-for-sale securities

9.7.1 Quoted Securities

Companies	2010		2009	
	Credit rating	Market value (Rs.)	Credit rating	Market value (Rs.)
Askari Commercial Bank	AA	17.69	AA	27.30
Agriotech Limited	SD	23.90	-	-
Adamjee Insurance	-	-	-	-
Alzamin leasing Corporation Limited	NA	-	BBB+/A-2	2.90
Allied Bank	-	-	-	-
Summit Bank (Formerly Arif Habib Bank)	A	3.81	A/A-2	6.70
Attock Petroleum	NA	335	-	-
Attock Refinery	NA	-	NA	137.93
Attock Cement	NA	63.11	NA	52.00
Azgard Nine	SD	9.66	A+	20.79
Arif Habib Corporation Limited	A+/A-1	24.89	A+/A-1	49.27
BRR International Modarba	NA	-	A-	2.56
Bank Alfalah	AA	11.21	AA	13.77
Bank of Khyber	A-/A-2	4.30	BBB+/A-2	4.91
Bank of Punjab	-	-	-	-
Byco Petroleum Pakistan Limited	NA	11.27	NA	9.50
Bank Islami Pakistan	A	3.63	A	5.87
Chenab Ltd	NA	3.12	NA	3.84
Crescent Steel and Allied	NA	27.51	A+/A-1	26.01
DG Khan Cement Ltd	NA	30.17	NA	32.56
Dewan Cement	D	2.24	CC	2.51
Dewan Farooq Motors	NA	2.28	NA	1.49
Dewan Salman Fibre	NA	2.99	NA	1.48
Dost Steel Limited	-	-	-	-
Descon Oxychem Limited	NA	8.16	NA	7.27
Dawood Hercules	-	-	-	-
Engro Corporation Pakistan Limited	NA	-	AA	183.27
Engro Polymer	NA	-	NA	17.94
EFU General Insurance	AA	-	AA	97.60
Eye Television Network Limited	-	-	-	-
Fauji Cement	NA	5.02	NA	6.16
Faysal Bank	-	-	-	-
Fecto Cement	NA	7.25	NA	10.50
Fauji Fertilisers Bin Qasim Limited	NA	35.73	NA	26.13
Fauji Fertilizer Company Limited	NA	125.86	NA	102.93
First Credit and Investment Bank	A-	3.26	A-/A-2	3.35
First Dawood Islamic fund	-	-	-	-
Golden Arrow	A-	-	NA	3.00
Hub Power Co. Ltd	AA+	37.41	AA+	31.08
Hira Textiles	-	-	-	-
Honda Atlas Car Limited	-	-	-	-
Habib Bank Limited	-	-	-	-
ICI Pakistan Limited	NA	-	NA	168.49
International Industries Limited	-	-	-	-
JDW Sugar Mills	-	-	-	-
Jahangir Siddique and Company Limited	AA	10.90	AA+	30.07
JS Large Capital fund	-	-	NA	4.60
Kohinoor Textiles Limited	-	-	-	-
Kot Addu Power Company Limited	NA	40.68	NA	45.87
Lucky Cement	-	-	-	-
Maple Leaf Cement	BB	2.87	SD	3.76
Mari Gas	NA	124.97	-	-
MCB Bank Limited	-	-	-	-
My bank Limited	A-	2.81	-	-
Nagina Cotton Preference Shares	-	-	-	-
National Bank of Pakistan Limited	AAA/A-1+	76.82	AAA/A-1+	74.37
Nishat Chunian	A/A-2	22.72	NA	21.20
Nishat Mills	A+/A-1	64.17	A+	69.90
Nishat Power	AA-/A-1+	16.23	AA/A1+	12.73
Nishat Chunian Power Limited	AA-/A-1+	16.09	-	-
NIB Bank Ltd	AA-/A-1+	2.95	AA-	4.80
Oil and Gas Development Company Limited	AAA/A-1+	-	AAA/A-1+	110.61
Orix Investment Bank	NA	-	NA	7.65
Pakistan Telecommunication Company Limited	NA	19.42	NA	17.65
Pak Oil Fields	NA	-	NA	230.77
Pak Strategic Allocation Fund	NA	-	4-Star	4.44
Pakistan Petroleum	NA	217.15	NA	189.59
Lotte PTA Pakistan Limited	NA	-	NA	7.83

Companies	2010		2009	
	Credit rating	Market value (Rs.)	Credit rating	Market value (Rs.)
Pioneer Cement	-	-	-	-
Pakistan State Oil	AA+/A-1+	295.18	NA	297.44
Lafarge Pakistan Cement Limited	NA	3.21	NA	2.19
Pace Pakistan Limited	A/A-1	2.73	A	5.85
Packages Limited	AA/A-1+	128.61	AA	144.00
Pak International Container Terminal Limited	-	-	-	-
Pak Reinsurance Limited	NA	16.25	NA	26.10
Pak Refinery Limited	NA	107.72	NA	120.70
PAK Electron Limited	-	-	-	-
PNSC	AA-/A-1+	37.95	NA	47.00
Pace Barka	-	-	-	-
Ropali Polyester	NA	-	NA	37.80
Sitara Chemicals	AA-/A-1	127.75	AA-/A-1	160.02
Sui Southern Gas Co. Ltd	NA	-	AA-	13.43
Sui Northern Gas Co. Ltd	AA/A-1+	26.74	AA	24.80
Standard Chartered Bank Ltd	-	-	-	-
SAMBA Bank Limited	A/A-1	1.96	A/A-1	3.31
Samint Textile	NA	6.10	NA	15.73
Sitara Peroxide	NA	13.25	NA	15.83
Saudi Pak Leasing Company Limited	D	0.55	-	-
Searle Pakistan Limited	NA	-	BBB/A-3	62.35
Shell Pakistan Limited	NA	208.22	NA	250.36
SME Leasing Limited	-	-	-	-
Shakarganj Sugar Mills Limited	-	-	-	-
Saudi Pak Commercial Bank Limited	-	-	-	-
The Royal Bank of Scotland	-	-	-	-
Telecard Co.	BBB	2.21	BBB	2.63
TRG Pakistan Limited	-	-	-	-
Universal Leasing	-	-	-	-
UTP Large CAP Fund	-	-	-	-
United Bank Limited	-	-	-	-
World Call Telecomm Limited	A-/A-2	2.90	A-/A-2	3.70

9.7.2 Mutual Funds

Companies	2010		2009	
	Credit rating	Market value (Rs.)	Credit rating	Market value (Rs.)
AKD Opportunity Fund	3-Star	31.70	3-Star	43.35
CDC Trustee NIT Government Bond Fund	2-Star	10.52	2-Star	10.13
CDC Trustee Askari Sovereign Cash Fund	AA+	104.46	-	102.99
CDC-Trustee Lakson Money Market Fund	AA	100.06	-	-
CDC-Trustee Faysal Saving Growth Fund	A	105.15	-	-
CDC-Trustee Atlas Money Market Fund	AA+	515.50	-	-
CDC-Trustee HBL Money Market Fund	AA+	102.92	-	-
Faysal Money Market Fund-Growth Units	AA+	100.53	-	-
Faysal Balance Growth Fund	4-Star	76.12	3-Star	-
JS Large Capital fund	-	65.15	NA	4.60
NAFA Stock Fund	3-Star	-	-	7.21
National Investment Trust	3-Star	31.42	2-Star	30.25
Pak Intl. Element Islamic Fund	3-Star	-	NA	48.54
Trustee Pakistan Income Enhancement Fund	4-Star	-	4-Star	50.67
United Growth and Income Fund	-	-	-	101.55
Reliance Income Fund	NA	-	NA	39.68
Pak Oman Advantage Fund	AA-	10.49	-	10.64

NA= Not Available



10. ADVANCES	Note	2010 (Rupees)	2009
In Pakistan		8,894,749,062	8,419,354,714
Outside Pakistan		-	-
		8,894,749,062	8,419,354,714
Net investment in finance lease			
In Pakistan	10.2	3,236,248,995	4,017,058,883
Outside Pakistan		-	-
		3,236,248,995	4,017,058,883
Bills discounted and purchased (excluding treasury bills)		-	-
Advances - gross	10.1.1	12,130,998,057	12,436,413,597
Provision for non-performing advances	10.1.6	(1,896,800,692)	(1,853,177,832)
Provision for non-performing lease	10.2.2	(877,148,250)	(769,802,118)
Advances - net of provision		<u>9,357,049,115</u>	<u>9,813,433,647</u>
10.1 Particulars of advances (gross)			
10.1.1 Local currency		12,075,583,112	12,380,998,652
Foreign currencies		55,414,945	55,414,945
		<u>12,130,998,057</u>	<u>12,436,413,597</u>
10.1.2 Long term advances	10.1.3	5,860,760,682	8,276,088,382
Short term advances	10.1.4	6,270,237,375	4,160,325,215
		<u>12,130,998,057</u>	<u>12,436,413,597</u>

10.1.3 These have been disbursed under agreements on mark-up basis in terms of which the purchase price represents total amounts sanctioned to be provided under the agreement and the corresponding sale price represents the amount eventually receivable, subject to rebate, if any, at the stipulated rate for repayment earlier than the scheduled date. The above arrangements are secured by charges created over assets of the beneficiary companies. These carry mark-up rates ranging from 7.00% to 19.20% per annum (2009: 7.00% to 19.36% per annum).

10.1.4 These are maturing within next twelve months and carry mark-up rates ranging from 14.00% to 18.18% per annum (2009: 9.00% to 18.63% per annum). These are secured by pledge of quoted shares, stocks and charge on receivable etc.

10.1.5 Advances include Rs. 2,828.882 million (2009: Rs.2,657.758 million) which have been placed under non-performing status as detailed below:-

Category of classification	Classified advances	Specific provision required Rupees	Specific provision held
Substandard	317,031,245	63,796,812	63,796,812
Doubtful	152,281,399	19,159,531	19,159,531
Loss	<u>2,359,569,349</u>	<u>1,813,844,349</u>	<u>1,813,844,349</u>
	<u>2,828,881,993</u>	<u>1,896,800,692</u>	<u>1,896,800,692</u>

	Note	2010 (Rupees)	2009
10.1.6 Particulars of provisions against non-performing advances			
Opening balance		1,853,177,832	1,685,352,700
Charge for the year		113,083,189	304,629,834
Amounts written off	10.1.7	-	(2,556,836)
Reversals		(69,460,329)	(134,247,866)
Closing balance		<u>1,896,800,692</u>	<u>1,853,177,832</u>
10.1.7 Particulars of amounts written off			
Against provisions	10.1.8	-	2,556,836
Directly charged to the profit and loss account		8,181,908	5,478,785
		<u>8,181,908</u>	<u>8,035,621</u>
10.1.8 Particulars of amounts written off against provisions			
Write offs of Rs. 500,000 and above		-	2,556,836
Write offs of below Rs. 500,000		-	-
		<u>-</u>	<u>2,556,836</u>
10.2 Net investment in finance lease			
Minimum lease payments receivables		2,655,719,315	3,392,519,940
Add: residual value of lease assets		892,564,243	1,061,108,543
Gross investment in finance lease		<u>3,548,283,558</u>	<u>4,453,628,483</u>
Less: unearned finance income		(312,034,563)	(436,569,600)
Present value of minimum lease payments	10.2.1	3,236,248,995	4,017,058,883
Provision for potential lease losses	10.2.2	(877,148,250)	(769,802,118)
Net investment in lease		<u>2,359,100,745</u>	<u>3,247,256,765</u>

10.2.1 Present value of minimum lease payments

	2010		
	Less than one year	One year to five year	Total
Lease rental receivable	1,649,078,456	1,899,205,102	3,548,283,558
Residual value	-	-	-
Minimum lease payments	1,649,078,456	1,899,205,102	3,548,283,558
Unearned finance income	(58,661,779)	(253,372,784)	(312,034,563)
Present value of minimum lease payments	<u>1,590,416,677</u>	<u>1,645,832,318</u>	<u>3,236,248,995</u>
	2009		
	Less than one year	One year to five year	Total
Lease rental receivable	1,147,260,897	3,306,367,586	4,453,628,483
Residual value	-	-	-
Minimum lease payments	1,147,260,897	3,306,367,586	4,453,628,483
Unearned finance income	(152,155,710)	(284,413,890)	(436,569,600)
Present value of minimum lease payments	<u>995,105,187</u>	<u>3,021,953,696</u>	<u>4,017,058,883</u>



10.2.2 Investment in finance lease include Rs. 900.753 million (2009: Rs. 771.470 million) which have been placed under non-performing status as detailed below:-

Category of classification	2010		
	Classified advance	Specific provision required	Specific provision held
		Rupees	
Substandard	31,473,350	7,868,338	7,868,338
Doubtful	-	-	-
Loss	869,279,912	869,279,912	869,279,912
	<u>900,753,262</u>	<u>877,148,250</u>	<u>877,148,250</u>

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

	2010	2009
	(Rupees)	
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons	14,497,918	14,725,952
Debts due by companies or firms in which the directors of the Group are interested as directors, partners	-	-
Debts due by controlled firms, managed modarabas and other related parties	-	-

11. OPERATING FIXED ASSETS

	2010										W. D. V	
	COST / REVALUED AMOUNT					DEPRECIATION					As at	
	As at January 01, 2010	Additions	Transfer	Disposals (Rupees)	Revaluation	As at December 31, 2010	Rate %	For the year January 01, 2010	On disposals	On Derecognition	December 31, 2010	As at December 31, 2010
Tangible assets												
Freehold land	8,088,120	-	-	-	-	8,088,120	1.19	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,018,225,001	-	-	-	-	1,018,225,001	4	42,409,070	12,116,877	-	54,525,947	963,699,054
Leasehold Land - Karachi	1,311,700,357	-	-	-	-	1,311,700,357	4	182,624,447	52,468,007	-	235,092,454	1,076,607,903
Building - leasehold Islamabad	22,019,252	72,217,564	-	-	-	94,236,816	4	3,082,696	880,788	-	3,963,484	90,273,362
Building - leasehold Karachi	103,076,275	-	-	-	-	103,076,275	5-20	25,774,766	6,302,911	-	32,077,677	70,998,598
Building	93,033,323	-	-	103,695	-	92,929,728	15	48,003,740	13,407,340	59,681	61,351,399	31,578,329
Heating and air-conditioning	41,000,000	-	-	-	-	41,000,000	15	21,524,976	6,149,994	-	27,674,970	13,325,030
Elevators	74,371,633	-	-	-	-	74,371,633	15	31,974,085	11,155,689	-	43,129,774	31,241,759
Electrical fittings	2,316,875	-	-	6,339	-	2,310,536	15	1,188,708	346,541	3,325	1,501,924	808,612
Fire fighting equipment	5,885,053	408,115	-	-	-	6,293,168	15	387,301	939,896	-	1,337,197	4,935,971
Leasehold improvement	100,742,404	781,397	-	9,050,140	-	92,473,661	20	54,656,032	11,577,742	6,346,116	58,887,658	32,586,003
Motor vehicles	24,262,594	155,910	-	506,451	-	23,912,053	20-30	20,192,472	1,195,553	418,084	20,969,941	2,942,112
Furniture, fixture and fittings	65,759,265	4,514,973	770,000	1,539,492	-	67,964,746	30-33.33	51,304,455	7,838,500	1,478,699	57,664,256	10,557,157
Office equipment	2,334,911	-	-	-	-	2,334,911	15	1,318,596	312,460	-	1,631,076	703,835
Telephone installation	1,311,027	886,250	-	8,575	-	1,988,702	15	697,306	191,775	8,573	880,508	1,108,194
Electrical appliances	310,125	965,000	64,800	30,000	-	1,170,325	15	242,575	96,951	29,990	309,536	860,789
Loose tools	988,593	-	(64,800)	-	-	1,063,393	15	975,068	32,227	-	1,007,295	56,098
Miscellaneous	10,274,956	709,710	-	-	-	10,984,666	15	2,499,706	1,627,057	-	4,126,763	6,857,903
Security systems	2,132,000	-	-	2,132,000	-	-	20	690,048	690,048	-	-	-
Leasehold Vehicles	11,946,7135	1,360,000	(770,000)	-	-	121,597,135	10	47,936,257	15,692,413	-	63,628,670	57,711,796
Leasehold plant and machinery							33.33					
Leasehold computers												
Intangible assets												
Software	12,814,036	3,334,582	-	-	-	16,148,618	20-33.33	9,075,334	2,178,101	-	11,253,435	4,895,183
Capital work in progress												
	3,007,288,799	81,788,919	-	13,376,592	-	3,075,701,126		537,462,294	142,332,721	9,034,516	670,760,499	2,404,940,627
	12,814,036	3,334,582	-	-	-	16,148,618	20-33.33	9,075,334	2,178,101	-	11,253,435	4,895,183
	3,020,102,835	85,123,501	-	13,376,592	-	3,091,849,744		546,537,628	144,510,822	9,034,516	682,013,934	2,409,835,810
	3,020,102,835	85,123,501	-	13,376,592	-	3,091,849,744		546,537,628	144,510,822	9,034,516	682,013,934	2,409,835,810

11.1 Revaluation of property of Subsidiary Company

The properties (Premises) of Saudi Pak Leasing Company Limited have been revalued as at September 28, 2008. The revaluation was carried out by an independent valuer, M/s Tracom (Private) Limited on the basis of professional assessment of present market value which resulted in surplus of Rs. 33,769 million, over the written down value.





	COST / REVALUED AMOUNT						DEPRECIATION						W. D. V	
	As at January 01, 2009	Additions	Transfer	Disposals (Rupees)	Derecognition	Revaluation	As at December 31, 2009	Rate %	As at January 01, 2009	For the year	On disposals	On Derecognition	As at December 31, 2009	As at December 31, 2009
Tangible assets														
Freehold land	8,088,120	-	-	-	-	-	8,088,120	-	-	-	-	-	-	8,088,120
Leasehold land - Islamabad	1,018,225,001	-	-	-	-	-	1,018,225,001	1.19	30,292,193	12,116,877	-	-	42,409,070	975,815,931
Leasehold Land - Karachi	1,311,700,357	-	-	-	-	-	1,311,700,357	4	130,156,440	52,468,007	-	-	182,624,447	1,129,075,910
Building - leasehold Islamabad	22,019,252	-	-	-	-	-	22,019,252	4	2,201,918	880,788	-	-	3,082,686	18,936,566
Building - leasehold Karachi	109,891,219	111,286	(131,770)	7,068,000	-	-	103,076,275	5-20	20,429,887	6,307,379	962,500	-	25,774,766	77,301,509
Building	90,968,810	2,074,513	-	-	-	-	93,033,323	15	34,303,366	13,700,374	-	-	48,003,740	45,029,583
Heating and air-conditioning	41,000,000	-	-	-	-	-	41,000,000	15	15,374,982	6,149,994	-	-	21,524,976	19,475,024
Elevators	70,744,753	3,830,000	203,220	-	-	-	74,371,533	15	21,217,146	10,756,939	-	-	31,974,085	42,397,448
Electrical fittings	2,316,875	-	-	-	-	-	2,316,875	15	811,217	347,491	-	-	1,158,708	1,158,167
Fire fighting equipment	1,659,147	5,629,676	-	1,423,770	-	-	5,865,063	15	602,282	453,508	658,489	-	397,301	5,467,752
Leasehold improvement	103,770,227	7,919,378	-	10,947,201	-	-	100,742,404	20	47,583,996	14,113,283	7,041,237	-	54,656,032	46,086,372
Motor vehicles	22,763,678	293,566	-	-	-	-	23,057,244	20-30	18,640,596	1,437,296	-	-	20,077,892	2,979,352
Furniture, fixture and fittings	65,555,155	4,202,422	-	2,792,962	-	-	66,964,615	30-33.33	46,764,818	7,344,188	2,689,941	-	51,419,035	15,545,580
Office equipment	2,296,911	38,000	-	-	-	-	2,334,911	15	1,009,091	309,505	-	-	1,318,596	1,016,315
Telephone installation	1,143,917	325,060	-	157,950	-	-	1,311,027	15	720,721	134,526	157,941	-	697,306	613,721
Electrical appliances	310,125	-	-	-	-	-	310,125	15	238,681	3,894	-	-	242,575	67,550
Loose tools	998,593	-	-	-	-	-	998,593	15	921,970	53,098	-	-	975,068	23,525
Miscellaneous	9,243,956	1,079,000	48,000	-	-	-	10,274,956	15	1,101,668	1,398,038	-	-	2,499,706	7,775,250
Security systems	177,305,657	12,967,366	1,321,850	186,819,173	-	-	2,132,000	20	37,858,564	21,830,461	58,998,977	-	690,048	1,441,952
Leasehold Vehicles	116,867,135	2,600,000	-	-	-	-	119,467,135	10	32,696,173	15,240,084	-	-	47,936,257	71,530,878
Leasehold plant and machinery	-	-	-	-	-	-	-	33.33	-	-	-	-	-	-
Leasehold computers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	3,176,858,888	41,070,267	1,441,300	209,199,056	-	-	3,007,288,799		442,925,699	165,045,680	70,509,085	-	537,462,294	2,469,826,505
Software	8,105,662	4,708,374	-	-	-	-	12,814,036	20-33.33	7,956,710	1,118,624	-	-	9,075,334	3,738,702
Capital work in progress	3,184,964,590	45,778,641	1,441,300	209,199,056	-	-	3,020,102,835		450,862,409	166,164,304	70,509,085	-	546,537,628	2,473,565,207
2009 Rupees	3,184,964,590	45,778,641	1,441,300	209,199,056	-	-	3,020,102,835		450,862,409	166,164,304	70,509,085	-	546,537,628	2,473,565,207

11.2 Details of disposal of operating fixed assets

Particulars of assets	Cost	Accumulated depreciation	Book value	Surplus on revaluation	Sale proceeds	Net gain/(loss)	Mode of disposal	Particulars of buyer
(Rupees)								
Refrigerator	7,200	7,199	1	-	1,500	1,499	Auction	Mr. Babar Faraz
Waves Air Conditioner (75)	32,949	17,297	15,652	15,652	1,000	1,000	Auction	Mr. Babar Faraz
Carbon Di Oxide (6 kg) Fire extinguisher	6,339	3,325	3,014	3,014	1,000	1,000	Auction	Mr. Babar Faraz
Intimus Paper Shredder Machine	27,600	27,599	1	-	2,000	1,999	Auction	Mr. Omer Siddiqui
Ladder MS pipe 1.25" Tower	30,000	29,990	10	-	3,000	2,990	Auction	Mr. Omer Siddiqui
Oil Radiator Heater	70,646	42,384	28,262	18,126	3,000	(7,136)	Auction	Mr. Omer Siddiqui
Padestal Fan 20"	1,375	1,374	1	-	500	499	Auction	Mr. Omer Siddiqui
Modular Table (44)	152,680	152,636	44	-	44,000	43,956	Auction	Mr. Omer Siddiqui
Executive Table (29)	178,305	155,148	23,157	-	54,000	30,843	Auction	Mr. Omer Siddiqui
Executive Chairs (23)	121,900	93,297	28,603	-	46,000	17,397	Auction	Mr. Omer Siddiqui
Dell Optiplex GS-240 SD (12)	827,928	827,916	12	-	84,000	83,988	Auction	Mr. Omer Siddiqui
Stabilizer SVC-1000 N Stavol (16)	141,264	141,248	16	-	32,000	31,984	Auction	Mr. Omer Siddiqui
Stabilizer SVC-1500 N Stavol (7)	48,900	48,893	7	-	11,000	10,993	Auction	Mr. Omer Siddiqui
Stabilizer SVC-5000 N Stavol (3)	124,390	124,387	3	-	12,000	11,997	Auction	Mr. Omer Siddiqui
Stabilizer SVC-1000 N Exmp model mv-10 (3)	18,000	17,997	3	-	5,555	5,552	Auction	Mr. Omer Siddiqui
Toyota corolla 2D Saloon (HE-522)	1,197,000	1,196,999	1	-	806,910	806,909	Auction	Mr. Muhammad Zubair
Suzuki Mehran VX CNG	418,923	234,068	184,855	-	234,500	49,645	Company policy	Muhammad Riaz
Hyundai Santro Club	640,280	376,310	263,970	-	263,970	-	Company policy	Capt. Azhar Ehtesham
Suzuki Mehran VXR APE-194	414,750	241,809	172,941	-	320,000	147,059	Negotiation	M. Akram
Super Asia Motor Cycle 70CC KBN-662B	39,900	20,185	19,715	-	18,000	(1,715)	Negotiation	Asfar Khan
Suzuki Baleno AHL -249	710,000	336,847	373,153	-	515,000	141,847	Negotiation	Syed Masroor Ali
KIA Sportage Jeep BD-0168	1,617,600	915,108	702,492	-	600,000	(102,492)	Negotiation	Sherwani Motors
KIA Sportage Jeep BC-5983	1,666,987	937,187	729,800	-	600,000	(129,800)	Negotiation	Sherwani Motors
Pak Hero Motorcycle STK-08-9435-04	37,700	11,299	26,401	-	24,000	(2,401)	Negotiation	Asfar Khan
Sale of chairs and tables	23,500	-	23,500	-	23,500	-	Negotiation	Mr. Ali Sher
Low back chair	30,066	17,004	13,062	-	3,000	(10,062)	Negotiation	Mr. Asif Saleem
Mobile phone NOKIA 6030	6,210	3,065	3,145	-	500	(2,645)	Negotiation	Mr. Karim Miraz
Mobile phone NOKIA 6030	5,100	2,100	3,000	-	500	(2,500)	Negotiation	Mr. Razak
Photocopier	118,000	63,390	54,610	-	8,000	(46,610)	Negotiation	Mansha Brothers
Vehicle	559,000	503,100	55,900	-	320,000	264,100	-	-
Vehicle	579,000	521,101	57,899	-	57,899	-	Company policy	Nayyar Alam Ilyas (GM-North)
Vehicle	1,169,000	1,052,101	116,899	-	117,101	202	Company policy	Nayyar Alam Ilyas (GM-North)
Split-General	110,000	110,000	-	-	7,500	7,500	Negotiation	Shahid Anjum
Spilt AC	79,000	79,000	-	-	7,100	7,100	Negotiation	Rais Ahmed
Spilt AC LG	21,000	21,000	-	-	8,100	8,100	Negotiation	Munazza Zia Siddiqui
Microwave	12,100	12,100	-	-	1,600	1,600	Negotiation	Gulam Hussain
Vehicle	1,532,000	411,053	1,120,947	-	1,201,361	80,414	-	-
Vehicle	600,000	279,000	321,000	-	437,001	116,001	-	-
	13,376,592	9,034,516	4,342,076	36,792	5,876,097	1,570,813	-	-

11.3 The gross carrying amount of fully depreciated assets that are still in use :

Furniture, electrical, office, computer equipment and others
Vehicles
Loose tools

2010	2009
(Rupees)	
34,160,689	24,062,639
8,030,913	7,988,283
226,940	209,440
42,418,542	32,260,362

12. OTHER ASSETS

Income accrued and receivables
Advances, deposits, prepayments and other receivables

Note	2010 (Rupees)	2009 (Rupees)
12.1	665,076,976	564,732,069
12.2	1,348,028,799	1,121,885,187
	<u>2,013,105,775</u>	<u>1,686,617,256</u>

12.1 Income accrued and receivables

Income from lendings to financial institutions
Dividend income
Income from investments
Income from advances
Others

4,621,166	19,613,341
-	1,303,750
149,495,719	276,701,764
319,582,159	235,031,982
191,377,932	32,081,232
<u>665,076,976</u>	<u>564,732,069</u>

12.2 Advances, deposits, prepayments and other receivables

Advances to suppliers
Security deposits
Prepayments and other receivables
Premium insurance ceded
Receivable from stock brokers
Advance tax
Premium due but unpaid
Amount due from other insurers
Reinsurance recoveries against outstanding claims
Deferred commission expense
Advance for purchase of shares

15,681,436	133,025,338
8,958,621	6,646,634
66,717,206	64,500,361
-	-
12.2.1	199,499,238
878,231,138	397,733,517
32,219,959	38,368,361
48,496,532	78,705,068
88,158,103	158,453,079
10,066,566	10,229,239
12.2.2	256,792
<u>1,348,285,591</u>	<u>1,122,141,979</u>
12.3	(256,792)
<u>1,348,028,799</u>	<u>1,121,885,187</u>

Provision against other assets



12.2.1 This includes receivable from DJM securities amounting to Rs. 173.421 million. The settlement package has been finalized with the broker who offered a property against the receivable amount. Sale deed has been duly executed and registered with the Registrar however mutation in the revenue records is in process.

12.2.2 This represents the advance given in prior years to National Accountability Bureau for the purchase of 32.718 million shares in Silk Bank Limited (formerly Saudi Pak Commercial Bank Limited). Out of this the Company has received 32.703 million shares, while the receipt of remaining shares is doubtful therefore the relevant amount of advance has been provided for.

	Note	2010	2009
		(Rupees)	
12.3 Provision against other assets			
Opening balance		256,792	3,007,152
Charge for the year		-	-
Reversals		-	(2,750,360)
Amount written off		-	-
Closing balance		<u>256,792</u>	<u>256,792</u>
13. BILLS PAYABLE			
In Pakistan		-	-
Outside Pakistan		-	-
		<u>-</u>	<u>-</u>
14. BORROWINGS			
In Pakistan		9,078,011,683	10,793,122,442
Outside Pakistan		-	-
		<u>9,078,011,683</u>	<u>10,793,122,442</u>
14.1 Particulars of borrowings with respect to currencies			
Local currency		9,078,011,683	10,793,122,442
Foreign currencies		-	-
		<u>9,078,011,683</u>	<u>10,793,122,442</u>
Long term borrowings	14.2	3,871,100,747	4,817,684,450
Short term borrowings	14.3	5,206,910,936	5,975,437,992
		<u>9,078,011,683</u>	<u>10,793,122,442</u>
14.2 Long term borrowings			
Against book debts/receivables	14.2.1	2,996,618,747	4,440,443,491
Against long term export oriented projects	14.2.2	874,482,000	377,240,959
		<u>3,871,100,747</u>	<u>4,817,684,450</u>

14.2.1 These represent facilities obtained against charge on book debts/receivables valuing Rs. 4,256 million (2009: Rs. 5,333 million). The markup is charged at varying rates ranging from 13.66% to 14.44% per annum (2009: 13.06% to 13.91% per annum). These facilities will mature during April 2011 to September 2014.

These also include long term finances obtained by the Saudi Pak Leasing Company from financial institutions, secured by hypothecation of specific leased assets and associated lease rentals and carry varying markup rates based on fixed rates, 3 month and 6 month KIBOR plus a spread ranging from 1.50% to 4.34% .

These include third issue of registered and listed TFCs issued by the Saudi Pak Leasing Company to 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 TFC holders approved the restructured payment terms of the TFCs with effect from September 13, 2010. As per the restructuring agreement, tenure for the repayment of TFCs has been extended by 4 years according to which the final redemption shall take place in March 2017 instead of March 2013 and the principal redemption shall take place in monthly installments starting from the month of September 2010. Markup rates have been reduced to 6% for the first 24 months from the restructuring date, 8% for a further period of 24 months (till the 48th month) and thereon markup shall be paid at the rate of one month KIBOR (Offer Side).

14.2.2 These represent facilities obtained against export oriented projects under SBP scheme. The markup is charged at rate of 5.00% to 8.60% per annum (2009: 5.00%). These facilities will mature during January 2011 to October 2017.

14.3 Short term borrowings	Note	2010 (Rupees)	2009
Against book debts/receivables	14.3.1	1,893,458,841	1,575,354,182
Repurchase agreements under PIBs - REPO	14.3.2	97,680,350	197,714,946
Repurchase agreements under T-bills - REPO	14.3.3	1,204,762,000	1,450,384,516
Clean/letter based financing	14.3.4	1,211,009,745	1,751,984,348
Morahaba finance	14.3.5	800,000,000	1,000,000,000
		<u>5,206,910,936</u>	<u>5,975,437,992</u>

14.3.1 These represent facilities obtained against charge on book debts/receivables. The mark-up is charged at rate of 16.12% (2009: 16.12%) per annum. These also include the current portion of borrowings obtained by SPLC as described in note 14.2.1

14.3.2 These are secured against Pakistan Investment Bonds. These carry markup rate of 12.90% per annum (2009: 12.05% per annum) and will mature in January 2011.

14.3.3 These are secured against Treasury bills. These carry markup rates ranging from 13.00% to 13.90% per annum (2009: 12.25% to 12.35% per annum) and are maturing in January 2011 (2009: January 2010 to April 2010).

14.3.4 These represent borrowing in local currency from various financial institutions and overnight borrowings. These carry interest rates ranging from 11.75% to 14.00% per annum (2009: 10.00% to 12.77% per annum). These facilities will be maturing in January 2011 (2009: January 2010 to March 2010).

14.3.5 These represent morahaba finance arranged from an Islamic Bank. These carry markup rates ranging from 13.74% to 14.05% per annum (2009: 12.76% to 12.80% per annum). These will be maturing from January 2011 to May 2011 (2009: January 2010 to April 2010).



14.4 Details of borrowings secured/unsecured		2010	2009
Secured	Note	(Rupees)	
Borrowings from State Bank of Pakistan			
-Long term financing of export oriented projects		874,482,000	377,240,959
-Under export refinance scheme		-	-
Repurchase agreement borrowings		1,302,442,350	1,648,099,462
Against book debts/receivables		4,890,077,588	6,015,797,673
Morahaba finance		800,000,000	1,000,000,000
		<u>7,867,001,938</u>	<u>9,041,138,094</u>
Unsecured			
Call borrowings		1,211,009,745	1,751,984,348
Overdrawn nostro accounts		-	-
		<u>1,211,009,745</u>	<u>1,751,984,348</u>
		<u>9,078,011,683</u>	<u>10,793,122,442</u>
15. DEPOSITS AND OTHER ACCOUNTS			
Customers		-	-
Financial institutions			
Remunerative deposits		-	-
Non-remunerative deposits		-	912,536,947
Certificates of investments (COIs)	15.1	2,858,458,046	3,523,715,714
		<u>2,858,458,046</u>	<u>4,436,252,661</u>
		<u>2,858,458,046</u>	<u>4,436,252,661</u>

15.1 These represent certificate of investments issued to various institutions. The mark-up is charged at varying rates ranging from 12.52% to 13.95% per annum (2009: 11.82% to 16% per annum). These are repayable in period ranging from January 2011 to August 2011(2009: January 2010 to August 2010). These also include certificate of investments issued to various institution by SPLC. The mark-up is charged at varying rates ranging from 6.5% to 18.5%. The maturity period ranges from January 01 , 2011 to April 15, 2014.

16. DEFERRED TAX ASSETS/(LIABILITIES)		2010	2009
(Rupees)			
Deferred tax assets arise due to:			
Accelerated tax depreciation		78,345,049	462,037,696
Provision against employee benefits		11,366,080	10,489,059
Provision against diminution in value of investment		-	114,718,891
Net investment in lease		17,970,920	(859,643,297)
Incremental depreciation		20,270,362	547,134,764
Surplus on revaluation of available-for-sale securities		134,002,633	3,343,200
		<u>261,955,044</u>	<u>278,080,313</u>

17. UNDERWRITING PROVISION	Note	2010	2009
(Rupees)			
Provision for outstanding claims		128,125,752	190,234,895
Provision for unearned premium		88,974,798	97,637,897
Commission income earned		11,533,932	11,946,244
		<u>228,634,482</u>	<u>299,819,036</u>
18. DEFERRED LIABILITIES			
Provision for staff gratuity		30,422,020	27,063,762
Provision for compensated absences		3,130,050	2,904,977
Deferred income	18.1	26,837,985	41,676,646
		<u>60,390,055</u>	<u>71,645,385</u>
18.1	This includes rent received in advance for premises let out in the Saudi Pak Tower, Jinnah Avenue, Islamabad.		
19. OTHER LIABILITIES	Note	2010	2009
(Rupees)			
Interest/mark-up accrued on borrowings	19.1	360,891,319	331,840,618
Creditors, accrued and other liabilities	19.2	144,563,364	157,786,081
		<u>505,454,683</u>	<u>489,626,699</u>
19.1 Interest/mark-up accrued on borrowings			
Long term finances		203,794,949	210,175,111
Short term finances		153,720,562	115,532,927
Repurchase agreements		3,375,808	6,132,580
		<u>360,891,319</u>	<u>331,840,618</u>
19.2 Creditors, accrued and other liabilities			
Directors' remuneration		3,091,586	3,032,557
Other payables		40,032,506	24,073,359
Payable on employees account		697,491	11,016,777
Corporate income tax payable		86,198,918	55,604,399
Amounts due to other insurers/reinsurers		3,445,283	14,376,268
Accrued expenses		11,097,580	49,682,721
		<u>144,563,364</u>	<u>157,786,081</u>
20. SHARE CAPITAL			
Authorized capital:			
600,000,000 ordinary shares of Rs. 10 each (2009: 600,000,000 ordinary shares of Rs. 10 each)		<u>6,000,000,000</u>	<u>6,000,000,000</u>
Issued, subscribed and paid up capital:			
400,000,000 ordinary shares of Rs. 10 each issued for cash (2009: 400,000,000 ordinary shares of Rs. 10 each issued for cash)		4,000,000,000	4,000,000,000
Bonus shares:			
200,000,000 bonus shares of Rs. 10 each (2009: 200,000,000 bonus shares of Rs. 10 each)		<u>2,000,000,000</u>	<u>2,000,000,000</u>
		<u>6,000,000,000</u>	<u>6,000,000,000</u>



	2010	2009
20.1 Reconciliation of number of ordinary shares of Rs. 10 each	(Number of shares)	
At the beginning of the year	600,000,000	500,000,000
Issued during the year	-	100,000,000
At the end of the year	<u>600,000,000</u>	<u>600,000,000</u>
21. RESERVES	(Rupees)	
Reserve fund	1,961,641,045	2,489,705,409
General reserve	-	-
Capital reserve	-	30,678,110
	<u>1,961,641,045</u>	<u>2,520,383,519</u>
22. CONTINGENCIES AND COMMITMENTS		
22.1 Direct credit substitutes		
Letter of comfort/guarantee	<u>31,830,000</u>	<u>230,445,000</u>
22.2 Transaction-related contingent liabilities		
Guarantees favoring:		
Government	-	-
Banking companies and other financial institutions	-	-
Others	-	8,825,000
	<u>-</u>	<u>8,825,000</u>
22.3 Other contingencies		
Non disbursed commitment for term, working capital and lease finance	824,886,000	1,130,100,000
Claims against the bank not acknowledged as debt	58,657,388	-
	<u>883,543,388</u>	<u>1,130,100,000</u>
22.4 Commitments in respect of forward exchange contracts		
Sale	-	-
Purchase	4,750,355,000	4,883,092,580
	<u>4,750,355,000</u>	<u>4,883,092,580</u>
22.5 Commitments for the acquisition of operating fixed assets	<u>1,799,518</u>	<u>1,850,400</u>
22.6 Other commitments		
Development cost of properties in Divine Gardens	61,592,400	-
Underwriting commitment	-	35,000,000
	<u>61,592,400</u>	<u>35,000,000</u>

22.7 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 created which has been paid by the holding company.

The appeals preferred by the holding company in this respect are presently pending adjudication before Income Tax Appellate Tribunal. It is likely that the appeals will be decided in favour of the holding company.

Tax year 2008 and 2009

The holding company's income tax liability has been assessed at Rs. 291 million and 650 million for tax years 2008 and 2009 respectively. The holding company's appeal before Commissioner Inland Revenue (CIR-Appeals) are pending. However the holding company had to pay Rs. 400 million. It is likely that the appeals will be decided in favour of the holding company.

22.8 Stahlco Domestic Products (Private) Limited

Stahlco Domestic Product (Pvt.) Limited is a defaulter of Saudi Pak against whom Saudi Pak has separately filed a recovery suit of Rs. 34.929 million in the Banking Court-IV, Lahore. The said customer in default as a counter-blast filed the instant frivolous suit against Saudi Pak claiming damages of Rs. 43.093 million on account of alleged overpayments and loss of business etc. Saudi Pak engaged a lawyer and filed application for leave to defend the suit (i.e. PLA) in the Court. Its reply has also been filed by the plaintiff. Now it is at advance stage of hearing and fixed for arguments on PLA by the legal counsels representing Stahlco and Saudi Pak. On the basis of record and lawful grounds, the matter is actively pursued for a favorable decision from the Court on merits.

22.9 Ceco Tyre (Private) Limited

Ceco Tyre also feeling aggrieved with Bank of Punjab who had reported bad CIB due to which Saudi Pak had also withdrawn its sanction letter of finance, has alleged that it has met losses etc. of Rs. 584.00 million, therefore, filed a declaratory and damages suit of the said sum on June 01, 2009. The suit has been filed against BOP making Saudi Pak a necessary party. In that Saudi Pak has filed its Petition for Leave to Appear and Defend the suit (PLA). BOP has also filed its PLA. Replies to both the PLAs have also been filed by the plaintiff. The case is now at advance stage of hearing and fixed for arguments of legal counsels representing Ceco, BOP and Saudi Pak. On the basis of record and lawful grounds, the matter is actively pursued for a favorable decision from the Court on merits.

22.10 Ceco Tyre (Private) Limited

Saudi Pak had sanctioned a finance facility favoring Ceco Tyres but was sooner cancelled due to bad CIB reported to State Bank of Pakistan by the Bank of Punjab. The plaintiff feeling aggrieved filed a declaratory and damages suit of Rs. 202.00 million on July 27, 2009 against Saudi Pak making BOP a necessary party. Saudi Pak engaged lawyer and filed its Petition for Leave to Appear & Defend the suit (PLA). Reply of the PLA has been filed by the Plaintiff. The matter is now fixed for arguments on PLA. Still pending adjudication with court.

22.11 Crescent Sugar Mills Limited

This suit for damages of Rs. 102.622 million was filed on October 13, 2008 by the borrowing company (Crescent Sugar) in Islamabad High Court, Islamabad against Saudi Pak. It is a counter-blast against the recovery suit filed by Saudi Pak in the Lahore High

Court, Lahore against the borrower company. However, further proceeding could not be held as IHC became non-functional and the case was transferred to Lahore High Court, Rawalpindi Bench for further hearings. Since then, the matter was not fixed/heard and stands adjourned for a date in office.

Government of Pakistan has re-established Islamabad High Court (IHC) effective from December 13, 2010 and will commence functions soon. It is however expected that this suit will be withdrawn/disposed off in terms of the provisions of settlement/compromise already entered into between the parties (i.e. Crescent Sugar Mills and Saudi Pak) vide Settlement Agreement dated November 08, 2010.

22.12 Ali Akbar Spinning Mills Limited

Ali Akbar Spinning Mills Limited (AASML) was served with legal notices but did not pay the Saudi Pak's outstanding dues. Therefore, Saudi Pak filed a recovery suit of Rs. 91.886 million during April 2010 in the Lahore High Court, Lahore against AASML and its directors/guarantors. AASML after receipt of Saudi Pak's legal notices also filed a frivolous damages suit of Rs. 827.102 million in the LHC, Lahore, as a counter-blast. Saudi Pak received Court Notices of the alleged damages suit during July 2010. After hiring services of the law firm (Mandviwalla & Zafar, Lahore), Saudi Pak filed its Petition for Leave to Appear and Defend the suit (PLA). AASML was required to file reply of the Saudi Pak's reply. Thereafter, the court will hear arguments of both the legal counsels on PLA and decide. Based on record and legal grounds, the matter is pursued for a favorable decision from Court on merits.

23. MARK-UP/RETURN/INTEREST EARNED	Note	2010 (Rupees)	2009
Income from lendings to financial institutions		126,717,684	238,913,375
Income from investments	23.1	493,642,603	574,666,383
Income from advances	23.2	842,291,364	956,031,572
Income from lease financing		215,288,486	387,084,613
Income from profit and loss saving accounts		41,454,471	158,893,777
		<u>1,719,394,608</u>	<u>2,315,589,720</u>
23.1 Income from investments			
Term finance certificates		249,272,001	290,007,196
Government securities		244,370,602	284,659,187
		<u>493,642,603</u>	<u>574,666,383</u>
23.2 Income from advances			
Long term advances		673,273,777	822,055,678
Short term advances		168,551,092	133,497,660
Staff advances		466,495	478,234
		<u>842,291,364</u>	<u>956,031,572</u>
24. MARK-UP/RETURN/INTEREST EXPENSED			
Mark-up/return/interest expensed	24.1	1,330,761,354	1,876,950,918
Deposits		49,471,262	162,742,351
Others		-	6,750,000
PIB's premium amortization		16,927,990	16,927,990
Brokerage fee		2,272,120	2,545,191
		<u>1,399,432,726</u>	<u>2,065,916,450</u>

	2010 Note	2009 (Rupees)
24.1 Interest/return/mark up expense		
Long term finances	559,558,012	771,563,204
Short term finances	604,286,483	909,278,945
Repurchase agreements - REPOs	166,916,859	196,108,769
	<u>1,330,761,354</u>	<u>1,876,950,918</u>
25. PROVISION AGAINST NON-PERFORMING LOANS AND ADVANCES		
Non-performing advances	<u>113,083,189</u>	<u>304,629,834</u>
26. PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS		
Provision for diminution in the value of investment	<u>107,578,931</u>	<u>79,170,922</u>
27. UNDERWRITING LOSS		
Net premium revenue	82,099,322	120,381,503
Net claims	(74,252,675)	(69,441,419)
Premium deficiency expense	-	1,530,820
Expenses	(56,403,136)	(65,451,372)
Net commission	2,552,358	1,118,860
	<u>(46,004,131)</u>	<u>(11,861,608)</u>
28. INCOME FROM SALE OF DEVELOPMENT PROPERTIES-NET		
Revenue from sale of development properties	190,282,500	-
Less: cost incurred on development properties	(141,281,100)	-
	<u>49,001,400</u>	<u>-</u>
29. OTHER INCOME		
Net rental income	29.1 23,107,975	37,978,640
Gain on sale of operating fixed assets	1,570,813	12,557,162
Gain on disposal of investment property	21,870,244	-
Miscellaneous income	(42,312)	23,284,511
	<u>46,506,720</u>	<u>73,820,313</u>
29.1 Net rental income		
Rental income	163,660,653	181,332,112
Less: operating expenses		
Salaries, allowances and employee benefits	11,445,649	11,361,472
Traveling and conveyance	1,140	420
Medical	139,954	192,736
Janitorial services	2,549,421	2,688,908
Security services	5,730,385	5,485,295
Insurance	2,550,204	2,586,615
Postage, telegraph, telegram and telephone	32,307	73,779
Printing and stationery	40,340	41,091
Certification services	48,400	113,000
Utilities	12,908,576	12,004,434
Consultancy and professional charges	150,000	469,890
Repairs and maintenance	5,380,018	7,829,292
Rent, rates and taxes	868,142	2,330,317
Depreciation	98,669,116	97,956,925
Office general expenses	39,026	219,298
	<u>140,552,678</u>	<u>143,353,472</u>
	<u>23,107,975</u>	<u>37,978,640</u>



	Note	2010 (Rupees)	2009
30. ADMINISTRATIVE EXPENSES			
Salaries, allowances and employee benefits		189,688,028	194,326,350
Rent, taxes, insurance, electricity, etc.		3,261,816	4,103,183
Traveling and conveyance		26,891,833	20,191,879
Vehicle running expenses		11,344,027	11,130,204
Utilities		7,797,129	6,491,748
Advertisement and publicity		2,098,783	2,799,027
Postage, telegram, telephone and telex		7,393,064	8,150,050
Printing, stationery and periodical		3,350,796	3,844,286
Legal and professional charges		8,460,642	12,123,976
Consultancy, custodial and rating services		8,521,528	7,986,358
Auditor's remuneration	30.1	1,938,914	1,436,951
Repair and maintenance		7,691,863	5,429,053
Office and general expenses		18,883,913	16,144,911
Bank charges and commission		2,230,346	5,008,371
Professional training		2,336,624	1,137,509
Insurance		(1,146,651)	(1,086,639)
Depreciation		26,590,196	26,490,792
Donations		10,010,000	3,646,006
		<u>337,342,851</u>	<u>329,354,015</u>
30.1 Auditors' remuneration			
Audit fee		1,640,000	1,225,000
Out of pocket expenses		298,914	211,951
		<u>1,938,914</u>	<u>1,436,951</u>
31. OTHER CHARGES			
Penalties imposed by SBP		731,400	36,000
32. TAXATION			
For the year:			
-Current		39,090,300	(35,492,838)
-Prior		8,211,547	2,395,671
-Deferred		112,560,839	237,759,471
		<u>159,862,686</u>	<u>204,662,304</u>
33. EARNINGS PER SHARE			
(Loss)/Profit for the year-(Rupees)		(274,968,826)	577,847,046
Weighted average number of ordinary shares-(Numbers)		516,666,667	516,666,667
Basic/diluted earnings per share-(Rupees)		(0.53)	1.12
34. Cash and cash equivalents			
Cash and balance with treasury banks		41,130,338	44,886,018
Balance with other banks		286,433,932	2,595,452,561
		<u>327,564,270</u>	<u>2,640,338,579</u>

	2010	2009
	(Rupees)	
35. DEFERRED LIABILITIES - for staff gratuity		
35.1 The amounts recognized in the balance sheet are determined as follows:		
Present value of defined benefit obligation	34,740,241	30,448,424
Fair value of plan assets	(5,761,817)	(4,354,853)
Unrecognized actuarial loss	1,443,596	544,557
	<u>30,422,020</u>	<u>26,638,128</u>
35.2 The amounts recognized in the profit and loss account are as follows:		
Service cost/provision for the year	3,931,854	3,210,129
Interest cost	3,110,495	3,096,777
Expected return on plan assets	(838,222)	(427,368)
Recognition of actuarial loss	(4,245)	36,684
	<u>6,199,882</u>	<u>5,916,222</u>
35.3 Movement in the liability recognized in balance sheet:		
Opening balance	27,063,762	23,633,890
Charge to profit and loss account	6,199,882	5,916,222
Payments by the company	(2,841,624)	(2,486,350)
Closing balance	<u>30,422,020</u>	<u>27,063,762</u>
35.4 The principal actuarial assumptions used were as follows:		
Discount rate	14.50%	12.75%
Expected rate of increase in salary	12.00%	10.75%

The expense is recognized in general and administrative expenses in profit and loss account.

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	Rupees					
Fees	-	-	3,091,586	3,427,448	-	-
Managerial remuneration	16,213,200	16,328,190	-	-	31,449,079	35,274,869
Contribution to defined contribution plan	595,286	1,050,666	-	-	1,237,366	3,406,336
Rent and house maintenance	5,498,381	6,677,189	-	-	12,758,605	15,927,175
Utilities	1,279,314	610,638	-	-	2,935,770	1,437,947
Medical	348,304	353,751	-	-	2,588,482	2,042,019
Bonus and Others	5,280,364	1,719,270	330,000	-	7,174,700	6,661,231
	<u>29,214,849</u>	<u>26,739,704</u>	<u>3,421,586</u>	<u>3,427,448</u>	<u>58,144,002</u>	<u>64,749,577</u>
Number of persons	4	4	6	12	42	41

36.1 Chief Executive and executives are also provided with Company maintained cars.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

37.1 On-balance sheet financial instruments

	2010		2009	
	Book value	Fair value	Book value	Fair value
Rupees				
Assets				
Cash balances with treasury banks	41,130,338	41,130,338	44,886,018	44,886,018
Balances with other banks	286,433,932	286,433,932	2,595,452,561	2,595,452,561
Lendings to financial institutions	431,257,750	431,257,750	2,220,072,818	2,220,072,818
Investments	7,177,103,246	7,177,103,246	6,903,786,981	6,903,786,981
Advances	9,357,049,115	9,357,049,115	9,813,433,647	9,813,433,647
Other assets	1,043,517,374	1,043,517,374	1,084,711,406	1,084,711,406
	<u>18,336,491,755</u>	<u>18,336,491,755</u>	<u>22,662,343,431</u>	<u>22,662,343,431</u>
Liabilities				
Bills payables	-	-	-	-
Borrowings	9,078,011,683	9,078,011,683	10,793,122,442	10,793,122,442
Deposits and other accounts	2,858,458,046	2,858,458,046	4,436,252,661	4,436,252,661
Liabilities against assets subject to finance lease	-	-	-	-
Deferred liabilities	-	-	-	-
Other liabilities	494,357,103	494,357,103	439,943,978	439,943,978
	<u>12,430,826,832</u>	<u>12,430,826,832</u>	<u>15,669,319,081</u>	<u>15,669,319,081</u>

37.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	4,750,355,000	4,750,355,000	4,883,092,580	4,883,092,580
Forward agreements for borrowing	-	-	-	-
Forward sale of foreign exchange	-	-	-	-
Forward agreements for lending	-	-	-	-

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 traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of lower of cost or break-up value of these investments as per the latest available audited 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 Regulation.

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.

38. Derivative Instruments

The Group does not deal in derivative instruments.

39. Segment Details With Respect To Business Activities

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

	Corporate finance	Trading and sales	Building rental services	Retail Banking	Commercial Banking	Total
2010						
(Rupees in '000)						
Total income	1,719,395	296,438	163,661	-	-	2,179,494
Total expenses	1,809,057	503,954	140,553	-	-	2,453,563
Net income (loss)	(89,662)	(207,515)	23,108	-	-	(274,069)
Segment assets (gross)	15,088,450	13,259,358	2,329,925	-	-	30,677,733
Segment non performing loans	3,729,635	311,350	-	-	-	4,040,985
Segment provision required	2,773,949	311,350	-	-	-	3,085,299
Segment liabilities	9,078,012	3,626,099	26,838	-	-	12,730,949
Segment return on net assets (ROA) (%)	(1.49)	(2.15)	1.00	-	-	(1.54)
Segment cost of funds (%)	11.99	3.80	6.03	-	-	8.00

2009	Corporate finance	Trading and sales	Building rental services	Retail Banking	Commercial Banking	Total
	(Rupees in '000)					
Total income	2,315,590	639,606	177,910	-	-	3,133,106
Total expenses	2,634,124	615,402	138,729	-	-	3,388,256
Net income (loss)	(318,534)	24,204	39,181	-	-	(255,150)
Segment assets (gross)	15,380,569	13,259,358	2,329,925	-	-	30,969,852
Segment non performing loans	3,429,229	492,109	-	-	-	3,921,338
Segment provision required	2,622,980	492,109	-	-	-	3,115,089
Segment liabilities	10,793,122	5,255,667	41,677	-	-	16,090,466
Segment return on net assets (ROA) (%)	(6.94)	0.30	1.71	-	-	(1.72)
Segment cost of funds (%)	17.13	4.64	5.95	-	-	10.94

40. Related Party Transactions

40.1 Related parties comprise of directors, entities owned by the directors of the Group, companies where directors of the Group also hold directorship, key employees and entities that have key management personnel in common. The following are the related parties of the Group for the year.

Key management personnel

Chief Executive/ Heads of departments
Directors
Employee funds

Companies with common directorship

Heavy Mechanical Complex
Vision Network Television
Pakistan Television Network
Pakistan Broadcasting Corporation
Pak Iran Investment Company
National Highway Authority
Pakistan Poverty Alleviation Fund
Pakistan Institute of Management
Utility Stores Corporation of Pakistan (Pvt) Limited
National Industrial Parks Development and Management Company
Pakistan Industrial Development Corporation
Export Processing Zones Authority
State Enterprises Display Centre Islamabad
Technology Up-Gradation and Skill Development Company Lahore
Competitiveness Support Fund Islamabad
Asian Productivity Organization Japan
Pakistan Gems and Jewelry Development Company Karachi
Silk Bank Limited
Pegasus Consultancy
Travel Club
Pakistan International Container Terminal Limited

Transactions with the related parties are executed substantially on the same terms, including mark-up rates and collaterals, as those prevailing at the time for comparable transaction with the unrelated parties and do not involve more than a normal risk (i.e. under the Comparable Uncontrolled Price Method).

Other than those transactions which are made under the terms of employment, the 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.

40.2 Following are the transactions with related parties:

Nature of transactions	2010 Rupees	2009 Rupees
Balances outstanding:		
Certificate of Investments	61,000,000	90,000,000
Net investment in lease	2,122,032	6,735,790
Borrowing from financial institution	-	4,000,000
Term Deposit Receipt	930,000	2,330,000
Bank Balances	46,957,867	29,693,168
Accrued Income	22,075	1,205,044
Employee funds		
Deposits against COIs	15,073,753	10,500,000
Payable to defined benefit plan	565,378	3,867,244
Transactions during the year		
Borrowings availed	1,696,000,000	-
Borrowings matured	1,696,000,000	-
Premium received	32,178,085	35,706,608
Claims paid	8,186,957	12,159,860
Interest expensed	32,338,310	16,076,289
Bank charges	157,630	123,958
Rent received	13,536,452	3,007,369
Interest income	5,499,302	12,826,822
Advisory Fee	1,000,000	-
Acquisition of shares	-	32,198,594
Sale of shares	-	67,302,834
Realized gain / (loss) on sale of shares	-	5,736,132
Key management personnel		
Advances to executives	2,449,562	1,940,076
Repayment of advances	2,382,932	1,713,862
Employee funds		
Contribution to the employees provident fund	5,511,765	4,891,797
Contribution to defined benefit plan	3,270,090	2,617,138
Interest expense	1,773,510	1,307,658

40.3 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 May 28, 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 has decided to convert the same into preference shares. The SBP vide its letter # BPRD/BLRD-04/SPIAICO/2011/87 dated January 04, 2011 has granted extension for conversion of subordinated loan into equity till June 30, 2011 .

41. Capital Adequacy

41.1 Scope of applications

The Basel II framework has been applied in accordance with circular no. BSD/BAI-2/201/1490/2008 dated December 30, 2008.

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

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

41.2 Capital adequacy ratio

Capital adequacy ratio (including corresponding figures) calculated in accordance with the BSD Circular No. 08 of 2006 dated June 27, 2006 issued by SBP is as follows:

	2010	2009
	Rupees in '000	
Tier I Capital		
Shareholders equity /Assigned Capital	6,000,000	6,000,000
Share premium	-	-
Reserves	2,013,620	2,572,363
Unappropriated / unremitted profits (Net of Losses)	(719,068)	(720,089)
Minority in the equity of the subsidiaries	(105,924)	46,609
Innovative and other capital instruments	-	-
Less: Goodwill, investment in commercial entities (50%)etc.	(118,624)	(144,690)
Total Tier I Capital	7,070,004	7,754,193
Tier II Capital		
Subordinated Debt (upto 50% of total Tier 1 Capital)	-	-
General Provisions subject to 1.25% of Total Risk Weighted Assets	-	-
Revaluation Reserve (upto 45%)	747,063	945,860
Less: Calculation difference (expected losses vs eligible provisions)	-	-
Investment in commercial entities (50%)	(112,685)	(115,500)
Total Tier II Capital	634,378	830,360
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	<u>7,704,382</u>	<u>8,584,553</u>



41.3 Capital Adequacy

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

	Note	Capital Requirements		Risk Weighted Assets	
		2010	2009	2010	2009
		Rupees in '000		Rupees in '000	
Credit Risk					
Portfolios subject to standardized approach					
Corporate		2,545,952	2,330,128	1,513,552	1,276,938
Banks		372,673	4,082,299	74,535	816,460
Sovereigns etc.		2,448,833	1,733,825	-	-
Unrated (Corporate)		7,679,962	8,453,009	7,679,962	8,453,009
Past Due Loans		-	-	-	-
Fixed Assets		2,355,185	2,410,926	2,355,185	2,410,926
Other Assets		2,573,213	2,828,759	2,084,172	2,158,310
Off Balance Sheet Exposure-Non Market Related		839,871	1,406,220	695,663	702,805
Off Balance Sheet Exposure-Market Related		4,750,355	4,883,093	23,752	2,465,962
Equity Exposure Risk in the Banking Book					
Equity portfolio subject to market-based approaches					
Under simple risk weight method		1,737,466	4,009,333	2,197,612	4,454,357
Under Internal models approach		-	-	-	-
Market Risk					
Capital Requirement for portfolios subject to Standardized Approach					
Interest rate risk		-	-	-	-
Equity position risk etc.		339,143	515,322	4,239,282	6,441,524
Capital Requirement for portfolios subject to Internal Models Approach					
Interest rate risk		-	-	-	-
Foreign exchange risk etc.		-	-	-	-
Operational Risk					
Capital Requirement for operational risks		106,759	96,808	1,334,484	1,210,105
		<u>25,749,412</u>	<u>32,749,723</u>	<u>22,198,199</u>	<u>30,390,396</u>
Capital Adequacy Ratio		2010		2009	
Total eligible regulatory capital held	41.2 (a)	7,704,382		8,584,553	
Total Risk Weighted Assets	(b)	22,198,199		30,390,396	
Capital Adequacy Ratio	(a) / (b)	34.71 %		28.25%	

41.4 Credit Risk-General Disclosures Basel II Specific

The Company used standardized approach for credit risk.

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

Types of Exposures and ECAI's used 2010

Exposures	JCR-VIS	PACRA
Corporate	x	x
Banks	x	x
Sovereigns	x	x
SME's	x	x

Credit Exposures subject to Standardized approach 2010

Exposures	Rating Category	2010			2009		
		Rupees in '000			Rupees in '000		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
Corporate	AAA/AA/AA+/AA-	699,120	-	699,120	689,384	-	689,384
	A+/A/A-	1,324,098	-	1,324,098	1,238,349	-	1,238,349
	BBB/BBB+/BBB-	41,317	-	41,317	57,911	-	57,911
	BB+/BB/BB-	1,401,707	-	1,401,707	1,234,532	-	1,234,532
Banks	A-1	181,201	-	181,201	3,695,892	-	3,695,892
	A-2	191,367	-	191,367	2,064	-	2,064
	A-3	104	-	104	384,455	-	384,455
	Others	-	-	-	-	-	-
Others		752,371	-	752,371	1,024,162	-	1,024,162
Sovereigns etc		2,448,833	-	2,448,833	1,733,713	-	1,733,713
Unrated		12,673,164	-	12,673,164	15,787,819	-	15,787,819

CRM= Credit Risk Mitigation

42. 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 and is in process of implementation/finalization. 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 15 percent as against regulatory requirement of 10 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 assess overall risk appetite of the company that in turn will be used to assess credit, market and operational risk appetite.

42.1 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
- 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.

42.1.1 Segmental information

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

42.1.1.1 Segments by class of business

	Advances (gross)		2010 Deposits		Contingencies and commitments	
	Amount	%age	Amount	%age	Amount	%age
	Rupees in '000'		Rupees in '000'		Rupees in '000'	
Financial institutions	114,000	1	2,858,458	100	4,884,012	85
Paper and allied	79,510	1	-	-	-	-
Electrical goods	56,296	-	-	-	-	-
Dairy and poultry	147,622	1	-	-	175	-
Banaspati and allied	10,000	-	-	-	-	-
Sugar and allied products	434,457	4	-	-	23,632	-
Chemical and fertilizer	944,524	8	-	-	120,000	2
Energy, oil and gas	1,633,567	13	-	-	164,985	3
Hotel and construction	842,183	7	-	-	-	-
Cement	445,231	4	-	-	-	-
Textile	2,226,528	18	-	-	295,810	5
Metal and metal products	480,053	4	-	-	110,269	2
Automobiles and allied	342,318	3	-	-	-	-
Transport/services and misc.	341,987	3	-	-	-	-
Telecommunication	263,778	2	-	-	50,000	2
Miscellaneous	3,768,944	31	-	-	80,237	1
	<u>12,130,998</u>	<u>100</u>	<u>2,858,458</u>	<u>100</u>	<u>5,729,120</u>	<u>100</u>

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

42.1.1.2 Segment by sector

	2010					
	Advances (gross)		Deposits		Contingencies and commitments	
	Amount	%age	Amount	%age	Amount	%age
	Rupees in '000'		Rupees in '000'		Rupees in '000'	
Public sector	-	-	-	-	-	-
Private sector	12,130,998	100	2,858,458	100	5,729,120	100
	12,130,998	100	2,858,458	100	5,729,120	100

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

	2010		2009	
	Rupees in '000		Rupees in '000	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
Financial institutions	101,500	101,500	101,500	101,500
Paper and allied	79,509	57,280	79,509	53,802
Electrical goods	26,295	26,295	29,744	19,935
Dairy and poultry	45,122	45,122	45,697	45,697
Banaspati and allied	10,000	10,000	10,000	10,000
Sugar and allied products	81,840	81,840	101,839	101,839
Chemical and fertilizer	68,743	68,743	138,965	93,778
Energy, oil and gas	264,687	102,332	159,543	61,144
Hotel and construction	212,358	7,779	219,423	-
Cement	267,154	198,840	271,087	271,087
Textile	1,022,459	703,535	927,302	589,317
Metal and metal products	190,625	135,067	190,625	128,179
Automobiles and allied	297,531	183,047	165,500	165,500
Transport/services	44,787	44,787	48,169	48,169
Miscellaneous	1,017,025	1,007,782	940,325	932,733
	3,729,635	2,773,949	3,429,228	2,622,680

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

	2010		2009	
	Rupees in '000		Rupees in '000	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
Public sector	-	-	-	-
Private sector	3,729,635	2,773,949	3,429,228	2,622,680
	3,729,635	2,773,949	3,429,228	2,622,680

42.1.1.5 Geographical segment analysis

	2010			
	Profit/(loss) before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000'			
Pakistan	(274,070)	22,244,816	9,513,867	5,729,120
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	(274,070)	22,244,816	9,513,867	5,729,120



42.2 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.

42.2.1 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 Parent 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.

42.2.2 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 special US Dollar Bonds and foreign currency deposits with other banks and deposit through SWAP and other hedging measures depending upon open market conditions. The Parent company 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.

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	22,235,840	12,730,949	978,765	8,526,126
United States Dollar	8,976	-	4,750,355	(4,741,379)
Great Britain Pound	-	-	-	-
Deutsche Mark	-	-	-	-
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
	<u>22,244,816</u>	<u>12,730,949</u>	<u>5,729,120</u>	<u>3,784,747</u>

42.2.3 Equity position Risk

The Parent Company has established a 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 scripts.



42.3.1 Maturities of assets and liabilities

	2010									
	Upto 1 month	Over 1-3 months	Over 3-6 months	Over 6-12 months	Over 1-2 years	Over 2-3 years	Over 3-5 years	Over 5-10 years	Above 10 years	
Total										
	(Rupees)									
Assets										
Cash and balances with treasury banks	41,130,338	-	-	-	-	-	-	-	-	-
Balances with other banks	286,433,932	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	431,257,750	34,316,667	-	-	-	-	-	-	-	-
Investments	7,177,103,246	1,143,202,843	405,315,040	2,204,005,799	583,863,198	349,976,439	410,900,330	1,159,766,940	500,000,000	
Advances	9,357,049,115	483,481,919	772,538,934	1,305,229,253	1,510,389,889	1,269,887,422	2,007,871,175	1,624,341,251	-	
Operating fixed assets	2,409,835,810	6,796,763	20,390,290	40,780,580	81,561,160	81,561,160	160,922,369	332,314,036	1,671,915,925	
Deferred tax asset	261,955,044	-	130,977,523	130,977,521	-	-	-	-	-	
Investments property	266,945,149	-	-	-	-	-	266,945,149	-	-	
Other Assets	2,013,105,775	274,701,699	300,827,211	1,168,441,213	-	-	-	-	-	
	22,244,816,159	1,897,345,711	1,630,048,998	4,849,434,366	2,175,814,247	1,701,425,021	2,846,639,023	3,116,422,227	2,171,915,925	
Liabilities										
Borrowings	9,078,011,683	3,184,334,854	743,326,611	607,764,333	490,940,872	1,800,986,402	843,909,221	1,348,540,809	-	
Deposits and other accounts	2,858,458,046	556,096,666	307,842,701	793,926,047	-	-	-	-	-	
Underwriting provision	228,634,482	-	-	-	228,634,482	-	-	-	-	
Deferred liabilities	60,390,055	2,093,424	6,280,272	12,560,544	-	-	11,034,581	24,234,386	-	
Other Liabilities	505,454,683	41,551,787	124,655,361	256,143,961	-	-	-	-	-	
	12,730,948,949	3,784,076,731	1,182,104,945	1,670,394,885	719,575,354	1,800,986,402	854,943,802	1,372,775,195	-	
Net assets	9,513,867,210	(1,886,731,020)	447,944,053	3,179,039,481	1,456,238,893	(99,561,381)	1,991,695,221	1,743,647,032	2,171,915,925	
Share capital	6,000,000,000	-	-	-	-	-	-	-	-	
Reserves	1,961,641,045	-	-	-	-	-	-	-	-	
Non-controlling interest	(42,689,064)	-	-	-	-	-	-	-	-	
Unappropriated profit	203,238,192	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets	1,798,153,421	-	-	-	-	-	-	-	-	
	9,513,867,210	-	-	-	-	-	-	-	-	

42.4

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.
- by putting in place business continuity plan and disaster recovery program.

43. Credit Rating

Holding company's long term and short term entity rating has been assessed by JCR-VIS Credit Rating Company Limited. Long term entity rating has been reaffirmed at AA+ (Double A Plus) and short term rating at A1+ (A one Plus) with stable outlook.

44. Date of Authorization For Issue

The consolidated financial statements were authorized for issue on 27 April 2011 by the Board of Directors of the holding company

45. General

45.1 In preparing these consolidated financial statements the disclosure requirements as contained in SBP's directives have been complied with to the extent considered appropriate by the Management, therefore corresponding figures have been rearranged or/and reclassified wherever necessary for the purpose of comparison.

45.2 Figures in these accounts have been rounded off to the nearest Pak Rupee, except as otherwise stated.


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


CHAIRMAN





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